

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

Minutes
December 14, 2023

The meeting was called to order by Chairman Romanchuk at approximately 10:03 a.m. in Room 116, 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
Mark Romanchuk, Chairman

Non-voting members

Karen Carraher, PERS
Marla Bump, STRS
Mary Beth Foley, OP&F
Scott Helkowski, Attorney General
Carl Roark, HPRS
Richard Stensrud, SERS

Absent

Staff

Jeff Bernard
Bethany Rhodes
Alex Strickmaker

With a quorum present, the meeting was called to order at 10:03 a.m.

Chairman Romanchuk moved that the minutes of the previous ORSC meeting, ORSC Subcommittee for Auditor of State Referral Letter, and ORSC Subcommittee for Actuary and Consulting Services be approved. The minutes were approved without objection.

Senator Hicks-Hudson arrived at 10:05 a.m.

Chairman Romanchuk moved to the Investment Performance Review for the period ending June 6, 2023. Jim Voytko of RVK, Inc. presented the report with a focus on divergences and dispersion between the systems and their investments. He noted that these differences are not necessarily a cause for concern but are, instead, simply differences that should be monitored in the event they begin to appear to be a concern.

Representative Lightbody asked for clarification of the funding status of the five retirement systems. Mr. Voytko and Mr. Bernard stated that none of the systems are fully funded.

Representative Lightbody asked for clarification as to whether the differences in the standard deviation of risk between the systems was a cause for concern or if this is standard across pension funds. Mr. Voytko stated that it is not a cause for concern when comparing to all large pension funds in the country. He further stated that even if it is not a cause for concern at this time, it is worth monitoring and the systems looking into these differences is always worth the effort.

Representative Bird asked for an explanation of what divergence and dispersion are in the context of the presentation. Mr. Voytko stated that divergence is the spreading apart of the plans when it comes to asset allocation and dispersion is the outcome of the divergence.

Representative Bird asked whether the fees associated with private equity are worth it. Mr. Voytko stated that based on the ten-year example provided in the report, yes, they are. He further provided that it is a judgment call on the part of a board as to whether the risks associated with private equity are worth the fees and increased returns.

Representative Bird asked about the challenges of investing during a period of high inflation and asked for an opinion of what public funds should do in such periods. Mr. Voytko stated that there is no such thing as "inflation proofing" a portfolio and even mitigation can be difficult. He further explained that a fund must look through its portfolio and recognize investments that have a positive relation to inflation to determine if they are proper mitigators.

Representative Bird asked whether world conflict has a negative effect on international investments and whether international investments that are affected by conflict should be limited. Mr. Voytko stated that investment consultants tend to resist the idea of shrinking investment opportunities in general. He further stated that it is evident that world conflict does have an impact on international investments, but it is difficult to measure how much of an impact it has.

Senator Hicks-Hudson asked if RVK has any concerns based on this review and whether there are any concerns that the ORSC should have as well. Mr. Voytko stated that a reason for concern would be when a pension board and staff does not look at a strategy more closely when there has been a short period of time that the strategy has

not worked. He further provided that the ORSC should watch to ensure that boards are engaging in asset liability studies, beta reviews, and appropriately responding to investment results in general.

Representative Lightbody asked for clarification on the absence of STRS benchmarks regarding private equity in the report. Mr. Voytko stated that he will have to check with his data team to see why that was not included. Mr. Bernard stated that he can also reach out to STRS to figure that out. He assumed that the information was not available because there was a board level decision to change how those returns were calculated, so the benchmarks no longer apply to the data. My Voytko stated that these types of changes to private equity benchmarks are normal.

Director Foley asked whether low short-term investment returns would be cause to end a strategy completely. Mr. Voytko stated that low short-term returns is a cause of concern that a board should look into. Director Foley asked whether the decisions made by the OP&F Board causing the dispersion and divergence highlighted in the report are justifiable. Mr. Voytko stated that the dispersion and divergence are justifiable, but the OP&F Board should continue to evaluate these differences with the other funds.

Chairman Romanchuk reminded Council members and presenters that all questions and answers should be directed through the Chair. He thanked Mr. Voytko for his report.

Chairman Romanchuk moved to the PERS 2022 Actuarial Valuation. Director Carraher presented the report.

Chairman Romanchuk moved to the OP&F 2022 Actuarial Valuation. Director Foley presented the report.

Representative Lightbody asked about the effect of H.B. 269 on OP&F and the need for the bill. Director Foley stated that OP&F has a history of underfunding and a disparity of contribution rates between police and fire. She further stated that H.B. 296 and the Senate companion bill will eliminate this disparity and be effective at improving the funding status of OP&F.

Representative Lightbody asked whether OP&F would consider taking more risk in the stock market to increase returns and align more with the objectives of the other funds. Director Foley stated that the OP&F Board has looked at this through an asset allocation study, and the Board made the decision that the risk of loss with more stock market exposure would hurt OP&F more than the chance of increased returns would help. Representative Lightbody stated that it is still something worth looking at.

Vice-Chairman Plummer asked how long the increased contributions in H.B. 296 would last before OP&F is in need of further increase to contribution rates. Director Foley stated that she is hopeful that more money will not be needed but that she cannot

guarantee it. She further stated that continued evaluation of the contribution rates is always essential.

Vice-Chairman Plummer asked whether OP&F is still providing disability payments for off-duty individuals. Director Foley stated that it is paid after five years as a smaller benefit. She further stated that this decision is a balance of fairness and actuarial impact.

Mr. Montgomery commented that fixed income has not seen the recent losses it has experienced in a long time and that the current environment would have been extremely difficult to predict by OP&F when setting their allocations.

Chairman Romanchuk moved to the HPRS 2022 Actuarial Valuation. Director Roark presented the report.

Representative Lightbody commented on HPRS's changes to the employee contribution rate and whether HPRS can change the employer contribution rate without legislative action. Director Roark stated that a change to employer contribution rates would require legislative action. Representative Lightbody asked whether HPRS will be seeking legislation to increase employer contribution rates. Director Roark stated that HPRS does not see a need to increase rates at this time.

Chairman Romanchuk moved to the HPRS travel policy. Director Roark presented the policy.

Representative Lightbody asked whether Director Roark is aware of any plans for the Highway Patrol to begin to utilize electric vehicles. Director Roark stated that he is not aware of any plans at this time and that he is not sure electric vehicles are appropriate for the needs of the Highway Patrol when it comes to mileage and current range capabilities.

Chairman Romanchuk moved to old and new business. He called on Mr. Bernard to provide a status update on the comprehensive report on the retirement systems that ORSC staff is currently working on. Mr. Bernard provided an update. Representative Lightbody thanked staff for their work and stated that she anticipates the report being helpful for the House Pensions Committee when evaluating legislation.

Representative Bird asked for a correction the minutes of the previous meeting to reflect his attendance. Chairman Romanchuk directed ORSC staff to make the correction.

Representative Lightbody made a motion for Director Rhodes to bring forward a salary proposal for Alex Strickmaker at the next ORSC meeting. Vice-Chairman Plummer seconded the motion, and it was approved without objection. Chairman Romanchuk directed Director Rhodes to prepare the proposal.

Chairman Romanchuk stated that the next ORSC meeting will take place on Thursday, January 11th, 2024, or at the call of the Chair.

The meeting adjourned at approximately 11:31 a.m.

Date Approved

Mark Romanchuk, Chairman

Bethany Rhodes, Secretary

Phil Plummer, Vice-Chairman