Retirement News Highlights

Monday, February 28, 2022

U.S. funds reviewing next steps in light of sanctions against Russia

By Hazel Bradford
Pensions & Investments
February 28, 2022

Federal mandates for sanctioning Russian financial institutions are prompting several U.S. public pension funds to assess their portfolios.

Brad Lander, New York City Comptroller and fiduciary of the $266.7 billion New York City Retirement Systems, said in a statement Monday that while the system's five pension funds make individual investment decisions, including those related to divestment, he plans to present to trustees a list of assets to consider divesting.

The pension funds' holdings will be compared with a White House list of companies and individuals being considered for sanctions, as well as legal review, Mr. Lander said in an emailed statement.

"Russia's aggression in Ukraine merits the swift global action we've already begun to see to cut President Putin and the oligarchs who enable him off from the global financial system. We are watching developments in Ukraine with great concern and following responses by fellow institutional investors closely," Mr. Lander said.

The U.S. sanctions also prompted Colorado Gov. Jared Polis on Thursday to request officials with the $61 billion Colorado Public Employees' Retirement Association, Denver, follow suit.

A Colorado pension fund spokesman confirmed in an email that Colorado PERA "is reviewing and preparing to implement the federal mandates within the required time specifications." As of February 24, the pension fund had $8 million in Russian investments, including $7.2 million in Russian state-owned bank Sberbank.

Andy Palmer, CIO of the $69.3 billion Maryland State Retirement and Pension System, Baltimore, said in a memo Sunday to board members and advisers that earlier in the month, the pension fund had $197 million in Russian holdings, including $90 million in six Russian companies directly impacted by U.S. sanctions. By the close of business Thursday, Maryland's total Russian position was worth $96 million, he said.

Mr. Palmer said in the memo that investment staff are in contact with managers holding the largest positions "to understand how they plan on proceeding," and with MSCI "to learn how index inclusion will adapt to these changing conditions." As of Jan. 31, Russia comprised approximately 3.3% of the MSCI Emerging Markets Index and about 0.35% of Maryland's benchmark, he said in the memo.

"The small weight of Russia in the portfolio is a testament to the broad diversification strategy the board has adopted. We tend to focus on these instances of heightened risk in one portion of the portfolio but miss the positive impact other exposures bring," Mr. Palmer said.

The $84.7 billion Alaska Permanent Fund Corp., Juneau, said in a statement Friday that it is "working closely with our partners and custodial bank to monitor the developing situation in Ukraine and mitigate any issues associated with sanctions."

"Currently, investment exposure to Russia represents approximately 0.2% of the Alaska Permanent Fund's total assets under management. We remain committed to ensuring that the financial assets of the permanent fund continue to be safeguarded and well-positioned during the ongoing uncertainty," according to the statement emailed by fund spokeswoman Paulyn Swanson. "APFC acknowledges the suffering and the tragedy unfolding in Ukraine, (and) may there soon be a peaceful resolution for the Ukrainian people.''

And in Illinois, state Rep. Jim Durkin announced Thursday he would introduce legislation that would require the state's five pension funds to divest from any holdings in Russian companies.

Overseeing the state pension funds' investments are the $66 billion Illinois Teachers' Retirement System, Springfield; the $29.1 billion Illinois State Universities Retirement System, Champaign; and the $24.7 billion Illinois State Board of Investment, Chicago, which manages the investments of the State Employees' Retirement System, General Assembly Retirement System and Judges' Retirement System.

Back to top