



March 7, 2023

The Honorable Matt Dolan  
Chairman  
Finance Committee  
Ohio Senate  
Ohio Statehouse, Room 127  
Columbus, Ohio 43215

Dear Chairman Dolan:

The Ohio Public Employees Retirement System (OPERS) appreciates the opportunity to provide interested party testimony on SB6, which would prohibit OPERS from making investment decisions with the primary purpose of influencing any social or environmental policy or attempting to influence the governance of any corporation.

OPERS is the largest public retirement system in Ohio and the 12<sup>th</sup> largest public retirement system in the nation. Currently, we have more than \$105 billion in assets held in trust for the purpose of providing secure retirement benefits for Ohio's public servants. More than 1.1 million active, inactive, and retired public employees – almost one of out every 10 Ohioans – will rely on OPERS for their retirement needs.

At the outset, it is important to note that OPERS is already in compliance with the provisions of SB6. As you know, OPERS is a qualified trust under section 401(a) of the Internal Revenue Code, which requires OPERS to "discharge [its] duties...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...system."<sup>1</sup> As such, our only focus is to maximize the value of the investments we make on behalf of our members. As a qualified trust, we are not permitted to subordinate our members' interests to any other consideration.

As an institutional investor, OPERS invests for the long term based on investment policies approved by our Board of Trustees, a majority of whom are elected by subsets of OPERS' membership. Trustees are regularly trained in the importance of their fiduciary responsibilities and make decisions accordingly in the best interest of our members. OPERS' investment policies are available online, as are our comprehensive annual financial reports, so that our members can review how we invest on their behalf. In this way, we make every effort to be transparent and to maintain our members' trust, as well as the confidence of the policymakers who oversee our benefit structure and contributions.

OPERS is distinguished by its history of positive investment performance and prudent fiscal management. Our System has been consistently recognized as a low-cost, high value system and

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<sup>1</sup> Ohio Revised Code, Section 145.11(A)



ranked among the top of its peers. This is particularly important because more than 67% of the pension benefits and health care coverage we pay out annually are funded solely through investment returns.

As an investor utilizing the prudent person standard, OPERS must conduct reasonable risk and return analyses before making investment decisions. We do not exclude any industries, asset classes, or individual companies from consideration based on factors that are unrelated to increasing the value of our investments. We do not purchase, formulate, or apply any scoring mechanism to judge potential investments on any criteria other than the ability to generate excess returns or minimize expenses for the System and our members.

As you know, Ohio is not the only state contemplating legislation or guidance to prevent inappropriate investments or expenditures of public funds, and therefore, we cannot consider SB6 in a vacuum. We would caution that some of the policies chosen in other states, including (1) mandating consideration of certain non-financial factors, (2) forcing divestment from certain 'blacklisted' asset managers or financial services providers, or (3) complicating the process by which public retirement systems vote their proxies, would negatively impact OPERS and its ability to earn the highest possible investment returns while incurring the lowest possible fees.

As SB6 moves through the legislative process, we respectfully request that the General Assembly carefully consider and analyze the potential impacts of its efforts in this area. A seemingly well-intentioned solution could have unforeseen, negative consequences for Ohio's public retirement systems and their members.

For almost 90 years, OPERS has provided its members – your constituents – with retirement security through good economic times and bad. Of the more than \$7 billion in pension benefits and health care coverage OPERS pays out annually, almost 90% remains in Ohio, helping to create jobs and sustain local economies throughout the State. As the General Assembly considers how best to support Ohio's public servants, we ask that you remember our record of success and allow us to continue prioritizing the interests of our members and providing them with secure and sustainable retirement benefits.

If you have questions or comments, please do not hesitate to contact Gordon Gatién, Director of External Relations, directly at 614-222-2924.

Sincerely,

*Karen E. Casper*

Executive Director

Cc: Ohio Senate Finance Committee