

Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, Ohio 43215

Minutes
May 11, 2023

The meeting was called to order by Chairman Schuring at approximately 10:00 a.m. in Room 017, the Ohio Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Adam Bird
Bill Blessing
Paula Hicks-Hudson
Mary Lightbody
Lora Miller
Ed Montgomery
Phil Plummer, Vice-Chairman
Dr. Anthony Podojil
Kirk Schuring, Chairman

Non-voting members

Karen Carraher, PERS
Mary Beth Foley, OP&F
Scott Helkowski, Attorney General
William Neville, STRS
Michael Press, HPRS
Richard Stensrud, SERS

Absent

Staff

Jeff Bernard
Bethany Rhodes
Alex Strickmaker

With a quorum present, the meeting was called to order at 10:00 a.m.

Chairman Schuring moved that the minutes of the previous meeting be approved. The minutes were approved without objection.

Chairman Schuring moved to the ORSC Actuary and Consulting Services RFP. He called on Vice-Chairman Plummer to present the RFP. Vice-Chairman Plummer presented the RFP and recommended that the RFP be approved and advertised.

Chairman Schuring thanked the subcommittee for its work. Vice-Chairman Plummer moved that the RFP be approved, and Senator Blessing seconded the motion. The motion was unanimously approved.

Senator Hicks-Hudson arrived at 10:03 a.m.

Chairman Schuring moved to the ORSC Investment Performance Evaluation Services RFP. He called on Senator Blessing to present the RFP. Senator Blessing presented the RFP and recommended that the RFP be approved and advertised.

Chairman Schuring thanked the subcommittee for its work. Representative Lightbody moved that the RFP be approved, and Senator Blessing seconded the motion. The motion was unanimously approved.

Chairman Schuring moved to the 2024 ORSC budget. He called on Director Rhodes to present the budget. Director Rhodes presented the budget.

Chairman Schuring thanked Director Rhodes for her presentation.

Mr. Montgomery commented that a three percent salary increase is actually a pay cut when measured against inflation and that it is an area of concern for him. Chairman Schuring thanked Mr. Montgomery for his comments and suggested that staff pay be looked at in a future meeting.

Ms. Miller asked about expected capital expenses. Director Rhodes stated that the copy machine is aging and furniture is starting to age and break as well.

Representative Lightbody commented that many people do not receive any type of pay increase. She stated that she values the work of ORSC staff and if a subcommittee is created to evaluate salary, she would like to be a part of it.

Ms. Miller asked if it would be appropriate to make a recommendation to provide a three percent cost of living increase for the Director/General Counsel.

Chairman Schuring created a subcommittee to evaluate ORSC staff pay. He named Mr. Montgomery as Chair and named Representative Lightbody and Ms. Miller to the subcommittee. Chairman Schuring directed the subcommittee to report at the next ORSC meeting.

Representative Lightbody asked about the yearly work the Auditor of State does for the ORSC. Director Rhodes outlined the audit that the Auditor of State does of the ORSC every two years and the billing process for the audit.

Vice-Chairman Plummer moved to accept the ORSC budget pending the outcome of the subcommittee to evaluate staff pay. Senator Blessing seconded the motion. The motion was unanimously approved.

Chairman Schuring moved to the Sub. S.B. 6 Staff Recommendation. He called on Mr. Bernard to present the recommendation. Mr. Bernard presented the recommendation.

Chairman Schuring thanked Mr. Bernard for his presentation.

Representative Lightbody stated Sub. S.B. 6 is difficult for her as she is concerned with current changes to the climate. She stated her concerns that if investors do not consider the implications of their investments on the climate, the climate will suffer. She also stated that she would prefer the recommendation say that the ORSC recommends passage of Sub. S.B. 6 instead of "approve." Chairman Schuring said that it is the responsibility of the ORSC in fact to approve legislation.

Senator Hicks-Hudson thanked staff for the recommendation. She stated that she will be voting against the recommendation as the recommendation is a gymnastic writing to come to a particular conclusion. She stated that the prudent person standard is the standard that should be followed and that the bill is not necessary.

Representative Bird stated that the first thing he heard about from constituents when first appointed to the ORSC was that pension funds should not make investment decisions for ESG purposes. He stated that the legislation and recommendation are something that he is very much in favor of.

Vice Chairman Plummer moved that the Sub. S.B. 6 staff recommendation be approved, and Senator Blessing seconded the motion. The motion was approved with a 7-2 vote.

Chairman Schuring moved to the H.B. 78 Staff Recommendation. He called on Mr. Bernard to present the recommendation. Mr. Bernard presented the recommendation.

Chairman Schuring thanked Mr. Bernard for his presentation.

Senator Hicks-Hudson asked whether the reason for the recommendations classification of re-employed retirants is because they are no longer paying into the system while employed. Mr. Bernard clarified that a re-employed retirant is no longer receiving service credit and they are receiving their retirement benefit from STRS.

Mr. Podojil asked what board a retirant is able to vote for if they contributed to multiple systems in the course of their employment. He asked if they vote for the board of the system where they eventually retired from. Mr. Bernard stated that he would further look into it and get back with an answer. Chairman Schuring stated that he does not believe that the bill is in relation to this issue.

Representative Lightbody stated that Representative Miller has drafted an amendment to make clarifications to the legislation. Chairman Schuring stated that if an amendment is included to address the recommendation, staff should revisit the recommendation and amend it appropriately. He stated that the recommendation is written to the bill in its current form. Representative Lightbody asked for further clarification on how the amendment she previously referenced will come into play. Mr. Bernard stated that he

has not seen an amendment and therefore, cannot speak to the amendment. Chairman Schuring stated that the recommendation will be updated if an amendment is accepted.

Vice-Chairman Plummer moved that the H.B. 78 Staff Recommendation be approved, and Senator Blessing seconded the motion. The motion was unanimously approved.

Chairman Schuring moved to the creation of a subcommittee to look into the list of items referred to the ORSC by the Auditor of State in the Auditor of State's referral letter. He named Mr. Montgomery Chairman and named Representatives Lightbody and Bird to the subcommittee.

Chairman Schuring moved to the PERS 2022 Annual Disability report. He called on Director Carraher to present the report. Director Carraher presented the report.

Chairman Schuring thanked Director Carraher for the report.

Chairman Schuring moved to the OP&F 2022 Annual Disability Report. He called on Director Foley to present the report. Director Foley presented the report.

Chairman Schuring thanked Director Foley for the report.

Chairman Schuring moved to the HPRS 2022 Annual Disability Report. He called on Mr. Press to present the report. Mr. Press presented the report.

Chairman Schuring thanked Mr. Press for the report.

Representative Lightbody requested that HPRS look into whether Ohio's new distracted driving law has impacted the number of accidents involving officers who are injured when ticketing individuals.

Chairman Schuring moved to the STRS 2024 Budget. He called on Lynn Hoover to present the budget. Ms. Hoover presented the budget.

Representative Lightbody asked for further explanation on the investment consultant expense increase. Ms. Hoover stated that the process to select investment consultants is ongoing and that the costs are not exactly known at this time. The figures represented are estimations.

Vice-Chairman Plummer asked who makes the decision on who does outside investments. Ms. Hoover stated that this is a Board decision. Vice-Chairman Plummer followed-up with asking for more clarification on how the decision is made to award bonuses to STRS investment staff in years with negative returns. Ms. Hoover stated it is done in accordance with the Board approved incentive policy. Vice-Chairman Plummer followed-up asking if it is on the Board's radar to continuously look at the proportion of inside and outside managed investments. Ms. Hoover stated that it is.

Senator Hicks-Hudson asked for further explanation on the difference between the internally and externally managed assets and why there is a lower proportion of externally managed assets when it appears that they are cheaper and perform better. Ms. Hoover stated that returns that are referred to relate to the total fund return and that externally managed assets cost more to manage than internally managed assets.

Representative Bird asked for clarification on what line item investment performance bonuses fall under. Ms. Hoover stated that this is under salaries and wages. Representative Bird followed up asking for clarification on how the amount for bonuses is budgeted for. Ms. Hoover stated that the program is approved annually by the Board and that more weight goes to 5-year performance to determine incentives. This allows 5-year returns to be evaluated to determine how much should be budgeted for. Representative Bird asked for clarification on whether the Performance Based Incentive (PBI) program is approved each year and if it changes each year. Ms. Hoover stated that it is and it does have changes each year.

Mr. Montgomery asked if STRS has looked into any ways to retain talent and eliminate the PBI program. Ms. Hoover said that this is being looked at in the May Board meeting.

Dr. Podojil asked for clarification on the chart involving investment expenses. Ms. Hoover provided an explanation on what the chart shows in regard to expenses. Dr. Podojil asked for clarification on if the external expenses reflect the fees external managers charge and that it is more expensive than managing investment internally. Ms. Hoover stated that this is correct but that STRS continues to try to limit fees.

Mr. Montgomery commented that other funds do not have this type of payment structure and that it is something important to look at.

Chairman Schuring moved to the SERS 2024 Budget. He called on Director Stensrud to present the budget. Director Stensrud presented the budget.

Chairman Schuring thanked Director Stensrud for his presentation.

Senator Blessing left the meeting at 11:11 a.m.

Chairman Schuring moved to the STRS 2023 PBI Program. He called on Director Neville to review the program. Director Neville reviewed the program and further addressed several of the questions asked to Ms. Hoover during her budget presentation.

Chairman Schuring thanked Director Neville for his presentation.

Chairman Schuring moved to the 2022 ORSC Annual Report. He called on Mr. Bernard to present the report. Mr. Bernard presented the report.

Chairman Schuring thanked Mr. Bernard for the presentation.

Chairman Schuring moved to the rules. Mr. Bernard stated that ORSC staff reviewed the rules and that they were in compliance with the Revised Code. He noted that the ORSC has asked staff to note rules regarding changes to healthcare programs and that SERS has filed a rule that creates a new educational component as a condition to receiving healthcare.

Chairman Schuring said that the next meeting is scheduled for June 8, 2023, or at the call of the Chairman.

The Meeting adjourned at approximately 11:18 a.m.

Date Approved

Kirk Schuring, Chair

Bethany Rhodes, Secretary

Phil Plummer, Vice Chair