



**Sub. H.B. 227\***

125th General Assembly

(As Reported by H. Banking, Pensions, and Securities)

Rep. Schneider

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**BILL SUMMARY**

**State retirement board membership and elections**

- Removes the Auditor of State from, and adds the Treasurer of State to, the boards of each of the five state retirement systems.<sup>1</sup>
- Removes the Attorney General from the boards of PERS, SERS, STRS, and OP&F.
- Removes the Director of Administrative Services from the PERS board.
- Removes the Superintendent of the State Highway Patrol from the SHPRS board.
- Adds a second retiree as an elective member to the boards of PERS, SERS, STRS, and SHPRS.
- Requires the Governor to appoint to the OP&F board, from three candidates nominated by organizations representing Ohio police officers and fire fighters, an individual who has at least five years of financial experience.

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\* *This analysis was prepared before the report of the House Banking, Pensions, and Securities Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

<sup>1</sup> *The five state retirement systems are the Public Employees Retirement System (PERS), School Employees Retirement System (SERS), State Teachers Retirement System (STRS), State Highway Patrol Retirement System (SHPRS), and the Ohio Police and Fire Pension Fund (OP&F).*

- Permits the Governor to appoint to the PERS board, in lieu of the Director of Administrative Services, and to the STRS board, in lieu of the Superintendent of Public Instruction, an individual who has at least five years of financial experience, selected from three individuals nominated by organizations representing each respective retirement system's employees.
- Changes the term used to refer to the active teacher members of the STRS board to "contributing members."
- Makes ineligible for election as an employee, contributing, or retirant member of a state retirement board a person who has been convicted of or pleaded guilty to a felony.

**Removal of board members**

- Deems vacant the office of a member of a state retirement board who is convicted of or pleads guilty to a felony in this state or any other jurisdiction.
- Authorizes a court of appeals to remove a state retirement board member who commits misconduct in office by willfully and flagrantly exercising authority or power not authorized by law, refusing or willfully neglecting to enforce the law or to perform any official duty imposed by law, or being guilty of gross neglect of duty, gross immorality, drunkenness, misfeasance, malfeasance, or nonfeasance.
- Specifies procedures to be followed in filing a complaint alleging misconduct in office, holding a court hearing on the complaint, and issuing findings, and provides the retirement board member the right to appeal the court's decision.
- Prohibits an individual removed from a state retirement system board for misconduct from serving as an elective or appointed member of a state retirement system board.

**Retirement system executive directors**

- Requires the Treasurer of State, with the advise and consent of the retirement board, to appoint the executive director of each of the retirement systems and provides that each executive director serves at the pleasure of the Treasurer.

- Provides that the service of a retirement system executive director commences immediately following appointment and requires each retirement board to advise and consent not later than 60 days following the appointment.

### **Board policies**

- Extends the scope of each board's travel policy to cover board employees, as well as board members.
- Requires each retirement board to adopt rules to establish an ethics policy to govern board members and employees in the performance of their official duties.
- Requires each retirement board to periodically provide training on the board's policies to board members and employees.
- Requires each retirement board to appoint a committee, consisting of an ex officio member, an employee member, and a retirant member, to select an internal auditor and to employ as an internal auditor the person or persons the committee selects.

### **Disclosure statements**

- Requires each state retirement board employee whose position involves investment-making authority to file an annual financial disclosure statement with the Ohio Ethics Commission and puts in statute the existing requirement that board members file the statements.
- Requires each candidate for a state retirement system board to file with the Secretary of State two complete, accurate, and itemized campaign finance disclosure statements if the candidate, or the candidate's campaign committee, receives contributions totaling \$1,000 or more or has expenditures totaling \$1,000 or more in connection with efforts to get nominated for election to the board or to be elected to the board.

### **Performance audits**

- Requires the Ohio Retirement Study Council (ORSC) to have a fiduciary performance audit of each state retirement system conducted by an independent auditor at least once every ten years.

### **Investments**

- Permits a state retirement board to contract with an investment manager to develop the retirement systems' investment strategies and manage the system's assets if the investment manager meets certain qualifications.
- Requires that, if a retirement board contracts for investment management, the board provides for certain investment managers to manage not less than 50% of the retirement system's assets that are not managed by employees of the board and has the following goals: (1) that investment managers that are minority business enterprises manage not less than an additional 10% of such assets and (2) that investment managers that are emerging investment managers manage not less than an additional 3% of such assets in accordance with a policy the retirement board may adopt.
- Requires that the state retirement boards designate qualifying securities dealers as approved agents and that the boards provide for the following goals: (1) that in any year, not less than 70% of the equity and fixed-income trades executed on behalf of the boards be executed by approved agents and (2) that not less than an additional 10% of the trades be executed by approved agents that are minority business enterprises.
- Requires that, if a retirement board adopts a policy regarding emerging investment managers, the policy must meet certain criteria.
- Requires the state retirement systems to disclose certain information regarding securities dealers to the Division of Securities in the Department of Commerce and the Ohio Ethics Commission and requires a securities dealer that receives a commission for a state retirement system to disclose certain information to the Division of Securities and Ohio Ethics Commission.
- Requires each state retirement board to report, on a quarterly basis, to the Ohio Retirement Study Council information regarding securities dealers and investment managers and their activities on behalf of the board.

### **Treasurer of State--retirement system investment funds**

- Requires the Treasurer of State or an authorized agent to deposit all domestic assets held pursuant to the retirement systems' investment

authority in a bank that is eligible to become a public depository and is subject to Ohio taxes.

- Defines "domestic asset" as United States government securities, securities issued by a federal agency, corporate bonds and notes of companies incorporated in the United States, domestic equities, and any other asset considered a domestic asset by the Treasurer.

**Treasurer of State--custodial funds**

- Provides that when acting as custodian of public funds the Treasurer of State may enter into a sub-custody or other agency agreement with a trust company that meets statutory requirements, rather than a trustee that meets statutory requirements.

**Alternative retirement programs**

- Extends eligibility for participation in alternative retirement programs for employees of public institutions of higher education to full-time employees who are hired after the bill's effective date or have less than five years' retirement service credit on that date, rather than limiting participation to academic and administrative employees.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	06-19-03	p. 622
Reported, H. Banking, Pensions, & Securities	---	---

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