
February 13, 2017

Item Name: Report to the California Legislature – Holocaust Era and Northern Ireland

Program: Investment Compliance & Operational Risk

Item Type: Action Consent

Recommendation

That the Investment Committee (Committee) approves the transmittal of the 2016 Holocaust Era and Northern Ireland reports to the California Legislature as required by state laws.

Executive Summary

This agenda item seeks approval for staff to transmit the following to the California Legislature on or before March 1, 2017:

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

Strategic Plan

This agenda item supports statutory requirements and does not directly support CalPERS' Strategic Plan.

Investment Beliefs

Investment Belief 10 (Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives) is relevant as CalPERS must consider the government agency constraints under which it operates.

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 2016 MSCI Holocaust Era Report (Attachment 3) identifies eight portfolio holdings that are facing lawsuits in China, Japan or South Korea over the use of forced labor during World War II.

These companies are Kajima Corporation, Mitsubishi Corporation, Mitsubishi Heavy Industries, Ltd., Mitsubishi Materials Corporation, Nachi-Fujikoshi Corp., Nippon Steel & Sumitomo Metal Corp., Showa Denko K.K., and Sumitomo Heavy Industries, Ltd.

The 2016 MSCI Northern Ireland Report (Attachment 4) identifies CalPERS portfolio holdings with operations in Northern Ireland. Of these portfolio holdings, MSCI has identified 63 companies that may not fully adhere to either the MacBride Principles, a code of conduct designed to strengthen anti-discrimination laws, or 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. This does not include internal costs related to staff resources needed to complete this agenda item and transmit the reports to the Legislature.

Benefits and 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 – 2016 MSCI Holocaust Era Report
- Attachment 2 – 2016 MSCI Northern Ireland Report
- Attachment 3 – 2016 Holocaust Era Holdings Report
- Attachment 4 – 2016 Northern Ireland Holdings Report

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