A BILL

To amend section 145.11 and to enact sections 145.096, 145.117, 145.118, 742.117, 3307.155, 3309.151, and 5505.066 of the Revised Code regarding state retirement system fiduciary duties, Public Employees Retirement System management fees and employee pay, and creating the Committee on Pension Salaries and Fees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 145.11 be amended and sections 145.096, 145.117, 145.118, 742.117, 3307.155, 3309.151, and 5505.066 of the Revised Code be enacted to read as follows:

Sec. 145.096. (A) No employee of the public employees retirement system who, on and after the effective date of this section, earns at least two hundred thousand dollars annually shall receive an annual salary or wage increase that exceeds the lesser of the following:

(1) Three per cent of the base annual salary or wage earned by the employee at the time of the increase;
(2) The actual average increase in the consumer price index as determined by the United States bureau of labor statistics (U.S. city average for urban wage earners and clerical workers: "all items 1982-84=100") for the twelve-month period ending on the thirty-first day of December of the immediately preceding calendar year.

(B) If the general assembly authorizes the public employees retirement board to suspend the annual increase described in section 145.323 of the Revised Code, and if the board suspends that increase, no employee of the public employees retirement system shall receive a salary or wage increase for the duration of that suspension.

Sec. 145.11. (A) The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employees retirement system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

To facilitate investment of the funds, the board may establish a partnership, trust, limited liability company,
corporation, including a corporation exempt from taxation under the Internal Revenue Code, 100 Stat. 2085, 26 U.S.C. 1, as amended, or any other legal entity authorized to transact business in this state.

(B) In exercising its fiduciary responsibility with respect to the investment of the funds, it shall be the intent of the board to give consideration to investments that enhance the general welfare of the state and its citizens where the investments offer quality, return, and safety comparable to other investments currently available to the board. In fulfilling this intent, equal consideration shall also be given to investments otherwise qualifying under this section that involve minority owned and controlled firms and firms owned and controlled by women, either alone or in joint venture with other firms.

The board shall adopt, in regular meeting, policies, objectives, or criteria for the operation of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines. In adopting policies and criteria for the selection of agents with whom the board may contract for the administration of the funds, the board shall comply with sections 145.114 and 145.116 and 145.117 of the Revised Code and shall also give equal consideration to minority owned and controlled firms, firms owned and controlled by women, and ventures involving minority owned and controlled firms and firms owned and controlled by women that otherwise meet the policies and criteria established by the board. Amendments and additions to the policies and criteria shall be adopted in regular meeting. The board shall publish its policies, objectives, and criteria under this
provision no less often than annually and shall make copies available to interested parties.

When reporting on the performance of investments, the board shall comply with the performance presentation standards established by the association for investment management and research.

(C) All investments shall be purchased at current market prices and the evidences of title of the investments shall be placed in the hands of the treasurer of state, who is hereby designated as custodian thereof, or in the hands of the treasurer of state's authorized agent. Evidences of title of the investments so purchased may be deposited by the treasurer of state for safekeeping with an authorized agent, selected by the treasurer of state, who is a qualified trustee under section 135.18 of the Revised Code. The treasurer of state or the agent shall collect the principal, dividends, distributions, and interest thereon as they become due and payable and place them when so collected into the custodial funds.

The treasurer of state shall pay for investments purchased by the retirement board on receipt of written or electronic instructions from the board or the board's designated agent authorizing the purchase and pending receipt of the evidence of title of the investment by the treasurer of state or the treasurer of state's authorized agent. The board may sell investments held by the board, and the treasurer of state or the treasurer of state's authorized agent shall accept payment from the purchaser and deliver evidence of title of the investment to the purchaser on receipt of written or electronic instructions from the board or the board's designated agent authorizing the sale, and pending receipt of the moneys for the investments. The
amount received shall be placed in the custodial funds. The board and the treasurer of state may enter into agreements to establish procedures for the purchase and sale of investments under this division and the custody of the investments.

(D) No purchase or sale of any investment shall be made under this section except as authorized by the public employees retirement board.

(E) Any statement of financial position distributed by the board shall include the fair value, as of the statement date, of all investments held by the board under this section.

Sec. 145.117. On and after the effective date of this section, the public employees retirement board shall not enter into a contract with an agent described in division (B) of section 145.11 of the Revised Code or an investment manager to manage assets of the funds created by section 145.23 of the Revised Code under which the fees paid for investment management services are less than sixteen-hundredths per cent or more than six-tenths per cent of the total investments or assets under management pursuant to the contract.

Sec. 145.118. The public employees retirement board, in exercising its duties under section 145.11 of the Revised Code, shall discharge its fiduciary duties in the interest of participants of the public employees retirement system and their beneficiaries.

Sec. 742.117. The board of trustees of the Ohio police and fire pension fund, in exercising its duties under section 742.11 of the Revised Code, shall discharge its fiduciary duties in the interest of participants of the Ohio police and fire pension fund and their beneficiaries.
Sec. 3307.155. The state teachers retirement board, in exercising its duties under section 3307.15 of the Revised Code, shall discharge its fiduciary duties in the interest of participants of the state teachers retirement system and their beneficiaries.

Sec. 3309.151. The school employees retirement board, in exercising its duties under section 3309.15 of the Revised Code, shall discharge its fiduciary duties in the interest of participants of the school employees retirement system and their beneficiaries.

Sec. 5505.066. The state highway patrol retirement board, in exercising its duties under section 5505.06 of the Revised Code, shall discharge its fiduciary duties in the interest of participants of the state highway patrol retirement system and their beneficiaries.

Section 2. That existing section 145.11 of the Revised Code is hereby repealed.

Section 3. (A) As used in this section, "state retirement systems" means the Public Employees Retirement System, the Ohio Police and Fire Pension Fund, the State Teachers Retirement System, the School Employees Retirement System, and the State Highway Patrol Retirement System.

(B) There is hereby created the Committee on Pension Salaries and Fees to investigate, study, and report on the salaries and wages paid to employees of, and the fees paid for investment management services by, the state retirement systems. The committee shall do all of the following:

(1) Investigate and develop strategies to reduce the fees the state retirement systems pay for investment management
services;

(2) Investigate and study the salaries and wages paid to employees of the state retirement systems;

(3) Compile a report of its activities, findings, and recommendations and submit the report to the President of the Senate, the Speaker of the House of Representatives, and the chairperson of the Ohio Retirement Study Council not later than six months after the first meeting of the committee.

(C) The committee may require the state retirement systems and any agency or official of this state or its political subdivisions to provide it with any information necessary to carry out its duties.

(D) The committee consists of the following members:

(1) Three members of the Senate, appointed by the President of the Senate, not more than two of whom shall be members of the majority party;

(2) Three members of the House of Representatives, appointed by the Speaker of the House of Representatives, not more than two of whom shall be members of the majority party;

(3) One member representing the Auditor of State, appointed by the Auditor of State.

(E) Not later than thirty days after the effective date of this section, the President of the Senate, the Speaker of the House of Representatives, and the Auditor of State shall appoint the members of the committee, and the Speaker of the House of Representatives shall select a chairperson from among the members. Vacancies shall be filled in the same manner as original appointments and shall be filled not later than thirty
days after the date the vacancy occurs. The committee shall meet at the call of the chairperson. The committee shall hold its meetings in the statehouse.

(F) Members of the committee shall serve without compensation, but may be reimbursed for actual and necessary expenses incurred in the performance of their official duties.

(G) The Attorney General is the legal representative of the committee.

(H) Sixty days after the committee submits the report required under division (B) of this section, the committee is abolished.