

**CITY OF OAKLAND**  
**AGENDA REPORT**

OFFICE OF THE CITY CLERK  
OAKLAND

2005 APR 21 PM 6:49

TO: Office of the City Administrator  
ATTN: Deborah A. Edgerly  
FROM: Finance and Management Agency  
DATE: April 26, 2005

RE: **A SUPPLEMENTAL REPORT REGARDING THE FISCAL IMPACT OF A RESOLUTION SUPPORTING ASSEMBLY CONCURRENT RESOLUTION 11 (ACR 11) INTRODUCED BY ASSEMBLY MEMBER MERVIN DYMALLY URGING THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) TO ENSURE THAT NO PUBLIC EMPLOYEE RETIREMENT FUNDS ARE INVESTED IN COMPANIES DOING BUSINESS IN SUDAN, AS LONG AS THE GENOCIDE AND FIGHTING CONTINUES IN DARFUR.**

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### **SUMMARY**

At its April 12, 2005 meeting, the Finance Committee directed staff to prepare a supplemental report regarding the estimated fiscal impact of Assembly Resolution 11 (AR11). AR11 urges the Public Employees Retirement System to ensure that no public employee retirement funds are invested in companies doing business in Sudan as long as the genocide and fighting continues in Darfur. The fiscal impacts presented in this report are an estimate based on figures reported in the media. City staff has no method available to evaluate precisely the potential impact.

### **FISCAL IMPACT**

This is an informational report only; there is no fiscal impact to the City of Oakland.

### **BACKGROUND**

As the nation's largest public pension fund and the third largest in the world, with assets totaling \$182.8 billion at December 31, 2004, CalPERS investments span domestic and international markets.

The CalPERS Board of Administration has investment authority and sole fiduciary responsibility for the management of the System's assets. The Board is guided by the CalPERS Investment Committee, management, and more than 150 staff conduct the daily activities of the investment program.

CalPERS' goal is to efficiently and effectively manage investments to achieve the highest possible return at an acceptable level of risk. In doing so, CalPERS has generated strong long-term returns. The CalPERS investment portfolio is diversified into several asset classes, so that over the long run any weaknesses in one area are offset by gains in another. The Board follows a

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strategic asset allocation policy that targets the percentage of funds to be invested in each asset class.

### **KEY ISSUES AND IMPACTS**

Because AR11 is an advisory measure, there are three actions that CalPERS can take.

1. Ignore the advisory and there would be no fiscal impact.
2. Adopt the ban on a prospective basis and sell off the stocks when the market is right, (insuring a net gain), and no longer purchase stock in companies doing business with Sudan.
3. Immediately divest the stocks in companies that do business with Sudan. The fiscal impact (profit or loss) would depend on the value of the stocks at the time of divestment.

The most likely scenario for CalPERS to undertake is number 2. The for-profit Conflict Securities Advisory Group listed 44 companies in which CalPERS holds an estimated \$7.5 billion worth of stocks with interests in the Sudan (*San Francisco Chronicle*, February 1, 2005). This amount, (disputed by CalPERS) represents approximately 4 percent of the CalPERS portfolio.

### **SUSTAINABLE OPPORTUNITIES**

None.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

None.

### **RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the City Council accept this informational report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council accept this informational report.

Respectfully submitted,



William E. Noland, Director  
Finance and Management Agency

Prepared by:  
LaRae Brown, Controller

APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

  
OFFICE OF THE CITY ADMINISTRATOR