

File No. 130125

Committee Item No. _____

Board Item No. 17

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee _____

Date _____

Board of Supervisors Meeting

Date February 12, 2013

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget Analyst Report
- Legislative Analyst Report
- Introduction Form (for hearings)
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- _____
- _____
- _____

Completed by: Robert Moyer

Date February 6, 2013

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 20 pages. The complete document is in the file.

1 [Urging the Retirement Board to Divest from Firearm and Ammunition Manufacturers]

2
3 **Resolution urging the Retirement Board of the Employee's Retirement System to divest**
4 **from publicly-traded firearm and ammunition manufacturers.**

5
6 WHEREAS, San Francisco residents continues have been greatly impacted by gun
7 violence, and our City has experienced the tragic loss of 215 individuals killed by a firearm
8 and 880 reported non-fatal shootings between 2008 and 2012; and

9 WHEREAS, San Francisco has been a leader in gun control legislation on subjects
10 such as requiring safe storage of firearms and prohibiting the sale of enhanced-lethality
11 ammunitions; and

12 WHEREAS, In 2005, San Francisco voters passed Proposition H to ban the
13 manufacture, distribution, sale, and transfer of firearms and ammunition within San Francisco,
14 and ban City residents from possessing handguns within San Francisco, which was
15 implemented by Ordinance No. 55-06; and

16 WHEREAS, Proposition H was overturned by the San Francisco Superior Court in the
17 case of "*Fiscal v. City and County of San Francisco*;" and

18 WHEREAS, In recent years, random, mass gun violence has made the names of
19 communities such as Tucson, Arizona, Aurora, Colorado, Virginia Tech, and Newtown,
20 Connecticut synonymous with senseless loss of life and severe injuries; and

21 WHEREAS, Resolution No. 130049 stated that "as a City, San Francisco supports
22 common sense gun control reform to ensure that all of our City's residents can enjoy a greater
23 sense of safety in our city;" and

1 WHEREAS, Resolution No. 130048 stated that “the City and County of San Francisco
2 hereby commits to doing everything possible to provide common sense solutions to keep our
3 families, children, and communities safe;” and

4 WHEREAS, Under Section 12.100 of the San Francisco Charter, the Retirement Board
5 of the San Francisco Employees’ Retirement System (SFERS) “shall have plenary authority
6 and fiduciary responsibility for investment of monies and administration of the Retirement
7 System;” and

8 WHEREAS, In the wake of the shooting deaths of twenty-six people at Sandy Hook
9 Elementary School, including twenty children, a number of municipal retirement funds—
10 including the California State Teachers Retirement System (CalSTRS), the Municipal
11 Employees Annuity and Benefit Fund of Chicago, and the Philadelphia Board of Pensions and
12 Retirement—have taken action to divest from firearm and ammunition manufacturers; and

13 WHEREAS, On December 18, 2013, Cerberus Capital Management, a private equity
14 firm, announced that it planned to sell its ownership stake in Freedom Group Inc., a firearms
15 manufacturer, in response to concerns from Cerberus investors, including CalSTRS; and

16 WHEREAS, The Retirement Board’s Social Investment Policy states that, “The
17 relationship of the corporation to the communities in which it operates shall be maintained as
18 a good corporate citizen through observing proper environmental standards, supporting the
19 local economic, social and cultural climate, conducting acquisitions and reorganizations to
20 minimize adverse effects;” and

21 WHEREAS, Divesting from firearm and ammunition manufacturers is a responsible
22 way for the Retirement Board to carry out its fiduciary duties and demonstrate leadership in
23 implementing its Social Investment Policy; now, therefore, be it

24 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
25 urges the Retirement Board of the San Francisco Employees’ Retirement System (SFERS) to

1 review the SFERS investment portfolio to identify any holdings that include direct or indirect
2 investments in firearm and ammunition manufacturers; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
4 immediately cease any new investments in firearm and ammunition manufacturers or in
5 commingled assets that include holdings in firearm and ammunition manufacturers; and, be it

6 FURTHER RESOLVED, That, for any SFERS investments in commingled funds that
7 are found to include firearm and ammunition manufacturers, the Board of Supervisors urges
8 the Retirement Board to contact the fund managers and request that the firearm and
9 ammunition manufacturers be removed from the funds; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
11 ensure that within five years none of its directly held or commingled assets include holdings in
12 firearm and ammunition manufacturers; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
14 release quarterly updates, available to the public, detailing progress made towards full
15 divestment.

CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT BOARD POLICY

THE SOCIAL INVESTMENT PROCEDURES

The Retirement Board adopted the attached list of Social Investment Policies at the Retirement Board Meeting of September 27, 1988.

CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM

THE SOCIAL INVESTMENT PROCEDURES

Since it is necessary for adequate recognition to be given to the social consequences of corporate actions and security and portfolio investment decisions to achieve maximum long term investment returns from System assets, and since the individual decisions of Staff, Managers, Consultants, and other System fiduciaries have to be made within a framework that reflects the particular social situation and concerns of the participants and the System, the following policies shall be followed when investing, managing, or reviewing System assets. Social concerns to be addressed through investment policy shall follow the order of action as outlined in I, II, and III except where the Board has determined that action contemplated in an earlier step has been initiated prior to the adoption of these policies and found to be ineffective or non-relevant. In no event shall these policies take precedent over the fiduciary responsibility of producing investment returns for the exclusive benefit of the participants.

I. Shareholder Voting

The ownership of equity interests in many corporations as an investment of System assets includes the right to vote on the initiation, approval, or denial of major company policies and actions. These voting rights shall be exercised only by specific Board considerations and directions or by authorization under procedures which reflect Board decisions on popular issues.

- A. Issues likely to come before shareholders in a proxy "season" will be reviewed prior to the "season" to allow the sense of the Board to be obtained on generic issues to be voted by Staff when received.
- B. Issues of non-generic nature will be specifically reviewed by Staff and recommended to the Board for action. Counsel of the external managers shall be sought on issues of immediate investment concern for securities held in the manager's portfolio; i.e., mergers, acquisitions, buy-outs, etc.
- C. Determination of the social concerns that should be addressed through exercise of voting rights and subsequent implementation of the balance of these procedures will be made by the Board in full consideration of their responsibilities as fiduciaries of the System and only after Staff review of the

investment and social implications. Additional information from external managers and other outside sources will be sought when necessary.

II. Promoting Social Rights and Interests

The ownership of equity interests, and to some extent of fixed income interests, in many corporations provides an opportunity to act individually or in concert with other shareholders to assure proper recognition of social interests. Social interests shall be promoted only if in the interest of the participants, the community and the corporation as expressed in the preceding section on shareholder voting.

- A. Shareholder resolutions will be initiated upon review of previous shareholder votes, discussion with the corporation, and Board determination that the proposed resolution is a reasonable vehicle to influence corporate activities.
- B. Other interested shareholders may be actively sought to express common concerns, join in resolutions, and solicit proxy votes.
- C. Specific investment programs that benefit the Participants while aiding other persons or entities may be considered provided that expected investment returns are at least equivalent to available alternatives of similar risk.

III. Investment Restrictions

When social concerns have not been or cannot be addressed adequately through discussion, exercising shareholder voting rights, promotion of shareholder initiatives, or participation in active investment programs, it may be necessary to restrict System investment activities in specific areas to promote the interests of the participants. In general, restrictions will be adopted in the following manner:

- A. Restrictions will not take precedent over investment considerations but will be used to set standards when dealing with essentially equivalent investment choices.
- B. Recognizing that substantial investment flexibility is necessary to maximize returns at an acceptable level of risk, restrictions will be adopted only when exercising voting rights and promoting investment initiatives have not been or would not be successful and alternatives to the restricted securities are available which do not compromise potential investment return.

- C. Restrictions will be applied at the lowest possible investment level, either specific issuers or securities, to protect against adverse investment effects and facilitate amendment in response to corporate action or changes in investment or social climate.
- D. Restrictions will be analyzed periodically for social and financial consequences and amended or repealed as appropriate.
- E. Restrictions will be applied only upon specific decision of the Board based on available information as evaluated by Staff, and after full consideration of the investment ramifications.

CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT BOARD POLICY

THE SOCIAL INVESTMENT POLICIES

The Retirement Board adopted the attached list of Social Investment Policies at the Retirement Board Meeting of September 27, 1988. As new policies are developed and adopted, they will be added to this document.

- | | | |
|---|----------------|----------------|
| <p>1. Corporate activities of companies whose securities are owned by the System shall be conducted in compliance with all applicable laws and regulations.</p> | <p>Level I</p> | <p>9/27/88</p> |
| <p>2. <u>Employment Standards</u></p> <p>Active measures shall be taken to assure that the corporation meets fair employment standards including non-discrimination in hiring, transfer, pay and promotion, decent working facilities and conditions, and the recognition of all legal employee rights of organization and political expression.</p> | <p>Level I</p> | <p>9/27/88</p> |
| <p>3. <u>Community Relations</u></p> <p>The relationship of the corporation to the communities in which it operates shall be maintained as a good corporate citizen through observing proper environmental standards, supporting the local economic, social and cultural climate, conducting acquisitions and reorganizations to minimize adverse effects and not discriminate in making loans or writing insurance.</p> | <p>Level I</p> | <p>9/27/88</p> |
| <p>4. <u>Corporate Governance and Internal Affairs</u></p> <p>The Bylaws of the corporation shall be maintained to permit full expression of shareholder voting rights in corporate affairs and to prevent entrenchment of management. Executive compensation shall be fair and reasonable. Reports and data shall be made available to shareholders concerning social issues to the extent possible without jeopardizing business interests.</p> | <p>Level I</p> | <p>9/27/88</p> |

- | | | |
|--|-----------|----------|
| 5. <u>MacBride Principles</u> | Level I | 2/25/92 |
| <p>The corporation shall affirm and adhere to the MacBride Principles concerning operations in Northern Ireland.</p> | | |
| 6. <u>Tobacco Divestment</u> | Level III | 10/13/98 |
| <p>Due to the existing litigation, proposed legislation and probable governmental restrictions relating to the Tobacco industry, the System will not invest in the equity and fixed income securities of companies manufacturing tobacco products. (See list)</p> | | |
| 7. <u>Sudan Investments</u> | Level II | 6/13/06 |
| <p>The Retirement Board directed staff to engage in constructive dialogue with companies doing business in Sudan because US Congress and the State Department have found the Sudanese Government to be complicit in genocide in Darfur region.</p> | | |
| 8. <u>Sudan Investments</u> | Level III | 11/14/06 |
| <p>The Retirement Board directed staff to inform companies meeting specified criteria of intention to divest. Companies will have 90 days to respond. Managers will be informed of companies meeting specified criteria and be given an opportunity to explain why they cannot achieve their mandate if required to divest. Reference Sudan – Level 3 Procedures dated 12/26/06.</p> | | |

Key: Level I – Shareholder Voting
Level II – Promoting Social Rights and Interests
Level III – Investment Restrictions

**South Africa Policy restriction at Level III was repealed on July 14, 1994.

List of Companies Involved in the Production or Wholesale Distribution of Tobacco Products:

US COMPANIES

800 -JR Cigar, Inc.
Advanced Tobacco Products
Amer Group Ltd.
American Filtrona
American Maize-Products Co.
Brooke Group Ltd.
Brown & Williamson Tobacco Corp.
Caribbean Cigar Co.
Consolidated Cigar Holdings Inc.
Dibrell Bros. Inc.
Dimon Inc.
DNAP Holding Corporation
Fortune Brand, Inc.
Future Brands Inc.
Gallaher Group PLC
General Cigar Holdings, Inc.
Holt's Cigar Holdings, Inc.
Lowe's Corp
MacAndrews & Forbes Holdings, Inc.
Mafco Consolidated Group
Monk-Austin Inc.
Philip Morris Inc.
Playboy Enterprises, Inc.
Premium Cigars International, Ltd.
RJR Nabisco Holdings Corp.
Standard Commercial Corp
Swisher International Group
Tamboril Cigar Co.
Universal Corp.
UST Inc.

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee:
- An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee:
- 4. Request for letter beginning "Supervisor inquires"
- 5. City Attorney request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No.
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

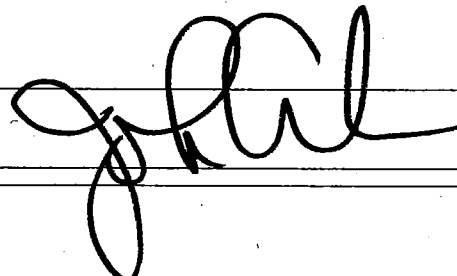
Supervisor Avalos, Mar, Campos, Yee, Breed

Subject:

Resolution - Urging the San Francisco Retirement Board to Divest from Firearm and Ammunition Manufacturers

The text is listed below or attached:

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

1/30/25
Page 1 of 1

