



JOEL ANDERSON
SUPERVISOR, SECOND DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: December 5, 2023

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TO: Board of Supervisors

SUBJECT:

ENSURING DIVESTMENT OF COUNTY FUNDS IN THE ISLAMIC REPUBLIC OF IRAN (DISTRICTS: ALL)

OVERVIEW

As a result of the Islamic Republic of Iran's historical support for international terrorism and record of human rights violations, over the past four decades, the United States government has imposed numerous sanctions and restrictions on business and investment activities with the Islamic Republic of Iran. Although sanctions and federal laws, such as the Iran Sanctions Act, authorize strict penalties for individuals and companies engaging in specified commercial activities or investment with the Islamic Republic of Iran, instances of entities illegally doing business with them, or with companies that commercially interact with them illegally, continue to be discovered.

The financial support for terrorist organizations by the Islamic Republic of Iran is long-standing and well documented by the United States government. We know that their money is the mother's milk of terrorism throughout the Middle East. According to the U.S. Department of State, the Islamic Republic of Iran provides approximately \$100 million annually to terrorist organizations, including Hamas, Palestinian Islamic Jihad and other groups. In light of the October 7, 2023, attack on the Israeli people by the terrorist group Hamas, it is critical that San Diego County's investment funds will in no way play a role in assisting the Islamic Republic of Iran's continued funding of terrorist groups and their activities.

Following the enactment of Assembly Bill 221 (Anderson) into law in 2007, it was discovered that over \$24 billion in public funds managed by the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) were being invested with the Islamic Republic of Iran in conflict with sanctions prohibiting such action. It is critical to ensure that local investment portfolios managed by the County of San Diego Treasurer and the San Diego County Employees Retirement Association, totaling between \$26 billion and \$32 billion, are in compliance with all laws and sanctions restricting investments with the Islamic Republic of Iran and companies that conduct business with them.

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I am therefore, recommending that the Board of Supervisors support actions to verify that the portfolios managed by these two entities are in compliance with all laws and sanctions restricting activities with the Islamic Republic of Iran and that they will continue to comply in the future.

RECOMMENDATIONS

SUPERVISOR JOEL ANDERSON

1. Request reports from the Board of Retirement of the San Diego County Employees Retirement Association and the County of San Diego Treasurer describing the actions each organization takes to certify they are in compliance with all laws and sanctions restricting investments with the Islamic Republic of Iran and companies that conduct business with them.
2. Request that the Board of Retirement of the San Diego County Employees Retirement Association and the County of San Diego Treasurer provide the Board of Supervisors annual reports, verifying their investment portfolios are in compliance with all laws and sanctions restricting investments in the Islamic Republic of Iran and companies conducting business with them.
3. Request that Board of Retirement of the San Diego County Employees Retirement Association and the County of San Diego Treasurer, consistent with the fiduciary duties imposed by law, amend their respective Environmental, Social, and Governance (ESG) investing strategies and associated policies, as needed, to specifically prohibit unlawful investments with the Islamic Republic of Iran, companies conducting business with them and any other entities identified by the United States government as contributors to terrorist organizations.

EQUITY IMPACT STATEMENT

San Diego County has a long-standing history of welcoming refugees from nations throughout the world. As a result, a significant number of County residents have family and other relationships tying them emotionally and financially to nations targeted by terrorist organizations. By ensuring that the billions of dollars invested in County investment portfolios will not play any role in financing weapons, training, or other activities contributing to the destruction and loss of innocent lives in their originating nations, we can provide our constituents with assurances that their current government representative agencies are doing their part to ensure they are addressing constituent and member concerns.

SUSTAINABILITY IMPACT STATEMENT

The recommended actions will enable the County's investment agencies to continue to invest billions of dollars in their portfolios in a manner that certifies their compliance with all laws and sanctions governing the legal investment of their members' assets.

FISCAL IMPACT

Funds for this request are included in the Fiscal Year 2023-24 Operational Plan for the Treasurer-Tax Collector. If approved, the cost for annual reporting to the Board of Supervisors will be minimal. There will be no change in net General Fund cost and no additional staff years.

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BUSINESS IMPACT STATEMENT

The recommended actions will benefit local investment agencies and the companies they invest in by providing an additional layer of assurances and regular review procedures to verify they are in compliance with all laws and sanctions restricting investment in the Islamic Republic of Iran and related business dealings.

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

As a result of the Islamic Republic of Iran's historical support for international terrorism and record of human rights violations, over the past four decades, the United States government has imposed numerous sanctions and restrictions on business and investment activities with the Islamic Republic of Iran. Although sanctions and federal laws, such as the Iran Sanctions Act, authorize strict penalties for individuals and companies engaging in specified commercial activities or investment with the Islamic Republic of Iran, instances of entities illegally doing business with them, or with companies that commercially interact with them illegally, continue to be discovered. One notable example was the German company Deutsche Bank, which was fined \$258 million by U.S. regulators for working with the Islamic Republic of Iran and other terrorist states.

The financial support for terrorist organizations by the Islamic Republic of Iran is long-standing and well documented by the United States government. We know that their money is the mother's milk of terrorism throughout the Middle East. According to the U.S. Department of State, the Islamic Republic of Iran provides approximately \$100 million annually to terrorist organizations, including Hamas, Palestinian Islamic Jihad and other groups. In light of the October 7, 2023, attack on the Israeli people by the terrorist group Hamas, it is critical that San Diego County's major investment funds will in no way play a role in assisting the Republic of Iran's continued funding of terrorist groups and their activities.

Following the California Legislature's unanimous passage of Assembly Bill 221 (Anderson), and Governor Schwarzenegger's signing of this bill into law in 2007, the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) investment portfolios were reviewed in an effort to confirm their investments did not include funds invested in companies doing unlawful business with the Islamic Republic of Iran. This action led to the discovery that over \$24 billion in public funds were being invested with the Islamic Republic of Iran in conflict with sanctions prohibiting such action.

In the County of San Diego, the Board of Supervisors delegates investment authority to the Treasurer for a period of one-year. This action authorizes the Treasurer to oversee the investment of the San Diego County Investment Pool which ranges in value between \$10 billion and \$16 billion. In addition to the County Investment Pool, approximately \$16 billion is invested by the San Diego County Employees Retirement Association (SDCERA) on behalf of County of San Diego employees and retirees. Plenary authority and the fiduciary responsibility for investment of these funds rests with the Board of Retirement of SDCERA. Pursuant to SDCERA's Investment

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Policy Statement, their investment program seeks to earn, on a long-term average basis, a rate of return that maximizes the value of the trust fund they oversee.

Although the Treasurer and SDCERA Board serve as a fiduciary and are obligated by law to secure positive rates of return on their respective members' investments, it is important to verify that the investments of these bodies are not directly or indirectly invested illegally in businesses with ties to the Islamic Republic of Iran.

Similar to the review, and oversight and reporting measures placed on the State's employee retirement systems, I recommend that the Board of Supervisors take action to ensure our local investment portfolios in the County are also in full compliance with all laws and sanctions restricting investment in the Islamic Republic of Iran or in companies doing business with them.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

The recommended actions align with the County of San Diego's 2023-2028 Strategic Plan Empower (Transparency and Accountability) Initiative by enhancing public accessibility to information through the regular reporting of County investment fund information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joel Anderson', with a long horizontal flourish extending to the right.

JOEL ANDERSON
Supervisor, Second District

ATTACHMENTS:
Assembly Bill 221