With new pension policy, California links retirement income to global warming

By Editorial Staff *Thu, Sep 6, 2018*

Senate Bill 964, which was passed last week, requires CalPERS and CalSTRS to identify climate risk in their portfolios and report on that risk to the public and to the legislature every three years.

Climate change is literally a burning issue in the tinderbox that is California, with wildfires costing the state a fortune and little doubt in the Democratic-controlled legislature that human-made global warming is one of the causes.

To incentive large companies to become part of the solution to the problem, legislators in the Golden State have passed a law requiring the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to consider "climate-related financial risk" when making investment decisions.

The two funds, which oversee a combined $590 billion, recently slipped down a ranking of investors' climate risk management by the Asset Owners Disclosure Project. In 2017, CalPERS was ranked 28th out of more than 300 pension funds, 19 places lower than a year before.

The bill must get the approval of California governor Jerry Brown before it can become law. *IPE.com* reported the news on Monday.

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The two funds must also report their portfolios' carbon footprints, and their progress towards meeting California's climate policy goals and the goals of the 2015 Paris agreement on climate change.

They should also provide a summary of activities undertaken by the pension funds in connection with climate-related financial risks.

Fossil Free California, a group co-sponsoring the bill, said it the first of its kind passed in the US and provides a statutory definition of climate-related financial risks that are posed to the funds by intense storms, rising sea levels, higher global temperatures, and economic damages from carbon emissions. Environment California, an advocacy group, also co-sponsored the bill.

The bill also covered other financial and transition risks emanating from public policies to address climate change, shifting consumer attitudes, and the changing economics of traditional carbon-intense industries.

CalPERS and CalSTRS are actively involved in a number of climate change initiatives, including Ceres and the Investor Network on Climate Risk.

Most recently, both funds were part of a coalition of investors voting for improved governance at Rio Tinto's annual general meeting, relating to the company's membership of lobbying organizations in relation to climate change – although this resolution was defeated.