



# Investment Committee

## Agenda Item 4g

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**November 13, 2023**

**Item Name:** Report to the California Legislature: Iran

**Program:** Investment Controls & Operational Risk

**Item Type:** Information Consent

### **Executive Summary**

Staff intends to submit the following to the California Legislature pursuant to the requirements of California Government Code §7513.7, also known as the California Public Divest from Iran Act (the Act):

- CalPERS 2023 California Public Divest from Iran Act Legislative Report (Attachment 1)

### **Strategic Plan**

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

### **Investment Beliefs**

This agenda 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 Act prohibits the boards of CalPERS and the California State Teachers' Retirement System from investing in companies with specified business activities in Iran, subject to the fiduciary duties of the Board as described in the California Constitution. The Act requires CalPERS to undertake a number of different activities, including the identification of and engagement with companies potentially subject to the Act, divestment where both indicated and consistent with the Committee's fiduciary duties, and submission of an annual report to the California Legislature.

CalPERS has engaged MSCI ESG Research, LLC (MSCI) to screen for companies potentially subject to the Act.

## **Analysis**

Highlights of differences between the 2022 report and 2023 report are as follows:

1. No new companies were added for further review under the California Public Divest from Iran Act.
2. CalPERS has ceased monitoring additional companies that no longer meet the Act's threshold criteria based on research provided by MSCI. Additional information is available in Attachment 1.

## **Budget and Fiscal Impacts**

The research provided by MSCI was prepared at a cost of \$9,430. This does not include internal costs related to team member resources needed to complete this agenda item and transmit the report to the Legislature.

## **Benefits and Risks**

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

## **Attachments**

Attachment 1 – CalPERS 2023 California Public Divest from Iran Act Legislative Report

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