



Ohio Public Employees Retirement System
Office of Foreign Assets Control Compliance Policy
March 2021

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Revision History

Office of Foreign Assets Control Compliance Policy Established	March 20, 2013
Policy Revised	May 21, 2014
Policy Revised	February 18, 2015
Policy Revised	January 20, 2016
Policy Revised	February 15, 2017
Policy Revised	March 21, 2018
Policy Revised	September 18, 2019
Policy Revised	March 17, 2021

I. SCOPE

This Policy applies to all investment transactions that the Ohio Public Employees Retirement System ("OPERS") initiates and investment transactions entered into on behalf of OPERS by external investment managers.

II. PURPOSE

This Policy addresses compliance obligations with respect to controls on investment transactions imposed by the United States Department of the Treasury, Office of Foreign Assets Control ("OFAC").

III. LEGAL AUTHORITY

Section 145.11 (A) of the Ohio Revised Code ("ORC") provides that OPERS Retirement Board ("Board") is to discharge its duties solely in the interest of participants and beneficiaries for the exclusive purpose of providing benefits and defraying reasonable costs.

Section 145.11 (B) of the ORC provides that: "In exercising its fiduciary responsibility with respect to the investment of the funds, it shall be the intent of the Board to give consideration to investments that enhance the general welfare of the state and its citizens where the investments offer quality, return and safety comparable to other investments currently available to the Board."

The Board's fiduciary duty requires it to adhere to OFAC's controls on investment transactions because failure to do so would violate federal law and expose OPERS to civil and criminal penalties.

IV. OBJECTIVES

With regard to investment transactions that OPERS initiates, this Policy aims to create and implement thorough, targeted and reasonable procedures designed to mitigate the risk of OPERS engaging in investment transactions prohibited by OFAC.

With regard to investment transactions entered into on behalf of OPERS by external investment managers, this Policy aims to ensure that the OPERS Standard Form of Investment Manager Agreement contains appropriate language concerning OFAC compliance.

V. PROCESS

The Assistant Director of Investment Accounting, Operations and Compliance in conjunction with Legal Services will create and maintain an OFAC Compliance Procedure ("Procedure") to identify investment transactions prohibited by OFAC. In developing the Procedure, the relevant OFAC regulations and compliance guidance issued and available on OFAC's website will be reviewed.

In particular, the Procedure will require OPERS to divest as soon as lawfully permissible from any investment prohibited by OFAC. Staff shall not analyze pursuant to the OPERS Iran and Sudan Divestment Policy, any investment prohibited by OFAC, as this Policy alone shall govern such investments.

Effective October 2017, as Standard Form of Investment Manager Agreements are updated, Staff, in conjunction with the Legal Services Division, will update the provision regarding OFAC compliance in accordance with revisions proposed by OPERS investment counsel. Additionally, Staff, in conjunction with the Legal Services Division, will ensure that external investment managers are contractually bound to indemnify OPERS for any and all violations of OFAC's controls on investment transactions.

Currently, subject to further developments, the nations included on the OFAC list of embargoed countries should be assumed to be under an embargo for purposes of investment activities or transactions.

VI. ROLES AND RESPONSIBILITIES

A. OPERS Retirement Board

The Board is responsible for reviewing and approving this Policy and any changes to it.

In addition, the Board is responsible for reviewing reports related to this Policy.

B. Investment Staff

The Board delegates the Chief Investment Officer ("CIO") to implement this Policy. Staff is responsible for monitoring the Policy and recommending changes to the Board. Staff is also responsible for ensuring that Investment Manager Agreements and guidelines are consistent with this Policy and the Procedure.

All members of Staff are accountable to the CIO. The CIO is responsible for all Staff actions relative to the management of OPERS' investments. In this regard, it is the responsibility of the CIO to satisfy himself/herself that all Policies and directives of the Board are implemented.

C. Investment Compliance

The Investment Compliance area of Investment Accounting, Operations and Compliance ("IC") is responsible for monitoring compliance with this Policy, including guidelines established pursuant to it. If IC and Legal determines that an exception to this Policy has occurred, IC shall immediately notify Staff, the CIO, and the Executive Director. The OPERS Retirement Board will be notified once next steps have been determined.

D. Legal Staff and Fiduciary Counsel

The Legal Services Division and fiduciary counsel are responsible for advising Staff and the Board regarding legal compliance and fiduciary duties and performing other duties assigned in the Procedure.

VII. MONITORING AND REPORTING

IC will report to the Board concerning compliance with this Policy annually.