

**Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, Ohio 43215**

**Minutes
November 14, 2013**

The meeting was called to order by Chair Jones at approximately 9:11 a.m. in room 116, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

David Burke
Shannon Jones
Charleta B. Tavares
Dan Ramos
Kirk Schuring
Lora Miller
Seth Morgan

Non-voting members

Mark Atkeson
Karen Carraher
John Gallagher
Lisa Morris
Mike Nehf
Kari Hertel

Absent

Lynn Wachtmann

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

There being a quorum present, Chair Jones asked that the minutes of the previous meeting be approved. Without objection the minutes were approved.

Chair Jones recognized Director Morris and asked her to report on the SERS ethics policy revision. Director Morris noted the amendment to include guidelines from the Ethics Commission, but said there were no substantive changes to the policy. Chair Jones thanked Director Morris for the update.

Chair Jones recognized Director Atkeson and asked him to report on the HPRS contribution rate increase and changes to health care. Director Atkeson said that under the authority granted in S.B. 345, the Board approved increasing the employee contribution rate from 10% to 11.5%. He also noted that the portion of the employer contribution dedicated to providing retiree health care has increased to 3.65%. Chair Jones thanked Director Atkeson for the update.

Chair Jones recognized Director Gallagher and asked him to report on the OP&F actuarial valuation. Director Gallagher said that the report showed dramatic improvement in the overall health of the system, but that the system is not yet within the statutorily required 30-year funding period. He noted that the Board has already begun to develop a plan that would bring the system into compliance with statute. Director Gallagher noted that he was happy with the overall improvement, but realized that there was still work to do.

Rep. Schuring noted that the Board had 90 days to submit a plan that would result in a 30-year funding period. He asked when that 90 days date was. Director Gallagher said he believed that day would be January 18, 2014. Director Gallagher said that the OP&F Board would need the full 90 days to submit a plan.

Rep. Schuring asked Director Gallagher to explain the smoothing method used to determine the unfunded liability period. Director Gallagher said that, for consistency, OP&F moved to a 4 year smoothing period in accordance with the other systems (OP&F previously used 5 years). Rep. Schuring asked if the new 4 year smoothing period was the official formula for OP&F. Director Gallagher said that it was. Rep. Schuring asked what this means for the system. Director Gallagher noted that a 4 year smoothing period means that all the losses from the 2008-09 recession have been absorbed and that from this point forward they will be smoothing gains rather than losses.

Rep. Schuring asked if the January ORSC meeting should be moved for purposes of reviewing the OP&F plan. After discussion, Ms. Miller, Sen. Burke, and Sen. Tavares all expressed a desire to have OP&F submit its plan within the 90 day period to ORSC members. They would then have an opportunity to review and prepare for the February ORSC meeting. They did not feel a special January meeting would be needed at this time. ORSC members agreed with this plan.

Chair Jones moved to the OP&F budget report. Director Gallagher asked if Scott Miller, CFO at OP&F, could present the budget. Mr. Miller presented the budget and noted that there was a 2.8% increase in the 2014 operating budget due to insurance costs and salary & wage costs.

Ms. Miller asked Mr. Miller to explain the custodial banking situation. Mr. Miller noted that there was a 134% increase in custodial fees last year for the switch in custodial banks. This year, as a result of some of the switch being completed, there was a slight reduction. There was, however, a net increase over the past few years in custodial fees. Mr. Miller also noted that the OP&F audit report has recommended that control of custodial bank be provided to the system rather than another outside body, but nothing has been done since then [current law provides that the Treasurer of State specify which custodial banks the systems may use].

Ms. Miller asked all the system directors if there were concerns regarding the custodial banking situation. Director Carraher said that there were several concerns regarding the custodian that was chosen, and that the change was costing OPERS approximately \$12 million. Directors Nehf and Atkeson concurred that it would significantly lower costs if the selection process was adjusted. Director Morris noted that there was not an increase in custodial fees for SERS, but that the switch in banks is administratively challenging.

Rep. Schuring asked if the recommendations made under each system's audit were for a statutory change. Director Carraher said that the recommendations were to have the systems control the selection process which would require a statutory change. Rep. Schuring asked if this was the standard in other states. Director Carraher said that it was.

Mr. Morgan expressed his concern for the increase in spending between the 2013 budget actual versus the 2014 proposed. He noted that, while it was only a 2.8% increase from the 2013 approved vs. 2014 proposed, it was almost a 10% increase between the 2013 actual and 2014 proposed. Mr. Miller said that some time related issues played a part in the increase, but that the numbers could change when working with the estimates.

Chair Jones asked Director Rhodes, for the benefit of the newer Council members, if there were any previous ORSC positions taken on the process of choosing a custodial bank. Director Rhodes said that the ORSC had a longstanding recommendation that the General Assembly change the current statute to provide the systems with greater control of custodial bank selection. Rep. Ramos asked that the systems provide to the ORSC office any information that would show the benefits of using a different custodial bank than the one that was chosen for them by the Treasurer. Ms. Miller asked the Directors if they were aware of any other state that operates the same as Ohio in this matter. Director Gallagher said that he believed New York did, but that the treasurer in New York was the fiduciary for the plan and therefore it was a very different situation than in Ohio. Chair Jones thanked Mr. Miller for his report.

Chair Jones recognized Ms. Wilson and asked her to report on the H.C.R. 19 analysis. Ms. Wilson reviewed the analysis and gave the ORSC staff recommendation of approving H.C.R. 19.

Rep. Ramos moved that the ORSC adopt the staff recommendation. Ms. Miller asked that the motion be amended to require Director Rhodes send a letter regarding the ORSC position to the Ohio congressional delegation. This motion was seconded by Rep. Ramos.

The Council voted on amending the motion. A roll call vote was taken, and the motion passed 7-0.

YES: Chair Jones Rep. Schuring
 Sen. Burke Ms. Miller
 Sen. Tavares Mr. Morgan
 Rep. Ramos

Sen. Burke then seconded Rep. Ramos' motion that ORSC adopt the staff recommendation as amended. A roll call vote was taken, and the motion passed 7-0.

YES: Chair Jones Rep. Schuring
 Sen. Burke Ms. Miller
 Sen. Tavares Mr. Morgan
 Rep. Ramos

Chair Jones recognized Mr. Bernard and asked for a report on the rules submitted to ORSC this month. Mr. Bernard confirmed that all the rules submitted to the ORSC this month were in compliance with the Revised Code. Chair Jones thanked Mr. Bernard.

Chair Jones moved to new business before the Council. The Auditor of State requested that a member from ORSC be appointed to a committee that will review applications for the audit of OP&F to be done by the Auditor of State. Chair Jones appointed Director Rhodes.

Chair Jones asked if there was any other business. There was none.

The next meeting was set for December 12, 2013.

The meeting adjourned at approximately 10:03 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair