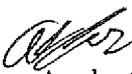


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: August 18, 2015

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and
Neighborhoods Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 15-0002-S70
Assignment No: 15-06-0526

SUBJECT: Resolution (Koretz-Bonin) to support Senate Bill 185 (DeLeon).

CLA RECOMMENDATION: Adopt Resolution (Koretz-Bonin) to include in the City's 2015-16 State Legislative Program SUPPORT for SB 185 (DeLeon), which would call upon the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to divest from their respective investment portfolios any holdings related to thermal coal power as part of the state's broader efforts to decarbonize the California economy and to transition to clean, pollution free energy resources.

SUMMARY

On June 23, 2015, a Resolution (Koretz-Bonin) was introduced in support of SB 185. The Resolution notes that California is 12th largest emitter of greenhouse gases in the world. In an effort to reduce the State's climate impact, in 2006, the California State Legislature adopted the Global Warming Solutions Act (AB 32) to establish a comprehensive program to reduce greenhouse gas emissions from all sources throughout the state.

SB 185 would prohibit CalPERS and CalSTRS from making any new investments in thermal coal companies, and would require both pension systems to divest any of their current investments in thermal coal companies on or before July 1, 2017. According to the Senate Appropriations Committee analysis of this measure, CalSTRS currently invests in 12 companies that meet the definition of thermal coal company, with an estimated market value of \$40M, while CalPERS invests in approximately 20-30 thermal coal companies with a current market value of approximately \$100-\$200M.

The California Constitution gives the boards of CalPERS and CalSTRS the fiduciary responsibility over the investment of retirement plan assets. However, the State Legislature is given the authority to prohibit certain investments by a retirement board when it is in the public interest, and if it satisfies the standards of fiduciary care required by the State Constitution. The Senate Appropriations Committee analyses notes that the Legislature has used this authority in the past to prohibit investments in companies that have specified energy or defense-related operations in Iran (AB 221 - Anderson, Chapter 671, Statutes of 2007); and to prohibit

investments in companies with business operations in the Sudan (AB 2941- Koretz, Chapter 442, Statutes of 2006).

As noted in Resolution (Koretz-Bonin), locally, the City of Los Angeles has also shown its commitment on multiple occasions to reduce the City's use of coal power, such as the Department of Water and Power's recent decision to divest itself of coal power by 2025, including divesting its 21% share in the Navajo Generating Station and shutting down one of the plant's three operating units in 2019, in order to greatly reduce the City's greenhouse gas emissions. Approval of Resolution (Koretz-Bonin) is consistent with that expressed goal.

DEPARTMENTS NOTIFIED

Los Angeles City Employees Retirement System
Fire and Police Pension Plan

BILL STATUS

Feb. 9	Introduced.
Apr. 14	Passed Senate Committee on Public Employment and Retirement (3-2).
June 1	Passed Senate Appropriations Committee (5-2)
June 3	Passed the Senate (24-14)
June 24	Passed the Assembly Committee on Public Employees, Retirement, and Social Security (5-1)
July 15	Placed on Senate Appropriation Committee - Suspense File.



Roy R. Morales
Analyst

SMT:KEK:rrm

Attachment: Resolution (Koretz-Bonin)

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, California is in the midst of an unprecedented drought, aggravated by climate change; and

WHEREAS, the State is the 12th largest emitter of greenhouse gases in the world; and

WHEREAS, in 2006, the CA Legislature adopted the Global Warming Solutions Act (AB 32) which established a comprehensive program to reduce greenhouse gas emissions from all sources throughout the state; and

WHEREAS, the City Council has approved its Department of Water and Power to divest itself of coal power by 2025, including divesting its 21% share in the Navajo Generating Station and shutting down one of the plant's three operating units in 2019, in order to greatly reduce the City's greenhouse gas emissions; and

WHEREAS, 167 countries responsible for more than 87% of the world's carbon emissions have signed on to the Copenhagen Accord, endorsing a two-degree Celsius target as the amount of warming that the planet Earth should not go beyond to ensure a relatively stable climate; and

WHEREAS, scientists estimate that humans can pour roughly 565 more gigatons of carbon dioxide into the atmosphere by 2050 and still have a small hope of staying below that two-degree Celsius temperature rise; and

WHEREAS, the Carbon Tracker Initiative, a team of London financial analysts and environmentalists, in an attempt to educate investors about the possible risks that climate change poses to their stock portfolios, published a report describing that the amount of carbon already contained in the proven coal, oil and gas reserves of the fossil-fuel companies is 2,795 gigatons, well beyond the 565 gigatons that scientist say might be reasonably safe, and which The New York Times recently reported could cause more than 16 degrees Fahrenheit of warming ; and

WHEREAS, a fossil fuel holdings divestment strategy has been proposed as an effective way to safely keep those coal and oil gas reserves in the ground; and

WHEREAS, SB 185 (De Leon) would require the California Public Employees' Retirement System (CALPERS) and the California State Teacher's Retirement System (CALSTRS) to divest their holding of thermal coal power as part of the state's broader efforts to decarbonize the California economy and to transition to clean, pollution-free energy resources; and

WHEREAS, the City strives to be a leader in progressive climate policy;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that upon the adoption of this Resolution, the Los Angeles City Council hereby includes in its 2015-2016 State Legislative Program SUPPORT for SB 185 (De Leon) and for its full and timely implementation.



PRESENTED BY: 
PAUL KORETZ
Councilmember, 5th District

ORIGINAL

SECONDED BY: 

JUN 23 2015