



July 29, 2020

The Honorable Emanuel Cleaver, II
2335 Rayburn House Office Building
Washington, DC 20515

The Honorable Joseph P. Kennedy, III
304 Cannon House Office Building
Washington, DC 20515

Dear Congressmen Cleaver and Kennedy:

Thank you for your letter expressing concerns about the lack of racial and gender diversity among asset managers of university endowments. As a public land-grant university, we strive to increase opportunities for diversity and inclusion in all facets of our academic and research enterprise. The Ohio State University *Time and Change Strategic Plan* states that “diversity and inclusion are core principles in everything we do at this institution, from academic programming and resources to the hiring and promotion of faculty and staff.” During this powerful moment in our nation’s history, racial and gender inequities must be addressed with sustained action, and our campus community is united in our commitment to creating lasting change.

Ohio State is dedicated to being an agent of change through our actions. In addition to the attached responses to your inquiry, I would like to highlight relevant programs and initiatives that contribute to Ohio State’s commitment to building a more inclusive and diverse university:

- **Development of the Office of Diversity and Inclusion (ODI).** Founded in 1970, ODI supports the recruitment, retention, and success of students, faculty and staff who enhance the diversity of our university. JPMorgan Chase recently reaffirmed its more than 50-year history of successful partnership and meaningful collaboration with ODI by investing \$2.5 million in two of Ohio State University’s signature programs that promote academic excellence for students from diverse backgrounds.
- **Establishment of a university-wide task force, led by ODI,** on racism and racial inequities to provide tangible recommendations to create a more equitable, healthy, supportive, and nurturing community. This 17-member group, which includes students, faculty and staff, will be engaging broadly with the Ohio State community to identify and propose action steps.
- **Creation of the Office of Institutional Equity (OIE),** which exists to help the Ohio State community prevent and respond to all forms of harassment, discrimination and sexual misconduct. OIE centralizes the university’s Americans with Disabilities Act (ADA), Affirmative Action and Equal Employment Opportunity (EEO), Protection of Minors and Title IX functions.
- **Enactment of a \$1 million seed fund for interdisciplinary research and creative work** that can contribute to the elimination of racism and solve its underlying causes and consequences. With an emphasis on impact, projects will be required to include substantive involvement of community partners.



We appreciate your interest and look forward to further conversations with our many partners in the government as we continue to enhance diversity and promote equal opportunity. Please let me know if you have additional questions. Thank you for your public service and attention to this critically important issue.

Sincerely,

Michael Papadakis
Senior Vice President and CFO

ATTACHMENT

1. Does your institution have a publicly available equal opportunity statement pertaining to the selection of external endowment managers?

The institution has an equal opportunity statement that applies to all faculty, staff, student employees, graduate associates, students, volunteers, and applicants. The institution does not have a separate statement specifically pertaining to the selection of external endowment managers.

- **If no, why not?**
- **If yes, please provide that statement.**

The statement can be found at:

https://policies.osu.edu/assets/docs/policy_pdfs/AffirmativeActionEqualEmploymentOpportunityandNon-Discrimination-Harassment_FINAL.pdf

2. What commitments to increasing opportunities for women and minority-owned asset management firms have been made by senior institutional leadership? (Please provide the specific dates of these actions and if they have resulted in tangible and measurable outcomes.)

The senior institutional leadership team recognizes the importance of increasing opportunities for women and minorities and announced updates to its action plan to address racism and racial inequalities on July 16, 2020. Details of this announcement can be found at <https://oaa.osu.edu/action-steps-address-racism-and-racial-inequities>. As part of this recent initiative, The Office of Investments intends to examine its selection process of external investment managers.

As of July 2020, more than 50% of the Office of Investments team is comprised of women and minorities with diverse representation at all positions and levels within the team.

As it relates specifically to OSU's investment pools (Short Term, Intermediate Term and Long Term) the leadership team has made progress in increasing opportunities for women and minority-owned firms, but acknowledges that there is still more work to do.

Since 2010, The Office of Financial Services has taken proactive steps to utilize women and minority-owned investment firms in the management of its operating funds portfolio. The Office targets that 10% or more of its Intermediate Term Investment Pool Assets be managed by women and minority-owned firms. The 10% target has been met or exceeded (as high as 20%) since inception. At present, more than 10% of the assets are invested with women and minority-owned investment firms.

The University also endeavors to include women and minority-owned underwriting firms in its public bond offerings. The University has utilized women and minority-owned underwriting firms, in both supporting and leading roles, for over 60% of its bond offerings since 1990. Since 1990 the institution has completed 33 bond offerings, with 21 including a woman or minority-owned firm. The University's success in this regard was recently highlighted in a Bloomberg article titled "Universities Drop the Ball in Hiring Minority Bankers," dated July 7, 2020.

The University has a purchasing policy that is consistent with the State of Ohio mandate to purchase 15% of its goods and services from Ohio-certified minority vendors. A copy of this policy can be found at https://busfin.osu.edu/sites/default/files/221_purchasing.pdf.

3. Has your institution conducted reviews to examine the efficacy of revising policies and practices that limit the participation of smaller and/or newer firms?

The institution has not conducted any reviews of this type to date. The institution acknowledges that at this time it does not have any policies that it believes limit the participation of smaller and/or newer firms, but also acknowledges that it does not have any policies that specifically encourage the participation of smaller and/or newer firms.

- **If no, why not?**

The institution is continually evaluating prospective investment opportunities from any and all sources. The Office of Investments website provides email addresses for any prospective investment manager who wishes to send information on an opportunity. The institution invites any proposal through this channel and reviews in excess of 300 opportunities in an average year. <https://busfin.osu.edu/investments>

- **If yes, please specify when and articulate the findings.**

4. What outreach has your institution done to inform women and minority-owned asset management firms about investment opportunities and the selection process?

The institution does not have an outreach program to inform asset management firms of any type about investment opportunities and the selection process. Like most other university endowments, the endowment investment team is responsible for sourcing attractive investment opportunities that can deliver strong long-term returns with active risk management. The investment team conducts research across asset classes, geographies, and sectors, and then proactively seeks out investment opportunities that it believes have favorable prospects and offer diversification benefits. The Office does not use a consultant or other third parties in this manner.

- **Do you believe such outreach is consistent with your fiduciary responsibility?**

The institution takes its fiduciary responsibility seriously, and as stated above, while the institution does not have an outreach program specific to this, it intends to evaluate a program of this type. The institution does not think outreach is inconsistent with its fiduciary responsibility.

5. How has your institution communicated priorities and expectations about inclusive asset management practices to investment staff and/or consultants?

The institution requires that all supervisors in the Business & Finance unit complete diversity and inclusion training, including a module titled “Transforming Workplace Culture: Identifying & Addressing Implicit Bias.” In addition, a version of this training module is being introduced for all Business & Finance employees. Additional training modules on this topic are available on a voluntary basis. Also, as noted above, the institution does not use consultants in this manner.



- **How does your institution ensure that those expectations are met?**

The completion of training modules are recorded in the institution's human resources system, and failure to successfully complete these modules by a specified date after hire or annually triggers a notification email to employee and supervisor.

6. Does your selection process for external asset managers require consideration of at least one diverse-owned firm?

As noted above, the institution's selection process for the Intermediate Term Investment Pool does require consideration of at least one diverse-owned firm. At present, the Long Term Investment Pool does not have this requirement, but with the hiring of a new Chief Investment Officer in May 2020 and the announcement of the action plan noted above in July 2020, the institution is evaluating its policies, and in particular, the Office of Investments is evaluating its selection process.

- **If no, why not?**
- **If yes, please articulate why this was done and if it has resulted in positive results?**

As noted above, this program was implemented in 2010 and has achieved strong results, with more than 10% of the total assets in the pool invested in women and minority-owned investment firms.

7. How much of your institution's endowment assets are under management with diverse-owned firms? (*Defined as women or minority ownership above 50%*)

Greater than 0% - Less than 5%: Long Term Investment Pool
Greater than 10% - Less than 20%: Intermediate Term Investment Pool

These percentages exclude investment managers with large partnerships that have some diverse owners, but less than 50%. These percentages also exclude managers that fit the above definition of a minority, but are not U.S. based (e.g. Asian manager based in China). Finally, please note that our LTIP has significant investments in passive holdings (e.g. S&P 500 Index and U.S. Treasuries) that are not managed by diverse-owned firms, but are included in the asset base for the purposes of the percentage calculation above. The passive holdings reduce the overall percentages as they are included in the denominator.

- **What percent of total assets under management does this number represent?**

See above