

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, DECEMBER 05, 2023**

MINUTE ORDER NO. 31

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.

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.

RECOMMENDATION(S)

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.

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.

ACTION:

ON MOTION of Supervisor Anderson, seconded by Supervisor Desmond, the Board of Supervisors took action as recommended.

AYES: Vargas, Anderson, Lawson-Remer, Desmond

NOES: Montgomery Steppe

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter