

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

**Minutes**  
**March 9, 2023**

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

The following members attended the meeting:

**Voting members**

Bill Blessing  
Paula Hicks-Hudson  
Mary Lightbody  
Lora Miller  
Ed Montgomery  
Phil Plummer, Vice-Chair  
Dr. Anthony Podojil  
Kirk Schuring, Chair

**Non-voting members**

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

**Absent**

Adam Bird, Excused

**Staff**

Jeff Bernard  
Bethany Rhodes  
Alex Strickmaker

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

Chairman Schuring moved that the minutes of the previous meeting be approved. The minutes were approved without objection.

*Senator Hicks-Hudson and Lora Miller arrived at 10:01 a.m.*

Chairman Schuring moved to the Auditor of State's Special Audit of STRS. He called forward Auditor Faber to present the audit.

Auditor Faber presented the audit with a focus on the finding that there was no evidence of fraud, illegal acts, or data manipulation related to STRS. He further stated that the organizational structure, control environment, and operations of STRS are suitably designed and well-monitored internally and by independent experts. He stated that the final audit systematically addresses nearly all of the complaints raised and that there was little evidence in support of the allegations. Auditor Faber then spoke to several

governance issues that he believes should be addressed. He recommended that STRS, the ORSC, and lawmakers review pension system policies and laws with the goal of improving fund management. He recommended that the review include recommendations regarding bonus payments to staff and increased transparency on investment strategies; he stated that he believes increased transparency would greatly enhance the public trust and eliminate the source of many of the allegations that were the focus of the audit. Auditor Faber also provided three specific recommendations to be addressed by the ORSC and each pension system's board: improved safeguards to ensure the required actuarial reviews and fiduciary audits are conducted in a timely manner, a review of how or whether bonus payments are offered to investment staff, and reconsideration of trade secret provisions regarding investment decisions.

Chairman Schuring thanked Auditor Faber for his comprehensive and thorough report and asked if there were any questions from ORSC members.

Mr. Montgomery thanked the Auditor and the Auditor's staff for their hard work and commended them on the special audit. He asked for clarification on how the risk of unapproved PE fees cannot be eliminated. Fred Kruse, staff for Auditor Faber, stated that this is a complicated issue and that there was no evidence of this going on at STRS. He stated that this is a common issue and that it is simply impossible to guarantee that it is not happening, but it does not mean that STRS is doing anything wrong. Auditor Faber followed up saying that an audit doesn't find fraud, it finds control weaknesses that could allow for fraud. This is simply a review on whether there are control weaknesses, not a finding that fraud is actually happening.

Senator Hicks-Hudson asked whether STRS can put into place controls that would prevent the overcharge of PE fees and asked if the Auditor's office had recommendations on how to do so. Auditor Faber stated that the short answer is yes and that he believes enhanced transparency will eliminate many of the concerns. He stated that it is a public policy decision, outside of the scope of his role as Auditor, to make policy decisions regarding alternative investment fees. He stated the only way to fully eliminate the concern would be to eliminate alternative investments as a whole and invest solely in index funds. He stated that this would come with its own set of issues and increased volatility. He again stated that this is a public policy decision to be made by the legislature.

Dr. Podojil thanked Auditor Faber and his staff for their hard work. He asked how the ORSC and STRS should prioritize the recommendations in the special audit compared to the annual fiscal audits that also take place. Auditor Faber said that the annual fiscal audits are a good place to look for financial information and that the special audit was only looking for specific things listed in the complaints against STRS. He restated that the special audit found no instances of fraud but that the recommendations listed should be addressed, which would increase confidence in the pension systems and likely lead to better benefits received by retirees as a whole. He further stated that we know from the past that if the plans do nothing, solvency becomes an issue. He referenced increased life-expectancy, increases in the cost of healthcare, and benefits being paid

out that were more than what was justified or funded in the past. He said that a hard decision was made in 2012 to address these problems and while many problems were solved, there is still more that can be done. He also stated that it is safe to assume that the markets will create greater returns over losses over time and to factor this into these decisions. He said that it is also reasonable for members of the pension systems to expect that the promises made to them will be kept, as they rely on those promises. Auditor Faber said that the recommendations, in short, are a priority. Dr. Podojil thanked Auditor Faber for his answer and said that the special audit is a good place to start.

Representative Lightbody thanked Auditor Faber and his staff for their work on the special audit. She commented on the House Pensions Committee and stated that she was the committee's Ranking Member. She stated that she is interested to see how that committee and the ORSC work together. Representative Lightbody then asked for clarification on Legislative Recommendation three in the special audit. Tiffany Ridenbaugh, staff for Auditor Faber, clarified the meaning of the recommendation and explained the difference between an independent auditor and a fiduciary expert. Representative Lightbody then followed up asking for clarification on Legislative Recommendation four. Auditor Faber stated that it is a public policy decision whether to shorten the amortization period from 30 years. He said that lowering the period would lower financial risk to the state and would increase the financial stability of the pension systems.

Chairman Schuring requested a copy of Auditor Faber's testimony. He also asked that Auditor Faber provide a list of the states that had eliminated benchmark bonuses for investment staff. He then thanked Auditor Faber and his staff again for their time and attention provided to the audit.

Chairman Schuring moved to the Auditor's Referral Letter in regard to the Special Audit of STRS. He directed ORSC staff to look into the items in the letter and draft a report for the next meeting.

Chairman Schuring moved to the announcement of the Subcommittee for ORSC Actuary and Consulting Services. He named Representative Plummer as Chair and named Senator Hicks-Hudson and Ms. Miller as the members of the subcommittee.

Chairman Schuring then moved to the announcement of the Subcommittee for ORSC Investment Performance Evaluation Services. He named Senator Blessing as Chair and named Representative Lightbody and Mr. Montgomery as the members of the subcommittee.

Chairman Schuring directed the subcommittees to meet immediately before the next ORSC meeting scheduled on April 13<sup>th</sup>.

Chairman Schuring moved to the rules. Mr. Bernard stated that ORSC staff reviewed the rules, that they were in compliance with the Revised Code, and had no further comments.

The Chairman said that the next meeting is scheduled for April 13, 2023, or at the call of the Chairman.

The Meeting adjourned at approximately 10:38 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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Phil Plummer, Vice Chair