Retirement News Highlights

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US Pensions with Russia Exposure Weigh Next Steps

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Public pensions in the U.S. are assessing their exposure to Russia, as they weigh their response to Vladimir Putin's full-scale invasion of Ukraine and prepare to comply with a sweeping array of government sanctions.

While several international pensions have already announced plans to divest their Russian holdings, many of the U.S. pensions contacted by FundFire Friday said they were monitoring the situation or declined to comment. Over the weekend, however, several state and city leaders called on pensions to act.

Most U.S. pensions probably have limited exposure to Russia through investments like emerging markets mandates or global bonds, said Michael Rosen, chief investment officer at consultant Angeles Investments. "I doubt that there are many Russia-only mandates, I haven't heard of any," he said.

In Colorado, Governor Jared Polis requested on Thursday that two state pension funds and the state treasury divest any Russian-owned assets. A spokesperson for the $61 billion Colorado Public Employees' Retirement Association told FundFire that it will divest from $8 million of holdings in state-owned bank and financial services firm Sberbank, power generating companies OGK-2 and Mosenergo, gas processing plant Gazprom and energy company Rosneft Oil to comply with these sanctions.

New York Gov. Kathy Hochul on Sunday signed an executive order calling on state agencies, including pensions, to divest public funds from Russia.

"Our state will not permit its own investment activity, whether directly or indirectly, to aid Russia as it commits these human rights violations," Hochul said in a statement.

New York City Comptroller Brad Lander announced plans to give city pension boards a list of specific Russian assets to "consider for divestment," Reuters reported. The $275 billion system had about $271 million in Russian assets on Feb. 23, a spokesperson told Reuters.

The nation's largest pension, the $471.4 billion California Public Employees' Pension Retirement System, has $900 million of exposure to Russia, but a spokesperson declined to comment on what it would do with the holdings. The pension does not hold any Russian debt, the spokesperson said, without providing further details.

Peer fund, the California State Teachers' Retirement System, known as Calstrs, sees the invasion as a potential risk and is "closely following developments," a spokesperson said. The $320 billion pension had about $468 million invested in Russia as of Feb. 23. The fund's exposure includes nine Russian local sovereign bonds with a market value of nearly $32 million as of June and about $1.5 million in Russian roubles, Reuters reported. Russia’s central bank hiked interest rates to 20% from 9.5% today after western sanctions sent the rouble tumbling as much as 29%, the Financial Times reports.

New Jersey State Treasurer Elizabeth Maher Muoio on Thursday directed the state’s Division of Investment to assess pension assets’ exposure to risk from Russian securities, a spokesperson said by email. “Once this review is concluded, the Division will take action as appropriate to protect the interests of the fund’s beneficiaries,” the Treasurer’s directive said.

A spokesperson for the $103.7 billion Virginia Retirement System told FundFire that its public equity and fixed income internal programs have limited exposure to the region and that the pension has generally been underweight relative to indices. “We continually monitor the overall portfolio and will review this situation and take appropriate action as deemed necessary,” the spokesperson said.

Virginia Gov. Glenn Youngkin Saturday called on universities and the state’s pension system to divest from Russian holdings, including the Ruble or any holdings of Russian securities, the Richmond Times-Dispatch reported.

Ron Schmitz, CIO of the Virginia Retirement system, told the Times-Dispatch that “it would be a terrible time to sell right now.”

Florida’s State Board of Administration has roughly $300 million in Russian-domiciled investments. A spokesperson declined to comment on the $195 billion fund’s plans but said they would comply with applicable laws and sanctions.

The Washington State Investment Board’s $156 billion in pension assets include roughly $431 million in exposure to Russia, or 0.28%, a spokesperson said, declining to comment further.

The $204 billion Teacher Retirement System of Texas’s exposure to Russia is “almost entirely through the public equity markets,” a spokesperson said, adding that Russia public equity is 0.3% of the total trust’s benchmark.

The CIO for the Illinois Municipal Retirement Fund, Angela Miller-May, said the pension carries very low direct exposure to Russia, and that Russian exposure has been brought down “in advance of the tumult both as a function of harvesting prior gains and as a buffer against potential (and now realized) volatility.”

“We’re witnessing how risk markets are responding in real-time and we recognize that there will be ongoing volatility/noisy price action when considering the broad market impacts. The situation is fluid, and we will continue to monitor,” she said.

At least two international pensions have already acted to cut Russian holdings from their portfolios.

Canada’s second-largest pension, Caisse de Depot et Placement du Quebec, said on Thursday that it had sold its Russian holdings and would avoid exposure to the country, as reported by Reuters.

"There's no interest in investing directly and being exposed to the strategies when it comes to Russia, that's the main principle," the pension’s chief executive, Charles Emond, told reporters.

One of Denmark’s largest pension funds, AkademikerPension, said Friday that it will blacklist Russian investments in response to the invasion of Ukraine.

The pension will sell its Russian government bonds and its investments in Russian companies majority owned by the state “as soon as possible.” The investments are worth about 0.2% of the pension’s total portfolio.

"The invasion is a clear and unequivocal violation of international laws and regulations and of our policy of responsible investment. Therefore, there is no other consequence than to exclude Russia," said the pension’s director, Jens Munch Holst, in a statement.

Norway’s $1.3 trillion sovereign wealth fund will divest from Russian assets as well, the country’s prime minister announced Sunday, as reported by Reuters.

Institutional investors may have a hard time getting rid of these holdings. Russia's central bank ordered its brokers not to execute sales of Russian securities ordered by foreign institutions or individuals beginning Monday, Reuters reported, citing an internal document published by ACI Russia, the country's financial market association.

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