

California Public Employees' Retirement System (CalPERS) (Marcie Frost)

See attached



California Public Employees' Retirement System

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Chair Lauren Sanchez
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically at <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

February 6, 2026

Subject: Proposed California Corporate Greenhouse Gas Reporting and Climate-related Financial Risk Disclosure Initial Regulation

Dear Chair Sanchez and Staff,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing to express our continued support for the implementation of SB 253 and SB 261, as amended by SB 219, and our appreciation for the California Air Resources Board's (CARB) solicitation of feedback to inform the proposed initial regulation. The implementation of these statutes will provide institutional investors, consumers, and policy makers with a consistent source of valuable emissions and climate-related financial risk reporting data and allow investors to address such risk through asset allocation, voting, or engagement.

As the largest public defined benefit pension fund in the United States, CalPERS manages approximately \$600 billion in global assets on behalf of nearly 2.4 million members. We seek long-term and sustainable returns through efficient capital allocation and stewardship in line with our fiduciary duty.

We are guided by CalPERS' Investment Beliefs which recognize that "Long term value creation requires effective management of three forms of capital: financial, physical and human." Fulfilling the retirement promises made to our members requires fair, accurate, timely, and assured reporting on how companies manage their financial, physical, and human capital to generate sustainable returns. It also requires clear information about how they identify, monitor, and mitigate risks to those three forms of capital.

CalPERS has advocated for increased transparency on climate risk and portfolio company emissions for more than a decade. We believe that companies should disclose consistent, comparable, and reliable information in regulatory reports to help shareowners more easily

identify, assess, and manage climate risk and opportunity, and to better understand the full financial implications of climate-related data.

The actions CARB is taking will help ensure consistent, comparable, reliable, and decision-useful information for companies and investors navigating diverse reporting requirements.

Climate change is a global challenge and as long-term investors, with inviolable fiduciary duty to our members, we cannot afford to ignore its effects upon our investments that we rely upon to generate the returns that pay benefits.

Please find our responses to CARB's proposed initial regulation as documented in [Article 6: California Climate Disclosures](#). Thank you for your consideration.

Subarticle 1: General Requirements for California Climate Disclosures Reporting **§ 96201. Applicability.**

We appreciate the clearer guidance on applicability and specifically on the clarification that the article does not apply to the following entities:

- (1) Non-profit or charitable organizations that are tax-exempt under the Internal Revenue Code;*
- (2) A business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state;*
- (3) Federal, state, and local government entities, and companies that are majority-owned by government entities (>50.00%);*
- (4) A business entity whose only activity within California consists of wholesale electricity transactions; and*
- (5) A business entity whose only business in California is employee compensation or payroll expenses, including teleworking employees.*

Subarticle 2: Fees **§ 96203. Calculation of Fees.**

Based on the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation [staff report](#), both parent and subsidiary companies will be required to pay fees if they individually meet the applicability criteria. The fee calculation section states that the fee is a flat amount assessed across "all entities in scope" and does not list an exemption for subsidiaries of paying parent companies. It also states that this fee structure across all entities in scope was proposed "to reduce administrative burden associated with calculating, verifying, and managing a variable fee."

While we agree with the spirit of this proposal to reduce such burdens, we believe the fee structure does not take into consideration the administrative burden of large and complex entities that may have dozens of subsidiaries. Through our engagement with publicly traded companies, we have noted that the administrative burden of assessing all subsidiaries on an annual basis is significant. In

fact, the costs of administration and assessment for these companies can exceed the cost of the aggregated subsidiary fees themselves.

We believe that fees should only be assessed at parent company entities or for entities that file a report. We expect most companies to file an aggregate report at the parent company level, that incorporates its subsidiaries and therefore should only be assessed a fee as one entity. The statute requires fees to cover the “actual and reasonable costs” of administration. If a parent entity files one consolidated report, CARB staff only reviews/audits one document. Charging 50 separate fees for 50 subsidiaries when only one report is filed creates a “revenue-to-cost” mismatch rather than aligning fees with the actual work CARB performs (reviewing one report). Additionally, SB 219 explicitly amended the law to allow for consolidated reporting at the parent level. The fee structure should mirror the reporting structure. If the legislature recognized that consolidated reporting is sufficient for transparency, the fee structure should reflect that same unit of compliance.

If CARB dismisses the suggestion above, we believe that CARB should place a cap, e.g., 10, on the number of subsidiary entities that would pay a fee for any parent company.

If CARB also dismisses the above “cap” option, then CARB should allow for a Tiered Consolidation Fee. This would significantly reduce the administrative burden for complex companies while still providing the fee revenue expected by CARB. For example, if a parent entity estimates that it has between 50 and 100 in scope entities, it could opt to pay for the 100-fee tier. This allows the entity to satisfy its obligation without the burdensome assessment of determining whether it has a precise number of fee eligible entities between 50 and 100.

Thank you for the opportunity to share our comments. Please do not hesitate to contact Travis Antoniono, Investment Director, Sustainable Investments, at (916) 795-2238, or Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance.

Sincerely,

A handwritten signature in blue ink that reads "Marcie Frost". The signature is written in a cursive, flowing style.

Marcie Frost
Chief Executive Officer