



Agenda Item 6a

November 17, 2014

ITEM NAME: California Public Divest from Iran Act

PROGRAM: Global Equity and Global Governance

ITEM TYPE: Total Fund – Action

RECOMMENDATION

Approve staff's recommendation that two portfolio companies are not subject to the California Public Divest from Iran Act (Iran Act) based on information provided by the companies.

EXECUTIVE SUMMARY

Staff has engaged two companies and determined both companies are not subject to the divestment provision of the Iran Act. The two companies are:

1. AF AB
2. Mitsubishi Corporation

STRATEGIC PLAN

This agenda item responds to statutory requirements and does not directly support the CalPERS Strategic Plan.

BACKGROUND

In October 2007, Assembly Bill 221 (AB 221) entitled the California Public Divest from Iran Act was enacted which provided for the identification, engagement and divestment of investments in companies with specified business operations in Iran, subject to CalPERS overriding fiduciary duty.

In October 2011, Assembly Bill 1151 (AB 1151) (Attachment 1), amended AB 221 to its current status as applicable to CalPERS under the requirements of Government Code section 7513.7. AB 1151 requires CalPERS to determine whether a company is taking substantial action to end or curtail business operations in Iran. Furthermore, it is required that this determination be supported by findings adopted by a roll call vote of the CalPERS Investment Committee following a presentation and discussion of the findings in open session.

ANALYSIS

CalPERS utilizes external third party resources including the U.S. Government Accountability Office (GAO) reports on Iran sanctions for the initial identification of companies subject to the Iran Act. In addition, staff coordinates with the California Department of General Services to acquire a list of companies prohibited from

contracting with public entities in California per the California Iranian Contracting Act of 2010.

Once a company has been identified, CalPERS notifies each company setting out the provisions of the Iran Act and requests a response which can be properly assessed. Following engagement with identified companies, staff considers the companies' status in compliance with the provisions of the Iran Act. The CalPERS Investment Committee will make the final determination of the companies' compliance with the Iran Act.

The actions specified in the Iran Act are subject to being consistent with the fiduciary duties of the CalPERS Board as described in Section 17 of Article XVI of the California Constitution.

Table 1 summarizes the key findings of the two companies engaged by CalPERS including substantial action taken or curtailed business operations pursuant to the Iran Act. The information in the table is based on the companies' written responses to CalPERS inquiries.

TABLE 1: Summary of Key Findings

	Company	Summary of Key Findings – Company Status
1	AF AB (Sweden)	On November 19, 2013, the Company stated: <ul style="list-style-type: none"> • Neither AF AB nor any subsidiary is engaged in any of the activities covered by the Iran Act; • The Swiss subsidiary AF Consult Switzerland had previously been providing consulting services to the energy sector in Iran and ended these services in July 2009; • Will not going forward be engaged in any activities falling under the Iran Act.
2	Mitsubishi Corporation (Japan)	On December 9, 2013, the Company stated: <ul style="list-style-type: none"> • It fully complies with Iran-related regulations and provisions; • Neither the Company nor any of its subsidiaries engages in any activities that fall within the scope of the Iran Act or any U.S. or United Nations restrictions on Iran transactions.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

This item fulfills CalPERS compliance with the provisions outlined in the Iran Act, thereby eliminating the risk of non-compliance with legislative reporting requirements.

ATTACHMENTS

Attachment 1 – California Assembly Bill 1151

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