



# Ohio Legislative Service Commission

## Bill Analysis

Amy J. Rinehart

### H.B. 177

128th General Assembly  
(As Introduced)

**Reps.** Huffman, Bubp, Morgan, Sears, Maag, Chandler, Burke, Blair, Grossman, Boose

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## BILL SUMMARY

- Provides that investment officers of the State Teachers Retirement System (STRS) may not receive performance-based bonuses or premiums in years of negative investment returns of the retirement system's funds.
- Specifies that the prohibition on STRS investment officers receiving performance-based bonuses or premiums applies only to contracts and other forms of employment agreements that are entered into, amended, or renewed on or after the bill's effective date.
- Declares an emergency.

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## CONTENT AND OPERATION

### Background: performance-based bonuses for STRS investment officers

Current law provides that if the State Teachers Retirement System (STRS) Board intends to award a bonus to any employee of the Board, the Board must adopt rules establishing a policy regarding employee bonuses.<sup>1</sup> Through this rulemaking authority, the Board has established the Performance Based Incentive Award Program for certain STRS investment associates.

Under the Performance Based Incentive Award Program, payment of bonuses is subject to Program guidelines established by the Board. The Program is to establish target incentive awards based on the retirement system's total fund performance and the investment professional meeting individual goals. The Board must review and

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<sup>1</sup> Revised Code §§ 3307.04 and 3307.041 (not in the bill).

approve the Program on an annual basis, and the Board may interpret, amend, rescind, or terminate it at any time. Material modifications to the Program, including the determination of Program payouts and actual payouts, require the Board's prior approval.<sup>2</sup> Participation in any one year does not confer the right to participate in the current year or any other year and does not confer the right to continued employment with STRS.

### **Limitations on STRS bonuses**

(R.C. 3307.045; Section 2)

The bill provides that for each fiscal year in which STRS experiences an absolute overall negative return from the investment of the retirement system's funds, an investment officer is entitled only to consideration for services the officer renders in that capacity, and is not entitled to a performance-based bonus or premium in addition to or as part of the consideration. Any term or condition of a contract or other form of employment agreement between the STRS Board and an investment officer that provides a performance-based bonus or premium is void. The bill specifies that it applies only to contracts and other forms of employment agreements that are entered into, amended, or renewed on or after the bill's effective date.

The bill defines an "investment officer" as a person employed by the STRS Board for purposes of engaging in securities transactions or making any other investment of funds on behalf of STRS.

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>
Introduced	05-12-09

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<sup>2</sup> Ohio Administrative Code 3307-1-05.