



Investment Committee

Agenda Item 6g

November 16, 2020

Item Name: Report to the California Legislature – California Public Divest from Iran 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 Public 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 2020 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 supports CalPERS Investment Belief 3 - CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries.

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 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 Legislature¹.

Analysis

Highlights of differences between the 2019 report and 2020 report are as follows:

1. CalPERS has identified three companies held within the public asset class portfolios for further review under California Public Divest from Iran Act and one company held within the public asset class portfolios for further review for the Sudan Act.
2. CalPERS has ceased monitoring three companies because CalPERS has no stock holdings. Additional information on those companies is available in Table 10 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 2020 California Public Divest from Iran Act and Sudan Act Legislative Report

Christine Gogan
Interim Investment Director
Investment Controls & Operational Risk

Arnie Phillips
Interim Deputy Chief Investment Officer

¹ [CalPERS legislative report archives](#)