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Pensions Make Progress on Russia Divestments

By Bridget Hickey
FUNDfire
April 5, 2022

Five weeks into the Russia-Ukraine war, several U.S pension funds that have committed to divesting their Russian assets are reporting some progress, but challenges remain for funds looking to offload these holdings.

Pensions faced practical obstacles to divestment, including the closure of Moscow's stock exchange, which partially reopened on March 24 with heavy restrictions on trading intended to bar foreigners from selling stocks. Funds are also locking in steep losses to offload certain assets.

The $19 billion Ohio Police & Fire Pension Fund, or OP&F, has reduced its Russia exposure to $10.5 million as of Friday April 1, down from a total of $59 million at the beginning of March, a spokesperson told FundFire.

"The exposure was reduced due to the expiration of certain contracts as well as trading out of the positions," the spokesperson said. "Price declines are not a primary reason for the reduction."

OP&F's investments include direct holdings in Lukoil, state-owned bank Sberbank and internet company Yandex with a value of $3.9 million, the spokesperson said. The holdings are managed by two different separate account managers.

"Many funds have valued these stocks at zero since that market is closed, but in the interest of transparency, OP&F is using the last available mark," the spokesperson added.

The Chicago Teachers' Pension Fund has sold $2.2 million in Russian-based securities since it committed to divesting from Russia "as quickly as possible" on March 10, the pension's interim CIO told FundFire.

The $13 billion pension reported that it had $4.5 million in securities and corporations domiciled in Russia as of early last month.

“The markets in Russia have not been operating normally, which has presented challenges to divestment, but managers are working diligently to accomplish our goal,” said Carlton Lenoir, who is also fund’s executive director.

The CIO for the San Bernardino County Employees' Retirement Association, known as SBCERA, told trustees in a recent memo that staffers have directed the pension’s managers to halt all future Russian investments and to divest Russian holdings as soon as “as soon as practicable,” following a unanimous vote by the board on March 3.

“There are a range of issues related to pricing, trading, and settlement,” wrote Don Pierce, in the memo. “While a few assets may still trade on certain exchanges, we understand that settlement of trades has been fraught as well. As it relates to fund managers (assets SBCERA holds indirectly), some managers were able to sell assets in February, while other fund managers will look to sell later to avoid selling what they believe are valuable assets for what amounts to pennies on the dollar. Overall, our managers will be looking to sell as markets conditions allow.”

The pension declined to comment on how much it had invested in Russia prior to the war and the amount it had subsequently divested.

U.S. pensions have continued to join a wave of global funds that have committed to divesting their Russian assets.

New York State Comptroller Thomas P. DiNapoli announced March 25 that one of the country’s largest pensions, the New York State Common Retirement Fund, would divest from Russian companies and would continue its prohibition on future Russian investments, first announced on March 1. The pension has targeted $27.1 million in public equities and fixed income for divestment, a spokesperson told FundFire.

The five pension systems that make up the New York City Retirement System have also committed to divesting their Russian holdings. Trustees for the systems, which are governed by separate boards, met over the course of March to vote on whether to drop Russian assets. The final board to vote was the board of the New York City Fire Pension Fund, which committed to divesting on March 24.

The pensions collectively held a total of $185.9 million in Russian securities as of Feb. 25, the last day of open business for trading on the Russian stock market, according to an announcement by New York City Comptroller Brad Lander and Mayor Eric Adams.

“Our securities are in both passive and active emerging market mandates with asset management firms and there are no direct investments,” said a spokesperson for the retirement system. They declined to say how much has been divested to date.

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Councilman warns Olszewski needs to shore up county pension fund

By John Lee

WYPR
April 5, 2022

A Baltimore County Councilman is sounding the alarm about the health of the county's pension plan for its retirees.

Democratic Councilman Tom Quirk said County Executive Johnny Olszewski needs to address it in the budget he is presenting to the council next week.

For years, the council has turned to Quirk for financial guidance. He chairs the county's spending affordability committee. He is the president of a retirement and investment group in Catonsville.

Quirk said for years county executives have not put enough money in the fund for retirees.

"Adding to the pension isn't that jazzy," Quirk said. "It's not going to get you accolades like if you do a library or you do a school or you do something that taxpayers immediately see."

Quirk said he would like to see Olszewski increase by 3% pension funding in order to shore up the system.

"It's a long-term decision making process that I think is really important that requires a long-term view, and also some tough decision making," Quirk said.

He adds the retirement fund is no danger of insolvency, but Quirk doesn't want to "see it drift further down." That could lead to the county's AAA credit rating being downgraded.

In a statement, Olszewski said in his budget he will increase pension funding to ensure the preservation of that benefit.

"Our retirees have dedicated their lives to serving the residents of Baltimore County and they deserve to know that the retirement they earned is being protected," Olszewski wrote.

Meanwhile, the county council this week unanimously passed legislation, introduced by Quirk, that will require the county executive to explain to the council how future pay raises for county employees will eventually affect the retirement fund. Quirk said it will allow the council to make more informed decisions about signing off on those proposed raises.

"Really looking out 5, 10, 15 years on the impact of the decisions that they're voting on," Quirk said.

Olszewski said he supports doing that.

"Councilman Quirk's legislation is consistent with our push for more transparency and accountability," Olszewski said.

The county executive presents his budget to the county council April 14.

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With One Week Left in Session, Is Legislation to Fine-Tune Police Reform Still on the Table?

By Hannah Gaskill
Maryland Matters
April 6, 2022

A year after passing sweeping police reform bills, lawmakers have been reluctant to act on further reforms this session. Photo by Chalabala / stock.adobe.com.

One year after lawmakers passed sweeping police reform bills in Maryland, attempts to fine-tune those reforms have largely withered this General Assembly session.

Lawmakers have revisited some of these policies, but not without charged debate.

Senate Judicial Proceedings Committee Chair William C. Smith Jr. (D-Montgomery) introduced legislation to allow the Independent Investigations Division in the Office of the Attorney General to prosecute police involved in civilian deaths if the local state's attorney chooses not to do so.

"This bill is a product [that] goes against the considered wisdom of every law enforcement official elected or appointed in this state," Sen. Robert G. Cassilly (R-Harford) said during a debate on the Senate floor Tuesday morning.

Senate Bill 896 would build on a law enacted as part of a package of legislation called the Maryland Police Accountability Act of 2021. One of those measures requires the Attorney General's Office to investigate deadly police interactions.

Under the current law established last year, the Attorney General's investigative division has 15 days after completing an investigation to provide a report to the local state's attorney.

Smith's bill would give the state's attorney 45 days to decide if they will prosecute the officer. If they elect not to, the Attorney General would be able to prosecute.

Smith said the bill is an opportunity for an objective look, case-by-case, at police killings, apart from the local prosecutors and law enforcement who often work together closely.

The Senate approved the measure Tuesday on a tight 25-21 vote. The House has five days left in the session to move the bill.

Several efforts to alter last year's police reforms or take them further have largely fallen by the wayside.

Sen. Jill P. Carter (D-Baltimore City) and Del. Jheanelle Wilkins (D-Montgomery) sponsored bills that would subject officers to forfeiture of all or part of their pensions if they are found guilty, plead guilty or plead no contest to a crime committed on duty.

The Senate Budget and Taxation Committee heard Carter's pension bill in late January but has not voted on it. And the House Judiciary Committee heard Wilkins' bill in March but has not acted on it either.

House Judiciary Committee Vice Chair David Moon (D-Montgomery) has offered legislation to require all law enforcement agencies — including municipal and park police forces — to use body-worn cameras by 2025. Currently only county and state police are mandated to adopt this technology.

Moon's bill was heard but it also is stalled in committee.

And Sen. Michael A. Jackson (D-Prince George's), a former county sheriff, sponsored a bill to clarify training, membership, certification and procedural standards for the Maryland Police Training and Standards Commission.

Jackson's bill passed out of the Senate on a vote of 37-9 after the crossover deadline but hasn't been assigned to a committee in the House.

During a phone interview Tuesday afternoon, Moon said that typically the session following the passage of sweeping legislation like the Maryland Police Accountability Act of 2021 isn't spent amending or fine-tuning it.

Usually lawmakers "give time for the changes [they] just made to get worked out and implemented, and I think that's sort of where we're at with some of this," he said. "Many debates are probably not gonna get heard this year if they were basically looked at last year and a decision was made. But never say never."

However, lawmakers will take a look at errors in the implementation, as they would do under Smith's bill and legislation to create a task force that would study how to implement Anton's Law. That bill was meant to increase disclosure of police records under the Maryland Public Information Act, but the rollout has been rocky.

Carter's bill originally would have limited fees that police agencies can charge for records, but was amended to create a task force to more deeply probe implementation of the law so far.

"In that case, a task force was the right solution," Carter said Tuesday. "I think there's a myriad of issues that need to be fleshed out."

The House Judiciary Committee heard Carter's bill on the task force Tuesday afternoon.

Meanwhile, Moon said, there is also a push to delay the effective date for parts of the Maryland Police Accountability Act that do not go in force until July 1. Postponing the effective date would give the Maryland Police Training and Standards Commission more time to put regulations in place.

Local jurisdictions are beginning to feel the July 1 time crunch as they try implement new policies.

"This conversation's not over yet," Moon said. "We have a few more days left."

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