



## **2021 fiduciary audit completed**

A report summarizing the required fiduciary audit of the Ohio Police & Fire Pension Fund (OP&F) that was released by the Ohio Retirement Study Council (ORSC) on Aug. 8, was presented to the OP&F Board of Trustees on Aug. 31. The report shows that “The OP&F Board appears to have acted with loyalty and impartiality solely in the interests of current and future members and beneficiaries.”

The audit was conducted by Funston Advisory Services, LLC who was hired by the ORSC. A fiduciary audit of each of Ohio’s five public pension systems is required every 10 years. OP&F is responsible for the cost of the audit, which was in excess of \$600,000.

The findings of this audit match the findings of the 2021 financial audit from the Ohio Auditor of State, which was clean and contained no management comments or suggestions.

Among the observations that Funston reported in their audit report:

- “OP&F appears to effectively control costs while maintaining high performance standards.”
- “The OP&F Board of Trustees generally has leading practice authorities for budgets, staffing, and setting compensation and procurement.”
- “The OP&F Board appears to act with appropriate prudence and care.”
- OP&F’s 10-year performance is in the top quartile (14%) among peer public pension funds.
- OP&F appears to have appropriate people, policies and processes to comply with the law and reporting requirements.”
- “OP&F takes its recordkeeping and management responsibilities seriously.”
- “OP&F has leading or prevailing practices for managing external manager fees both in public accounts and in alternative based accounts.”
- “There are organizational checks and balances that provide effective controls and minimize the potential for single point of failure decision making.”

- “The OP&F Finance and Accounting function is capable, and the accounting systems are effective.”
- OP&F has appropriate ethics policies and standards of conduct in place.
- We were particularly impressed by the level of respect and caring both the Board and Staff pay to the Plan beneficiaries – the police and fire officers of Ohio.
- OP&F has a “small, but highly qualified in-house investment staff.”

## **OP&F Board Chair addresses salary questions**

OP&F has been asked questions concerning staff salaries and compensation increases that occurred in 2022.

“The OP&F Board is incredibly proud of our talented staff of professionals who tirelessly serve our members every day. We feel that our track record with investments, service to members, dependents and beneficiaries is first-rate and will remain a priority,” said Board of Trustees Chair Robert Britt.

“In the post-COVID labor market, OP&F must be competitive to continue to provide membership the quality service they have come to expect. The Ohio Retirement Study Council reviews the OP&F budget every year. OP&F has not exceeded the budgeted amount for salaries and wages that was reviewed and approved by the Board and ORSC,” Britt said.

In addition, the fiduciary audit recently completed included the following information:

- Staff compensation is consistent with prevailing peer practices.
- The 2015 study completed by an outside consultant concluded that OP&F aggregate salary levels fell approximately 6.9% below the peer average, which was considered competitive with the marketplace. Twenty-six jobs were stepped up, while only two were reduced.
- Competing for talent in the near and long term will likely require a fresh examination across numerous disciplines including salary and benefits incentive compensation opportunities, talent management and succession planning and recruitment practices.
- OP&F will need both compensation and non-compensation incentives such as a great work environment to attract and retain future investment talent.

## **OP&F employers surveyed about new pension system**

OP&F and LifeWorks, who is assisting in building the new pension administration system, sent a survey to employers in August seeking input. Employers were asked about their reporting capabilities and expectations for updated reporting requirements that will be a part of the new system. The new system is targeted for completion in 2024.

## **PORTFOLIO UPDATE**

OP&F’s investment portfolio value:

- Current value (8/30/22): \$17.6 billion
- End of July value: \$18.0 billion
- End of June value: \$17.3 billion

## **Board of Trustees Committee Notes**

*(Motions voted on by the Board are listed separately)*

- **DISABILITY:** The Committee conducted its scheduled initial determination and appeal hearings and also reviewed the Disability Experience Report for the first half of 2022.
- **ADMINISTRATION/AUDIT:** The Committee reviewed and discussed the results of the 2022 independent fiduciary audit that was released by the Ohio Retirement Study Council earlier in August. The Board made updates to its Governance Policy to reflect some of the suggestions in the independent fiduciary audit, including reiterating that trustee elections are held each year in May and there are no limitations on terms of the chair; streamlined committees; and updated charters. They also reviewed the 2nd Quarter 2022 Deferred Retirement Option Plan Experience Report and pending and pre-approved trustee travel.
- **INVESTMENT:** In addition to a review and discussion of the investment portfolio, the Board received the Real Estate and Real Assets Performance and Portfolio Reviews for periods ending March 31, 2022. The Investment Performance Report was also presented to the Board for periods ending June, 2022. Staff then presented the Private Equity and Private Credit Program Analysis for periods ending March 31, 2022 and also the 2021 Private Investments Status report.

### **Motions:**

*At its August 2022 meeting, the OP&F Board of Trustees approved the following motions:*

- Approved Townsend's recommendations relating to the 2022 Real Estate Open-End Fund Rebalancing review. Motion passed by unanimous vote (Investment Committee).
- Approved Townsend's recommendation to adopt the 2022 Real Estate Investment Plan: Mid-Year Update. Motion passed by unanimous vote (Investment Committee).
- Approved Townsend's recommendation to adopt the 2022 Real Assets Investment Plan: Mid-Year Update. Motion passed by unanimous vote (Investment Committee).
- Approved based on the Wilshire Asset Liability Study, adopted a new long-term asset mix that increases the portfolio's expected return while maintaining a similar risk to the current asset mix. Motion passed by unanimous vote (Investment Committee).
- Approved staff's rating recommendations for OP&F's private markets managers. Motion passed by unanimous vote (Investment Committee).
- Approved staff's and Wilshire's investment manager rating recommendations for Harvest Capital Advisors, Salient Partners, Tortoise Capital Advisors, Macquarie Investment Management, MacKay Shields Opportunistic High Yield mandate and Barings. Motion passed by unanimous vote (Investment Committee).
- Approved the recommended changes to the 2022 Board Governance Policy Manual. Motion passed by unanimous vote (Administration/Audit Committee).
- Approved the following from the Disability Committee (motions passed by unanimous votes):

- Three Death Benefit Fund cases (two were disapproved)
- 12 Initial Determination Hearings (two were disapproved)
- Five Appeal Hearings
- The Disability Reporting Waivers List
- One Administrative Rule.