

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

**Minutes**  
**June 9, 2022**

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

The following members attended the meeting:

**Voting members**

Adam Bird  
Hearcel Craig  
Jay Hottinger  
Mary Lightbody  
Lora Miller  
Phil Plummer, Chairman  
Dr. Anthony Podojil

**Non-voting members**

Karen Carraher, PERS  
Charles Carter, Attorney General  
Mary Beth Foley, OP&F  
William Neville, STRS  
Carl Roark, HPRS  
Richard Stensrud, SERS

**Absent**

Kirk Schuring, Vice Chairman, excused

**Staff**

Jeff Bernard  
Bethany Rhodes

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

Chairman Plummer moved to the May 24, 2022, ORSC minutes. Without objection, the minutes were approved.

Chairman Plummer moved to the ORSC FY 2023 budget. Director Rhodes presented the proposed budget. Chairman Plummer moved to approve the FY 2023 ORSC budget with the inclusion of a 3% COLA for the director and the motion was seconded by Dr. Podojil. The roll was called and the motion was approved 7-0.

Chairman Plummer moved to the 2022 STRS 10-Year Actuarial Audit. William Fornia, PTA/KMS, presented the actuarial audit.

Representative Bird asked about the lack of transparency on certain issues, does this happen in other audits Mr. Fornia conducts? Mr. Fornia replied yes, and that is a

situation that has become more common over the past ten years. He remarked that sometimes a firm will claim that the information is proprietary. He said that it is an issue in the actuarial industry, but the good news is that since we “matched” in this audit, it was not a concern. He remarked that it may be worthwhile for the systems to require their actuaries to provide this information for audits in their next contracts, but there’s a possibility the firms won’t agree to do so. Representative Bird remarked that Mr. Fornia mentioned that we “matched,” but the audit was, in fact, not identical by 0.7%, and with the funds talking about billions of dollars, this is actually a large number. Mr. Fornia remarked that, materially, it does not matter due to the margins of error; therefore, any decision made by the STRS Board is based upon sound information. He further remarked that the slight difference is dwarfed by the assumptions that are in the audit, which would have a huge effect on actual liabilities.

Representative Lightbody asked about the timing of the audit and the recent decision by STRS to grant a one-time COLA. Mr. Fornia remarked that this decision happened outside the period of the audit, so this audit and the valuation at the time assumed no COLA. Representative Lightbody asked if the next audit would reveal this change and Mr. Fornia said it should, but also remarked that what would be important to see is if the actuary includes a changed COLA assumption moving forward. Representative Lightbody asked about the change in actuaries and if Mr. Fornia knew why they changed actuaries. Mr. Fornia said that he did not know, but that this was not unusual.

Director Foley thanked Mr. Fornia for his work on HB 512 and asked a process question related to the discount rate and a change in the assumed rate of return. She asked if OP&F further lowered its assumed rate of return, would it impact its funding status? Mr. Fornia said yes, definitely, and he noted that the assumed rate of return is a significant driver of funding and is vital in the assumptions, although nobody can predict the actual return. Chairman Plummer reminded members that the Council was discussing the STRS Actuarial Audit and directed members to please stay on topic.

Dr. Podojil asked about the type of data that the ORSC would be asking for in a future audit that could be included in an RFP? Mr. Fornia remarked that they actually do get very high level of detail, but it’s an issue of the actuary providing how the firm calculated the exact number for an individual participant. The issue with the STRS audit was that they were provided the final number for the participant rather than those calculations.

Chairman Plummer asked Director Rhodes to provide a brief rundown on the audits conducted by the ORSC. Director Rhodes reviewed the statutory audits under R.C. 171.04 for fiduciary and actuarial audits. The ORSC is also permitted to conduct special audits, which she noted are not common. Additionally, the State Auditor conducts an annual audit. Further, the systems themselves conduct internal audits.

Chairman Plummer moved to the 2022 STRS 10-Year Fiduciary Audit. Randy Miller and Tiffany Reeves from Funston reviewed the report.

*Senator Hottinger left at 10:29 a.m.*

Chairman Plummer asked Director Neville when these audits will be provided to the STRS Board. The Director noted that the STRS Board was provided the audit the same day or day after it was posted on the ORSC website and Funston will present to the STRS Board next week at the regularly scheduled STRS Board meeting. Chairman Plummer encouraged the systems and ORSC staff to be as transparent as possible to give members who worked their whole careers the answers they deserve.

Senator Craig thanked Funston for the thoroughness of the report and their presentation and the comments on the prudence of the systems for the members who worked through their entire careers. He asked that, given the prevailing questions and concerns from outside groups, what is the most important recommendation that Funston could offer about mitigating the outside concerns directed at STRS? Mr. Miller noted that what STRS has been doing regarding transparency is fairly typical, but the bar on transparency was being raised across the country. The recommendation in their report was to raise the bar at STRS in response to that and Mr. Miller stated that he thought that would help. He did, however, note that many of the statements being made were simply factually inaccurate, so he wasn't sure if any amount of transparency could possibly help if people are going to ignore the data and the facts.

Representative Bird asked about the comments regarding the DC plan oversight as being inadequate, but then the later comment that STRS oversight was prudent and asked Mr. Miller to expand upon those comments. Mr. Miller noted that they found, in general, that the STRS Board is doing a good job, but not everything was perfect. He noted that this is an area which could use more work and Ms. Reeves highlighted the prevailing practices regarding DC oversight in boards.

Dr. Podojil asked about the people who worked on the audit. Mr. Miller reviewed the team, including Rick Funston, Keith Johnson, Steve Case, Mike Gold, Steve Ross, and John Lukomnik. Dr. Podojil remarked that it's not just the firm that is being hired, but the bench behind that firm that can provide expertise. Dr. Podojil asked how the stakeholder groups were selected. Mr. Miller remarked that he worked with Director Rhodes and Mr. Bernard on the selection of those groups, noting that they spoke with the Buckeye Association of School Administrators, the Ohio Retired Teachers Association, the Ohio Education Association, the Ohio Federation of Teachers, and the Ohio Inter-University Council at the recommendation of the ORSC staff. He remarked that they had structured interviews with these groups via Microsoft Teams that lasted anywhere from a half hour to an hour. Dr. Podojil asked about the compliance officer position recommendation. Ms. Reeves remarked that STRS is doing compliance work, it's just that the compliance is dispersed throughout the organization. What they would suggest is that a single person would oversee compliance throughout the entire organization.

Dr. Podojil remarked on STRS's high performance and lower costs and that he is trying to reconcile the need for high performance versus fees. He noted that it seems the goal is getting high performance for lower costs. He asked how often they have found that funds are able to achieve that goal. Mr. Miller noted again that they found STRS to have

good policies and procedures and that there is every indication that they will remain so going forward. He noted that Funston had discussed STRS staff's concerns relative to staff retention. He noted that with the criticism directed at STRS on what they are paying people, and from Funston's view, STRS's policies are sound, and if they don't maintain those processes under this criticism, STRS may begin to lose people that they do not want to lose. It just may be harder with the criticism to keep that model running.

Ms. Miller asked Funston to expound more on how STRS measures and reports investment performance. Mr. Miller noted that STRS has both an internal department that is separate from investments that calculates performance and then external consultants that provide measurements, including GIPS, and annual ACA audits to confirm those measurements. He noted that this is markedly better than prevailing practice and would go so far as to say that is leading practice, but he's not sure what more they could do.

Chairman Plummer asked Director Neville if he had any comments. Director Neville remarked that he appreciated the work of the ORSC and Funston and looks forward to working with his team and the STRS Board to work through the Funston suggestions.

Chairman Plummer moved to the HB 512 staff recommendation, noting that the ORSC is required to review legislation and to accept or deny these recommendations. He asked Mr. Bernard to review the staff recommendation. Before beginning his recommendation, Mr. Bernard noted that he was asked to review the process of staff analyses. He noted that HB 512 received its first hearing on March 23, 2022, and second hearing on March 30, 2022. With that second hearing, the staff recommendation requirement was triggered and he was directed to begin the ORSC's analysis process. He reached out with an information request to all the systems with questions on April 5, 2022, with the final response received May 20, 2022. The ORSC actuarial review was received from PTA/KMS on May 25, 2022, and the ORSC analysis was posted on the website a week ago. Mr. Bernard then reviewed the analysis, noting that the most important thing to remember in the review is that something must change in order for OP&F to get into compliance and remain below the statutory 30-year amortization period; however, given a letter sent by the OP&F Director only the day before indicating a possible further reduction(s) in assumed rates, there is extreme need for the 30-year plan process to begin immediately.

Representative Lightbody asked about something that wasn't in the analysis, a consideration of the effect HB 512 would have on municipalities, noting that the local government fund had been cut one billion dollars over the past few years and also the effect of tax rebates with COVID. She asked if the possibility of the municipalities being able to meet the cost increases under HB 512 were considered in the analysis? Mr. Bernard remarked that ORSC staff try very hard to stay in their lane and noted the issue of the stability of employer contribution rates and assumption that, at the employer level, those municipalities base their decisions on that stable rate. However, the analysis itself focused only on the change in the policy of stable employer rates rather than the issues that Representative Lightbody raised that would exist for the employer. Representative

Lightbody noted that there is a considerable difference between the understanding of the role of the legislators regarding Ohio's pension funds and the role of ORSC, and who is responsible for what. She asked Director Rhodes about where the balance was between decision making between the General Assembly and the ORSC? Director Rhodes noted that ORSC was established in 1968 as an independent body to oversee and advise the General Assembly on any pension related changes. She noted, however, that the General Assembly has ultimate and all authority and created both the ORSC and the five systems and the General Assembly can do whatever they want with or without ORSC approval. What the ORSC does is to study these issues and make recommendations, but the General Assembly is not required to take those recommendations.

Ms. Miller asked about the recommendation that OP&F immediately begin the 30-year plan process. She asked if this is a new recommendation or requirement? Mr. Bernard noted that the 30-year requirement is in statute and it is viewed as a statutory requirement by ORSC staff. Ms. Miller asked how long has it been advised that they issue these plans? Mr. Bernard noted that when pension reform was done that the ORSC actuary remarked that additional changes would be necessary to keep OP&F below 30-years, and, in fact, the OP&F Board took action after pension reform around health care to achieve 30-year funding. Still, the ORSC actuary had repeated the advice that additional changes might be necessary and has continually advised for that process to begin. He said that it has been an advisement since pension reform to begin this process to get ahead of this situation.

Dr. Podojil asked a process question related to the analysis and asked if it was the 2<sup>nd</sup> hearing that triggered the ORSC analysis? Mr. Bernard said yes. Dr. Podojil remarked that perhaps there is an issue with the timing of this that doesn't permit the ORSC enough time to get in front of these issues and that may be worth some discussion.

Senator Craig asked if the intent was to vote up or down on the staff recommendation today and the Chairman Plummer responded that he had another plan and would be making a motion in a moment. Chairman Plummer noted that this bill was pending in the House Insurance Committee, and no one on the Council was actually a member of that committee, so the members were going to have to view those hearings in their spare time, which he did last night. He noted that he did not feel there was enough information at the moment to make a recommendation, noting that there were questions in that committee regarding what would happen if there was a rate increase? Would employers cut positions or active member's pay? He noted that they simply did not have enough information to make this decision today. Because of that, he would be making a motion to defer action on HB 512. He also wanted to bring attention to a letter sent by Director Foley and, in particular, a comment that the ORSC wants to defund the system and front line workers. He wanted to make it clear that he took exception to this statement, which was wholly incorrect and in complete conflict of the Council. He noted that his father worked 36 years as a firefighter and died shortly thereafter from cancer. He said he had worked 30 years in law enforcement and had to get a job afterward for healthcare. He said he personally knows the pay issues and he stated that nobody

wants to cut benefits, but that it must be kept in mind that the taxpayers also cannot be saddled with the entire burden. He said the ORSC may have to look at longer-term approach and are going to be working with the sponsors. Chairman Plummer made a motion to defer formal action on HB 512 until the triennial OP&F valuation is completed, no later than November 1, 2022, and that OP&F is ordered to immediately to begin the 30-year plan process with the ORSC staff. The motion was seconded by Ms. Miller. The roll was called and the motion was agreed to 6-0.

The Chairman said that the next meeting is scheduled for July 14, 2022, or at the call of the Chairman.

The meeting adjourned at approximately 12:08 p.m.

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Date Approved

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Phil Plummer, Chair

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Bethany Rhodes, Secretary

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Kirk Schuring, Vice Chair