

## Exhibit A - Summary of Recommendations

Set forth below are summaries of all recommendations from the preceding report. They are listed in the order they appear in the report with corresponding page number. The Task Area of each recommendation or related series of recommendations is set forth for ease of reference.

Page	Recommendation
<b>A – Investment Issues</b>	
<b>1. The Investment Policy Statement</b>	
25	<i>Amend the IPS to include a separate section in the introduction entitled “mission and purpose” which specifically defines (a) why the plan exists, (b) who the participants and beneficiaries are, (c) who contributes to the plan, (d) the benefits the plan expects to offer over time, and (e) who have ultimate authority over the System. At a minimum, the IPS should reference Section 742.02 O.R.C.</i>
29	<i>Amend the IPS to expand the discussion on risk and define more clearly the Board’s risk tolerance, and reference its risk management process.</i>
29	<i>The Board should more clearly address the cash needs of the System in the IPS.</i>
31	<i>The Board, in the IPS, should address how it plans to meet the statutory 30 year funding period requirement.</i>
35	<i>Amend the IPS to designate a Policy Index and an Asset Allocation Index as total Fund benchmarks.</i>
37	<i>Consider revising the IPS so that hedging is allowed only in individual investment manager guidelines, after discussion with the manager and the manager has requested such authority.</i>
39	<i>Clarify the proxy voting process in the IPS to better describe who can vote proxies and at whose direction.</i>
40	<i>Expand the IPS to define clearly how brokerage commissions should be monitored and what types of arrangements (e.g., commission recapture) are permissible.</i>
42	<i>Now that the securities class action litigation and claims management policy has been adopted, an implementation protocol should also be adopted.<sup>1</sup> The</i>

<sup>1</sup> The following is a list of typical implementation protocol components: claims identification process; designation of individual(s) responsible for monitoring filings sources to identify claims (e.g., staff or outside service provider); determination of class membership (review trading activity to determine whether the pension fund purchased shares during the “class period”; determination of estimated value of potential claim (using a predetermined formula) establishment of a minimum loss threshold (the amount below which the fund’s losses will not ordinarily justify the expenditure of significant fund resources); second tier assessment process (assessing whether the involvement of the fund will benefit plan participants); assignment of responsibilities (the role and authority of key parties – the board, a committee, pension fund staff, outside service providers (monitoring firm, legal counsel, the custody bank, etc.)



Page	Recommendation
	<i>IPS should reference the existence of the securities class action policy and implementation protocol.</i>
45	<i>We recommend including a glossary of private equity terms and an in-depth discussion of the asset class in the Private Equity IPS, either in the IPS or in a separate appendix to the Private Equity IPS.</i>
46	<i>We recommend the Board consider hiring a specialist private equity consultant/gatekeeper if it chooses to expand its allocation to this asset class.</i>
46	<i>We recommend the Private Equity IPS be amended to define the roles and responsibilities of staff, Board and any consultant in more detail, consistent with the approach used in the total Fund IPS.</i>
46	<i>Consider revising the IPS to include reference to the use of vintage year performance comparisons for individual private equity investments.</i>
48	<i>Consider adding a more in-depth discussion on the risks specific to this asset class, consistent with the earlier recommendation for a glossary and in-depth asset class discussion.</i>
<b>2. Portfolio Risk</b>	
50	<i>In conjunction with the overall framework of the Fund’s stated investment policy, consider establishing an “Annual Investment Plan” outlining the long-term return and risk expectations by asset class and for the total Fund (and any changes from the prior year), as well as specific objectives which the Fund’s investment staff would like to accomplish in conjunction with the Trustees and/or the consultant(s) over the coming year, e.g., evaluating possible new asset classes or strategies, reviewing passive vs. active management, etc.</i>
<b>3. Investment Performance</b>	
79	<i>Given the International Equity program’s underperformance and higher risk versus its benchmark over the five years ended June 30, 2005, IFS recommends undertaking a special investment review (in addition to the ongoing manager monitoring conducted in the regular course of business). IFS recommends reviewing the individual component strategies of the program concerning performance (both versus the benchmark and peer group), styles of management, market capitalization and the co-variance of all of the component strategies<sup>2</sup> and initiating investment manager searches (or consolidating similar strategies where appropriate) to replace underperforming investment managers.</i>
88	<i>Consider using the Lehman Brothers U.S. Universal Index as a new primary or secondary performance and risk benchmark for a Total Fixed Income Composite, which would include the Core Fixed Composite, High Yield Composite and Mortgage Composite, if feasible. The Lehman Brothers U.S.</i>

<sup>2</sup> We understand that OP&F has made a number of investment structure changes, including terminating underperforming managers, since our due diligence work was completed.



Page	Recommendation
	<i>Universal Index includes all of the securities that make up the Lehman Brothers Aggregate Index, but also includes other securities such as High Yield Corporate bonds, 144A securities and dollar denominated Emerging Market bonds.</i>
98	<i>IFS suggests that Fund staff work with the consultant to attempt to identify the sources and reasons for the Real Estate program’s increased volatility over the past one to two years as a way to further monitor and control risk.</i>
107	<i>Given the poor longer-term performance of the Alternatives portfolio, we recommend that the Fund undertake a thorough review of this asset class, including its investment policy, structure, processes and available resources. An Alternatives/Private Equity consultant or advisor could assist Fund staff in possibly redefining and enhancing its Alternatives/Private Equity investment approach.</i>
107	<i>To supplement the long-term policy benchmark for Alternatives, we recommend that the Fund consider adopting additional strategic benchmark(s) for this asset class, such as an additional public market benchmark or the Cambridge Associates Private Equity and Venture Capital benchmarks.</i>
<b>4. Investment Structure and Costs</b>	
	<i>None</i>
<b>5. Use of External Consultants</b>	
129	<i>OP&amp;F’s investment consultant’s contractual scope of services should be expanded to include advice on the compliance procedures employed by the Fund and any recommendations that the consultant believes might strengthen these procedures.</i>
130	<i>The statutory definition of “fiduciary” should be amended by the Legislature or interpreted by official rulemaking to clarify that OP&amp;F’s investment consultant is a “fiduciary.”</i>
137	<i>OP&amp;F should seek contractual provisions requiring extensive, prompt, written disclosure from its investment consultant and each manager regarding the amounts of all revenues the investment consultant, and any investment consultant affiliates, receives from any incumbent or proposed manager for OP&amp;F.</i>
137	<i>OP&amp;F should seek contractual provisions requiring its investment consultant to actually provide (rather than offer) annual disclosure of its business relationships with all investment managers or other providers of investment services. This contractually-required disclosure should include information from the investment consultant regarding the specific amounts paid to the investment consultant, or affiliates of the investment consultant, by investment managers employed by OP&amp;F as well as the specific services provided to those managers.</i>



Page	Recommendation
137	<i>OP&amp;F should seek contractual provisions requiring each of its managers to annually file a disclosure of its business relationships with OP&amp;F’s investment consultant(s). This contractually-required disclosure should include information from the investment manager regarding the specific amounts paid to OP&amp;F’s investment consultant, or affiliates of the investment consultant, and state the specific services received by the managers.</i>
143	<i>The Board should continue to employ a real estate specialist to provide a comprehensive range of real estate advisory services.</i>
143	<i>If it has not already been done, the contract between the Fund and Townsend should be updated to include a complete list of the services provided by Townsend.</i>
143	<i>The contract should include a provision stating that the real estate consultant serves the Fund in a fiduciary capacity.</i>
<b>6. Asset Allocation</b>	
150	<i>In its next Asset/Liability study, OP&amp;F should request that the investment consultant address how the Plan will meet the statutorily required amortization period of 30 years.</i>
150	<i>OP&amp;F should discuss the 8.25% actuarial rate with Wilshire and OP&amp;F’s actuary to see if it continues to be appropriate for the System.</i>
161	<i>Expand the rebalancing policy to prescribe more clearly the required actions when an asset class falls outside the range. Rebalancing should be required on a periodic basis, e.g., based on monthly or quarterly statements, but only if an asset class falls outside the policy range. Rebalancing should bring the allocation back within the approved range (e.g., half-way to the target), unless the Board votes not to follow its policy under extreme or unusual circumstances.</i>
161	<i>Update the rebalancing policy ranges so that they are aligned with the new asset class targets.</i>
<b>7. Brokerage Practices</b>	
167	<i>If OP&amp;F continues to participate in commission recapture programs, we recommend that they develop a written policy and procedure to govern and help monitor the use of commission recapture.</i>
172	<i>We recommend that the OP&amp;F Board consider and adopt a more comprehensive, detailed Broker Policy, including policies regarding, for example, directed brokerage, commission recapture and use of minority and women-owned brokers. The Broker Policy should be consistent – or ideally, consolidated – with the more narrowly focused Ohio-Qualified policy adopted September 29, 2004. All brokers should be subject to these criteria, regardless of whether they are “Ohio-qualified.” The OP&amp;F Board should work with all of the state retirement systems to adopt uniform criteria for selecting brokers so as to assure that compliance with the “Buy Ohio” criteria is fairly measured across all of the systems.</i>



Page	Recommendation
<b>8. Due Diligence Procedures/Selection of Investment Service Providers</b>	
175	<i>While this may seem like a mere detail, we believe that specifying that the real estate policy supplements the broad policy as regards this sub-class would be a more appropriate approach.</i>
176	<i>We recommend the private equity and commingled real estate policy documents be split into two parts each, and incorporated into the general search policy and the asset class guidelines respectively.</i>
<b>9. Statutory Provisions and Administrative Rules</b>	
183	<i>See recommendations in Section 11A to amend the current law to remove the in-state bank requirement and to authorize the retirement systems to select their custody banks.</i>
183	<i>If the law cannot be changed as we recommend, the Board should formally request a memorandum of understanding with the State Treasurer which would require their input into the search, selection, and ongoing monitoring of the custody bank, including by not limited to (a) all negotiations and discussions with the custody bank, (b) participation in the preparation of requests for proposals for custodial services, (c) analysis of the responses to such RFPs, (d) the process for selecting the custodian and monitoring the services provided, and (e) the development of guidelines for the periodic evaluation of the custodian’s services.</i>
184	<i>While the existing statutory regime is in effect, the Board should request that the Treasurer’s staff meet with the Fund’s staff to establish procedures to eliminate duplication of effort in reconciling and auditing the custody bank’s work and to establish an allocation of responsibilities for setting standards for the bank’s recordkeeping and reporting and then monitoring the bank’s performance against those standards.</i>
186	<i>The Board should review and amend its Investment Policy and Guidelines to address specifically the legislative provisions related to investments in Ohio business and businesses owned and controlled by women or minorities and to articulate procedures for evaluating such investments to assure that they “offer quality, return and safety comparable to other investments currently available to the [B]oard” as required by law. The Board should also develop and implement a system for monitoring and evaluating compliance with these statutory requirements. In developing that system, the Board should take special care to assure that the monitoring and evaluation processes themselves do not encourage imprudent investment decision-making.</i>
188	<i>The Board should develop objective criteria, consistent with its fiduciary duty to use OP&amp;F assets prudently, for review and approval of out of state travel. With respect to out-of-state travel for trustee education, the criteria should take into account the fact that trustees will attend two in-state education programs annually, and should also recognize the benefits OP&amp;F can derive through participation in programs sponsored by national organizations which</i>



Page	Recommendation
	<i>may take place outside Ohio. The Board should also consider amending the portions of its Travel Policy which authorizes up to three trips out-of-state each year for education programs in view of the mandatory in-state education requirement.</i>
192	<i>The Board should adopt a procedure, such as an appropriately detailed annual certification requirement for managers or, if cost-effective, outside resources, to monitor managers' selection of brokers to execute fixed-income and equity trades to assure that the Board's well-formulated policy is being carried out.</i>
192	<i>The provisions of the Investment Policy and Guidelines that address the investment manager search process should be amended to reflect consideration of the statutory factors and the steps that will be taken to assure that investment managers will be selected consistent with the Board's fiduciary responsibility.</i>
194	<i>We recommend that the statute be amended to authorize the Board to retain independent out-side legal counsel without the prior approval of the State Attorney General.</i>
194	<i>In the alternative, if the statue is not amended, or until the statue is amended, we recommend, working with the AG and the Fund's in-house counsel, the Board delineate the respective roles and responsibilities of the AG and OP&amp;F's in-house counsel, and develop a memorandum of understanding which establishes a procedure for the Board to obtain independent out-side counsel if and when a conflict arises with the AG.</i>
196	<i>OP&amp;F staff should monitor and report to the Board changes in the flow of responses to requests for proposals to provide investment management services to the Fund. In addition, requests for proposals for investment management services should require all respondents to acknowledge, when they submit their proposals, that they are familiar with the lobbyist registration requirements and certify that they will comply with them to the extent applicable. The staff should also review all respondents' registration filings under the new law.</i>
<b>10. Conflicts of Interest</b>	
203	<i>OP&amp;F should adopt a prohibited transaction policy to define the term "parties in interest." The policy should be modeled on the definition of "parties in interest" contained in ERISA.</i>
203	<i>OP&amp;F should also develop a process for analyzing transactions with "parties in interest" to assure that their terms and conditions satisfy the legal standard of comparability to the terms of similar transactions between unrelated parties.</i>
207	<i>The Board should review with legal counsel and compliance staff whether staff should be required to obtain advance permission to engage in personal securities transactions and, if so, develop a policy and procedure for such</i>



Page	Recommendation
	<i>approval. The disclosure form for staff should be revised to require disclosure of personal securities holdings, and both Board members and staff should be required to disclose all investments in excess of \$1,000 regardless of whether the companies invested in are incorporated in or do business in Ohio.</i>
208	<i>The Board's Travel Policy should be revised to conform to the practice of requiring submission of receipts for all expenses other than gratuities.</i>
<b>11. Custodian</b>	
219	<i>We recommend that the applicable Ohio statutes be amended to remove the requirement that financial institutions retained to provide custodial services must have a presence in Ohio.</i>
219	<i>We recommend that the applicable Ohio statutes be amended to grant authority to select, contract with, manage, and terminate the financial institution(s) that will provide master custody services to the retirement systems which are subject to the oversight jurisdiction of the ORSC.</i>
219	<i>As an alternative to granting the retirement systems the power to independently select the custody bank, we recommend that the statute be amended to (a) allow the pension fund to select the custodial bank from a list of candidates developed by the Treasurer of State, pursuant to specific written criteria established by the respective pension fund defining the services required, and (b) require the consent of the retirement system as a prerequisite to effecting a change of their respective custody bank.</i>
219	<i>To maintain accountability and oversight, we recommend amending the applicable statutory language regarding the Ohio Treasurer of State custody bank reporting requirements to provide for periodic review, spot check, and audits rather than complete transaction data transfer.</i>
<b>12. Internal Controls and Risk Management</b>	
224	<i>We recommend that the procedures for these functions be expanded in the Manual to include sources of information, outline of process, and responsibilities by position.</i>
224	<i>OP&amp;F should increase audit staff commensurate with its size, needs, industry practices to a total of three or four auditors.</i>
224	<i>In the event that OP&amp;F cannot quickly act on our preceding recommendation to increase the number of internal audit staff, OP&amp;F should supplement its Internal Audit capabilities with outsourcing audits in accordance with an approved audit plan until staff size and capabilities come up to speed.</i>
225	<i>Consistent with the above, OP&amp;F should increase the size of its internal audit department and develop an audit plan that is appropriate.</i>
226	<i>Once the appropriate size and plan are achieved the Audit Committee should periodically conduct a Quality Assessment in accordance with professional standards.<sup>3</sup></i>

<sup>3</sup> We understand the P&F has a QA scheduled for the latter part of 2006.



Page	Recommendation
226	<i>The preparation of the internal audit department manual should be completed within a reasonable time period.</i>
226	<i>Other supportive internal audit documentation and tools should also be developed such as a “recommendation tracking tool” for the Audit Committee. The “recommendation tracking tool” periodically reports the status of all internally or externally developed audit recommendations.</i>
226	<i>Management should consider developing and issuing a Fraud Policy Statement. In the absence of such a statement, the Internal Auditing Department operates in a vacuum since its role in a fraud is not clearly defined.</i>
227	<i>The department (and the rest of the OP&amp;F) would benefit from a clearly stated and approved policy on matters where fraud is alleged. Such a policy would also serve as the basis for other OP&amp;F staff and the System as a whole to deal efficiently and effectively with fraud should it occur.</i>
229	<i>OP&amp;F should consider implementation of an enterprise risk management framework that incorporates the Observations recommended in the COSO ERM – Integrated Framework.</i>
<b>13. Investment Accounting</b>	
232	<i>Investment accounting should report to the financial management area of the organization rather than the investment area.</i>
<b>B – Management Issues</b>	
<b>1. Board Governance, Policies and Oversight</b>	
241	<i>We recommend that the Board require that the Board’s “investment expert designees” and “investment expert members” be required to disclose any campaign contributions either they or their employers have made to the officials who have appointed them. In addition, the firms that employ those, and any other, Board members should be barred from doing business with the assets of any of the state-wide retirement systems while on the Board and for a period of at least three years thereafter.</i>
243	<i>We recommend that the Board amend the Governance Policy to render all trustees eligible to serve as officers.</i>
246	<i>We recommend that the Board establish a separate Audit Committee to perform the audit-related functions now performed by the Administration/Audit Committee.</i>
249	<i>The Board’s Continuing Education Guidelines should be amended to reflect formally as a requirement the practice that Trustees who attend education sessions (other than those presented at regular Board meetings or other events attended by all Board members) should bring all written material back to OP&amp;F so it is available to the rest of the Board, and should present a brief report of the substantive highlights of the session.</i>



Page	Recommendation
<b>2. Organizational Structure and Resources</b>	
257	<i>Consider amending the Investment Officer position description to note that a CFA Charterholder is preferred.</i>
259	<i>Consider adding roles and responsibilities of key OP&amp;F staff to the Governance Policy.</i>
267	<i>OP&amp;F's communications program appears effective and should be maintained. However, we recommend that they conduct a membership satisfaction survey to verify this.</i>
<b>3. Ability to Attract and Retain Employees</b>	
	<i>None</i>
<b>4. Monitoring of Investments and Reporting</b>	
285	<i>The System should consider including sub asset class composites within the equity asset class in the quarterly Performance Evaluation Reports.</i>
285	<i>The System should consider including rolling one year performance summaries at the total Fund, asset class and manager level following the current annualized performance summaries to report on performance consistency versus the benchmark and peer universe over time.</i>
288	<i>The System should consider reviewing all investment manager contracts and/or guidelines to consider adding provisions to strengthen fiduciary provisions designed to protect the System and stipulate that brokerage practices require best execution.</i>
<b>5. Reporting to the ORSC</b>	
299	<i>We recommend that ORSC, with the assistance and advice of appropriate representatives of its target audiences (e.g., the Governor, the Legislature, constituent groups), confirm the continued need and value-added of each of the reports it is currently required to produce.</i>
300	<i>We recommend that the ORSC develop a strategic plan (for the coming three and five years), setting forth its goals, objectives and the strategies to insure that the information required from the retirement systems is material input to the ORSC reporting requirement and oversight function and to serve as a benchmark for measuring the efficiency and effectiveness of its oversight activities.<sup>4</sup></i>
303	<i>Completed audits and projects should be articulated including what was audited, the overall result, and what material recommendations were made. Any critical issues identified should be pointed out, and the action or planned action to remediate the situation described.</i>
303	<i>We recommend that the report include what was decided, what further work was directed, etc, and not just what was presented to the committee.</i>

<sup>4</sup> See, The Texas Pension Review Board Strategic Plan – [www.prb.state.tx.us/about/strategicplan](http://www.prb.state.tx.us/about/strategicplan)



Page	Recommendation
303	<i>We recommend that the audit plan include a brief description of what will be audited and why a particular subject was selected.</i>
305	<i>We recommend the current executive summary include performance for consecutive time periods (i.e. successive years) in addition to cumulative periods (i.e., varying periods all ending on the report date).</i>
307	<i>We recommend the development of a summary report designed as a “legislative oversight summary” of key events, highlights and exceptions to be included as a cover attachment to the current executive summary in the EAI report (i.e., the lettered pages of the EAI report) for distribution to senior executives, legislators and others having oversight responsibility.</i>
307	<i>We recommend the semiannual review of the systems’ investment programs also include findings regarding each retirement system’s investment policy statement, including the adequacy of the objectives and criteria set forth in the policy and whether the systems’ actual investment program is consistent with and in compliance with the IPS.</i>
307	<i>If the intent of Section 171.04(D) is to limit oversight to measuring and evaluating investment performance and does not extend to the policies, objectives, and criteria of each system’s investment program, then the language of the statute should be amended to clarify the scope of the oversight.</i>
310	<i>We recommend ORSC, in coordination with each system, evaluate whether to undertake a project to develop or refine (if such a model already exists) basic cost accounting systems that support measurement of investment costs as well as other cost centers management may need to control.</i>
310	<i>We recommend that ORSC continue to work with EAI and the systems to develop a meaningful net performance report, including appropriate explanatory information to guide its proper use, and publish this annually as a separate report or appendix to the existing semi-annual report.</i>
312	<i>We recommend that ORSC work with its independent actuary and the retirement systems’ actuaries to develop annual reporting of actuarial and demographic information at a summary level.</i>
313	<i>We recommend ORSC review with the appropriate governmental and legislative representatives the use and purpose of these reports, with the goal of either amending the requirements to serve a beneficial purpose or eliminating the reports.</i>
314	<i>We recommend ORSC design the content and form of health benefits reporting – including the assumptions and results of actuarial projections for future</i>



Page	Recommendation
	<i>costs – that facilitates long term planning and control, and that appropriate action be taken to implement this reporting across systems.</i> <sup>5</sup>

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<sup>5</sup> This recommendation should be considered in light of new Government Accounting Standards Board (GASB) accounting standards (GASB 43 and GASB 45) that will go into effect beginning in fiscal year 2006-2007 and in fiscal year 2007-2008.



**OP&F CUSTOM PEER GROUP SURVEY RECIPIENTS**

**School Employees Retirement System of Ohio (SERS)**

**Public Employee Retirement System of Idaho**

**Public Employees' Retirement Fund of Indiana**

**Indiana State Teachers' Retirement Fund**

**Teachers' Retirement System of Oklahoma**

**State of Hawaii Employees' Retirement System**

**Arkansas Teacher Retirement System**

**New Mexico PERA**

**Maine State Retirement System**

**Employees' Retirement System of Rhode Island**

**City of Los Angeles Police and Fire Pension System**

**Teachers' Retirement System of Louisiana**

**OP&F CUSTOM PEER GROUP SURVEY RESPONDENTS**

**School Employees Retirement System of Ohio (SERS)**

**Public Employee Retirement System of Idaho**

**Public Employees' Retirement Fund of Indiana**

**Indiana State Teachers' Retirement Fund**

**Teachers' Retirement System of Oklahoma**

## Comparison of Current Custodian’s Capabilities vs. Top-tier Custody Bank Capabilities

Sophisticated pension funds require top tier banks because they have developed sets of excellent, well integrated measurement and control services, they have established very highly controlled systems for efficient handling of ordinary transactions, the day by day process of settling trades, collecting income, handling proxies, and reporting values and results. Other banks, even regional banks with significant personal trust operations, have less sophisticated, more manual processes for such operations.

The Table below, entitled *Comparison of Current Custodian’s Capabilities vs. Top-tier Custody Bank Capabilities*, provides a summary comparison of the current Ohio statutory custody model and an alternative model based on the use of one of the leading global custodians. The comparison illustrates the areas which can add costs and risk to the process.

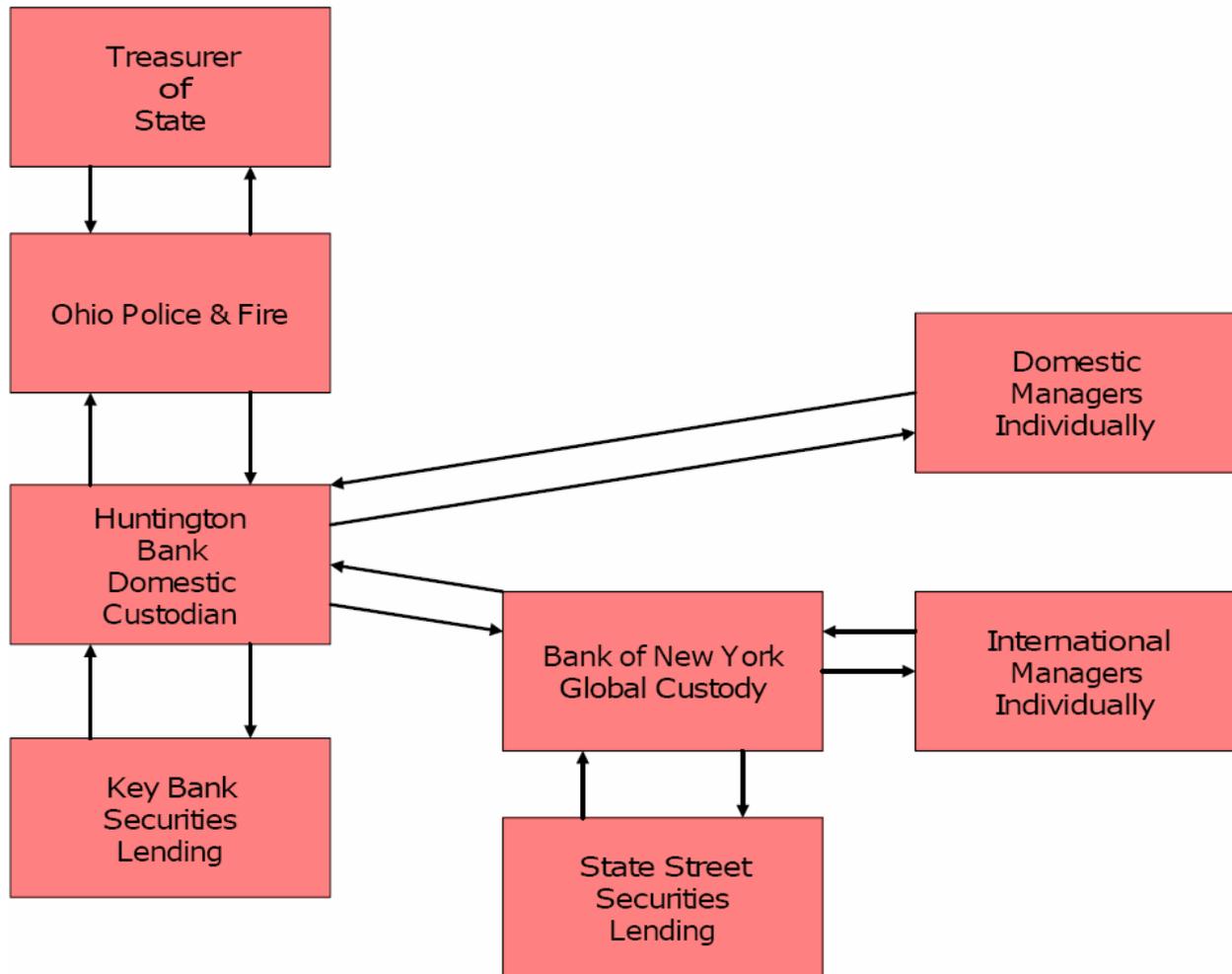
Comparison of Current Custodians Capabilities vs. Top-tier Custody Bank Capabilities		
Custody Area	The Ohio Treasurer of State/Ohio Bank/Others	Integrated Global Custody
Domestic custody, clearance, income and record keeping	System designed for small volume of relatively simple transactions	System designed for large volume, real time electronic interface with virtually all financial institutions.
Global sub-custody clearance, income and record keeping	Single client arrangement with a recognized global custody bank	Integrated system of branches and sub-custodians covering high volume, quality tested communications and integrated reporting
Securities lending	Limited, special purpose data communication with third party agents	Combination of custody bank securities lending and tested, high volume communication with third party agents
Supporting analytical services	Few if any available directly; interface with third party providers must be created in each case	Many available directly or through third party providers over regular, proven interfaces



<b>Comparison of Current Custodians Capabilities vs. Top-tier Custody Bank Capabilities</b>		
<b>Custody Area</b>	<b>The Ohio Treasurer of State/Ohio Bank/Others</b>	<b>Integrated Global Custody</b>
Reporting and reconciliation to the statutory custodian and the Fund	Daily with transaction by transaction detail reporting and reconciliation between custody bank and managers, between custody bank and global sub-custodian, and between custody bank and the Fund, in case the of case of internally managed portfolios.	Typically monthly data and exception reporting to the Fund based on detailed reconciliation between custody bank and managers.
Frequency and reason for turnover	Potential for periodic change based on The Ohio Treasurer of State overall state bank relationship management	Infrequently in order to maintain continuity of systems and usually based on quality of services
Access to historical data, such as to support class action claims	Typically lost or difficult and expensive to maintain with custody bank changes unless maintained internally at System	Continuity of relationship affords long term access to historical data, although custody bank changes have same loss of access effect.



# Ohio Police & Fire Pension Fund Custody Structure Flows of data on transactions, holdings and values



**Examples of How the Current Ohio Statutory  
Custody Model Impaired OP&F's Ability to Invest  
the Assets of the Fund Effectively and Efficiently**

- The Ohio Treasurer of State, in effectuating Ohio law, selected Huntington Bank as OP&F's current domestic custody bank. Huntington Bank is not considered a "top-tier" bank. Any selection of a custody bank outside the top-tier group for a sophisticated institutional investor, such as OP&F, necessarily involves a compromise in services, efficiency and/or price. We found the breath of services OP&F's current custodian can provide at present to be limited.
- Huntington Bank's securities and portfolio custody and reporting services are designed for personal and corporate trust clients, not a multi-billion dollar pension trust. The ability to support complex custody accounting and control systems is largely driven by economies of scale that depend on the bank's ability to attract hundreds of large pension fund holdings.
- Huntington Bank is able to provide the basics of securities custody at a level generally commensurate with a regional bank personal trust operation. Its agreement with the Ohio Treasurer of State identifies the Bank's responsibilities with regard to receiving and delivering securities, collecting income, valuing the portfolio, and maintaining accounting records. Huntington Bank also provides interfaces with OP&F, the Ohio Treasurer of State, and the sub-custody banks.
- A number of services that top tier custody banks regularly offer are either not available directly from Huntington Bank or, if they are, may not fully meet the needs of the end user -- OP&F. In a best practices model, OP&F would be empowered to prudently select its primary bank custodian or a third party provider based on a cost-benefit criterion.
  - Under the current Ohio statutory custody model OP&F uses multiple banks – the banks selected by the Ohio Treasurer of State for domestic and global custody and the bank OP&F selects for securities lending. Multiple relationships add complexity, additional risks (e.g. the potential for transactions fails) and in most cases additional costs.

**Examples of How the Current Ohio Statutory  
Custody Model Impaired OP&F's Ability to Invest  
the Assets of the Fund Effectively and Efficiently**

- We were informed that Huntington initially did not have the systems capability to provide necessary custody services for a fund as large as OP&F.
  - Huntington had to build systems, controls and interfaces with other institutions in the Ohio Treasurer of State complex custody system.
  - During interviews we were informed that investment managers sometimes disagree with Huntington on reconciliations, corporate actions, and information flow, and that at times manager instructions are not executed properly by Huntington. Delay and lapse in timely and accurate provision of these aspects of securities custody affects OP&F's costs, risks, and investment returns.
  - OP&F reported that Huntington cannot adequately meet the Fund's need for class action litigation support.<sup>1</sup>
  - OP&F also faced systems changes, such as rebuilding the data feed that existed among its in-house PAM portfolio accounting system, U.S. Bank and Wilshire.
- Huntington has worked diligently to make the relationship work and to deliver the services had promised. Several sources complimented Huntington on the transition and the improvement in making domestic custody work. Huntington was praised for the quality of its people.
  - Despite Huntington's efforts to create a workable system, its ability to provide what are fairly routine services for any "top-tier" custody bank is lacking. In this area we found:

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<sup>1</sup> When banks do not have adequate long term data search and retrieval capabilities and structures to support an institutional investor's securities class action protocol, pursuing lead plaintiff status and recovery become even more difficult.

**Examples of How the Current Ohio Statutory  
Custody Model Impaired OP&F's Ability to Invest  
the Assets of the Fund Effectively and Efficiently**

- Quality standards for basic settlement and income collection are lower; and
  - Supplemental services such as guideline compliance monitoring and management do not exist; and
- While Ohio Treasurer of State granted OP&F's request to replace US Bank, it was under no obligation to do so, even though OP&F may have prudently determined that the services provided by US Bank did not allow OP&F to invest the fund assets in an effective and efficient manner. Huntington Bank replaced US Bank as OP&F custody bank.
  - Huntington Bank has no operational relationships to provide global custody and clearing services. The Ohio Treasurer of State selected Bank of New York in 2004 to provide global custody and clearing services to OP&F, replacing State Street in that role. We were informed that OP&F objected to the change (OP&F reported that it had no problems with State Street and costs associated with the State Street services appeared reasonable). However, the Treasurer of State was under no obligation to honor OP&F's request to retain State Street and did not.
    - Consistent with its authority to select its securities lending agent, OP&F elected to retain State Street as third party international securities lending agent rather than switching to BONY for securities lending (the global custody bank selected by the Treasurer for OP&F also had the capacity to perform securities lending).
      - Retaining State Street as third party international securities lending agent, when the Treasurer switched to BONY as global custody added complexity and cost to the process.
  - OP&F has no authority over implementation of custody bank transitions.

**Examples of How the Current Ohio Statutory  
Custody Model Impaired OP&F's Ability to Invest  
the Assets of the Fund Effectively and Efficiently**

- The transition from US Bank to Huntington took six to eight months and consumed considerable OP&F staff time.
- The transition from Bank of New York took six months rather than the one month promised and resulted in increased costs and reduced services, particularly with regard to support for PAM (a product from a State Street subsidiary).
- Transitions are always costly in terms of time, disruption and money. These costs are a combination of out of pocket fees, transactions costs within the investment portfolios, and opportunity costs of staff and management time, the bulk of which are borne by the system involved (in this case OP&F). Examples of the functions that require time and often cash expenditures are listed below:
  - Time to find, hire, and negotiate documentation;
  - Establishing account structure and reporting requirements;
  - Setting up communications protocols with investment managers, performance measurement services, brokers and other service providers;
  - Developing securities inventories and verifying receipts and deliveries;
  - Changing registered owners;
  - Implementing and testing reporting links;
  - Coordinating short term (unsettled trades, accrued income) and long term (securities litigation, dividend reclaim) transitional activity;
  - Disrupting the recordkeeping systems that are necessary to support activities requiring long term data recovery, such as shareholder litigation;
  - Working parallel operations; and
  - Staff time in coordinating the process.
- Changing custodian banks is a very complex and very expensive process. Putting aside the cost of selecting and contracting with a new custody bank, the logistics of moving securities,

**Examples of How the Current Ohio Statutory  
Custody Model Impaired OP&F's Ability to Invest  
the Assets of the Fund Effectively and Efficiently**

records, receivables, data, reporting, controlling and monitoring processes, securities loans, sub-custody agreements, communications links to investment managers, brokers, sponsors, beneficiaries, and hundreds of other large and small relationships are immensely complicated. As noted before, OP&F has no control over when the domestic or global custody banks may change. Consequently, when such a decision is made, it has no choice but to spend time transitioning and recreating systems and controls. This is time that could otherwise be spent adding investment value and reducing investment and enterprise risk.

State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
Alabama	The State Examiner of Public Accounts	<ul style="list-style-type: none"> <li>Perform an annual audit, report any expenditures or contracts that violate law to the Governor and Legislative Committee on Public Accounts.</li> </ul>
	Legislative House Ways and Means Committee and the Senate Finance and Taxation Committee	<ul style="list-style-type: none"> <li>Oversight of public pension related matters</li> </ul>
Alaska	The Governor and the Legislature have oversight responsibility for the Retirement Management Board. <sup>2</sup> The Legislature provides oversight of the Alaska Permanent Fund.	<ul style="list-style-type: none"> <li>THE ARMB submits reports to governor, the Alaska Legislature, the Legislative Budget and Audit Committee by first day of each legislative session</li> </ul>
Arizona	The Governor as well as several Legislative Committees <sup>3</sup> have continuing oversight responsibility for the retirement system.	<ul style="list-style-type: none"> <li>Each fiscal year an annual report must be submitted which must include, but is not limited to, the actuarial valuation of assets and liabilities, investment information, and statistical and financial data necessary to understand the operation and status of the retirement system (Arizona Revised Statute § 38-714).</li> </ul>
Arkansas	Legislative Joint Committee on Public Retirement and Social Security and the Legislative Council and its Rules and Regulations Subcommittee.	<ul style="list-style-type: none"> <li>Preparation of fiscal notes for each retirement bill setting forth the estimated cost or fiscal impact.</li> </ul>
	Department of Finance and Administration	<ul style="list-style-type: none"> <li>Contracting, procurement, and compensation approval</li> </ul>
California	The California State Controller	<ul style="list-style-type: none"> <li>State and local public retirement systems submit audited reports to the State Controller within six months of the end of their respective fiscal years.</li> </ul>

<sup>1</sup> The data set forth in this table is for informational purposes only; it is based on our best knowledge derived from conducting state-by-state INTERNET research as well as third party publications, including the Biennial Report of the Texas Pension Review Board, “Protecting Retirees’ Money, 5<sup>th</sup> edition, prepared by Cynthia L. Moore, Washington Council, National Council on Teacher Retirement, and data from the National Conference of State Legislators website. Information regarding other entities with pension oversight responsibility in a particular state may not be reflected in the table because the information was not readily discoverable from the INTERNET search. Information regarding compensation, staffing, and costs are provided where it is available. Interim/Temporary entities that have expired are included for informational purposes.

<sup>2</sup> The Public Employees’ Retirement Board and the Teachers’ Retirement Board were abolished effective July 1, 2005. Their duties and responsibilities were transferred to the Department of Revenue. These Boards, along with the Investment Board, were replaced with the nine-member Alaska Retirement Management Board (ARMB). The ARMB is responsible for the supervision of the state retirement systems and the state’s new defined contribution plan.

<sup>3</sup> The Senate Finance Committee, the Joint Legislative Budget Committee, the Senate and House Appropriations Committees, the Public Institutions and Retirement Committee, and the Joint Legislative Audit Committee.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		<ul style="list-style-type: none"> <li>The State Controller is required to review the triennial valuation of each public retirement system and consider the actuarial assumptions used.</li> </ul>
	California State Assembly Public Employees, Retirement and Social Security Committee	This Committee has primary jurisdiction over retirement issues in the California Assembly. Oversight ability in pension issues is limited. For example, the Committee does not have access to an independent actuarial analysis of legislation and it depends upon the actuarial analysis provided by the system's actuary.
Colorado	Legislative Audit Committee	<ul style="list-style-type: none"> <li>Reviews funding status and investment performance</li> </ul>
	House and Senate Finance Committee	<ul style="list-style-type: none"> <li>Meets with State retirement system annually.</li> </ul>
Florida	The Florida Division of Retirement - Bureau of Local Retirement Systems	<ul style="list-style-type: none"> <li>Monitors the actuarial soundness of local retirement systems;</li> <li>Reviews the actuarial impact of any proposed changes to the systems;</li> <li>Approves the distribution of insurance premium tax revenues to qualified municipal police officer and firefighter pension plans; and</li> <li>Issues an annual report to the Legislature detailing its activities, findings, and recommendations concerning all local government retirement systems</li> </ul>
Georgia	Governor and General Assembly	<ul style="list-style-type: none"> <li>Receives annual report from retirement system reflecting the condition of the system, the financial transactions conducted during the preceding year, a summary of actuarial valuation</li> </ul>
Idaho	Governor and State Legislature	<ul style="list-style-type: none"> <li>Review annual report of activities, including financial report</li> </ul>
Indiana	The Indiana Pension Management Oversight Commission	<p>The Commission oversees public retirement funds in Indiana.<sup>4</sup> Its oversight duties include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>Study the investment and management practices of the boards of the public retirement funds;</li> <li>Determine what constitutes adequate wage replacement levels at retirement (including benefits from public retirement funds and social security) for public employees;</li> <li>Study the impact of federal law and proposals concerning pensions, annuities, and retirement benefits;</li> <li>Study the retirement funds established in IC 36-8 (public safety code);</li> <li>Study methods and levels of funding for public retirement funds;</li> <li>Study the funding status for police and fire pension funds;</li> <li>Review the state's deferred compensation program; and</li> <li>Study other topics as assigned by the Legislative Council or as directed by the Commission's chairman.</li> </ul>

<sup>4</sup> IC 2-5-12



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		<b>COMPOSITION:</b> The Commission is composed of 12 members: four Representatives, four Senators, and 4 lay members. <b>EXPERTISE:</b> The four lay members must be experts in the areas of finance, investments, or pension fund management. The chair of the Legislative Council appoints the chair of the Commission. <b>STAFFING:</b> The Commission is provided staff support by the legislative service agency, and is authorized to employ consultants. <b>COSTS:</b> The legislative services agency provides staff support to the Commission.
Illinois	Commission on Government Forecasting and Accountability (previously the Pension Law Commission) <sup>5</sup>	In addition to its other functions, the Commission is charged with reviewing the laws and practices relating to public pensions, retirement and disability benefits for people serving in State or local government and their survivors and dependents. The Commission evaluates existing laws and practices and makes recommendations on proposed changes to the Illinois Pension Code and annually issues a Report on the Financial Condition of the Illinois public pension systems. <b>COMPOSITION</b> The Commission consists of 12 members as mandated by the Legislative Commission Reorganization Act of 1984. The four legislative leaders each appoint three members. <b>STAFF:</b> 13
	Illinois Division of Insurance	In addition to its other functions, the entity provides an oversight role as the repository for the retirement systems' investment policy statements and investment managers' contracts, which must be filed with the Division.
	The Senate Pensions and Investment Committee	Has jurisdiction over the state retirement systems
Iowa	The Governor and the Legislature	The Legislative Appropriations Committee reviews the retirement system's budget; the Joint State Government Committee reviews legislation concerning plan design; and interim study committees are used to review the pension funds, including actuarial reports, proposed benefit changes, research developments in other states and the private sector, and recommendations regarding system reform (e.g., 2003, 2001, 2000, and 1997).
Kansas	Governor and Legislature	An annual report regarding the retirement system's operations is submitted to the Governor, the Chair of the Legislative Coordinating Council, the Secretary of the Senate, and the Clerk of the House of Representatives. <sup>6</sup>
Kentucky	Governor and Legislature	Legislation affecting the retirement system is subject to the jurisdiction of the Appropriations and Revenue Committees and the Education Committees. The retirement system's annual report is required by law to set forth the fiscal transactions of the preceding year, the amount of accumulated cash and securities, a balance sheet showing the financial condition of the system, and a summary of the actuarial report.

<sup>5</sup> Effective February 1, 2004, the responsibilities of the Pension Laws Commission (a bipartisan entity comprised of 16 members appointed by the four leaders of the General Assembly, which was responsible for conducting studies of the laws and practices pertaining to pensions and related retirement and disability benefits) were absorbed by the Commission on Government Forecasting and Accountability (renamed from the Illinois Economic and Fiscal Commission).

<sup>6</sup> GFOA has recognized the Kansas PERS report for its comprehensiveness numerous times.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		Copies must be provided to the Governor, the State Auditor, the Chairs of the Appropriations and Revenue Committees and the Education Committees of both Houses of the Legislature.
Louisiana	Louisiana Commission on Public Retirement (created in 1991 and reconstituted in 2003)	The 11-member Commission is charged with studying retirement issues and reviewing and prioritizing proposed legislation prior to the session. Notwithstanding the Commission, in practice, the House and Senate retirement committees take the lead in pension policy decisionmaking. The Commission's responsibility is to review the administration, benefits, investments and funding of the public retirement systems in Louisiana. It is responsible for making recommendations and annual reports to the Joint Legislative Retirement Committee on those issues. It is also responsible for reviewing the efficiency and accountability of the various systems, differences in benefits within individual systems, issuance of bonds, and the need for retirement legislation. It includes legislators, the state treasurer, actuaries, attorneys with experience in public pension design and management and the president of the public affairs research council. <b>COMPOSITION:</b> The Commission is composed of the Chair of the Senate Retirement Committee (or his designee); the Chair of the House Retirement Committee (or his designee); the State Treasurer (or his designee) the Legislative Actuary; an actuary designated by the state systems; an actuary designated by the statewide systems; two attorneys with experience in public pension fund design and management chosen by the Chair of the House and Senate Retirement Committee (from a list of thirteen names recommended. by the state and statewide systems); one person chosen by the Chair of the House and Senate Retirement Committee from a list of four names recommended by LMA and Police Jury Association of LA; and the President of PAR (or his designee).
Maine	Legislative joint Standing Committee on Labor and the Joint Standing Committee on Appropriations and Financial Affairs	Consideration of the purpose of legislation affecting the retirement system, whether or not its impact is equitable treatment of the members, the funding of the costs of benefits, consistency of proposed legislation with other provisions applicable to the retirement system, etc.
Maryland	General Assembly's Special Joint Committee on Pensions (functioning since 1985)	The Committee is responsible for the review of issues affecting the state pension systems. <b>COMPOSITION:</b> 15 member committee, composed of the Senate Chair, the House Chair, six members appointed by the Senate President, and seven members appointed by the House Speaker. <b>STAFF:</b> two people.
Massachusetts	The Massachusetts Public Employee Retirement Administration Commission ((PERAC) was created in 1996)	PERAC was created for and is dedicated to the oversight, guidance, monitoring, and regulation of each of 106 public pension systems within Massachusetts. PERAC has six units: <ul style="list-style-type: none"> <li>• <b>The Investment Unit</b> - responsible for (a) the annual report on the investment activity of the retirement boards; (b) promulgation of regulations governing investment of system assets; (c) approval of requests from boards for expansion of investment authority; and (d) audits of investment activities of the boards;</li> <li>• <b>The Actuarial Unit</b> - responsible for (a)actuarially valuating the retirement systems; (b)analyzing costs associated with legislative initiatives; (c)approving funding schedules adopted by retirement</li> </ul>



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		<p>boards which are designed to eliminate unfunded liabilities and transition systems from "pay as you go" funding to actuarial based funding; (d) establishing annual appropriations owed to the retirement systems by governmental units; and (e) approving individual benefit calculation;</p> <ul style="list-style-type: none"> <li>• <b>The Disability Unit</b> - responsible for (a) medical panel appointments as part of the disability review process; and (b) post retirement examination and rehabilitation evaluation of disability retirees;</li> <li>• <b>The Fraud Unit</b> - responsible for Pension Fraud Program;</li> <li>• <b>The Legal Unit</b> - responsible for all litigation; issuance of legal opinions and memoranda; legislative and regulatory analysis; drafting of legislative and regulatory proposals; and advising the Commission and retirement boards on legal issues; and</li> <li>• <b>The Communications Unit</b> - responsible for maximization of communication potential of the internet; media relations; organization of educational seminars for retirement board members and staff; develop educational materials for retirement board members and staff; and produce retirement guides for employees, retirees and beneficiaries.</li> </ul> <p><b>COMPOSITION:</b> Seven members - three of whom shall be appointed by the governor, three of whom shall be appointed by the state auditor, and one of whom shall be chosen by the first six members and who shall be chairman. Of the three persons appointed by the governor, one shall be the governor or his designee, one shall be a representative of a public safety union, and one shall be qualified by having training and experience in the investment of funds as a result of having been principally employed in such occupation for a period of at least ten years. Of the three persons appointed by the state auditor, one shall be the state auditor or his designee, the president of the Massachusetts AFL-CIO or his designee, and one shall be a representative of the Massachusetts Municipal Association.</p> <p><b>STAFF:</b> 50 employees: 11 in administration; three within the actuarial unit; six within the investment unit; six within the disability unit; four assigned to the legal unit; two in the fraud unit; 10 in audit; five in information system; and three in communications.</p> <p><b>COSTS:</b> The Commission's budget is funded from the investment income account of the state employees and state teachers' system.</p>
Michigan	Governor and Legislature	Annual summary of the financial and actuarial condition of the system must be submitted to the Governor and the Legislature. The House and Senate committees (including but not limited to Appropriations, Education, Health Policy, Higher Education) have authority to review and approve legislation affecting the retirement systems.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
	Governor formed the Michigan Commission on Public Pension and Retiree Health Benefits (November 16, 1999) – <i>Expired Temporary Commission</i>	Nine-member commission <sup>7</sup> responsible for examining various issues involving the oversight, funding, management, and fiscal integrity of the public pension and retiree health benefit systems within Michigan, including reviewing state laws affecting retirement systems; assessing the adequacy of funding; and making recommendations, where appropriate, for changing state laws affecting retirement systems. <b>STAFF:</b> Staffed by personnel within the Department of Treasury to be designated by the State Treasurer. The Report of the Commission was issued February 20, 2001 and the Commission was disbanded.
Minnesota	The Minnesota Legislative Commission on Pension and Retirement Commission (MLCPR) (initially created as an interim commission, established as a permanent entity in 1967) <sup>8</sup> ;	A ten member Commission, the MLCPR's duties include but are not limited to -- <ul style="list-style-type: none"> <li>• Reviewing and making recommendations on pending proposed public pension legislation, with particular reference to analysis of their cost, actuarial soundness, and adherence to sound pension policy, and reporting its findings to the legislature;<sup>9</sup></li> <li>• conducting ongoing research on pension policy issues;</li> <li>• providing legislative oversight for Minnesota's system of public employee pension plans;</li> <li>• arranging for the preparation of regular actuarial valuations and periodic experience studies of the statewide and major local public pension plans;</li> <li>• assessing the sufficiency of current public pension plan funding and recommends required modifications;<sup>10</sup></li> <li>• filing a report at least biennially to each session of the legislature; and</li> <li>• creating and maintaining a library for reference concerning pension and retirement matters, including information about laws and systems in other states.</li> </ul> <b>COMPOSITION:</b> Five members of the House of Representatives (appointed by the Speaker of the House) and five members of the Senate (appointed by the Subcommittee on Committees of the Senate Rules Committee). <b>STAFF:</b> 3.5 permanent staff positions. <sup>11</sup> The Commission retains a consulting actuarial firm for the performance of regular actuarial valuations and related actuarial work (selected by periodic competitive bid process. <b>COSTS:</b> Approximately two-thirds of the pension commission's budget for actuarial services is recouped from the statewide and major local public pension plans <sup>12</sup> and redeposited in the State's General Fund.

<sup>7</sup> Established pursuant to Executive Order No. 1999-13 (rescinding Executive Order 1999-8, effective July 29, 1999). Members are appointed by the Governor and serve at the pleasure of the Governor.

<sup>8</sup> Laws 1967, Chapter 549; Coded as Minnesota Statutes, Section 3.85

<sup>9</sup> In recommending proposed pension legislation, the Pension Commission rules require bicameral support for any proposal, necessitating affirmative support from a majority of both House and Senate Commission members.

<sup>10</sup> The general practice of the committees of the Minnesota Legislature with jurisdiction over public pension issues is to informally refer proposed public pension legislation to the Pension Commission for its review and recommendation before further action on those initiatives.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
Mississippi	Senate Finance Committee and the House Appropriations Committee	The retirement system is required to prepare an annual report that includes detailed financial information, a summary of all investments, a statement of income and expenditures and a balance sheet showing the financial condition of the system by means of an actuarial valuation. The annual report is distributed to all employers.
Missouri	The Missouri Joint Committee on Public Employee Retirement (created in 1983);	<p>The 12 member committee is a joint agency of the Minnesota Legislature. The MJCPER is responsible for –</p> <ul style="list-style-type: none"> <li>• Make a continuing study and analysis of all state and local government retirement systems;</li> <li>• Devise a standard reporting system to obtain data on each public employee retirement system that will provide information on each system's financial and actuarial status at least biennially;</li> <li>• Determine from its study and analysis the need for changes in statutory law; and</li> <li>• Make any other recommendations to the General Assembly necessary to provide adequate retirement benefits to state and local government employees within the ability of taxpayers to support their future costs.</li> </ul> <p>The Committee compiles a comprehensive report of its activities for the General Assembly each year in which the General Assembly convenes in regular session. The report addresses (1) status of membership, (2) funding status, including a comparison of the progress or lack of progress in the plan's funding process from year to year, (3) statutory and regulatory compliance, (4) statutory investment requirements, (5) federal issues impacting the systems, and (6) state issues. The Committee uses a computerized database to accumulate information regarding benefits levels, assets, liabilities, membership, investment allocation, advisors, custodial and broker fees. The systems under the jurisdiction of the Commission are required to complete survey questionnaires and file actuarial valuations and financial statements each year. The survey questionnaire is designed to be in compliance with the reporting requirements of GASB 25.</p> <p><b>COMPOSITION:</b> The Committee consists of six senators appointed by the President Pro Tem of the Senate and six members of the House of Representatives, appointed by the Speaker of the House.</p>
Montana	Governor and Legislature	Retirement System and the Board of Investments are required by law to submit an annual report to the Governor and Legislature. The content of the reports is prescribed by law. The Retirement System report which details (1) the fiscal transactions for the two preceding fiscal years, (2) the amounts of accumulated cash and securities of the retirement system, and (3) the last fiscal year's balance sheet showing the system's assets and liabilities. The Investment Board report must disclose investment performance for the past fiscal year, summarize in-state investment activities, and provide public access to audited financial statements.

<sup>11</sup> The Pension Commission staff is also available to assist other legislative committees and non-Commission legislators on pension-related topics and issues.

<sup>12</sup> Over 700 public employee pension plans.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
	Committee on Public Employees Retirement Systems (CPERS) - interim committee - repealed in 1999.	Established in 1993 for the purpose of adopting policy principles and report and make recommendations to the legislature to provide a framework whereby the Legislature could establish fair, consistent, and fiscally sound retirement policy
	State Administration, Public Retirement Systems, and Veterans' Affairs Interim Committee	Replaced CEPRS, charged with the responsibility for monitoring public retirement issues. Issued report November 2000 setting forth pre-session consideration of retirement plan proposals.
Nebraska	Governor, State Treasurer, and the Legislature (specifically the Appropriations Committee and the Nebraska Legislative Retirement Committee)	In addition to a fiscal note, an actuarial study is a prerequisite for any legislation that enhances benefits. Audit Reports conducted by the State's Auditor must be submitted to the Legislature. A periodic compliance audit must be conducted to determine compliance with state and federal laws. The State Investment Officer files very detailed monthly reports with the Governor and the State Treasurer.
Nevada	Governor, Legislature, Interim Retirement and Benefits Committee (when the Legislature is not in session)	Annual report filed with the Governor and Legislature. The annual report includes a description of the plans, the actuarial valuations for each plan, significant legislative changes, the investment policy for each plan, a statement of receipts, disbursements, material lease commitments and contingent liabilities.
New Hampshire	Secretary of State and the Legislature	Comprehensive annual financial report (which includes the audit and actuarial reports) is filed with the Secretary of State; a biennial report on the status of the retirement system is filed with the legislature.
New Jersey	Legislature, the Treasurer, and the Investment Council	The retirement systems prepare annual financial reports, annual actuarial reports, triennial experience studies, and undergo annual audit. The Division of Investments prepares a monthly report of all investment transactions, including commissions paid; the Division is also audited annually, and prepares an annual report.
New Mexico	Legislature (Legislative Finance Committee) <sup>13</sup>	Annual report, including fiscal transactions, accumulated costs, securities held, and the overall financial status of the retirement system is provided to the Legislature.
New York	Legislature and the Insurance Department	The retirement systems must issue an annual report setting forth schedules of assets, liabilities, litigation, and costs. The Insurance Department reviews and issues a report and makes recommendations regarding the retirement systems operations and has the authority to establish standards with respect to actuarial assumptions, accounting practices, administrative efficiency, investment policy, financial soundness, and fiduciary responsibilities. Legislation must contain a fiscal note setting forth the annual cost.

<sup>13</sup> This year, the Governor vetoed legislation that would have created the "State Investment and Retirement Systems Oversight Committee" as a joint interim legislative committee. It would have included five voting members from each legislative house and five nonvoting members; one each from the State Investment Office, PERA, Secretary of Finance and Administration, State Treasurer's office and the Educational Retirement Board. The committee would have been responsible for creating a plan for oversight of the retirement fund activities of the organizations represented by the five nonvoting members, and analyzing the financial status of those funds and develop recommendations for improved investment practices to ensure the financial soundness of those funds. All future legislation affecting state investment practices, the permanent funds or the retirement funds would have to be presented to the committee for review and analysis prior to the session in which such legislation was introduced.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
North Carolina	Legislature	Actuarial notes are required for legislation with potential fiscal impact. An annual report is required that sets forth the fiscal transactions of the prior year and the amount of cash and securities, as well as an accounting of the financial condition of the retirement system.
North Dakota	Governor and Legislature	Annual report, including the annual audit and the actuarial valuation is submitted to the Governor. The Legislative Committee on Employee Benefits reviews the annual actuarial valuation and issues an actuarial cost report on any legislation that may affect a retirement system. The Legislative Audit and Fiscal Review Committee as well as the Legislative Budget Committee also has oversight authority over the retirement systems.
Oklahoma	The Oklahoma State Pension Commission	Responsible for oversight of the state's seven pension systems. Formed to provide guidance to public officials, legislators, and administrators in developing public retirement system objectives and principles, identifying problems and areas of abuse, projecting costs of existing systems and modifications to those systems, and recommending pension reform programs. No member of the governing body of a state retirement system is eligible for appointment to the Commission. In 2003 the requirement that the Commission's review retirement-related legislation was repealed. <sup>14</sup> <b>COSTS:</b> The administrative support costs of the Commission are apportioned by the State Auditor and Inspector among the six statewide pension systems in proportion to their total assets for the preceding fiscal year. <b>EXPERTISE:</b> The Commission is directed by statute to hire one or more pension fund management consultants to assist the Commission in accomplishing its objectives. Statutes also direct that the State Auditor and Inspector provide the administrative support required by the Commission.
Oregon	Governor and Legislature	<ul style="list-style-type: none"> <li>The Retirement System must also provide for an annual audit of the retirement <a href="#">fund</a> and an annual report to the Legislative Assembly and to all members of, retirees of, and all employers participating in, the <a href="#">system</a>. The annual report must contain financial statements prepared in accordance with generally accepted accounting principles. The financial statements must include the report of any independent auditor. The report distributed to the employer and employee members of the system must also contain a summary of investments of moneys in the fund, investment earnings, significant legislative or administrative changes in the system and other pertinent information on the operation of the system for the preceding year.</li> <li>The Oregon Investment Council must report on the investment program to the Governor and to the Legislative Assembly. The Treasurer reports monthly to the Oregon Investment Council.</li> </ul>
Pennsylvania	The Pennsylvania Public Employee Retirement Commission (created in 1981)	The Commission is responsible for <ul style="list-style-type: none"> <li>issuing actuarial notes on proposed pension legislation and for studying public employee retirement system policy.;</li> </ul>

<sup>14</sup> HB 1067



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		<ul style="list-style-type: none"> <li>administering the actuarial valuation reporting program for municipal retirement systems, which entails monitoring and enforcing compliance with the statutorily mandated actuarial funding standard;</li> <li>Certifying annual municipal pension cost data used in allocating the General Municipal Pension System State Aid money of over \$129 million; and</li> <li>administering the Financially Distressed Municipal Pension Recovery Program.</li> </ul>
	Governor and the Legislature <sup>15</sup>	Comprehensive Annual Financial Report <sup>16</sup> must be provided to the Governor. Actuarial and fiscal notes are required for legislative consideration.
Rhode Island	Governor and General Assembly	An annual report must be submitted to the Governor for transmittal to the general assembly, on or about the first day of December in each year. The annual report must contain, among other things, a financial balance sheet, a statement of income and expenditures, a valuation balance sheet as prepared by the actuary, a detailed statement of investments acquired and disposed of during the year, and such other statistical data as are deemed necessary for a proper interpretation of the condition of the system and the results of its operations. A financial statement summarizing the results of the retirement system's operations for the year must be published for distribution among the members of the retirement system.
South Carolina	Governor and Legislature <sup>17</sup>	The retirement systems must file annual reports showing the fiscal transactions of the system for the preceding year, the amount of the accumulated cash and securities of the system and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the contingent assets and liabilities of the system.
South Dakota	Governor and Legislature, specifically the Retirement Laws Committee in the House and in the Senate (has oversight when the Legislature is not in session and reviews proposed legislation when the legislature is in session )	The Standing Laws Committee is charged with (1) making continuing study of the pension and annuity benefits laws, (2) reviewing all proposed legislation affecting the retirement system and reporting to the Legislature. The retirement system files an annual financial report with the Governor, the State Auditor, and the Retirement Laws Committees. If investment performance is below average, a report must be provided to the Governor and the Legislature reviewing the performance and setting forth any changes necessary to improve the negative performance.
Tennessee	The Tennessee Council on Pensions and Insurance	Legislative oversight body, composed of 14 members – seven state representatives and seven state senators <sup>18</sup> plus, on an <i>ex officio</i> basis, the comptroller of the treasury, the state treasurer, the commissioners of Personnel and Finance and Administration, and the director of the retirement system.

<sup>15</sup> The Appropriations Committee, the House Committee on State Government, the Senate Finance Committee

<sup>16</sup> GFOA awarded the Certificate of Achievement for Excellence in Financial Report to both Pennsylvania SERS and PSERS for the year ending December 31, 2004

<sup>17</sup> House Ways and Means and Senate Finance Committee

<sup>18</sup> The membership includes officers of the House and Senate Finance, Ways and Means Committees; three members appointed by the chairman from each finance committee; and two members, each appointed by the speaker of the respective houses.



<b>State Retirement Systems Oversight <sup>1</sup></b>		
<b>State</b>	<b>Oversight Entities</b>	<b>Role and Responsibilities of Entities and/or Information Required</b>
		The Council is responsible for – <ul style="list-style-type: none"> <li>• developing and recommending standards and policy relating to pensions and insurance for the state and local governments within Tennessee;</li> <li>• conducting surveys and studies;</li> <li>• recommending changes in state law as deemed necessary; and</li> <li>• Reviewing and recommending actions on legislation presented to the General Assembly that impacts pension and insurance matters.</li> </ul>
Texas	The Texas State Pension Review Board (established in 1979)	The Board is responsible for – <ul style="list-style-type: none"> <li>• Conducting a continuing review of all public retirement systems within the state, compiling and comparing information about benefit structures, financing, and administration of systems;</li> <li>• Conducting intensive studies of existing or potential problems that weaken the actuarial soundness of public retirement systems;</li> <li>• Insuring the equitable distribution of promised benefits to member of public retirement systems while maximizing the efficient use of tax dollars;</li> <li>• Providing information and technical assistance to public retirement systems, their members, the political entities which sponsor them, and the public;</li> <li>• Recommending policies, practices, and legislation to public retirement systems and their sponsoring governments;</li> <li>• Examining all legislation for potential effect on Texas' public retirement systems, overseeing the actuarial analysis process, and providing actuarial review when required by law;</li> <li>• Administering the registration and reporting requirements under Chapter 802, Government Code; and</li> <li>• Reporting Board activities to the Governor and Legislature in November of each even-numbered year.</li> </ul> <p><b>Composition:</b> Nine member Board – two members from the legislature (appointed by the Lieutenant Governor) and the remaining seven members are appointed by the Governor subject to the required qualifications experience. <b>EXPERTISE:</b> Three members of the nine member board are required to have experience in the fields of securities investment, pension administration, or pension law and may not be members or retirees of public retirement systems within the State of Texas, one actuary, one person with experience in governmental finance, and one active member (contributing to a public retirement system) and one retired (receiving benefits from a public retirement system). <b>FUNDING COSTS:</b> The Texas PRB costs are funded from the Texas General Fund rather than the pension funds subject to its purview or the Legislature. Previously the PRB was funded through voluntary contributions from the retirement systems. <b>STAFF SIZE:</b> Seven</p>



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
Utah	Governor and Legislature (Retirement and Independent Entities Committee)	The board must report annually to the Governor, the Legislature, the contribution rates, premium rates, and any adjustments necessary to maintain the retirement systems on a financially and actuarially sound basis, and at least biennially the executive director must make an actuarial investigation into the mortality, service, and other experience of the members, participants, beneficiaries, and covered individuals of each retirement system and actuarially value the assets and liabilities of each retirement system.
Vermont	Governor and Legislature	The annual report must show the fiscal transactions conducted during the year and the financial condition of the system. A financial summary must also be provided to members of the system, including a statement of changes in the fund balance as well as a comparative balance sheet. Legislative oversight is subject to the Government Operations and the Appropriations Committee of both houses of the Legislature.
Virginia	The Virginia Joint Legislative Audit and Review Commission (JLARC)	JLARC is primarily responsible for policy oversight. JLARC publishes periodic status reports, investment performance reports, and a Legislator's Guide to the retirement system. COST: The Virginia Retirement System is responsible for paying reasonable and necessary expenses to the JLARC for the program
Washington	Joint Select Committee on Pension Policy	20 member Committee is comprised of eight legislators, stakeholder representatives, employer representatives and the directors of the Department of Retirement Systems and the Office of Financial Management. The Select Committee will study pension issues, the retirement systems' funding status, and actuarial assumptions. Based on its findings, the Committee is responsible for then making recommendations to the Legislature. <sup>19</sup>
West Virginia	Governor and Legislature (House Pensions and Retirement Committee and the Senate Pension Committee)	Fiscal notes are required for any bill that affects the retirement systems. The Consolidated Board is required an annual report showing the condition of the plans and certifying the amount of accumulated cash. The report is distributed to the Governor and members of the Legislature. Actuarial valuations (of the defined benefits plans) are also required.
Wisconsin	Wisconsin Joint Survey Committee on Retirement Systems	The 10-member committee includes majority and minority party representation from each legislative house. The Committee makes recommendations on all legislation that affects retirement and pension plans for public officers and employees. Neither house of the Legislature may consider a pension bill until the Committee submits a written report that describes the proposal's purpose, probable costs, actuarial effect, and desirability as a matter of public policy. The staff of the Legislative Council is responsible for legal and research staff services for the Joint Survey Committee and must prepare fiscal estimates on bills referred to the Joint Survey Committee. The staff of the Legislative Council is also now <sup>20</sup> responsible for preparation of the comparative study of major public employee retirement systems in the country.

<sup>19</sup> In 2003, this Committee replaced the Joint Committee on Pension Policy (Chapter 295, Law of 2003).

<sup>20</sup> As a result of Act 316 of the 2005 Session (SB 527), the functions of the office of retirement research director were transferred to the Legislative Council staff and the Retirement Research Committee was eliminated. The Legislative Council is a nonpartisan legislative service agency. The Council is composed of 22 members of the Legislature.



State Retirement Systems Oversight <sup>1</sup>		
State	Oversight Entities	Role and Responsibilities of Entities and/or Information Required
		<b>STAFF:</b> The staff of the Legislative Council consists of approximately 30 employees.
Wyoming	Governor and Legislature	The retirement system must file with the legislative service office (1) all actuarial reports, (2) an annual audit report showing the financial status of the retirement system, as part of the annual report, (3) a statement of any proposed benefit changes and the projected cost of the changes to the system. The retirement system's budget request to the Department of Administration and Information (DAI) shall be accompanied by a written, comprehensive report of the programs, objectives, activities and conditions covering the previous fiscal period. The report shall be in a format developed by DAI, in conjunction with the retirement system and the legislative service office. Notice of the format requirements shall be forwarded to retirement system no later than July 15 of each year. The report shall detail the fiscal affairs of the retirement system including receipts and expenditures and make recommendations for improving the retirement system's programs. The report shall include an annual performance report which provides a means of evaluation of the outcomes included in the retirement system's strategic plan.

