

PERA will initiate a phased strategy to address PERA's direct public investments in foreign companies doing business in the Islamic Republic of Iran. The strategy will address and will include a number of actions, up to and including possible divestment. PERA recognizes the federal government has sole responsibility for the conduct of American foreign policy. PERA is acting out of a fiduciary concern for the welfare of its members' assets which requires a broad horizon and sensitivity to the potential risks posed by investment in Iran.

The United States prohibits loans from U.S. financial institutions and direct investment in the Iranian energy and defense sectors. The U.S. government can also impose economic sanctions on foreign companies investing in Iran's petroleum and natural gas sector. It is widely reported that Iran supports terrorism, supplies explosively formed penetrators for use against our troops in Iraq, continues to develop the infrastructure to support advanced nuclear technology, and that its president publicly calls for the destruction of the State of Israel.

PERA must be managed for the benefit of the members, retirees and beneficiaries, and this policy is developed to address the potential for risk presented by pension fund investments in companies doing business in Iran.

Accordingly, the PERA Board of Trustees adopts a policy consisting of the following phases:

- Phase I: Commencing immediately, staff shall undertake research to identify a list of public companies doing business in Iran which meet the following criteria: (This list will be developed through staff research of publicly available information that may include the retention of external third party researchers and/or other information provided by other public funds, pension systems, and investor organizations.)
 - 1) That have made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20,000,000 or more, in Iran's energy sector; or
 - 2) Are engaged in business with any Iranian organization labeled by the U.S. government as a terrorist organization; or
 - 3) Are engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

The Board may determine that a company has taken sufficient steps to mitigate risks presented by Iranian investments or that there is sufficient evidence of an elimination of ongoing Iranian investment or business activities to warrant removal of a company from the list (removal of moratorium companies requires 90-day advance notice as specified in Phase III).

- Phase II: Upon a company being included on the list that meets the criteria set forth under Phase I in which PERA holds a direct public investment, staff shall within 30 days after identifying such a company, engage such company and ask them to:
 - 1) Provide a detailed description of the nature, extent, duration, and full history of the companies' business activities in Iran;

- 2) Provide an explanation as to how these activities are consistent with a sound and prudent long-term investment strategy;
 - 3) Report how they are engaging the government of Iran regarding its conduct and how they are mitigating investment risks posed by doing business in Iran;
 - 4) Report whether substantial action has been taken to affect the policies and practices of the government of the Islamic Republic of Iran; and
 - 5) Additionally, staff shall, where practical, confer and work with other pension systems and investor organizations regarding information stemming from their engagement with such companies and potentially cooperate in taking joint action in engaging such companies.
- Phase III: Upon a company being included on the list that meets the criteria set forth under Phase I, the Board enacts a moratorium on direct public investments in companies in which PERA currently holds no interest. The moratorium shall apply upon the date that staff determines such a company meets the criteria. The Board shall give 90-days' advance notice before the effective date of any amendment or repeal of this moratorium to the public, the General Assembly, and the Governor.
 - Phase IV: Within 90 days after engaging such a company, staff shall evaluate the companies' responses and determine if they have taken sufficient steps to minimize risk to PERA and/or whether additional time is required to effectively engage such company. If not, staff shall analyze:
 - 1) The available strategies for addressing the risk presented;
 - 2) The viability of working with other interested parties and investors to affect the policies and practices of companies with business operations in Iran;
 - 3) The materiality of the company's Iranian operations in regards to their overall operations; and
 - 4) The availability of alternative direct public investments providing similar diversity and return expectations.
 - Phase V: Staff shall report to the Board its findings, actions, and recommendations concerning individual companies on the list as changes to the list warrant, but not less than annually. This report shall be made available to the public and forwarded to the General Assembly and the Governor; provided, however, the first public report shall be made no later than March 21, 2008. Should adequate mitigation of risk not be possible, the PERA Board of Trustees, consistent with its fiduciary obligations and responsibilities, will thereafter direct staff to:
 - 1) Withhold additional or new direct public investments in non-complying companies; and/or
 - 2) Divest current direct public investments in the companies.

Adopted on January 18, 2008 and revised March 20, 2009.