



Ohio Retirement Study Council

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To: Members of the Ohio Retirement Study Council
From: Jeffery A. Bernard, Senior Research Associate **JAB**
Date: September 25, 2026
Subject: "Retirement at Risk" Article Response

At its August 13, 2026, meeting, the ORSC directed its staff to contact the authors of a recent article, "Retirement at Risk: The Political Economy of Public Pension Governance." In its initial review, staff indicated a lack of citation for the inputs used in Table 1 of that article. Staff continue to lack confirmation from the authors on data in the table, but we have found the likely sources. Additionally, staff sought professional advice from ORSC's contracted consultants on the methodological approach taken by the authors. Both the ORSC actuarial consultant (Pension Trustee Advisors, PTA) and ORSC investment consultant (RVK) indicate numerous fundamental flaws in the methodological approach of the authors. These flaws undermine the authors' conclusions. Those comments are enclosed.

After review of consultant comments, ORSC staff's finding is that the authors' approach is fundamentally flawed and contains significant data-related faults. Attempts to clarify the article with the authors have been largely unsuccessful.

Summary of RVK Investment Consultant Comments

RVK, ORSC's investment consultant, details significant problems with the article. Those comments are enclosed and staff urge members of the public with interest in this topic to read their full response. For summary purposes, ORSC staff provide the following two core findings from the RVK review. RVK has indicated that the following accurately reflects some of their main findings:

- 1) The article fails to address the well-documented differences between time-weighted and money-weighted return

methodologies, making a fundamentally flawed conclusion that attributes structural and methodological differences to STRS opportunistic behavior;

2) The use of PERS as a comparison is defective for numerous reasons, including a failure to recognize net cash outflow differences between STRS and PERS, an “apples-to-oranges” mismatch of STRS and PERS returns (net vs. gross), and an improper comparison that blends in Health Care and Defined Contribution portfolio returns that results in the masking of a similar pattern in PERS defined benefit data as is in STRS;

Additionally, RVK states that “[o]f notable concern to us in our independent review is that the single largest data point in the paper’s dataset (fiscal year 2022) does not match STRS’s own audited financial statements” [emphasis in original]. This comment on the poor use of underlying data by the authors is consistent with the findings of ORSC staff.

Summary of PTA Actuary Consultant Comments

Below are the conclusions from Pension Trustee Advisors (PTA) detailing their professional actuarial view of the methodology used by the authors. The full response is enclosed.

- The article fails to demonstrate that STRS staff are manipulating return data to inflate performance-based incentives[.]
- The article authors are comparing “gross” of expense returns with “net” of expense returns creating an automatic disparity.
- The two sets of returns discussed use different methodologies which are each appropriate for their own purposes and are not necessarily intended to be comparable.
- The [journal article] designate a certain “approved” status on certain figures versus other figures but [the actuaries] question that distinction.

The ORSC’s investment and actuarial consultants have explained the methodological errors in the authors’ approach, demonstrating that the article’s entire claim is fundamentally flawed.

In addition to the methodological flaws of the article, the ORSC also explicitly directed staff to contact the authors and verify data used in the table. Staff believe that the following describes the *likely* source of information in the report. Once the likely data used in the table is exposed, several discrepancies and faulty comparisons are apparent.

Even if ORSC staff could eventually resolve the following significant data and citation problems, it would not resolve the fundamental methodological flaws of the article explained by ORSC consultants.

The Hidden and Misleading Data of Table 1

A major and recurring source of confusion in the article is its inconsistent use of data and terminology. The primary cause of this is the lack of citation in Table 1, but it is compounded by the inexplicable decision of the authors to rename source material. For instance, the STRS “Total Fund as of June 30” is renamed by the authors to “Reported Rate of Return,” while the STRS Market Value “Rate of Return” is renamed “Audited Rate of Return.” Renaming the data makes it more difficult to find in financial or actuarial reports and gives the mistaken impression to a reader that the table’s data is uniform, *when in fact it is not*. Below details the *likely* source of information used in the table.

Proper Table 1 Citation and Description

- 1) The authors’ named “Reported Rate of Return” is:
 - a. For STRS, “Total Fund as of June 30,” which is available in the Annual Comprehensive Financial Report (ACFR).¹
 - b. For PERS, “Total Portfolio Return,” which is available in the ACFR.²
- 2) The authors’ named “Audited Rate if [sic] Return” is:
 - a. For STRS, “Rate of Return” on “Market Value of Assets,” which is available in the Annual Actuarial Valuation Report.³
 - b. For PERS, “Rate of Return on MV,” which is available in the Annual Actuarial Valuation Report.⁴

Misleading Comparisons

Comparing Net with Gross Return Data

¹ For example, see “State Teachers Retirement System Annual Comprehensive Financial Report: Fiscal Years Ended June 30, 2022, and 2021,” page 55 (available online at: <https://orsc.org/Assets/Reports/1539.pdf>).

² For example, see “Ohio Public Employees Retirement System Annual Comprehensive Financial Report for the year ended December 31, 2022,” page 102 (available online at: <https://orsc.org/Assets/Reports/1562.pdf>).

³ For example, see “State Teachers Retirement System of Ohio June 30, 2022 Actuarial Valuation Report,” page 23 (available online at: <https://orsc.org/Assets/Reports/1543.pdf>).

⁴ For example, see “Ohio Public Employees Retirement System Actuarial Valuation of Defined Benefit Allowances-Traditional, Combined and Member Directed Plans December 31, 2022,” page I-3 (available online at: <https://orsc.org/Assets/Reports/1586.pdf>).

The paper makes multiple data-related errors in its comparison of STRS and PERS investment returns. This misleads the reader to improper conclusions.

First, the paper calculates the difference between STRS gross (including expenses) investment returns from the ACFR with STRS net (excluding expenses) investment returns in the actuarial valuation. This is not an apples-to-apples comparison, and it overstates the difference between ACFR and valuation figures. Then, the paper makes an additional error of comparing this inflated STRS return difference to PERS. But, when calculating the difference for PERS return figures, the authors compare PERS net of expenses investment return from the ACFR with PERS net of expenses investment return in the actuarial valuation. The result is an artificial measuring bias against STRS that is unmoored from the underlying data.

This is like stating that Bob earns more money than Betty because Bob's *gross* income is \$100 per hour and Betty's *net* income (net of taxes, for example) is \$80 per hour and then making an even more improper and ludicrous leap by stating that this "proves" that Bob is a better worker. The underlining data does not support this analysis.

Incorrect Comparison between ACFR Return Data (PERS Total Fund) and Valuation Return Data (PERS Traditional)

The paper incorrectly compares the market value of returns for PERS *Total Portfolio Return* (from ACFR) with returns for the PERS *traditional plan assets* (from Valuation). These are not remotely synonymous. In PERS, the total portfolio includes the separate health care fund. The health care fund has a completely different investment return profile and is around \$15 billion of assets. Traditional plan assets include only those assets for the defined benefit plan. Suggesting an equivalence between the two is factually incorrect. This is a particularly egregious error since an isolated return for traditional plan assets is readily available in the ACFR. The authors are either not familiar enough with the ACFR to understand this difference or actively elected to use the dissimilar figures.

Statistical Misrepresentation

Selective Data: 2003-2022:

In the paper, 2022 is a clear outlier explaining a full 25% of the authors' own return difference measurement. This means 1/20th of the years included explains 25% of the authors' measured difference. Any analysis, by necessity, draws lines of inclusion or exclusion at some point, but the authors' choice to end the analysis in 2022 is notable. Information from 2023 and 2024 was available to the authors. According to the authors'

reference list, many references were last accessed by the authors in October and November of 2025. By October 2025, both the FY2023 and FY2024 ACFRs were available. Excluding years after 2022 was a choice, not a necessity.

If 2023 figures were included, there would be a significant reversion and lessening of STRS' annual average difference. According to the author's own standards, STRS returns were understated by -0.75% percent in 2023. In an article that depends on differences in the range of tenths of a percent, a -0.75% swing against the authors' conclusion is very large. By selecting years that exclude this reversion in 2023, the authors artificially create a larger average variability in STRS figures.

Selective Reporting

SERS: The exclusion of data from SERS is notable because the authors themselves use a study on SERS to "inform [their] understanding of STRS's underfunding" and the authors note the similar governance and statutory frameworks of both.⁵ Additionally, as with STRS and PERS, SERS has a performance-based incentive plan. Given that the authors make a direct comparison to SERS, there is no logical reason to exclude SERS in the analysis; however, the authors exclude SERS in their table analysis. The analysis conducted by RVK and discussion of negative cash flow suggests one possibility for why the authors did not include a review of SERS figures. Despite staff's best efforts, we were unable to discuss this editorial choice with the authors.

Dropped "Dollar Difference": Another example of selective reporting is the inclusion of a "Dollar Difference" column for STRS but not for PERS. ORSC staff urge the ORSC to discount this column, as the data input and calculations used are not in the table and, despite staff's best efforts, have not been explained by the authors. Where this number comes from is unclear, and why the same metrics were not applied to PERS is also unclear.

Data Entry Errors

Additionally, ORSC staff note data entry errors, below. While these errors appear minor, they contribute to the difficulty in identifying the source material for the paper. As stated in the initial review, ORSC staff could not verify information in Table 1. One reason is because the data was not correctly entered from the *likely* original source. These data entry errors should have been identified and corrected prior to publication.

⁵ Mendenhall, Allen and Sutter, Dan (2026) "Retirement at Risk: The Political Economy of Public Pension Governance," *Journal of New Finance*: Vol. 4: No. 1, Article 2, page 12.

1) *Incorrect Entry of STRS Rates of Return (from Valuation)*

Valuation figures for STRS are not correctly entered into Table 1. The figures in the Table appear to be based on summary historic return table provided in the 2021 STRS valuation. However, these rounded figures from the historical summary are not used in the original valuations between 2003-2022. Those figures are unrounded.

2) *Incorrect Entry of PERS Total Portfolio Return (from ACFR)*

Similarly, the authors use a summary historic return table for PERS total returns, but, again, make rounding errors for years 2004 and 2005.

3) *Incorrect Entry of PERS Rates of Return (from Valuation)*

The paper uses “Rate of Return on MV” for the PERS traditional pension plan. The paper incorrectly entered, for 2006, the “Rate of Return on MV” for all plans (traditional, combined, defined contribution).

Peer Review Process

A review of the data suggests that the article did not receive adequate peer review. The data discrepancies, faulty comparisons, and data entry errors described above should have been identified in a normal peer review process. They were readily apparent and many were independently found by ORSC staff, RVK, and PTA.

Enclosures:

RVC, Inc., “Net Fiduciary Position vs. Time-Weighted Return: Assessment of the STRS/OPERS Reported-vs.-“Audited” Return Comparison” (September 24, 2026).

Fornia, William and Vicente, Thomas, “Review of Return Discussion in Retirement at Risk: The Political Economy of Public Pension Governance” (September 14, 2026).