

Via Email

April 13, 2022

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters:

I write on behalf of the Council of Institutional Investors (“CII”) in response to your March 24, 2022, letter requesting information about how CII’s members’ have responded to Russian aggression in Ukraine and the resulting humanitarian crisis.¹ CII strongly condemns Russia’s invasion of Ukraine and the atrocities being committed against the Ukrainian people. As responsible, prudent investors, our members have generally been proactive in responding to the crisis.

CII is a nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families, including public pension funds and defined contribution plans with more than 15 million participants – true “Main Street” investors through their funds. Our associate members include non-U.S. asset owners with about \$4 trillion in assets, and a range of asset managers with more than \$40 trillion in assets under management.²

¹ Letter from The Honorable Maxine Waters, Chairwoman, Committee on Financial Services, United States House of Representatives to Advocacy Leaders 1 n.1 (Mar. 24, 2022), https://financialservices.house.gov/uploadedfiles/3242022_ltrfci.re.russia.pdf.

² For more information about the Council of Institutional Investors (“CII”), including its board and members, please visit CII’s website at <http://www.cii.org>.

As you are aware, the individuals who manage public pension funds, the core of CII membership,³ are fiduciaries, and as such, they are required to act prudently and in the interest of their participants and beneficiaries. CII has been proactive in helping our members satisfy their obligations as they respond to Russia's invasion of Ukraine. For example, we conducted an educational session to help our members better understand and comply with the sanctions imposed by the international community and have served as a forum for our members to discuss approaches to the crisis.

From our discussions with members, we are not aware of any public pensions currently making or considering new direct or indirect investments in Russia. In fact, the sanctions imposed against Russia by the international community, the destabilization of the Russian economy, and the decline in the value of the Russian currency have all made it virtually impossible for public pensions to make new direct investments for the foreseeable future.

Although public pensions have not historically allocated large amounts of capital to direct investments in Russia, some public pensions do hold interests in Russia-linked investments that were made prior to the invasion of Ukraine. It has been challenging for public pension fiduciaries to deal with these investments for several reasons.

The values of Russia-linked investments have declined precipitously, and fiduciaries have a legal obligation to ensure that they do not cause imprudent losses by divesting in a "fire sale." Additionally, many Russia-linked investments cannot legally be liquidated at this time due to asset sale restrictions put in place by both the Russian government and the international community.

Given the challenges, public pension fiduciaries are engaging in deliberative, ongoing processes to evaluate options and establish approaches to addressing Russian investments. In recent weeks, some pensions have announced formal policies to restrict Russian investments.⁴ Other pension systems have taken a case-by-case approach, working with their investment managers to identify Russia-linked investments and shield their plans from further losses.

³ Council of Institutional Investors, About CII, <https://www.cii.org/about> ("The founders [of CII] were a group of 21 visionaries, most public pension fund officials, who believed that the companies in which they were investing their members' retirement assets needed more oversight by shareholders.").

⁴ See, e.g., J. Stempel, *New York State Pension Fund to Divest Russia Holdings*, Reuters (Mar. 25, 2022), available at <https://www.reuters.com/business/new-york-state-pension-fund-divest-russia-holdings-2022-03-25/>.

Importantly, virtually all public pensions are coordinating their responses closely with state and local officials. Public pensions are governed primarily by state law, and some state legislatures are considering, or have enacted, legislation to restrict investments in Russia.⁵ Our members play an important role in assisting legislators in developing and implementing such legislation.

We appreciate your attention to this issue, and we reiterate our unequivocal condemnation of Russia's actions in Ukraine. We have made our members aware of your interest in this issue, and we will supplement this response as appropriate based on responses we receive.⁶ Should you wish to discuss this matter further, do not hesitate to contact me.

Sincerely,



Jeffrey P. Mahoney
General Counsel

CC: The Honorable Patrick McHenry, Ranking Member, Committee on
Financial Services, U.S. House of Representatives

⁵ See M. Norton, *New Law's Russia Rider Orders Pension Fund Divestment*, WWLP (Apr. 7, 2022), available at <https://www.wwlp.com/news/new-laws-russia-rider-orders-pension-fund-divestment/>; M. Ibrahim, *Minnesota Lawmakers Plan Bipartisan Divestment from Russia*, MPR News (Mar. 10, 2022), available at <https://www.mprnews.org/story/2022/03/10/minnesota-lawmakers-plan-bipartisan-divestment-from-russia>.

⁶ See Council of Institutional Investors, *House Financial Services Chair Seeks Information on Business Activities in Russia*, 27(11) Corp. Governance Alert (Mar. 24, 2022), <https://myemail.constantcontact.com/SEC-Proposes-Long-Awaited-Climate-Disclosure-Requirements.html?soid=1103098301382&aid=WmitVwt67AI> (“Chairwoman Maxine Waters (D-CA 43) of the House Committee on Financial Services is [seeking information](#) on any actions CII members have taken to end relationships and engagements in Russia. Please send any information you want to share to CII Senior Research Analyst Lucy Nussbaum at lucy@cii.org by April 7. Specifically, the Committee wants to know: Actions taken to sell or divest from investments in Russia and with Russia-based firms; For funds that have not taken such steps, any plans are to do so, or the reasons you plan to continue investments or financial relationships in Russia; and Activities taken to comply with U.S. sanctions (including internal risk analysis and sanctions compliance activities”); see also *CII's Monthly Governance and Capital Market Regulation Update*, CII Podcast: Voice Corp. Governance (Apr. 7, 2022), <https://podcasts.apple.com/us/podcast/the-voice-of-corporate-governance/id1433954314?mt=2> (includes discussion of Mar. 24, 2022, letter from The Honorable Maxine Waters, Chairwoman, Committee on Financial Services, United States House of Representatives to Advocacy Leaders and provides CII staff email for any comments or questions).