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Henry James
Chair, CalPERS Investment Committee
400 Q Street
Sacramento, CA 95811

Dear Mr. James,

I am writing to urge CalPERS, in the strongest possible terms, maintain its current policy of not investing in tobacco stocks. Such an investment will undermine California's longstanding tobacco control program, which will increase the amount of disease and death in California and would be in direct opposition of longstanding public policy in California to reduce tobacco use.

Denormalization of the tobacco industry has been a central strategy of the successful California tobacco control program since the very beginning of it after the voters stood up to Big Tobacco when they passed Proposition 99 in 1988. This theme remains a key element of the program to this day, as outlined in the current Master Plan for the California Tobacco Control Program.¹

Continuing to support California's public policy of reducing tobacco use makes economic sense. Between FY 1989 and 2008 the California Tobacco Program led to cumulative savings in medical costs expenditure of \$134 billion,² including money saved for CalPERS. Indeed, the fact that California's smoking rate is below the national average was associated with it spending \$15.3 billion less on medical costs in 2009 alone.³

In addition to these obvious issues, CalPERS needs to carefully address possible undisclosed conflicts of interest for your investment advisors, Wilshire Associates, who have also worked for Philip Morris in the past, including helping them muster arguments against divestment in the late 1990s.⁴ This is particularly concerning because the tobacco companies have a history of using seemingly "independent"

¹ State of California Tobacco Education and Research Oversight Committee. *Changing Landscape, Countering New Threats 2015 -2017*. http://www.cdph.ca.gov/programs/tobacco/Documents/TEROC/Master%20Plan/MasterPlan_15-17.pdf

² Lightwood JI, Glantz SA. The effect of the California tobacco control program on smoking prevalence, cigarette consumption, and healthcare costs: 1989-2008. *PLoS One*. 2013;8(2):e47145. doi: 10.1371/journal.pone.0047145. Epub. 2013 Feb 13. Available at <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0047145>

³ Lightwood J, Glantz SA. Smoking Behavior and Healthcare Expenditure in the United States, 1992-2009: Panel Data Estimates. *PLoS Med*. 2016 May 10;13(5):e1002020. doi: 10.1371/journal.pmed.1002020. eCollection 2016. Available at <http://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1002020>

⁴ <https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=jnjin0071> and <https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=mnjin0071>

investment advisors to provide testimony that supports industry interests to policy makers, as we described in our 2004 paper “[The tobacco industry's use of Wall Street analysts in shaping policy.](#)”⁵

Another reason is that the tobacco companies are established racketeers under the federal Racketeer Influenced and Corrupt Organizations Act, and still under the supervision of Federal Judge Gladys Kessler.

The *Sacramento Bee* summed up the situation appropriately when it wrote:

In 2008, when the California State Teachers’ Retirement System contemplated reinvesting in tobacco, then-Treasurer Bill Lockyer issued a statement that summed up why it shouldn’t:

“In this country, the tobacco industry has a history of fraud and disregard for public health. That culture of deception has been exported to Europe, Asia and other parts of the globe, where the industry’s marketing targets children.”

Lockyer won then. His successor, Treasurer John Chiang, is taking the same stand, as is controller and fellow CalPERS board member Betty Yee.

“No public pension fund should associate itself with an industry that is a magnet for costly litigation, reputational disdain, and government regulators around the globe,” Chiang said in a statement. The rest of the CalPERS board ought to follow Chiang and Yee’s lead.⁶

At the very least CalPERS needs to do a thorough investigation of conflicts of interest for Wilshire (it took me less than 5 minutes to find the two cite documents in the UCSF Truth Tobacco Documents Library (<http://industrydocuments.library.ucsf.edu/tobacco>) as well as conduct a comprehensive analysis of the impacts that such a decision would have on all of CalPERS’ responsibilities, including its impact on the State of California as a whole.

At a time that the Legislature has ended years of domination by tobacco interests⁷ and passed a package of five strong tobacco control bills, it is, frankly, astonishing, that CalPERS is even considering this retrograde policy.

Sincerely yours,



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⁵ Alamar BC1, Glantz SA. The tobacco industry's use of Wall Street analysts in shaping policy. *Tob Control*. 2004 Sep;13(3):223-7. Available at <http://www.ncbi.nlm.nih.gov/pubmed/15333876>.

⁶ Editorial Board. CalPERS should not take up the tobacco habit again. *Sacramento Bee*. April 6, 2016. Available at <http://www.sacbee.com/opinion/editorials/article70340952.html>

⁷ Cox E, Barry R, Glantz S, Barnes RL. *Tobacco Control in California, 2007-2014: A Resurgent Tobacco Industry While Inflation Erodes the California Tobacco Control Program*. UCSF Center for Tobacco Control Research and Education. 2014. Available at <http://escholarship.org/uc/item/4jj1v7tv>