

BUDGET & FINANCE

MOTION

Because climate change is one of the greatest existential threats facing communities throughout the world, it is imperative that cities like Los Angeles thoroughly pursue strategies to reverse devastating climate trends. While the Los Angeles City Council has taken steps to locally increase renewable energy and decrease LA's carbon footprint, the City's pension funds are deeply invested in certain fossil fuel energy companies that do not reflect this priority.

In Los Angeles 'fire season' has become a year-round event forcing evacuations of hundreds of thousands of people throughout the region, burning communities down to their foundations, and leaving municipal governments with billions of dollars in damages.

According to NASA, the five warmest years on record have taken place since 2010. With much of the excess heat being absorbed by the oceans, global oceans have warmed by half a degree and the sea level rose eight inches in the last 100 years. Fires are burning longer and moving faster than ever before, coastal cities are faced with unprecedented storms and flooding, and hurricanes continue to devastate major populations centers like Houston, through the Gulf of Mexico, and up the eastern seaboard.

A simple but crucial, way to combat the effects of climate change is to ensure that the City of Los Angeles doesn't invest employee pension funds in companies that are perpetuating and expanding the effects of climate change. LACERS has invested more than \$100 million in oil companies, many of which have shown no interest in moving towards renewable energy. It is time for the leadership of Los Angeles to divest from oil companies that are actively contributing to the global problem of climate change and subjecting Los Angeles to unnecessary risk.

Los Angeles has historically upheld strong principles protective of the environment and the health and welfare of its residents. Consistent with the City's commitment to combating climate change, the City has a responsibility to divest LACERS pension holdings from fossil fuel companies that are unwilling to turn away from the production of oil.

Importantly, climate change is not only a global environmental threat but it presents a significant financial risk to shareholders of companies that perpetuate it. From financial losses because of extreme weather to asset re-pricing as the global economy moves towards a low-carbon economy, investments in fossil fuel companies pose a climate-transition risk that may endanger the financial vitality of LACERS investments.

Some major cities such as San Francisco have already initiated a coordinated effort to divest their pension funds from fossil fuel companies. On October 10, 2018 the board of the \$25.5 billion San Francisco Employees Retirement System (SFERS) voted to divest its shares in seven fossil fuel companies because they posed the highest climate transition risk according the SFERS' Climate Transition Risk Framework that is based on 1) Fossil Fuel Reserves, 2) Operational Emissions, 3) Climate Policy Approach, and 4) Financial Health.



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I THEREFORE MOVE that the City Council request the Board of the Los Angeles City Employees' Retirement System (LACERS), with the assistance of the City Administrative Office, reports in 30 days with the following:

1. Recommendations on the feasibility for the LACERS Board to adopt a similar Climate Transition Risk Framework to SFERS' to identify investments in fossil fuel companies that pose an environmental and financial risk;
2. Options to create a climate-change watch list that will report the riskiest investments in fossil fuel companies and develop a strategy to engage with the respective companies to reduce their oil and gas reserves and increase their efforts to move towards renewables and address climate change;
3. A plan to divest from uncooperative fossil fuel companies and appropriately reinvest capital;
4. A watch list to identify other LACERS investments such as in tobacco and firearm companies that contradict the City Council's official positions and goal to provide a healthy and secure future for Angelenos.



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