



## Investment Committee

# Agenda Item 5f

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**December 17, 2018**

**Item Name:** Report to the Legislature – California Public Divest from Iran Act and Sudan Act Compliance

**Program:** Total Fund

**Item Type:** Information Consent

### **Executive Summary**

Staff intends to submit the attached report to the California Legislature and Governor pursuant to the requirements of California Government Codes § 7513.6 and §7513.7, also known as the Sudan Act and the California Divest from Iran Act (the Acts), respectively. The Acts require the CalPERS Board of Administration (Board), consistent with its fiduciary responsibilities, to identify, engage, and potentially divest from companies meeting the criteria identified in the Acts.

The CalPERS 2018 California Public Divest from Iran Act and Sudan Act Legislative Report is provided as Attachment 1.

### **Strategic Plan**

This item does not support the CalPERS 2017-22 Strategic Plan.

### **Investment Beliefs**

This item does not support CalPERS' Investment Beliefs.

### **Background**

#### *The Acts*

The Acts prohibit the boards of the California Teachers' Retirement System and CalPERS from investing in companies with specified business activities in Iran and Sudan, respectively, subject to the fiduciary duties of the Board as described in the California Constitution. The Acts are codified in Government Code (G.C.) §7513.6 (Sudan Act) and G.C. §7513.7 (California Public Divest from Iran Act).

The Acts require CalPERS to undertake a number of different activities, including the identification of and engagement with companies potentially subject to the Acts, divestment

where both indicated and consistent with the Committee's fiduciary duties, and submission of an annual report to the California Legislature<sup>1</sup>.

## **Analysis**

Highlights of differences between the 2017 report and 2018 report are as follows:

1. A number of companies held within the public asset class portfolios have been identified for further review, particularly in regard to G.C. §7513.7 and the temporary lifting of sanctions due to the Joint Comprehensive Plan of Action (JCPoA). With the subsequent U.S. withdrawal from the JCPoA and re-imposition of sanctions staff expects further changes to this category.
2. CalPERS' determined 13 companies did not meet the threshold criteria for consideration under the Acts. Additional information on those companies is available in Table 11 of the attached report, and in Agenda Item 6a presented at the September 24, 2018 CalPERS Investment Committee meeting<sup>2</sup>.
3. CalPERS has ceased reviewing a number of companies because CalPERS has no portfolio holdings. Additional information on those companies is available in Table 12 of the attached report.

## **Budget and Fiscal Impacts**

Not Applicable.

## **Benefits and Risks**

Failure to comply with the statutory requirement of the Acts could result in legal and reputational risk to CalPERS.

## **Attachments**

Attachment 1 – CalPERS 2018 California Public Divest from Iran Act and Sudan Act Legislative Report

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<sup>1</sup> [CalPERS legislative report archives](#)

<sup>2</sup> [CalPERS Board Meeting Archives, September 24, 2018, Agenda Item 6a, California Public Divest from Iran Act and Sudan Act – Adoption of Findings.](#)

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