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California Pension Bill Seeks \$15 Billion Divestment.

The California state Senate approved a bill that would force the country's two largest pensions to divest an estimated \$15 billion from oil and gas companies, a measure opposed by the funds' managers.

The measure, which passed in a 23-10 vote on Thursday, requires the California Public Employees' Retirement System and the California State Teachers Retirement System to empty their assets of large oil and gas companies by 2031 and halt any new investments by 2024.

The bill now heads to the Assembly, where similar legislation died last year after approval by the Senate.

The proposal highlights key divisions among California's Democratic supermajority as lawmakers' tough stance on climate change clashes with concerns that divestment will threaten the financial health of municipalities burdened with millions of dollars in pension fund liabilities. It also contrasts with efforts by Republican-led states like Florida and Texas to limit funds from making investment decisions based on environmental, social and governance issues.

"Senate Bill 252 would do nothing to combat the dangers of climate change," Calpers Chief Executive Officer Marcie Frost said in a statement. "Its only impact, at least in the short term, would be to make it that much harder to achieve the investment returns needed to pay the benefits promised to Calpers members."

Calpers said it uses its investments to push for climate change issues at large companies. The pensions say divestment would also increase risk by reducing their portfolio's diversification.

But Senator Lena Gonzalez of Los Angeles County, the bill's author, said the legislation's eight-year divestment timeline is sufficient to achieve the goals without harming returns.

"You've been engaging for decades with companies and they haven't done anything," said Gonzalez. "Clearly their strategy isn't working."

The bill has also splintered California's powerful labor interests. Unions representing firefighters and construction trades are against the measure, while a major teachers' union and the California Nurses Association support it.

Calpers and Calstrs manage a combined \$822.6 billion in assets. The funds are under pressure to provide an investment return rate of 6.8% and have in recent years turned to private equity to boost returns.

Proponents of the bill say the pension funds' continued investment in the oil and gas sector flout California's goal of reaching net zero carbon emissions by 2045.

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