



## Consent

### Agenda Item 4b

February 16, 2016

**ITEM NAME:** Report to the California Legislature – Holocaust Era and Northern Ireland

**PROGRAM:** Investment Compliance & Operational Risk

**ITEM TYPE:** Total Fund – Consent Action

#### **RECOMMENDATION**

That the Investment Committee (Committee) approve the transmittal of the 2015 Holocaust Era and Northern Ireland reports to the California Legislature.

#### **EXECUTIVE SUMMARY**

This agenda item seeks approval for staff to transmit to the California Legislature on or before March 1, 2016:

1. Holocaust Era Investments – MSCI Annual Legislative Report (Attachment 1)
2. Northern Ireland Investments – MSCI Annual Legislative Report (Attachment 2)

#### **STRATEGIC PLAN**

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

#### **INVESTMENT BELIEFS**

Not applicable.

#### **BACKGROUND**

Staff seeks permission to transmit to the Legislature the attached reports in order to comply with two separate California laws enacted in 1999 with respect to the reporting of portfolio holdings in, respectively, the following two categories of companies: (1) companies having unresolved legal claims relating to compensation of victims of slave or forced labor during World War II (California Code of Civil Procedure § 354.6) and (2) companies that fail to adhere to certain laws applicable in Northern Ireland relating to principles of nondiscrimination in employment and freedom of workplace opportunity (California Government Code § 7513.5).

CalPERS has engaged MSCI ESG Research, Inc. to prepare these mandated reports, which are included as Attachments 1 and 2, respectively.

**ANALYSIS**

The 2015 MSCI Holocaust Era Report (Attachment 3) identifies eight portfolio holdings that are facing lawsuits in Japan or China over the use of forced or slave labor during World War II. These companies are Kajima Corporation, Mitsubishi Corporation, Mitsubishi Materials Corporation, Mitsubishi Heavy Industries, Nippon Steel, Nachi-Fujikoshi Corp., Showa Denko, and Sumitomo Heavy Industries.

The 2015 MSCI Northern Ireland Report (Attachment 4) identifies CalPERS portfolio holdings with operations in Northern Ireland. Of these portfolio holdings, Global Governance staff has identified 58 companies that may not adhere to either the MacBride Principles, a code of conduct designed to strengthen anti-discrimination laws, nor fully comply with the Fair Employment and Treatment (Northern Ireland) Order 1998.

**BUDGET AND FISCAL IMPACTS**

The attached reports from MSCI ESG Research, Inc. were prepared at a cost of \$50,000.

**BENEFITS/RISKS**

Failure to comply with the statutory requirements of Holocaust Era and Northern Ireland reporting could result in legal and reputational risk for CalPERS.

**ATTACHMENTS**

- Attachment 1 – 2015 MSCI Holocaust Era Report and Legislature Holocaust Letter
- Attachment 2 – 2015 MSCI Northern Ireland Report and Legislature Ireland Letter
- Attachment 3 – 2015 Holocaust Era Holdings Report
- Attachment 4 – 2015 Northern Ireland Holdings Report

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