



California State Capitol  
1315 10th St.  
Sacramento, California 95814

July 10, 2017

To the Members of the California State Senate:

We the undersigned write to you today in order to urge you to reject Assembly Bill 20, which passed out of the California Assembly recently and is making its way through the Senate committee process. The bill in question was introduced as a means to force the divestiture of public employee retirement systems, including the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) from its investments with the Dakota Access Pipeline (DAPL).

This bill has seen opposition come both from pension board staff, as well as voices in the media. In February CalPERS staff issued a strong rebuke of AB 20 and the policy of divestment, asserting that "divesting is an ineffective strategy for achieving social or political goals." Later, the CalPERS investment committee formally voted to reject using divestment as a policy for achieving social goals, explaining that "divesting appears to almost invariably harm investment performance." The editorial board of *The Los Angeles Times*, which did not shy away from criticizing the Dakota Access Pipeline itself, called the bill "ill-considered," "attention-getting," "flawed," and "dangerous."

This proposal comes at a time when efforts are underway to ensure the health CalPERS and CalSTRS for the foreseeable future. We have seen the Governor and the state legislature approve the transfer of billions of dollars from the Surplus Money Investment Fund to the pension funds in the hopes of saving money in the future. CalPERS is facing a shortfall totaling around \$170 billion, while the CalSTRS shortfall amounts to over \$70 billion. In order to ensure that the funds can hit their returns, the trustees of the fund must be allowed to fulfill their fiduciary responsibilities without ideological considerations or pressure from politicians.

If the funds lose money, this burden will be borne by the pensioners, taxpayers, and business owners of our state. A recent study conducted by Prof. Daniel Fischel of the University of Chicago Law School estimated that CalPERS could stand to lose between \$210- \$289 million every year if the fund were to divest, amounting to a staggering \$2.3-\$3.1 trillion over 50 years. California taxpayers should not have to shoulder this additional financial burden.

Divestment activists may be forceful in stating their convictions, but they routinely overlook that fact that they are urging politicians to gamble with the money of hard-working retired civil servants, who put contributed for years into the funds with the expectation of a return. We believe that pension investments should not be politicized in any way. CalPERS and CalSTRS should be free to make investment decisions based on their fiduciary duty, not political influence.

We believe that California's public employee retirement systems should answer to the people that they serve, not activists or special interests.



There is no question that California should commit itself to an ever-cleaner environment and to shrinking our collective footprint. As a state, we set an example for the rest of the nation to follow. There are many great ideas to achieve progress on this front that should receive the careful consideration of the California Senate, and many already have. Jeopardizing the retirement savings of our state's taxpayers through divestment is not one of those ideas. We urge you and your colleagues to reject AB 20, and to instead focus on policies that will make a measurable impact on protecting our environment.

Signed,

Jerry Amante  
Former Mayor, City of Tustin

Tim Brown  
Mayor Pro Tem, City of San Clemente

Carolyn Cavecche  
President & CEO, OC Taxpayers Assn.

Doug Davert  
Former Mayor, City of Tustin

Carl DeMaio  
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Dr. John Eastman  
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Jon Lopey  
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Jim Righeimer  
Councilmember, City of Costa Mesa

Tim Shaw  
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Former Assistant City Manager, City of Tustin

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Mike Spence  
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