

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

Minutes
September 12, 2024

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

The following members attended the meeting:

Voting Members

Adam Bird
Beryl Brown Piccolantonio
Paula Hicks-Hudson
Lora Miller
Phil Plummer, Vice Chairman
Anthony Podojil
Mark Romanchuk, Chairman
Gary Scherer

Non-voting Members

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

Absent

Bill Blessing, Excused

Staff

Jeff Bernard
Ryan Hennigan
Bethany Rhodes

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

Chairman Romanchuk recognized Director Rhodes. Director Rhodes stated that all ORSC members had been duly qualified and sworn. Chairman Romanchuk welcomed Gary Scherer to the ORSC. Mr. Scherer said he was looking forward to serving on the Council.

Chairman Romanchuk moved to the June 13, 2024, ORSC minutes. Without objection, the minutes were approved.

Chairman Romanchuk moved to the SERS actuarial audit contract, and he recognized Senator Hicks-Hudson. Senator Hicks-Hudson stated that the ORSC Subcommittee for

SERS Actuarial Audit reviewed the five responses to the SERS actuarial audit request for proposal (RFP) and the Subcommittee voted to recommend the ORSC award the contract to PTA/KMS/Bolton, with a cost not to exceed \$129,000. Dr. Podojil motioned to accept the Subcommittee's recommendation of awarding the SERS actuarial contract to PTA/KMS/Bolton. Senator Hicks-Hudson seconded the motion. The roll was called and the motion was approved 8-0.

Chairman Romanchuk moved to the update on ORSC standardized forms. Jeff Bernard presented the proposed updated forms.

In reference to the standardized budget form, Dr. Podojil asked if a column for the average change over five or ten years could be added. Chairman Romanchuk stated that he thought such a suggestion would be a good addition to the form. Mr. Bernard asked for clarification on the appropriate time period. Dr. Podojil suggested five years. Mr. Bernard responded that ORSC staff would be pleased to add that to the form. Chairman Romanchuk asked if there was any objection to adding the figure and there was no objection.

Mr. Scherer asked about the asterisk on the investment consulting and custodian fees items of the budget form. Mr. Bernard replied that custodial fees and investment consulting fees are included as investment expenses in each system's Annual Comprehensive Financial Report (ACFR) and those are also an ORSC specifically requested item. He added that ORSC staff's intent was to indicate that custodial fees and investment consulting fees were included in internal investment expenses, but brokerage fees were not.

Chairman Romanchuk asked if, when preparing the standardized forms, ORSC staff worked with the systems to make sure no undue burden was being placed on the systems with the information being requested. Mr. Bernard responded yes, staff had worked with the systems on these forms and the systems have seen these forms, except the new medical examiner table in OP&F's disability form, which was new.

Dr. Podojil moved the ORSC accept the updated standardized forms and the changes mentioned by Mr. Bernard for next year. Senator Hicks-Hudson seconded the motion. A roll call vote was taken, and the motion was approved 8-0.

Chairman Romanchuk moved to the Senate Bill 168 update. Ryan Hennigan delivered the report and there were no questions.

Chairman Romanchuk moved to the PERS internal audit report and Director Carraher delivered the report.

Representative Brown Piccolantonio asked Director Carraher to discuss the ransomware “high-risk” item in the report. Director Carraher replied that PERS had undergone hardening exercises to gauge the effectiveness of their IT defenses. Representative Brown Piccolantonio mentioned the recent ransomware attack on the City of Columbus and that she was glad to hear the system doing this work.

Chairman Romanchuk moved to the STRS internal audit report, which as provided by Robert Vance, STRS Chief Audit Executive.

Dr. Podojil asked why some of the responses included in the report were listed as “no” and other responses were listed as “yes” under the manager response table, while the date on the responses had passed; he asked if these responses were due to report lag. Mr. Vance replied that Dr. Podojil was correct and the report was as of December 2023. He added that subsequent updates within STRS that have accumulated over the year will be made available to the Council next year. He said all of the responses in the report that indicate a “no” have been implemented, with the exception of one; that lone item has not been implemented due to the ordering of priorities.

Chairman Romanchuk stated that due to the volume of information that Council members receive for every meeting, having the information be in chart-form was helpful. However, he thought it was confusing to have the report list “no” under the “implemented” category of the “closed audit” section; if the audit is closed, then implementation should be marked “yes.” Mr. Vance replied that given that the report was produced in December 2023, if at the time management agrees with recommendations made by audit staff, the implementation date of the recommendation is set into the future. He continued by providing an example from the report that listed a response of “no” to the question of board expenses, but which listed the implementation date as March 2024. Chairman Romanchuk asked if Mr. Vance considers the audit closed when management responds with agreement to implement a policy but sets a future date of implementation. Mr. Vance responded that the field work of the audit would be considered closed at that time, but the recommendations are then followed-up on at a later time. Chairman Romanchuk said that he still found the report confusing because when he thinks of something being implemented, it should mean all of the recommendations of the audit being implemented. He said to still have some of the responses be marked as “no,” but to have the audit itself marked as “closed” seems incorrect. Mr. Vance said that the changes to the internal audit report made in the past have come from input from various sources, including the STRS Board, as well as the ORSC. He continued by stating that if there was something that the Council desired that would provide better clarity to the Council, he would be more than willing to include that.

Chairman Romanchuk asked Mr. Bernard to comment on the intent of the chart; he asked Mr. Bernard if an audit is listed under “closed,” that it means the audit is closed

but the implementation is not necessarily complete. Mr. Bernard replied what ORSC staff have done in the past is to withhold releasing the various systems' internal audit reports to the ORSC until staff have received the reports from each of the five systems. Mr. Bernard said that this practice seems to be causing too much time lag, and staff would no longer hold the reports until all systems have submitted these reports. He added that the way he has always interpreted the information in the report was to see that if "implementation" was marked as "yes," then the date listed would be when the recommendation was or anticipated to be implemented.

Mr. Vance added that the report was used by the STRS Audit Committee to provide an update on progress to the audit plan. He said, internally, the "closed audit" section of the report with future dates of implementation gives the STRS Audit Committee an update on activity related to active audits versus closed audits, which are separate from the recommendations. Chairman Romanchuk asked Mr. Vance if they have a tracking system of recommendations for a closed audit. Mr. Vance replied that he does have an internal tracking system outside of the audit report chart. He added that the audit staff is engaged with management nonstop, following-up on previous recommendations so that updates could be provided to the STRS Audit Committee.

Director Rhodes commented that, similar to when the ORSC conducts audits, there may be recommendations that the systems may or may not implement. She added that a number of recommendations will be seen in a number of audits, the systems are not able to implement all of them on their own due to them being statutory changes. She continued by stating "closed" does not necessarily mean implemented, and she urged the Council to keep the same understanding in mind for the internal audit reports of the systems.

Chairman Romanchuk asked if the audit produced recommendations that required the General Assembly to act, why a date of implementation would be included. Director Rhodes replied that her comments merely provided an example. She added that there is a separate process for implementation, which is separated from the actual audit process. Chairman Romanchuk stated that his concern was that it is one thing to do an audit, and if the audit produces recommendations, it is most important that those recommendations get implemented. He added that if those recommendations do not get implemented, then why do the audit; recommendations that are produced from the audit must be followed-up on, unless there is a circumstance that prevents that from happening. He said the report should be annotated as clearly as possible to help the Council better understand the process. Senator Hicks-Hudson agreed that the report was confusing and suggested maybe an asterisk could be added to the "comments" section of the report that provides a reason as to the audit status. She said that dates of implementation and/or when the audit is closed, as well as page numbers on the report itself, could potentially be helpful.

Dr. Podojil asked if a timestamp could be added when the actual document of the report completed. Mr. Vance replied that the document is produced in preparation for the annual December meeting of the STRS Audit Committee, and it was his understanding that the Ohio Revised Code section pertaining to STRS requires the report to be submitted to the ORSC within 90-days after completion, which typically falls before the end of March the following year. Dr. Podojil said that the report would make more sense if the timeline of the report was annotated on the document itself, as well as the inclusion of a timestamp for the date that the document was created. Mr. Scherer said that it might be clarifying to call the audits “completed” instead of “closed.” He added that calling the “open” audits “in-progress” might also be beneficial. Mr. Vance replied that Mr. Scherer’s suggestions allow the STRS audit staff to keep the framework of the report and continue its usefulness to the STRS Audit Committee. There was no further discussion.

Chairman Romanchuk then called forward the SERS internal audit report. Director Stensrud presented the report. Chairman Romanchuk asked why, under the “closed audits” section of the report, the employer reporting audit, which was marked as “moderate risk,” was moved from a March implementation date to the third quarter of 2024. Director Stensrud replied that the implementation of that audit had already been completed, and the only other item that is being worked on is a “low risk” item, which is expected to close the third quarter of 2024. There was no further discussion.

Chairman Romanchuk then called forward the OP&F internal audit report. Director Foley presented the report. There was no discussion.

Chairman Romanchuk then called forward the HPRS internal audit report. Director Roark presented the report. Chairman Romanchuk remarked that the term “immediate” as used under the “implemented” column of the report was a third response to the same question, which does not lend itself to uniformity. The Chairman asked Mr. Bernard what the intended response should look like and asked Director Roark why “immediate” was used. Director Roark replied that HPRS welcomes the scrutiny of an audit so that they can make necessary changes, and the term “immediate” defines that as soon as it was discovered something needed addressed, staff took immediate measures to respond and did not wait for the direction of an audit committee or any other outside entity. Mr. Bernard said ORSC staff would take the questions and feedback from the Council back to the office to think about how to clarify the “implementation” column of the report to add specificity as to what implementation means. He added that ORSC staff will no longer wait to review the audits as a group, and that staff will edit the standard report once staff works with the auditors to see what is proper. There was no further discussion.

Chairman Romanchuk moved to the PERS healthcare report. Director Carraher presented the report.

Representative Bird left at 11:06 a.m.

Representative Brown Piccolantonio asked Director Carraher about individuals who become disabled while under the age of 65 who qualify for Medicare because they receive Social Security benefits but are ineligible for a supplement. Director Carraher replied that individuals who qualify for disability in general receive healthcare under PERS for up to five years regardless of age or years of service. After five years, the requirements revert to age and years of service. She gave an example of someone under the age of 65 who may have seven years of service. After coverage for those initial five years, they usually have to meet the criteria that is the same as the pension criteria. She added that for someone who is over 65, after those initial five years, 20 years of service is required. She stated that this policy was designed to assist allowing members time to become Medicare eligible, or to receive Social Security reimbursement, but PERS will work with them. Representative Brown Piccolantonio responded that she would follow-up with more specificity.

Chairman Romanchuk moved to the OP&F healthcare report. Director Foley presented the report. Chairman Romanchuk noted that the solvency date has changed from 2046 to 2038 and noted that Director Foley mentioned that this was because of the assumed rate of return was 7.5%. He asked if 7.5% is the right number to be using. Director Foley replied that 7.5% has been the correct number and there is conversation about it being set too low because the assumption is returning. She added that OP&F is trying its best to have the right balance and it is important to get the assumed rate of return right. There was no further discussion.

Chairman Romanchuk moved to the HPRS healthcare report. Director Roark presented the report. There were no questions.

Representative Bird returned at 11:14 a.m.

Chairman Romanchuk next called forward the STRS disability report. Marla Bump, STRS Director of Government Relations, presented the report. Chairman Romanchuk asked why STRS members had higher psychiatric disability numbers than SERS, 21% compared to 9%, assuming that they had similar work environments. Ms. Bump said that, at a guess, the discrepancy might be due to the fact that though the atmosphere, conditions, and locations in which SERS and STRS members work is similar, the jobs are very different. Dr. Podojil stated that his understanding was that the STRS employees tend to stay in their careers longer than SERS employees and that some SERS employee positions are temporary, and the intensity of the interactions in the classroom are different. He added that it might be the length of the job and the nature of

the work that could explain the difference. Ms. Bump replied to the Chairman that his question was an interesting one, and that she would take it back to her colleagues. Chairman Romanchuk asked if STRS and SERS would also check to see if the criteria for psychiatric disability between STRS and SERS were different. Ms. Bump replied that she would research the issue. There was no further discussion.

Chairman Romanchuk moved to the SERS disability report. Director Stensrud presented the report. Chairman Romanchuk asked if the report included the overall percentage average of disabled members. Director Stensrud said that he did not have that number readily available, but that he could provide it to the Council later. Chairman Romanchuk asked Director Stensrud to please make sure that all numbers were included in future reports. Director Stensrud replied that he would be sure to include them moving forward. There was no further discussion.

Chairman Romanchuk next called forward the unfunded actuarial accrued liability and its amortization issue brief. Mr. Bernard said that he did not have any specific comments on the brief but if members had any suggestions for the next issue brief to please let him know. Chairman Romanchuk asked if, since the 30-year funding period for the five pension systems was set in 1997, should the funding period be updated, and what the national average was. Mr. Bernard replied that as was indicated in the ORSC History Report, staff would suggest a discussion on moving the funding period to something similar to what the Society of Actuaries recommends, which would be somewhere below 20 years. Director Carraher commented that she wished to remind the ORSC that tools would need to be provided to the systems in order to achieve a lower amortization period. There was no further discussion.

Chairman Romanchuk moved to the ORSC brochures and data sheets. Jeff Bernard presented the updates. Dr. Podojil asked if there should be an addition to the healthcare chart that better captures the HRA data of the systems. Mr. Bernard replied that a list of the systems that utilize an HRA and a list of the systems that are self-insured could be included in the chart. Dr. Podojil responded that the point of the brochures was to give a snapshot of the systems and this piece of information was missing. He added that Mr. Bernard's suggestion would work for the purposes of passing information moving forward. Mr. Bernard replied that ORSC staff could make this change and that he would anticipate the update coming after staff receive the final system's valuation in November. There was no further discussion.

Chairman Romanchuk next called forward the rules. Mr. Hennigan presented the rules. There was no discussion.

Chairman Romanchuk asked if there was any further old or new business to be brought before the Council. Vice Chairman Plummer informed the Council that the Attorney

General's Office Employment Law Section had drafted much needed updates to the ORSC Employee Handbook so his subcommittee could begin its work. Vice Chairman Plummer motioned that the Council accept the suggested changes and Dr. Podojil seconded the motion. The motion was approved 8-0.

Chairman Romanchuk then recognized Director Rhodes. Director Rhodes informed the Council that renovations that are taking place in the Rhodes Office Tower, where ORSC staff offices are located. From close of business October 11, 2024, ORSC staff will be unable to access their offices and will be working from home until November 18, 2024. She said Legislative Information Systems (LIS) has made meeting space and copier capabilities available, should the need arise. She continued by expressing her personal gratitude to Kurt McDowell and the entire LIS team. There was no further business.

Chairman Romanchuk said that the next ORSC meeting is scheduled for Thursday, October 10, 2024, or at the call of the Chair.

The meeting adjourned at approximately 11:33 a.m.

Date Approved

Mark Romanchuk, Chairman

Bethany Rhodes, Secretary

Phil Plummer, Vice-Chairman