

**Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, Ohio 43215**

**Minutes
March 10, 2022**

The meeting was called to order by Senator Hottinger at approximately 10:00 a.m. in Room 017, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Hearcel Craig
Jay Hottinger
Brigid Kelly
Lora Miller
Phil Plummer, Chair
Dr. Anthony Podojil

Non-voting members

Karen Carraher, PERS
Charles Carter, Attorney General
Mary Beth Foley, OP&F
William Neville, STRS
Carl Roark, HPRS
Richard Stensrud, SERS

Absent

Kirk Schuring, Vice Chair, Excused

Staff

Jeff Bernard
Bethany Rhodes

With a quorum present, the meeting was called to order at 10:00 a.m.

Representative Hottinger moved to the first order of business, the election of a chairman. Ms. Miller nominated Representative Plummer, seconded by Senator Craig. The motion was approved 5-0.

Representative Kelley arrived at 10:02 a.m.

Chairman Plummer moved to the minutes of the February 10, 2022, ORSC meeting. Without objection, the minutes were approved.

Chairman Plummer announced the existing ORSC Advisory Subcommittee to now be comprised of Vice-Chair Schuring, Ms. Miller, and Chairman Plummer.

Chairman Plummer moved to the updated analysis of H.B. 184. Mr. Bernard noted that this was an updated analysis to reflect the amendments of the Senate to H.B. 184. He noted that the Senate amended H.B. 184 to reflect the recommendations of the ORSC. Senator Hottinger moved to approve the recommendation and the motion was seconded by Senator Craig. The recommendation was approved 6-0.

Chairman Plummer moved to the OP&F Assumed Rate of Return. Director Foley reviewed the lowering of the OP&F rate of return from 8.0% to 7.5%. There were no questions.

Chairman Plummer moved to the Russian Investment Update. Mr. Bernard reviewed the history of divestment movements in Ohio, noting that the General Assembly and ORSC have consistently resisted mandatory legislative divestment for at least 40 years. He explained that the reasons for this were that the systems are trusts, which carries the obligation that trust assets be used solely in the interest of participants and beneficiaries. Mr. Bernard also explained that a legislative divestment mandate would alter the precedent of the investment authority of the boards and there would be no logical line to draw in limiting legislative divestment mandates in the future.

Mr. Bernard reviewed an alternative approach recently used for the divestment of companies doing certain activities in Iran and Sudan. He explained that in this process, the boards adopted a systematic, orderly process to divest from certain investments. This permitted the retirement boards to exercise their fiduciary responsibilities while successfully divesting to the scrutinized investments. Finally, Mr. Bernard explained that the rapidly changing situation and fact that the Russian markets have been closed would complicate any legislative divestment mandate.

Sen. Craig asked Mr. Bernard to talk more about that orderly process in which the boards divested from Iran and Sudan investments. Mr. Bernard explained that the executive directors sent a letter regarding Iran/Sudan divestment in June of 2007 and by September 2007 the respective boards had adopted a policy of divestment. Over the subsequent period, there was a gradual selling of those assets. He described the general process as a commitment from the executive directors to create a policy of divestment, the subsequent creation of a policy by the retirement boards, followed by the implementation of those policies.

Dr. Podojil asked about the difference in scale between the investments subject to divestment in Iran/Sudan and today's situation. Mr. Bernard asked to defer to the systems on actual amounts subject to divestiture but did note that the Iran/Sudan divestment was potentially much larger as it applied to businesses doing business in Iran/Sudan, whereas the current approach seemed to be directed solely at firms located in Russia, such as an agricultural firm or oil company within Russia itself, rather than a firm doing business in Russia.

Chairman Plummer asked the five directors to provide an update on Russia holdings. Director Carraher reviewed PERS' Russian holdings and indicated that the PERS Board would be reviewing a policy regarding Russian holdings at its next meeting. She noted that PERS has a long history of being able to divest from investments that are called into question for national security reasons while also maintaining the board's fiduciary responsibilities. Sen Hottinger said he knew the Iran/Sudan and Russia divestment issues were very different in terms of ability to divest, but asked what the typical divestment timeframe looks like. Director Carraher noted that Iran/Sudan was much different as the investments subject to divestment were much larger but that the market for those investments was open and so PERS was able to gradually find alternatives to those investments. In the Russia situation the amounts are much smaller but the market being closed made selling them not possible.

Chairman Plummer noted that the ORSC, Director Rhodes, and the systems have been on top of this situation from the beginning and have been providing requested documents and that the ORSC takes this seriously.

Director Neville reviewed STRS holdings in Russia. Representative Kelly asked Director Neville to clarify if STRS had any intent to divest. Director Neville noted that with all the restrictions in place, they are trying to exit when able and that in no conversations with any of the STRS Board members has there been anything other than a desire to "get out of Russia."

Director Foley reviewed recent restrictions on Russian investments and indicated that OP&F would be working with the board, ORSC, and Attorney General to establish a process to divest from Russia, highlighting the importance of a process that maintained the OP&F Board's fiduciary responsibilities. Senator Hottinger asked if this was 24 cents on every thousand dollars. Director Foley responded that it was .31% of the total portfolio but she did not know the number he was requesting.

Director Stensrud reviewed SERS holdings in Russia. He noted that SERS has been drawing down international equities since December. He also noted that since the market for Russian assets does not exist, as of today on the books and according to GASB standard those Russian assets, on the books, are valued at \$0. He noted that, with that situation, if an opportunity presents itself to return some value at some point in time of those assets that investment managers have been directed to do so when it is prudent and opportune to do so. He expected that the board would establish a policy.

Director Roark noted that HPRS does not have any direct holdings in Russia but does have some exposure in indirect and comingled funds. He indicated that the board had already made these investments an agenda item and anticipated further action to reduce these holdings.

Chairman Plummer moved that, at the next ORSC meeting, the executive directors of the retirement boards report on their progress and process for Russian divestment, seconded by Senator Craig. The motion was approved 6-0.

Chairman Plummer moved to the rules. Mr. Bernard reviewed the rules and stated that they were in compliance with the Revised Code and staff had no further comments.

The Chairman said that the next meeting is scheduled for April 14, 2022, or at the call of the Chair.

The meeting adjourned at approximately 10:43 a.m.

Date Approved

Phil Plummer, Chair

Bethany Rhodes, Secretary

Kirk Schuring, Vice Chair