

Protect Ohio Pensions 1st Quarter 2022

Retirees & Current Employees Working Together to Preserve Ohio's Public Pensions

Insight From the Administrator

By Maryfrances Kamyar



Over the last few years, due to the COVID 19 pandemic, the pension systems have undergone large changes and they did it in a most timely manner. In a small amount of time, they took their retirement process structure and developed new ways of caring for the retirement requests of new retirees, as well as new employees looking to

choose a future plan. New phone and computer systems were set up so the pensions representatives could work from home and continue to meet the retirees needs. They set up online meetings in order to answer members questions and developed more online educations to help retirees through the retirement process.

Just as our country and state were continuing with new habits and ways of life, we watched in anguish as Ukraine was attacked by Russia.

The actions of Russia on Ukraine caused our country to move quickly with sanctions against Russia. In Ohio, our Attorney General, Governor and Senators were calling for the pension systems to divest from any holdings in Russia.

Divestment is the action or process of selling off subsidiary business interests or investments.

“Ohio’s five public employee retirement funds have a “moral imperative” to divest themselves of Russian financial holdings to further punish the country over its invasion of Ukraine, state Attorney General Dave Yost said on Wednesday.” “Yost directed the five funds to identify Russian equities and divest as quickly as possible.”

March 2, 2022 AP by Andrew Welch-Huggins

“Ohioan's five public employee pension funds would have to divest themselves of all Russian-connected assets and state and local

Continued on Pg 2

The Legislative Report

By Steve Buehrer, Esq.



The work of any legislative body sits at the crossroads of politics and policy. This axiom is certainly true of Ohio’s General Assembly now and in days gone by. Members are elected by the people and therefore must be engaged on key issues facing the state and nation. These elected

members must balance these political forces against the need to create good public policy and laws that will stand the test of time while moving our state forward. The issues related to the Russian invasion of Ukraine have once again brought this conflict to the forefront.

Let’s start with the basics. The overwhelming majority of people condemn the hostile attack of a sovereign Ukraine by Russian invaders. The death and damage that has been brought to Ukraine and its citizens is indefensible. Many of us- including our political leaders- would like to “do something” to help the situation. These simple human instincts are what has brought the issue of divestiture once again to the halls of the Statehouse. In the days after the invasion, leaders at the federal level both in the United States and across the world placed heavy sanctions against the Russian government. Soon thereafter, business and public leaders took additional steps to cut off investments and other business transactions. Given these actions, it is not out of place that state officials in Ohio rapidly proposed cutting off any financial relationships between the state and Russian economic interests. Among those proposals was the divestment of state pension funds from Russian investments.

Continued on Pg 2

RETIREES & WORKERS

Administrator Continued from Pg 1:

governments would be banned from contracting with Russian companies under emergency GOP legislation.” “Antani’s (Sen. Niraj Antani) bill, meant to punish Russia for its invasion of Ukraine, contains an emergency clause meaning it would take effect immediately if signed into law. March 3, 2022 AP by Andrew Welch-Huggins

ON March 3, 2022 Gov. DeWine signed an executive order that: All State agencies, boards and commissions, state education institutions and pension funds, must be to the extent practicable:

1. Divest their money in assets from any investment in any Russian institution or company and to refrain from making any investments in such institutions or companies in the future.
2. To terminate any contracts with a Russian institution or company and to refrain from entering into any new contracts with such institutions or companies in the future.

I like the use of the term practicable, the definition of which is: able to be done or put into practice successfully.

Words that are similar would be: reasonable, feasible, possible, viable, and realistic.

Although I believe most Americans understand that we should do all we can to let Russia know we do not condone their actions and that we have compassion for Ukraine, we also understand the pension systems have both a legal and “moral obligation” to act in the best interest of the retirees.

The invasion on Ukraine started on February 24, 2022, and on March 5, 2022 the Russian stock market closed to all trading. At this point it was not practicable, feasible or reasonable to think the five defined-benefit pension systems could move their investments.

On March 10, 2022, the Ohio Retirement Study Council met with the purpose of gaining background information concerning divestment and hearing reports from the pension systems.

This is some of the background information that was covered:



STANDING TOGETHER

Legislative Continued from Pg 1:

This episode is not the first time that these types of proposals have been brought forth when governments across the globe were deemed to be taking actions that were outside established norms. In the 1990’s North Ireland was viewed in a negative light while South Africa and its apartheid policies were shunned in the 1980’s. Later, Sudan and Iran were proposed as countries targeted for financial divestment based on actions taken by these governments. In some of these instances, legislators introduced legislation to abolish and prohibit pension investments in these countries. Although the sentiment expressed by these pieces of legislation was likely reflective of the public’s opinion at the time, the actual mandate which would have been set in Ohio’s statutes was in direct conflict with the state statutes that make the pension systems’ boards responsible for investment decisions of all types for the sole benefit of the present and future retirees. Thus, a collision of politics and policy in the lawmaking process.

In these past discussions, most notably in the legislation related to Sudan and Iran in 2007, a bargain was made. Each of the pension boards agreed to timely withdraw from investments in Sudan and Iran and to make regular reports to the General Assembly about the progress. In return, the legislators did not pass legislation that would erode pension board authority to make prudent investment decisions. Although it is too early to tell what will happen this time, it is likely that a similar outcome can be achieved. As detailed in the Executive Director’s article, legislation prohibiting Russian investments and forcing divestiture has been introduced.

Pension system leadership has expressed a desire to divest in a timely manner and it seems probable that the boards will be given time to act accordingly without the passage of harmful legislation contrary to the long term interests of Ohio retirees.

Continued on Pg 3

Continued on Pg 3

The boards of the pension systems are trustees of the funds and the executive directors of the systems have a fiduciary duty to manage those funds properly. If divestment is not handled in the correct manner, it could affect the tax status of the systems and it could put them in breach of their fiduciary duty. The pension systems have had the authority of investment since 1997.

ORC 145.11

The members of the public employee's retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employee's retirement system; with care, skill, prudence, and diligence...

A breach of fiduciary duty occurs when a principal fails to act responsibly in the best interests of a client.

In 2007 HB 151 was introduced requiring the pension systems to divest from Iran and the Sudan. An agreement was made with four of the five pension systems to come up with a policy concerning divestment, when those policies were agreed upon, HB 151 was then taken down for consideration.

During the ORSC meeting, each executive director of the pension systems: OPERS, STRS, SERS, OP & F, and OHPRS gave a brief statement of how much money they have invested in Russian holdings and they fully intend to meet with their perspective boards to discuss a policy to divest.

The pension systems are being asked again to adapt and move in a timely manner in the matter of divestment from Russia. This is a process that takes careful planning so they may fulfil their fiduciary duties to their retirees and members, and this does not always happen swiftly. It is a prudent move to allow the pension systems to fulfil their fiduciary duty in a practicable manner. They will be reporting back to the Ohio Retirement Study Council with the policies agreed upon within their boards. POP5 will continue to monitor this situation as it unfolds.



These type of issues that go to the very heart of pension board control as well as board members' fiduciary responsibility to Ohio's public pensioners is at the heart of why POP 5 was founded. In the last few weeks, our leadership team has had conversations, attended hearings and sought to be a helper in reaching a reasonable solution in this conflicting dilemma. In the short term, we will continue to monitor the activities of the state legislature and other Ohio governmental leaders as they navigate the Ukrainian dilemma. For the longer term, POP 5 will continue to stand for the principle that the pension systems must be prudently managed for the benefit of Ohio's public workers and retirees. Despite other interests and the ever changing winds that blow across the political landscape, Ohio's pension systems must be protected. POP 5 remains ready to advocate for that protection and members' interests at the Statehouse.



Mission Statement

The mission of this non-profit, non-partisan association is to support and protect the defined benefit pension plans of the five Ohio public pension systems Public Employees, State Teachers, School Employees, Police & Fire, and Highway Patrol by educating members on issues that could impact the stability of the funds and their ability to continue to provide a meaningful retirement pension and benefit package, and by educating the public about the cost savings to them and the economic value to their local communities by maintaining Ohio's current pension programs.

In the aftermath of Bill Winegarner's passing, the Board of Protect Ohio Pensions, Inc. (POP5) has commenced some restructuring and strategic planning. As a first step in this process, the Board adopted an official Mission Statement. The purpose of a mission statement is to have a concise explanation of the organization's reason for existence. It describes the organization's overall purpose and its overall intention. The mission statement serves to communicate purpose and direction to employees, members, and other stakeholders of POP5.

The adoption of a mission statement does not mean that the purpose of POP5 has changed. In fact, the language in the Mission Statement is taken directly from the Constitution of Protect Ohio Pensions, Inc., Article II: Purpose, which was adopted 1/29/2016. You can access the Constitution at www.pop5.org

Since the founding in 2016, retirees and retiree membership groups for each of the five pension systems have, at times, expressed confusion about why POP5 claims to represent all public employment retirees. Some seemed to think that POP5 would diminish the strength of individual retiree membership organizations. POP5 encourages each retiree to join both the membership group dedicated to your pension system,

as well as our organization, because the purposes are different, but complementary and supporting.

A retiree association's focus is on securing benefits for its members, socializing and the proper and ethical operation of its pension system. Protect Ohio Pensions' focus is on preserving Ohio's defined benefit pension plans and protecting the pension systems' investment decisions from outside financial, or politically motivated, influences.

Our mission is to support retirees and current employees from all five of Ohio's pension systems working together to protect Ohio pensions from those who want to eliminate defined benefit pension plans, or mandate board investment decisions.



Protect Ohio Pensions, Inc.
132 Dorchester Sq. S. Ste. 101
Westerville, Ohio 43081

NON-PROFIT ORG.
U.S. POSTAGE
PAID
COLUMBUS, OH
PERMIT NO. 1375

Board of Trustees



Candace Shicks
Vice Chair



Mary Winegarner
Treasurer



Nancy King
Secretary



Ed Ciecka
OPERS
Representative



Ed Wells
STRS
Representative

Staff



Maryfrances Kamyar
Executive Director



Keith Kleiber
Data Manager

Phone: 614-426-4333

Email: POPOFFICE@POP5.ORG