Retirement Committee
2024 Resolution

Environmental, Social, and Governance (ESG) Factors

Whereas, in May 2023, the Ohio Senate passed SB6 bill that would prohibit the state's five retirement systems, state college and university endowments and foundations, and the Ohio Bureau of Workers' Compensation from making investments with the primary purpose of integrating environmental, social, and governance (ESG) factors. ESG integration is the analysis of all financially material factors in investment analysis and investment decisions, including ESG factors like employee safety, business ethics, and water stress; and

Whereas, there is a national effort by the fossil fuel industry to prevent ESG risk consideration in banking and investments in twenty states across the country; and eight states with pro-ESG policies, and

Whereas, those states that have passed anti-ESG policies have seen banks leave the state and other business disruptions along with higher costs due to disinvestment of funds from prohibited banks; and

Whereas, implementing an anti-ESG policy in Ohio could cost the state $2-$6 million and higher fees for municipal bonds due to prohibitions of current depository banks; and

Whereas, responsible investment involves considering environmental, social and governance (ESG) risks when making investment decisions and influencing companies or assets; and

Whereas, responsible investment complements traditional financial analysis and portfolio construction techniques; and

Whereas, responsible investment can seek substantial financial returns while considering ESG risk factors; and

Whereas, pension Board members can direct investment managers and service providers to align their investments with values and broader environmental and social objectives; and

Whereas, responsible investment can cover all asset classes; and

Whereas, responsible investment does not require sacrificing returns; and

Whereas, responsible investment can include index investors; and

Whereas, anti-ESG policies can lower investment return due to the inability to invest in certain companies/securities. Increased cost from divesting from asset managers who integrate ESG into their investment process. Higher cost to issue municipal debt due to financial blacklisting (banks legally cannot underwrite debt) or lower willingness by banks to underwrite debt due to potential risks. Potential business disruption to major companies, especially in private banking and insurance, located in Ohio that could be sensitive to anti-ESG sentiment; and

BE IT RESOLVED, that candidates seeking seats on Ohio's Public Pension plans and the Ohio Legislature be questioned to their commitments to seek environmental, social and governance (ESG) issues in investment decision-making; and

BE IT FINALLY RESOLVED, that OFT opposes any legislative effort to pass anti-ESG policies.