

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

**Minutes
September 8, 2022**

The meeting was called to order by Chairman Plummer at approximately 10:01 a.m. in Room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Hearcel Craig
Mary Lightbody
Lora Miller
Ed Montgomery
Phil Plummer, Chairman
Dr. Anthony Podojil
Kirk Schuring, Vice Chairman

Non-voting members

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

Absent

Adam Bird, excused
Jay Hottinger, excused

Staff

Jeff Bernard
Bethany Rhodes

With a quorum present, the meeting was called to order at 10:01 a.m.

Chairman Plummer called on Director Rhodes and she announced that the new appointee had been duly qualified and sworn; Chairman Plummer welcomed Mr. Montgomery to the ORSC.

Chairman Plummer moved to the June 9, 2022, ORSC minutes. Without objection, the minutes were approved.

Chairman Plummer called on Sen. Craig to present the HPRS Fiduciary Audit Subcommittee Report. Sen. Craig explained the HPRS Fiduciary Audit Request for Proposals (RFP) and noted that the subcommittee had unanimously approved the RFP. He explained that the standard RFP format had some changes to reflect the smaller size of HPRS and to ensure that the audit was independent. Senator Craig moved to

accept the HPRS Fiduciary Audit RFP, and the motion was seconded by Representative Lightbody. A roll call vote was taken and the motion was approved 7-0.

Chairman Plummer moved to the OP&F 10-Year Fiduciary Audit. Randy Miller from Funston Advisory Services (FAS) presented the audit.

Representative Lightbody asked if it was typical to have 150 recommendations. Mr. Miller noted that, for an audit of this size, it is typical and he has had reviews with over 200. He noted that these recommendations are considered more in-line with improvements than addressing problems. Representative Lightbody asked if these recommendations would have costs associated with them and whether such costs could be absorbed by OP&F. Mr. Miller noted that, in some cases, the costs are already there, but it is more about authority or flexibility of the board to complete their fiduciary duties. Regarding the custody model, Mr. Miller noted that, initially, the change may have costs but may reduce costs over the long term. Representative Lightbody noted that Mr. Miller had noted that other states had modified their custody model and asked if he had any examples to share of how they did that. Mr. Miller noted that it is not necessarily about model legislation but would just be permitting the board, rather than the treasurer, control of the custodial relationship.

Senator Craig Mr. Miller what he viewed as the most important recommendation that would have the greatest improvement. Mr. Miller noted that the biggest challenge ahead for OP&F is the implementation of the new benefits administration system. He noted that the board can be more involved in the implementation of the system so that it is adequately resourced and implemented. He didn't think of any significant one recommendation that would be a major change in one area.

Dr. Podojil asked Mr. Miller to explain the risk parity approach being used by OP&F discussed on slide 9. Mr. Miller explained the general philosophy of risk parity as an approach that attempts to diversify or balance risk in investments rather than an asset allocation philosophy that diversifies types of assets. The approach would classify asset types differently, for instance using leverage with fixed income in order to reflect the lower risk and volatility that it has and trying to balance that with the entire portfolio.

Mr. Montgomery noted that the risk parity approach came about after the 2008-2009 disaster. The risk parity approach is designed to perform in any kind of economic environment. The attempt is to achieve the best return with the least amount of risk for each one of those assets. It was noted that this approach meant that the fund would not soar with the eagles when times were good, but that the fund would also not be in the valley when times were bad. Mr. Miller noted that it is important for the board to understand that this approach will result in different performances relative to other peer average returns because the intent is to be more stable.

Chairman Plummer noted that these audits are expensive and are taken seriously and noted the amount of work and improvements that come from them. He noted that he is very supportive of transparency and efforts to improve transparency, highlighting that

livestreaming of board meetings is done by most of the systems. Efforts to improve transparency are important and can deal with some of the misinformation game that was going on. Chairman thanked the Funston team for their work. Director Foley thanked FAS staff and ORSC for their support and noted that OP&F had not raised the custodial or AG provisions, but did want to note that the current arrangement for legal services allows them to use those AG contracted costs, so those are cost savings that OP&F appreciates. She also noted page 80 of the report noting that the assumed rate of return average is 6.99%. There were no further questions.

Chairman Plummer moved to the PERS 2021 Internal Audit Report. Director Carraher reviewed the report. There were no questions.

Chairman Plummer moved to the STRS 2021 Internal Audit Report. Director Neville reviewed the report. There were no questions.

Chairman Plummer moved to the OP&F 2021 Internal Audit Report. Director Foley reviewed the report. Representative Lightbody asked if any of the recommendations from the fiduciary audit were implemented at this time. Director Foley noted that the board did adopt some of the governance policy recommendations at the August OP&F meeting, noting the chairmanship rotation and vote. Chairman Plummer asked when the audit will be presented to the OP&F Board and Director Foley said that they expect that Mr. Miller will present at the September meeting. There were no further questions.

Chairman Plummer moved to the SERS 2021 Internal Audit Report. Director Stensrud reviewed the report. Representative Lightbody remarked on the risk that is in the IT Department and remarked on the importance of that area and Director Stensrud concurred. There were no further questions.

Chairman Plummer moved to the HPRS 2021 Internal Audit Report. Director Roark reviewed the report. There were no further questions.

Chairman Plummer moved to the HPRS 2021 Health Care Report. Director Roark reviewed the report. He noted that, long-term, HPRS is assessing the option of developing a health care reimbursement arrangement for health care for the pre-Medicare population to maintain the solvency of the health care fund. The earliest this would be possible would be in 2024.

Chairman Plummer moved to the PERS 2021 Health Care Report. Director Carraher reviewed the report and noted the success of the plan. She noted that the PERS has adopted, starting January of 2022, a health care reimbursement arrangement for health care for the pre-Medicare population. Representative Lightbody asked what percent of people were in the pre-Medicare population and Director Carraher noted that it was around 30%.

Chairman Plummer moved to the OP&F 2021 Health Care Report. Director Foley reviewed the report, noting that OP&F was the first system to move to a health care

reimbursement arrangement for health care and that has saved the health care fund and extended its funding period [Editor's note: OP&F moved to a Health Reimbursement Arrangement (HRA) for its Medicare and pre-Medicare eligible population in 2019. PERS moved to an HRA for its Medicare eligible population in 2016 and its pre-Medicare eligible population in 2022].

Chairman Plummer, in the interest of time, moved to the rules and asked Mr. Bernard to review the rules. Mr. Bernard reviewed the rules and stated that they were in compliance with the Revised Code and staff had no further comments.

The Chairman said that the next meeting is scheduled for October 13, 2022, or at the call of the Chairman.

The meeting adjourned at approximately 11:08 a.m.

Date Approved

Phil Plummer, Chairman

Bethany Rhodes, Secretary

Kirk Schuring, Vice Chairman