



Dear Board Members:

The past year has been a significantly challenging time for our community, our nation, and the world facing four simultaneous crises: a global pandemic, an economic crisis, a racial reckoning, and a worsening climate crisis. As our city looks to rebuild, we must do so in a way that better reflects our values and takes a sense of urgency to issues of racial justice and climate change. As such, I am requesting by July 1, 2021, the Seattle City Employees' Retirement System (SCERS) develop the processes necessary to formally adopt the goal of divesting in fossil fuels and ensuring SCERS investments are net zero carbon by 2040.

The impacts of climate change are here. And in the absence of significant collective action, we know these impacts will only get worse. Joining mayors from around the world, we are calling for a green and just recovery from the COVID-19 pandemic that is guided by adherence to public health and scientific expertise. We must be bold in the steps we take to achieve this goal. And as such, we must reexamine how City and City employee investments in fossil fuels impact our earth's climate.

It is the responsibility of the members of the SCERS board to manage investments in a way that minimizes the risk of large losses and best serves current and former City employees. Fossil fuels have become a risky and misguided investment, which is why I believe the SCERS Board must act to divest from fossil fuel assets and move to increase portfolios that address the climate crisis.

In recent years, investment firms have now highlighted fossil fuel investments as a significant financial liability and a misguided long-term investment. The energy sector, which does not include renewable energy, finished dead last in the Standard & Poor's 500 in 2018, while securities in major energy producers have underperformed to a level that [led](#) to the removal of Exxon Mobil from the Dow Jones Industrial Average. BlackRock's 2019 [analysis](#) shows that climate change and related extreme weather events "pose tangible risks to investment portfolios today, not just years in the future." A [recent report](#) from the Institute for Energy Economics and Financial Analysis (IEEFA) further points to the "lagging stock market performance, depressed profits and a weak outlook" of the fossil fuel sector.

While many of these investments are already facing financial liability, the SCERS board must also consider global and national regulatory and financial pressures to combat the climate crisis. For example, the financial impacts of coal company bankruptcies were not easily manageable with significant declines that coincided with reductions in coal use. Record stock prices went to a sector-wide bankruptcy within several years. Oil and gas producers are facing a similar set of regulatory and financial pressures as coal producers were facing a decade ago. The Commodity Futures Trading Commission lists "energy, including coal, oil, and gas production" at risk with business models or operations likely to be impacted by physical or transition risk. With a new White House focused on this crisis, it is clearly within the Board's duty to act with due diligence proactively protect against similar losses from repeatedly occurring.

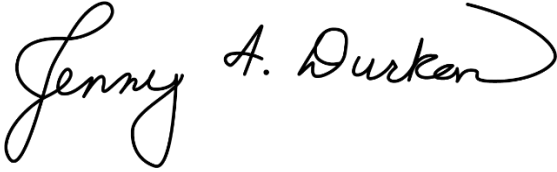
Importantly, other institutions that have taken steps to divest from fossil fuel commodities and companies have done so while also protecting assets and achieving targeted annual returns. Numerous university endowments in the previous decade have either fully or partially divested without discernable impact on the fair market value of the endowments. In December 2020, New York state's announced comprehensive assessment of energy sector investments within its \$226 billion pension fund with the intent to preserve retirement funds and address climate change risks, consistent with fiduciary duty.

I understand that the Board has considered investment strategies in the past and has developed policies and procedures to assess requests for divesting. I am requesting that by July 1, 2021, the board develop the principles and processes necessary to formally divest in fossil fuel shares and adopt the goal of ensuring

SCERS investments are net zero carbon by 2040. These should include a comprehensive framework for assessing investments' exposure to climate change risks, including both physical and transition risk; and a plan to prudently divest from the investments that most contribute to climate change, including holdings in the extraction or combustion of coal and petroleum, within the next five years. The policies and procedures should address all relevant issues necessary for the SCERS Board to formally adopt the net zero carbon by 2040 commitment during its regularly scheduled meetings in July 2021.

We can provide a foundation for other policies and principles for evaluating other areas to ensure the City's fiduciary responsibilities.

Sincerely,

A handwritten signature in black ink that reads "Jenny A. Durkan". The signature is written in a cursive style with a large, sweeping initial "J" and a long, horizontal flourish at the end.

Mayor Jenny A. Durkan