March 13, 2023

Sen. Matt Dolan
Chair
Committee on Finance
Ohio Senate

Sen. Jerry C. Cirino
Vice Chair
Committee on Finance
Ohio Senate

Sen. Vernon Sykes
Ranking Member
Committee on Finance
Ohio Senate

Opponent Testimony on SB 6

Dear Chair Dolan, Vice Chair Cirino, and Ranking Member Sykes,

On behalf of Ceres, **I write to provide testimony in opposition to SB 6**. Ceres is a nonprofit sustainability advocacy organization with 200 members in our Investor Network, who collectively have over $30 trillion assets under management (AUM,) and the 80+ members in the Business for Innovative Climate and Energy Policy (BICEP) Network. Many companies and investors, including many of our members with investments and interests in Ohio, view environmental, social, and governance considerations (also known as ESG) as important to the financial performance of their investments. **We believe that it is not the role of government to dictate how financial professionals should make investment decisions.**

SB 6 would limit free market activities and create the risk of litigation.
As drafted, SB 6 prohibits Ohio's public employee's retirement board, the Ohio Bureau of Workers' Compensation board, and all boards of trustees for state higher education institutions from making investments "with the primary purpose of influencing any social or environmental policy or attempting to influence the governance of any corporation." This type of regulation limits the ability of investors to make choices in the free market and may diminish the number of quality investments the state's institutional investors can invest in. Additionally, the vagueness of the term "primary purpose" heightens the risk of shareholder lawsuits because any shareholder can allege an investment that considers ESG factors was not done to maximize investment returns, but rather was done in furtherance of a social or environmental agenda.

SB 6 would limit investors' fiduciary duty to consider all risks to their investment portfolios.
Pension fund managers must consider all risks and opportunities in order to ensure their organizations remain profitable over the long term and that they fulfill their fiduciary responsibility on behalf of their beneficiaries. Consideration of a variety of risk financial factors has become mainstream practice in the assessment of risk and return in the investment industry, especially as more data has become available to investors. By limiting the criteria pension fund managers can consider, the state would be interfering with their ability to fulfill their fiduciary duties and responsibilities.

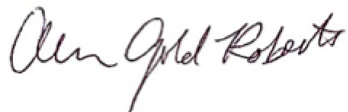
This type of legislation is costly for taxpayers.

In just the first 8 months since the passage of a similar law in Texas, the state burdened taxpayers with $303-$532 million in additional interest on their bonds, as a result of restricting the number of banks that can finance Texas's public debt. In addition, recent analysis shows that taxpayers in six states (KY, FL, LA, OK, WV, and MO) could have collectively faced more than $700 million in excess interest payments on municipal bonds, if Texas-like restrictions on sustainable investing were put into place[1],[2].

<u>This type of legislation is exposing retirement beneficiaries to unnecessary risk.</u>
Most recently, the Kansas State Division of the Budget projected reduced returns of $3.6 billion for the Kansas Public Retirement System (KPERS) if currently proposed investment restrictions were adopted. Not only does a decrease in investment earnings hurt pensioners, but it also places a burden on state employers to address unfunded liability in defined benefit funds and make up for lower investment returns through potential increases in employer and employee contributions.

In closing, we urge the committee to further consider the implications that SB 6 would have on Ohio's pensioners, financial institutions, and the economy at large and oppose this bill.

Sincerely,



Alli Gold Roberts
Senior Director, State Policy
Ceres

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[1] The higher interest rates are the result of less competition between finance firms for municipal bonds, as a result of legislation that forces state treasurers to boycott major banks and asset managers that historically have bid on the municipal bond issuances.

[2] In Florida, the state now pays 43 basis points more in yield or $4.32 million for every $1 billion of bonds sold than California with a lower credit rating, or 0.35% more than it did prior to 2022.