APPENDIX A

Legislative Recommendations

1. Consider directing all pension funds in the state to only work with outside investment managers who will also fully document transparency such as to eliminate any grounds when “trade secrets” could lead to documents being withheld/redacted.

2. **Ohio Rev. Code § 3307.51(B)** requires STRS to hire an actuary at least every five years to investigate actuarial assumptions and determine whether they require revision. We recommend the Ohio pension systems and the ORSC consider reducing the five-year investigation interval to three years.

3. **Ohio Rev. Code § 171.04(F)** requires the ORSC to have conducted by an independent auditor at least once every ten years a fiduciary performance audit of each of the state retirement systems, which includes STRS. We recommend the ORSC and STRS discuss with the legislature a potential change in the Ohio Rev. Code to allow for an “independent firm with pension expertise” to conduct the fiduciary performance audit, rather than an “independent auditor.”

   We further recommend the ORSC and Ohio’s pension systems discuss with the legislature whether Ohio Rev. Code § 171.04(F) should be modified to: (a) explain what the minimum scope for the audit should include and (b) what should happen if the 10-year deadline is not met. Because setting this scope may be more of an administrative than a legislative matter, consider whether the legislature should allow the ORSC to codify the fiduciary audit scope in the Ohio Administrative Code.

4. **Ohio Rev. Code § 3307.512** requires, in part, the STRS board to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liabilities for benefits paid under the STRS defined benefit plan. We recommend reducing the amortization period from 30 to 15 or 20 years.

5. Consider whether creating a stress-testing framework would help fulfill ORSC’s oversight duties and provide stakeholders with easy-to-understand information about the funded status of their pension benefits.

6. STRS as well as SERS and OPERS, among other pension systems in the nation provide for bonuses to be paid to investment staff on top of their regular salary each year, based on their established policy. The legislature should consider whether bonuses should be allowable and, if allowable, whether legislature should establish restrictions regarding bonuses.

7. Consider legislation restricting the kinds of PE funds the state pension funds can invest in, such as requiring state pension funds to obtain certain fee disclosure that can be made public as a precondition to using an external asset management firm.