



MoDOT & Patrol Employees' Retirement System

TO: MPERS' Board of Trustees
FROM: Larry Krumpfen, CFA
DATE: November 5, 2021
SUBJECT: Anti-Terrorism Policy
MPERS' Board Meeting – November 18, 2021

In an attempt to balance the fiduciary obligations to the members of the System with the desire to be responsible patriots, MPERS' Board of Trustees established an anti-terrorism clause as part of the System's overall Investment Policy. The policy requires staff to research publicly available information and determine whether MPERS has any direct investment into companies identified as supporting terrorism.

To accomplish this task, staff researches information (either directly or via a third party) from the following sources:

1. Missouri State Treasurer's Office
2. Office of Terrorism and Financial Intelligence (U.S. Department of the Treasury)
3. Securities and Exchange Commission
4. U.S. Department of Commerce
5. U.S. Department of Homeland Security
6. U.S. Department of Justice
7. U.S. Department of State

Several of these groups listed above provide or maintain information regarding individuals and/or organizations deemed to be supporting terrorists.

- The Office of Foreign Asset Controls (OFAC), within the Department of Treasury, administers and enforces economic and trade sanctions against terrorists and those who fund terrorists. OFAC can impose controls on transactions and freeze assets under U.S. jurisdiction. OFAC publishes a list of Specifically Designated Nationals (SDNs) that includes individuals and entities whose property is blocked in accordance with OFAC sanctions.
- The Department of Commerce maintains and publishes a list of individuals and entities that violate certain U.S. laws, including laws that restrict business interactions with certain terrorist supporting states. The Department also has the authority to impose export restrictions on these firms and individuals for enforcement purposes.

- The State Department, in addition to collaborating with other agencies to administer laws and statutes, is also responsible for listing entities and individuals convicted of violating or conspiring to violate the Arms Export Control Act (AECA). Those on the list are prohibited from participating in the export of defense articles (including technical data) and defense services.

The information provided illustrates the broad number of federal organizations that are actively working to identify and penalize entities determined to have ties to terrorists. Unfortunately, this information does not lead to a list of publicly traded companies for MPERS' to use for portfolio screening purposes. Without the existence of a publicly available list to examine and compare against MPERS' portfolio holdings, it is difficult to put any form of portfolio screening process in place.

There are several private, for-profit entities that offer lists of companies with business operations in terrorist-sponsoring nations, namely Iran, North Korea, Sudan, and Syria. However, since these are for profit entities, access to these lists requires substantial fees. As a result, the entire screening process can become quite expensive.

It is important to note that simply because a company has operations in a terrorist-related region does not mean they are guilty of supporting terrorism. MPERS' anti-terrorism policy is not intended to punish companies whose international operations do not support terrorist activities. Many of these companies engage in activities that are supported by the U.S. government. As evidenced by the information provided above, there are laws and regulations in place that everyone must comply with or face severe penalties and/or sanctions from the federal government. For example, if a public company relies heavily on international trade in their trade or business and were found in violation, the U.S. government and/or a U.S. government entity would implement trade sanctions.

Based on the information obtained by our research to date, and the cost to implement additional screening, I do not see any compelling reason to implement additional portfolio screens at this time or to revise the investment policy.