

SFERS Board votes to pursue a phased divestment of “riskiest dirtiest fossil fuel assets” in its portfolio

At yesterday’s special board meeting, the SFERS Retirement Board approved a plan to reduce investments in the fossil fuel industry, while also protecting the retirement benefits of its members who have given years of service to the City and County of San Francisco.

The SFERS Retirement Board voted unanimously to approve Retirement staff’s recommendation of six strategies to address climate risk in the SFERS portfolio. In making the motion, Commissioner Wendy Paskin Jordan proposed that staff identify the “riskiest dirtiest fossil fuel assets” in the SFERS portfolio and to begin a prudent phased divestment of these targeted assets. Included in the successful motion was direction to Retirement staff to replace the targeted holdings with better performing assets.

In a subsequent amendment proposed by Commissioner Malia Cohen, the Retirement Board set a timeline for staff to bring proposed definitions and benchmarks for identifying the riskiest dirtiest fossil fuel securities and an outline of the phased targeted divestment process back for the Retirement Board’s approval by April 2018. Further, the Retirement Board directed staff to bring a recommendation on phased divestment from identified fossil fuel securities to the Retirement Board by October 2018.

The motion passed by the Board also included adoption of a “carbon constrained” strategy for \$1 billion of SFERS passive public markets portfolio with a target to reduce carbon emission in that strategy by 50% versus the Russell 1000 index.

Other strategies approved by the Retirement Board included hiring a Director of Social Responsible Investing to oversee the System’s engagement and targeted divestment activities; partnering with key public pension asset owners like CalSTRS and NYC Retirement Systems, to share tools and resources and to support collaborative initiatives to reduce the risks associated with owning fossil fuel securities; continuing to pursue renewable and carbon-constrained investments; and increasing the Plan’s socially responsible investing activities through Ceres and PRI.

Ceres tackles the world’s biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. PRI was launched in 2005 when the United



Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment.

The SFERS Retirement Board invests a trust of over \$24 billion and administers a defined benefit retirement plan for over 65,000 active and retired employees of the City and County of San Francisco. This vote follows the Retirement Board's most recent targeted divestment from thermal coal companies in May 2017. Previously the Retirement Board had approved investment of \$100 million in the MSCI-US ex fossil fuel index in July 2015 and had become a signatory the Principles for Responsible Investing in June 2017.

After the vote, Brian Stansbury, elected member and President of the Retirement Board, wanted to reassure the Plan members and the public that "while the Board is committed to socially responsible investing, we must ensure that all investment decisions meet our fiduciary duties and do not negatively affect our investment returns." Mr. Stansbury further stated that "the Board is committed to reducing both the employees' and the City's contributions to the pension system, while ensuring a sufficient return to pay cost of living adjustments (COLAs) for our retirees."

Both SFERS Retirement Board and staff recognize the harmful effects of global climate change and the need to protect the planet for future generations, as well as the investment risks associated with owning some of these fossil fuel securities. SFERS is confident that the Retirement Board's actions taken at yesterday's meeting will positively impact the fight against rising greenhouse emissions while protecting the retirement benefits of its members.

