

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

Minutes
October 10, 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
Phil Plummer, Vice Chairman
Dr. Anthony Podojil
Mark Romanchuk, Chairman
Gary Scherer

Non-voting Members

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

Absent

Bill Blessing, Excused
Paula Hicks-Hudson, Excused
Lora Miller, 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 moved to the September 12, 2024, ORSC meeting minutes and the September 12, 2024, ORSC SERS Actuarial Audit Subcommittee minutes. Without objection, both sets of minutes were approved.

Chairman Romanchuk moved to the investment performance review for the period ending 6/30/2024, presented by Jim Voytko from RVK.

Vice Chairman Plummer left at 10:19 a.m.
Vice Chairman Plummer returned at 10:22 a.m.

Representative Bird asked for a definition of “peer universe” and how many plans it would include. Mr. Voytko said a peer would be a plan with one billion or more in assets, similar to the Ohio funds, and probably would be under a couple hundred plans total.

Representative Bird asked what a “1” ranking meant. Mr. Voytko replied that it was a percentile ranking. Representative Bird and Mr. Voytko discussed these percentile rankings and the good performance of Ohio funds in their U.S. equity allocations, particularly versus other pension funds or a 60/40 portfolio.

Chairman Romanchuk asked Mr. Voytko to further cover 60/40 portfolios later in his presentation and Mr. Voytko replied that he would do so.

The presentation continued. Representative Bird commented that it appeared the Ohio plans did not perform in international markets as well as they did in U.S. markets. Mr. Voytko replied that there was not uniformly good performance in international markets. Representative Bird asked about divestment measures and what impact those would have on returns. Mr. Voytko remarked that his single question is actually 3 separate questions: a political consideration, asset allocation question, and active versus passive management question. He added that the annual RVK analysis of active risk taken versus return achieved showed that there is a higher chance that a plan will receive a higher return from active investing in international markets. Representative Bird asked what percentage of investment should be in the international market. Mr. Voytko said there is no one-size-fits-all approach for pension funds and it depends on the fund’s circumstances.

Representative Bird asked if it would be better to have a lesser percentage of a plan’s portfolio be placed in international markets since U.S. equity markets are performing better. Mr. Voytko replied that plans must be forward-looking and cannot capture higher returns from various markets that occurred in the past.

Chairman Romanchuk asked about HPRS exceeding their benchmark in international equity, yet ranking in the bottom in terms of return. Mr. Voytko replied that HPRS did a good job against their custom benchmark, but not as good a job when compared to other funds’ performances. Chairman Romanchuk asked, if Mr. Voytko was advising HPRS, would he tell them that their international equity investing may not be going well and maybe they should consider making some changes. Mr. Voytko replied that if he was a trustee, he would do an asset class structure review. He added, if a fund is beating a custom benchmark, and it is playing the role the plan desires in the asset allocation, and exposure is appropriately sized, then it is not an issue if other plans are doing better in that asset class against their own benchmarks.

The presentation continued. Mr. Scherer asked if HPRS has a lower allocation to international investments, and if even though they are not performing well, they are still doing the prudent thing in terms of diversification. Mr. Voytko agreed.

Chairman Romanchuk asked why it be good news for the plan given that the data would suggest that HPRS is getting a very low return for the amount of risk that they are bearing. Mr. Voytko replied that it does not necessarily paint a good picture, and that if he was a trustee, he would ask if the board was okay with the current strategy.

Director Roark noted that HPRS' asset allocation to international equities make-up only 2% of the overall fund portfolio. He added that even though the allocation was a small amount, it has not performed well.

The presentation continued. Chairman Romanchuk asked the systems' directors if they collaborate with each other. Director Carraher said that while they do share information, the portfolios of the systems are very different and each system does asset liability studies. She said what the other systems are doing is of lesser value because each is concerned mainly with their specific liabilities, and each system has different risk tolerances. Chairman Romanchuk asked Director Hoover if a plan wanted to do the best in every asset class. Director Hoover said yes and that she also agreed with Director Carraher that the benchmarks adopted by each system are crucial. Director Stensrud said that SERS is cognizant of the goals of each asset class and how they will fit into the overall portfolio. He said that SERS focuses on how it performs against its own goals but that SERS does collaborate with the other Ohio systems from time to time. Director Foley agreed with the other directors' responses but that OP&F is different than the other systems due to the structural choices made in their risk parity approach. She said the data is a snapshot in time and the rising interest rates set by the Federal Reserve have hurt OP&F. She said OP&F makes adjustments at their monthly board meetings. Director Roark said HPRS has recently conducted its asset liability study and liquidity analysis and paying pension benefits is their top priority. Chairman Romanchuk said there is a difference in HPRS and OP&F when compared to the others and he was not sure why they would not want to be the best performing plans in the fixed income category. Director Foley said they would like to be the best in every category.

Dr. Podojil summarized the report by noting that there is not only one way to invest, noting the asset allocation and liquidities of each of the funds is different based on their needs, and they are managing their risks well, and in general the systems are performing as they should. Mr. Voytko said there is evidence that the strategies the funds are pursuing are varied, but the results show that the plans are all professionally managed. He did note that if a fund is choosing to take on more risk, they need to be seeing higher returns relative to that risk.

Dr. Podojil stated that individual investors of a 60/40 fund aren't getting the benefit of risk mitigation from professional investment management. Mr. Voytko replied that 60/40 investors are accepting the full market risk, which may or may not be appropriate. He added that institutional investors are playing the long-game and grinding out incremental gains and that this matters in the long term. He continued by saying consistency is a virtue in institutional investing.

Chairman Romanchuk moved to the 2023 OPERS Actuarial Valuation Report and Director Carraher delivered the report. There was no discussion.

Chairman Romanchuk moved to the 2023 HPRS Actuarial Valuation Report and Director Roark delivered the report. There was no discussion.

Chairman Romanchuk moved to the administrative rules. After reviewing the rules, Mr. Hennigan stated that the ORSC staff had reviewed the rules, that they were in line with the Revised Code, and that staff had no further comments.

Chairman Romanchuk asked if there was any old or new business to be brought before the Council. There was no further business.

Chairman Romanchuk stated that the next ORSC meeting is scheduled for Thursday, November 14, 2024, or at the call of the Chair.

The meeting adjourned at approximately 11:27 a.m.

Date Approved

Mark Romanchuk, Chair

Bethany Rhodes, Secretary

Phil Plummer, Vice-Chairman