

FACULTY ASSOCIATION OF



CALIFORNIA COMMUNITY COLLEGES

To: CalSTRS Investment Committee
From: Board of Governors, Faculty Association of California Community Colleges (FACCC)
Subject: Divestment from Fossil Fuel Companies
Date: September 25, 2020

The Faculty Association of California Community Colleges (FACCC), with members across 115 colleges in California, is a statewide professional membership association that advocates for California community college faculty. One of FACCC's core values states that community colleges are a driving force for economic growth, social cohesion, and opportunities for personal advancement of all Californians. FACCC has a long history of collaboration with the California State Teachers' Retirement System (CalSTRS), voicing community college faculty interests, providing retirement information to its members, promoting the system's legislative goals, and defending faculty pension funding.

The FACCC Board of Governors recognizes CalSTRS engagement in the promotion of sustainable environmental, social, and governance practice. The Board understands that CalSTRS ESG policy informs all CalSTRS activities and that the organization has dedicated resources to developing a Low Carbon Transition Work Plan aimed at embedding "sustainable investment and stewardship strategies" in its decision-making. However, after careful consideration and research, the FACCC Board has concluded that CalSTRS strategy of "retaining influence" by continuing to hold investments in fossil fuel corporations is imprudent and inconsistent with the fiduciary duty of CalSTRS. On September 12, 2020, the FACCC Board voted to urge CalSTRS to expeditiously divest from fossil fuel companies.

The FACCC Board of Governors is concerned that time has run out, and it is already too late to contain the environmental devastation resulting from fossil fuel emissions. Climate change is a global emergency and serious threat to the economic growth, social cohesion, and opportunities for current and future generations in California. 195 nations at the 2015 United Nations Convention on Climate Change's Conference of Parties in Paris set a path to keep the global temperature rise well below 2°C and make efforts to limit the temperature rise to 1.5°C. The Board notes that, to this end, the fossil fuel divestment movement has gained momentum. The global movement to stop investments in fossil fuel companies driving the climate crisis now includes over 1,110 institutions with more than USD \$11 trillion in assets under management.¹ These institutions have committed to divest from fossil fuels, moving their money out of the fossil fuel industry and into climate solutions that power a just transition to a 100% renewable energy future.

¹ https://631nj1ki9k11gbkx39b3qz-wpengine.netdna-ssl.com/divestment/wp-content/uploads/sites/52/2019/09/FF_11Trillion-WEB.pdf

California state treasurer Fiona Ma, who sits on both the CalSTRS and CalPERS (California Public Employees' Retirement System) boards, supports fossil fuel divestment. Leading the way for California's public institutions of higher education, the University of California has divested from fossil fuels in its endowment and pension fund, worth a combined \$83 billion. In addition to these statewide institutions, over 100 colleges and universities across the globe have committed to fully divest from fossil fuels, including the following: Foothill-De Anza Foundation, Peralta Community College District, Hampshire College, King's College, Lewis & Clark College, Middlebury College, Pitzer College, Prescott College, University College London, Australian National University, Boston University, Brandeis University, Cardiff University, Chico State University, Columbia University, Oregon State University, Stockholm University, University of Glasgow, University of Hawaii, University of Liverpool, and the University of St. Andrews.²

In May 2020, the University of California system announced that its investment portfolios were fossil free and that they had surpassed their goal of investing \$1 billion in promising clean energy projects. UC's Chief Investment Officer Bachher commented, "Today we remain convinced that continuing to invest in fossil fuels poses an unacceptable financial risk to UC portfolios and therefore to the students, faculty, staff, and retirees of the University of California."³ Furthermore, studies by Impax Asset Management⁴, the Aperio Group⁵, and MSCI⁶ show that there is no negative impact on performance when investors exclude fossil fuel companies from their portfolios.

Having become an economic risk to the CalSTRS fund as well as a potential for material loss of revenue (CalSTRS Divestment Policy⁷), CalSTRS fossil fuel investments have violated CalSTRS 21 Risk Factors over a significant period of time. Sustainable investing is more important now than ever, especially given the challenges we face in the world altered by a global pandemic. The FACCC Board of Governors urges CalSTRS to fully divest from fossil fuel companies as expeditiously as possible.

Sincerely,



Debbie Klein, Ph.D.

President, Faculty Association of California Community Colleges (FACCC)

² <https://gofossilfree.org/divestment/commitments/>

³ <https://www.universityofcalifornia.edu/press-room/uc-s-investment-portfolios-fossil-free-clean-energy-investments-top-1-billion>

⁴ <https://www.divestinvest.org/wp-content/uploads/2017/09/20130704-Impax-White-Paper-fossil-fuel-divestment-FINAL.pdf>

⁵ <https://www.aperiogroup.com/Resources/Papers/Building%20a%20Carbon-Free%20Equity%20Portfolio.Paper.pdf>

⁶ <https://www.msci.com/documents/10199/031bf397-5920-4fef-b743-0c879ae46610>

⁷ https://www.calstrs.com/sites/main/files/file-attachments/m_-_divestment_policy.pdf?1494872030