

**Ohio Retirement Study Council**  
**30 East Broad Street, 2<sup>nd</sup> Floor**  
**Columbus, Ohio 43215**

**Minutes**  
**June 13, 2019**

The meeting was called to order by Chairman Schuring at approximately 10:00 a.m. in room 116, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

**Voting members**

Jack Cera  
Rick Carfagna, Vice-Chair  
Hearcel Craig  
Derek Merrin  
Lora Miller  
Angel Mumma  
Kirk Schuring, Chair

**Non-voting members**

Mark Atkeson  
Karen Carraher  
John Gallagher  
Paul Snyder  
Richard Stensrud  
Carol Mosholder

**Absent**

Jay Hottinger, Excused

**Staff**

Jeff Bernard  
Bethany Rhodes  
Ali Yogmour

With a quorum present, Chairman Schuring moved that the minutes of the previous meeting be approved. The minutes were approved without objection.

Vice-Chair Carfagna made a motion to review the proposed FY 2020 Budget for the Ohio Retirement Study Council (ORSC). The motion was seconded by Senator Craig. Chairman Schuring reviewed the ORSC Budget and highlighted slight increases for potential parking fees and possible sick leave and vacation leave payouts should a staff member end employment. He noted his appreciation for the overall conservative approach to the budget. A roll call vote was taken and the budget was approved with a vote of 7-0.

Chairman Schuring asked Walter Myers, Director of Trust, and Branden Kern, Legislative Director, to provide the Treasurer of State (TOS) 2020 Custody Presentation. The presentation highlighted the commitment of Treasurer Robert Sprague to the RFP improvement process. Director Myers went on to discuss the continuation of engagement with the pension funds and also highlighted the TOS' RFP

timeline for Quarter 1 & Quarter 2 and how they are now working on moving into Quarter 3 & Quarter 4. He also reviewed their plans for 2020.

Representative Cera asked how many responses the TOS received in 2016 from the RFP. Director Myers said that he thought they received six responses for domestic custody including US Bank, Key Bank, PNC, Huntington, and JP Morgan and noted these responses were limited by eligibility. He said that there are only a handful of banks eligible for international custody, and these included State Street, Bank of New York (BNY), and Northern Trust. Representative Cera asked what the anticipation for respondents was this year. Director Myers echoed that the eligible banks will be limited to those mentioned and did not expect much difference in 2020. Representative Cera asked about the importance of Ohio's presence in choosing a custodian. Director Myers said that historically for domestic custody they had been limited to banks with an Ohio presence, so for instance, that would exclude BNY, but BNY would be eligible as an international custodian since the Ohio presence restriction did not exist. He noted that there are very few banks that meet the eligibility requirements to be the international custodian. Representative Cera noted that he was pleased to hear about the 2016 and 2020 improvement to fee negotiations and evaluations of current custodians. He mentioned that on the Controlling Board they analyze similarly and do not just choose a custodian based on their present vendor. Director Myers noted the TOS' robust vendor management as it relates to the pension funds and that the RFP envisions a continuous process of evaluation. He also noted that the discipline of regularly rebidding the custodial contracts allows a consistent assessment of vendors. Director Kern echoed these sentiments.

Chairman Schuring emphasized the importance of working with the retirement systems. He noted that the TOS may want to work on codifying the law because the good policies of the current treasurer may not be reflected in treasurers to come.

Chairman Schuring asked Christian Eicher of RVK to present the RVK Quarter 4 Investment Performance Review for the period ending December 31, 2018. Mr. Eicher began with a review of capital markets and then discussed how those affected the plans' performance. He noted that the end of 2018 marked one of the longest market expansions to date but noted the pull back during the fourth quarter. He highlighted the total fund returns and noted that five out of the six plans had outperformed their benchmarks. Mr. Eicher reviewed asset allocation changes and talked about the importance and benefits of diversification. He then reviewed the fund performance versus the actuarial rate of return. He noted that this has been one of the longest bull markets to date.

Representative Cera noted that he had considered his own volatility when reviewing his deferred compensation. He asked Mr. Eicher to explain how the systems review and react to market volatility and how they deal with increased volatility. Mr. Eicher said he could not speak for each individual system, but that he knows they do pay attention to market changes and trends. He said all of the systems are long-term investors and

review their asset allocations and volatility of the fund to determine if change is merited. He noted that the funds volatility was also related to each system's target returns.

Chairman Schuring asked Director Carraher to provide the PERS Audit Report. Director Carraher reviewed the report and there were no questions.

Chairman Schuring asked Paul Snyder to provide the STRS Audit Report. Mr. Snyder reviewed the report and there were no questions.

Chairman Schuring asked Director Stensrud to provide the SERS Audit Report. Director Stensrud reviewed the report and there were no questions.

Chairman Schuring asked Director Gallagher to provide the OP&F Audit Report. Director Gallagher reviewed the report and there were no questions.

Chairman Schuring asked Director Atkeson to provide the HPRS Audit Report. Director Atkeson reviewed the report and there were no questions.

Representative Cera asked how the systems handle high-risk issues when they are reported through an audit and if there was a timeline for correcting them. Director Carraher said that if an audit notes a high-risk issue, it will go before their board and audit committee and they work immediately to eliminate them. She noted that timelines vary based on the issue, for instance, if the issue requires use of an outside vendor. She said there is a lot of collaboration with staff and they work internally to minimize risk. Mr. Snyder noted that STRS internal audit staff have direct access to the board.

Chairman Schuring asked Mr. Snyder to review the STRS 2020 Budget. Mr. Snyder reviewed the STRS Operating Budget and also reviewed the STRS Capital Budget. He said that in addition to the capital budget, there were increases for travel as more board members live outside of Columbus as well as increases for new board member education.

Chairman Schuring asked Director Stensrud to review the SERS 2020 Budget. Director Stensrud reviewed the SERS Budget and SERS' commitment to their strategic plan. He highlighted a 0.8% increase before capital expenditures and noted that two new board members will require training in 2020.

Chairman Schuring asked ORSC staff to provide the Rules report. Mr. Bernard noted that there were no new rules to review.

Chairman Schuring announced that the next meeting would be July 11, 2019, at 10:00 a.m. or at the call of the Chairman.

The meeting adjourned at approximately 10:56 a.m.

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Date Approved

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Kirk Schuring, Chair

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Bethany Rhodes, Secretary

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Rick Carfagna, Vice Chair