# Financial 101
## What Divesting California's Public Pensions from Fossil Fuels Means
*Plus How It Benefits Workers and Protects our Democracy*

1. **What is a public pension? What are CalPERS and CalSTRS?**
   A public pension is a pension system for public employees – state, county or municipal workers. Two of the biggest public pensions in the U.S. are the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS). CalPERS members are workers in state and other public agencies (like highway workers and firefighters), and teachers at California State Universities (CSUs). CalSTRS is the pension for teachers in California's public K -12 schools and community colleges.

2. **In general, how are pensions invested?**
   Pensions take the contributions of employees and employers and invest them in a wide range of stocks and bonds, and sometimes also real estate and other investments.

3. **Why is it good to divest from fossil fuels?**
   Divesting from fossil fuels is good financially for the pension funds and is important for addressing climate change. When New York City decided to divest its three large retirement funds, it hired the financial consulting firms BlackRock and Meketa to independently write reports on divestment. "BlackRock and Meketa separately concluded that investment funds have experienced no negative financial impacts from divesting from fossil fuels. In fact, they found evidence of modest improvement in fund returns." Fossil fuel investments have had lower returns than stocks in general. A University of Waterloo study found that between 2012 and 2022 CalPERS and CalSTRS would have gained close to $10 billion dollars collectively if they had divested from fossil fuels (full report).

   Addressing climate change means we need to rapidly transition to clean energy. The International Energy Agency has concluded that 90% of coal and nearly 60% of all oil and gas reserves must remain in the ground if we are to have at least a 50% chance of keeping global heating below 1.5ºC (2.7ºF). This means at some point these assets will become stranded. Stranded assets are fossil fuels that cannot be burned and fossil fuel infrastructure (like pipelines, power plants, drilling operations) that can no longer be used, negatively affecting the value of oil and gas stocks. This is why, when the University of California divested its endowment and employee pension fund, it stated, "We believe hanging on to fossil fuel assets is a financial risk."

4. **Are pensions investments political choices?**
   Investing in a company or industry implies approval of the legitimacy of the business and its products. Historically, CalSTRS and CalPERS pension funds and other investors have chosen not to invest in the first place, or to divest from – sell off their investments – in certain industries such as firearms, tobacco, private prisons, and companies operating in South Africa's apartheid regime, Sudan and elsewhere. All investment decisions are political choices.

5. **If CalSTRS and CalPERS divest, what does that mean? Can I still drive my car? Will I still get a retirement?**
   When public pensions divest, it means that **over time the public pensions sell off their investments in the top 200 fossil fuel companies, and with that money, they make other investments**. Senate Bill 252, the Fossil Fuel Divestment Act, calls on California's public pensions (CalPERS and CalSTRS) to divest over a 7-year period, and lets them not divest if not divesting ends up being more fiscally prudent. Financially, divestment over a 7-year period is a good move leading to reduced risk and possibly modest higher returns. CalPERS and CalSTRS are "defined benefit pension plans" so **pensioners' benefits will stay the same, regardless of the funds' profit or losses**. And yes you can still drive a gasoline car and use natural gas to heat your home – divestment has nothing to do with how individuals and households buy and use energy.

6. **How much does CalSTRS have invested in fossil fuels?**
   - ➢ Looking at their investment in the 200 largest coal, oil and gas companies, CalPERS held $9.4 billion and CalSTRS held $5.4 billion (as of 2021).
   - ➢ CalPERS' and CalSTRS' total fund sizes are $469 billion and $327 billion, respectively, so fossil fuels make up less than 2% of total investments.

7. **How does divesting help address climate change?**
   To start with, divesting takes money away from fossil fuel corporations. Peabody Energy, the leading U.S. coal miner, cited divestment as one reason it had to seek bankruptcy protection, and Shell has listed it as a material risk to its future.

   Going deeper, divestment helps free our political system from the undue influence of the fossil fuel industry, which makes it possible for citizens and lawmakers to act on climate change. A recent study of various divestment movements concluded that almost all had been successful in ultimately winning restrictive legislation against their targeted industries. In the apartheid era of South Africa, divestment by public pensions and investors globally successfully helped speed the end of apartheid's racial segregation and oppression in that country. Today, fossil fuel companies are using their tremendous political power to block desperately needed climate legislation – around the globe and right here in California, and the global divestment movement is one of few tools powerful enough to stop fossil fuel companies from damaging our democracies as well as our air, soil, and water and way of life.

8. **What can I do to support getting my pension fund out of fossil fuels?**
   - ➢ Check out the Fossil Free California website and join the mailing list.
   - ➢ Are you a member of a nonprofit or business? Have your organization sign on in support. Union member? Work to get your union to pass a resolution in support of Senate Bill 252, California's Public Pension Fossil Fuel Divestment Act.
   - ➢ Email or call your local Assemblyperson to support the bill.

…And join us on Instagram , Facebook, LinkedIn and Bluesky to make some noise for a fossil free future for California and beyond!