

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

**Minutes
August 13, 2026**

The meeting was called to order by Chairman Bird at approximately 10:02 a.m. in Room 121, the Ohio Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting Members

Adam Bird, Chairman
Willis Blackshear
Sean Brennan
Lora Miller
Phil Plummer
Anthony Podojil
Mark Romanchuk, Vice Chairman
Gary Scherer

Non-voting Members

Karen Carraher, PERS
John Danish, OP&F
Ray Higgins, SERS
Carl Roark, HPRS
Steven Toole, STRS
Nate Wilson, Attorney General

Absent

Bill Blessing, Excused

Staff

Jeff Bernard
Ryan Hennigan
Bethany Rhodes

With a quorum present, the meeting was called to order at 10:02 a.m.

Chairman Bird moved to the June 11, 2026, ORSC meeting minutes. Without objection, the minutes were approved.

Chairman Bird moved to the AM-136-2046-2 (Custodial Bank Relationship) Staff Recommendation. Mr. Bernard presented the recommendation.

Chairman Bird motioned to adopt the staff recommendation. Vice Chairman Romanchuk seconded the motion. The roll was called, and the motion was approved 8-0.

Chairman Bird moved to the PERS 2025 Annual Health Care Report. Director Carraher presented the report. After the presentation, Dr. Podojil asked what would cause the health reimbursement arrangement (HRA) allowance amount to be reconsidered before 2030. Director Carraher replied that when PERS establishes the allowance amount, they communicate to their members that they should not anticipate an increase before

that date. However, she added that the PERS Board annually reviews the allowance amount relative to market conditions. Sometimes the allowance amount is increased before the target date given these examinations.

Chairman Bird moved to the HPRS 2025 Annual Health Care Report. Director Roark presented the report. After the presentation, Vice Chairman Romanchuk asked for the health plan funded ratio. Director Roark replied that the funded ratio is not included in the Other Post-Employment Benefits (OPEB) report. He added that the balance of the health care fund is approximately \$130 million, and that the solvency of the fund is around 20 years. Vice Chairman Romanchuk asked for the funded ratio to be included in future health care reports. Director Roark replied that a funded ratio will be included in future health care reports.

Chairman Bird moved to the PERS Annual Incentive Compensation Plan. Director Carraher presented the plan. After the presentation, Chairman Bird asked who PERS' peers were in the rankings. Director Carraher replied that peer systems include public pension systems with at least \$100 billion in assets and who use internal and external investment management. Chairman Bird asked how much PERS saves by utilizing internal investment management rather than external management. Director Carraher replied that PERS saves about \$235 million per year. Chairman Bird asked how often PERS evaluates the comparison of internal versus external investment management. Director Carraher replied that comparisons are made annually. She added that PERS' goal is to manage internally, where possible. She noted times in the past when external management of some investments was more cost effective, so PERS switched to external management in that area.

Representative Brennan asked what the maximum 2026 incentive dollar amount was and what the amount has been in the past. Director Carraher replied that she would follow up with exact past figures. She said that the amount of performance-based incentive (PBI) compensation that employees are eligible for is based on a percentage of salary relative to job title and investment performance. PERS paid out 73% of the maximum eligible amount, totaling \$5.4 million. Representative Brennan asked what level of performance above the benchmark is required to earn a PBI. Director Carraher replied that outside investment consultants establish an annual out-performance benchmark based on market expectations. She said anything above that benchmark is eligible for PBIs. Representative Brennan asked if PBIs are only given to investment performance that exceeds the benchmark. Director Carraher replied that there could still be a PBI if the benchmark is achieved because a portion of PBIs are weighted to the current year's performance, and a portion is weighted to the previous three year's performance.

Chairman Bird moved to the STRS Performance-Based Incentive Compensation Plan. Aaron DiCenzo, STRS Deputy Executive Director – Investments and Chief Investment Officer, presented the plan. After the presentation, Chairman Bird asked how internal versus external management decisions are made. Mr. DiCenzo replied that internal versus external decisions are made asset class by asset class, portfolio to portfolio to maximize efficiency and net performance. He added that about 70% of the time, best net performance can be achieved through internal investment management. Chairman Bird asked how STRS ranks among peer pension systems. Mr. DiCenzo replied that he did not have a rank off the top of his head, but STRS often ranks third or fourth among their 15-system peer group, but it varies by year. Chairman Bird asked if the PBI system saves STRS money. Mr. DiCenzo replied that he believes it does because it generates better net investment returns, including investment cost.

Representative Brennan asked how much additional investment return would be required if STRS increased their use of external management rather than internal management. Mr. DiCenzo replied it would require an additional 14 basis points of return, which equates to about \$145 million. Representative Brennan asked if an STRS investment professional would receive a PBI if they met quantitative performance targets but created a risk for the fund. Mr. DiCenzo replied that an event-driven single risk that would harm the fund is grounds for termination. He added that STRS tries to have proactive risk prevention measures. He noted that the total fund, each asset class, and each internally managed portfolio has a risk budget.

Dr. Podojil asked how specific manager expertise impacts PBIs. Mr. DiCenzo replied that the PBI of every STRS investment professional who is eligible for the program has a 20% allocation to the total fund performance (10% weighted to one-year performance and 10% weighted to five-year performance), at least a 20% allocation to their asset class, and the remaining 60% is allocated to the individual's responsibilities within portfolios that they manage.

Senator Blackshear left at 10:35 a.m.

Chairman Bird moved to the SERS Investment Department Incentive Plan. Director Higgins presented the plan. There was no discussion.

Chairman Bird moved to the ORSC Issue Brief: Profile of a Retired Member. Mr. Bernard presented the brief. There was no discussion.

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

Chairman Bird asked if there was any old or new business to be brought before the Council.

Chairman Bird remarked that an article, titled "Retirement at Risk: The Political Economy of Public Pension Governance," authored by Allen Mendenhall and Dan Sutter, and published in the *Journal of New Finance*, regarded the PBI program at STRS. He stated that, if true, what is stated in the article is concerning to Ohio retirees and ORSC members. He noted that, at the request of Vice Chairman Romanchuk, Mr. Bernard wrote a memo in response to the article, and he asked Mr. Bernard to restate his comments from the memo.

Mr. Bernard explained his memo. After his explanation, Chairman Bird stated that if the results can be replicated, then it would be concerning that STRS is paying out PBIs based on incorrect information. He added that he was appreciative of the fact that Mr. Bernard stated that he was unable to reproduce the article's data. He noted that this issue will be looked into further.

Representative Brennan asked if any of the audits performed on STRS by the State Auditor or independent auditors have raised red flags similar to the claims made in the article. Mr. Bernard replied none that ORSC staff could verify. He added that anyone can make any claim they want, but it should be replicable, the source of the data should be clear, and care should be taken in the methodology. Representative Brennan asked Mr. Bernard what his advice would be to STRS retirees regarding the article, and if it should raise alarms. Mr. Bernard replied that over the past six years, there have been multiple audits, investigations, and court cases, and to this point, he has yet to see anything that would be a major problem. He continued by saying if someone makes a claim of fraud, it is important that the claim is well-cited, it is internally consistent, and it addresses methodological issues. He added that there are some methodological issues that the authors themselves discuss that would explain away the difference in the data completely. Representative Brennan stated that he would like the ORSC to reach out to the authors of the article so that they could provide the Council with their citations.

Chairman Bird responded to Representative Brennan that he has already reached out to both of the authors and that he would like either of them or both of them to communicate with ORSC staff so that they can explain their methodology so the results they published can be replicated by Mr. Bernard.

Representative Plummer stated that he was also concerned and that the Council must do their due diligence to determine if the article is true or false. He added that he appreciated that the Council has already reached out to the authors of the article.

Chairman Bird reiterated that if the article is accurate, it would be concerning to both ORSC members and Ohio retirees. He noted that it is his intention to have either or both of the authors present before the Council, and if he cannot do that, then he will get them to communicate with Mr. Bernard so that they can explain how they calculated their data. He added that the authors of the article stated that they chose Ohio because, in

their estimation, they could compare STRS and PERS to show that STRS was awarding PBIs based on different numbers. He asked Mr. Bernard if he saw any difference in how STRS and PERS calculate their returns in order to award PBIs.

Mr. Bernard replied that he recently spoke with Director Carraher, and both PERS and STRS utilize the same verification process to calculate their returns that are used to award PBIs. He added that, from his perspective, he does not see a difference between the two systems.

Chairman Bird thanked Mr. Bernard for his presentation, and he stated that the Council will follow-up on this issue.

Representative Brennan asked if the STRS PBI structure is comparable to industry standards. Mr. Bernard replied that he is probably not the person to answer that as he is not an investment expert. He added that the respective PBI structures between PERS, STRS, and SERS are similar. Representative Brennan asked how the ORSC can allay the fears of STRS members if the article's data is unable to be verified. Chairman Bird replied that there are three STRS members on the Council, and every member of the Council takes the claims seriously because they want to ensure that PBIs are awarded on accurate numbers. He added that there will be follow-up in an attempt to achieve closure on this issue.

There was no further old or new business to be brought before the Council.

Chairman Bird stated that the next ORSC meeting was scheduled for September 10, 2026, subject to the call of the Chair.

The meeting adjourned at approximately 10:56 a.m.

Date Approved

Adam Bird, Chair

Bethany Rhodes, Secretary

Mark Romanchuk, Vice-Chairman