



The Voice for Public Pensions



June 6, 2005

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U.S. Department of State
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Stuart A. Levy, Under Secretary
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Peter Lichtenbaum, Acting Under Secretary
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Alan L. Beller, Director
Division of Corporate Finance
U.S. Securities and Exchange
Commission
Washington, D.C. 20250

Dear Gentlemen:

On behalf of the national organizations listed above we are writing to express support for the position of public pension funds as set forth in the attached letter. Over the past several years, our groups have been urging the United States government to take steps to require publicly traded companies to disclose business with or ties to states or entities that support terrorism, foster terror, or engage in other activities which create material unwarranted risks to American institutional and individual investors in such companies. We concur with the position of public pension funds and agree that the federal government is the only credible centralized authority having the power to identify publicly held companies with material business or operations in nations classified as supporting terrorism or subject to sanctions, and to bring this type of information to light in the investment marketplace.

Earlier this year we met with the Securities and Exchange Commission's Office of Global Security Risk (OGSR) to discuss how institutional investors might assist OGSR in better clarifying its mission. After learning that the new office would not be publicly disclosing their findings, we requested that the OGSR consider the following recommendations.

- Mandate readily accessible disclosures via a unique filing type or a unique header in 10-K or 10-Q filings. While companies will be required to disclose the existence of any material activities in terrorist-sponsoring countries in the annual and quarterly 10-K and 10-Q filings, OGSR noted that the SEC's current rules do not mandate that disclosure be provided in a specific place or under a special header in the filings.

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- Provide a searchable, publicly available database—predicated on the coordinated work of the SEC and other federal departments/agencies involved with homeland security issues—of publicly held companies with material business or operations in nations classified as supporting terrorism or subject to sanctions. We believe a federal database is most appropriate as fee-based lists provided by private organizations can have a high degree of subjectivity and may not include credible or authoritative information sanctioned by the federal government. They are also not without significant transaction costs and investment implications. Possible risks to corporate share value and reputation stemming from business interests in higher-risk countries cannot be properly assessed unless the information is credible, transparent and readily available.

We believe that Congress created OGSR not only to ensure the sharing of relevant information throughout the federal government, but also to be certain that appropriate information is provided to investors. We therefore urge your agencies to consider publicly disclosing the identity of companies that, by virtue of their business or business ties in terrorist sponsoring countries, are acting contrary to U.S. foreign policy and humanitarian interests.

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cc:

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U.S. Department of State

John W. Snow, Secretary
U.S. Department of the Treasury

Carlos M. Gutierrez
Secretary of Commerce
Office of the Secretary

William H. Donaldson, Chairman
U.S. Securities and Exchange Commission

Cecelia D. Blye, Director
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Robert W. Werner, Director
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June 3, 2005

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Alan L. Beller, Director
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Dear Gentlemen:

In the interests of public pension funds in the United States, and on behalf of those listed below, we are writing to request your assistance in identifying any publicly traded companies that are of concern to the United States government for doing business with, or having business ties to, entities that support terrorism or threaten U.S. humanitarian goals. As large institutional investors, we have investments in nearly every major public corporation and global financial marketplace. We need your assistance in identifying those corporations that are supporting terrorism so that we may ensure that we are not inadvertently acting in conflict with the foreign policy and humanitarian goals of the United States, thereby subjecting our members to excessive investment risk. Some of us have made this request previously and we reiterate it here, as we continue to face increasingly complex investment decisions.

The situation in Sudan is illustrative of the current landscape. Sudan is not only a federally designated terrorist sponsoring country, but is also embroiled in domestic conflicts in which the Sudanese government has engaged in activities that the U.S. government has identified as "genocide." In recent months, it has been suggested that companies that do business in Sudan may thereby be furthering or condoning the egregious human rights violations currently occurring in that country. Federal law imposes a broad trade embargo on Sudan, but not all business is prohibited. In addition, several state legislatures are considering measures that, in various ways, restrict investment in companies that do business or have financial ties with Sudan. We need adequate information to determine whether companies in which our public pension funds are invested are doing business in Sudan so that we, as fiduciaries, can make informed investment decisions.

It is our understanding that private entities have attempted to identify companies doing business in terrorist sponsoring countries, including Sudan. We believe, however, that

the U.S. government is the only credible and centralized authority to identify, monitor, and report domestic and international companies that are operating in such countries and thereby may be acting contrary to U.S. foreign policy and humanitarian objectives.

Existing laws require your agencies to identify, monitor and sanction companies with business or financial ties to terrorist sponsoring countries, including Sudan. For example, in the case of the Securities and Exchange Commission, Congress has specifically mandated that it establish a process to identify companies operating in terrorist sponsoring countries and ensure that their activities and operations are disclosed to investors.

At this time, no comprehensive list or report of such companies has been created. Creation of such a list is a necessary first step in identifying companies whose activities may be contrary to U.S. foreign policy and humanitarian interests. Accordingly, we respectfully request that your agency, working in conjunction with other appropriate federal agencies and departments, publicly disclose the identity of companies that, by virtue of their business or business ties in terrorist sponsoring countries, are acting contrary to U.S. foreign policy and humanitarian interests, and that you report other information on such companies that will enhance investors' capability to make prudent investment decisions.

This is a matter of extreme importance to the Trustees of the undersigned pension funds. We hope that you will consider this matter with the same level of import that we have.

Thank you for your consideration.

Gail Stone

Executive Director
Arkansas Public Employees Retirement System

David Malone

Executive Director
Arkansas Teacher Retirement System

Fred Buenrostro

Chief Executive Officer
California Public Employees' Retirement System

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cc: Condoleezza Rice
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U.S. Department of State

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