

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

**Minutes
April 23, 2015**

The meeting was called to order by Chairman Beagle at approximately 9:05 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Bill Beagle
Edna Brown
Ron Amstutz
Kirk Schuring
Lora Miller

Non-voting members

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

Absent

Seth Morgan
Jay Hottinger
Dan Ramos

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

Chairman Beagle recognized Director Carraher for a point of personal privilege. The Director informed the Council that long-time former OPERS board member Sharon Downs passed away recently from breast cancer. The Director noted that Ms. Downs was key to much of the success that OPERS has experienced. Chairman Beagle expressed that the Council would keep her family in their thoughts and prayers.

There being a quorum present, Chairman Beagle asked that the minutes of the previous meeting be approved. Ms. Miller made a motion, and Rep. Amstutz seconded.

The Council voted on the motion. A roll call vote was taken, and the motion passed 5-0.

YES: Chairman Beagle
Sen. Brown

Vice-Chair Schuring
Rep. Amstutz

Ms. Miller

Chairman Beagle recognized Jim Voytko and Nick Woodward from RVK to present their Investment Performance Report for the period ending December 31, 2014. RVK reviewed their Executive Summary and took questions from the Council.

Chairman Beagle asked why the different systems had different policy benchmarks. RVK said that the policy benchmarks will be different depending on the asset allocation approved by the respective board. The policy benchmark will be based off of each Board's asset allocation, which will vary. Chairman Beagle asked, regarding the chart on page six of the Executive Summary, if there is an analysis of international performance that would better help the Council in their oversight duties, considering the wide breadth that would potentially be included in international investments. Jim Voytko remarked that though that was a fair question, RVK is not able to do that type of a detailed analysis of the systems international investments.

Director Carraher, following up on the asset allocation comment, noted that the OPERS Health Care Fund was dedicated to health care funding and not pension funding and remarked that it was similar to comparing apples to oranges. Chairman Beagle asked if RVK was seeing a trend in separating the health care funds from the pension funds as OPERS does. RVK said that as of right now, they are not seeing that as an emerging pattern. Sometimes the funds are pooled for investment purposes, sometimes separate and that there wasn't a real trend one way or the other at the moment. Director Carraher explained that OPERS made that choice 10 years ago as a specific strategy to reduce market exposure and volatility. The goal was to make funding more predictable in planning health care. Chairman Beagle asked the systems if they had any comments on the requests for more information that RVK made in the recommendations. Director Carraher noted that she was fine with the requests since it was all public record anyway.

Rep. Amstutz asked a clarifying question regarding the shaded boxes on page 4. RVK noted that the shaded boxes were other comparable pension plans to note where Ohio's systems fell on a risk/return chart as compared to other systems. To that end, Rep. Amstutz asked about the systems in the sweet spot, the low risk but high reward. RVK noted that they do not hold the proprietary information on what specific systems held that sweet spot or what their specific asset allocation was, but speculated that to hit the sweet spot in this period, the system likely had a very high exposure to domestic equity with a balancing mix of low volatility asset classes. Rep. Amstutz continued on page 6 (Domestic Equity Performance), asking for an explanation on why the systems were able to beat passive management over the 10-year period but failed to do so for either the 1 or 3 year period. RVK noted that for domestic equity, most of the systems use a largely passive structure, explaining why the 10-year period performance was very close to the Russell 3000. However, with the past 1-3 years of monetary stimulus resulting in all equities moving together, active managers have had an

extremely difficult time beating passive index funds. This has resulted, in the short term, in active management being less effective.

Director Gallagher referred back to the requests from RVK for more information. Director Gallagher noted that the valuation report was readily available, but he expressed his concern for providing any asset allocation modeling. He mentioned his concern over an added expense for the work and resulting mission creep and suggested that OP&F and RVK discuss it on a personal level directly with interested members of the Council. RVK clarified that they were not asking for a report to be produced, only to see the reports that are already completed. Chairman Beagle suggested that the Council consider this matter in future discussions.

Chairman Beagle and Sen. Brown left the meeting at approx. 10:10 a.m.

Vice-Chairman Schuring recognized Mr. Bernard for the uniform format for the Iran/Sudan Divestment Form. Mr. Bernard explained that this form is the first part of a larger project to standardize the majority of the reports given to the Council by the retirement systems. The goals for this particular form are 1) to comply with the uncodified section of H.B. 562 of the 127th G.A. 2) to provide a form that is standardized between all systems 3) to provide a simple format. Mr. Bernard reviewed the provided form. He recommended that for *Appendix B*, due to the unwieldy nature of the data as additional years are added, that prior years be allowed to drop off while the current year's information be recorded. Vice-Chairman Schuring thanked Mr. Bernard for his work and said that he agreed with his recommendation, but the Council would need to wait for a quorum to make any changes.

Vice-Chairman Schuring asked Mr. Bernard to review the ORSC 2015 Anticipated Activities Report Memo. Mr. Bernard reviewed the memo, and there were no questions.

The Vice-Chairman asked STRS to present their Health Care Report. Director Nehf recognized STRS Chief Benefits Officer Sandy Kanoesel to present the report. Ms. Kanoesel reviewed the report and took questions from the Council. Vice-Chairman Schuring asked how far out the health care funds were expected to last. Ms. Kanoesel said that the funds were currently sufficient to 2034/36.

The Vice-Chairman asked SERS to present their Health Care Report. Director Morris recognized SERS Director of Health Care Anne Jewel to present the report. Ms. Jewel reviewed the report and took questions from the Council. Vice-Chairman Schuring noted that he didn't know where Ms. Jewel was reading from in her report and reiterated the need for standardization. Rep. Amstutz asked what the solvency period was for the SERS health care fund. Ms. Jewel said that the fund was at a 15 year solvency period. Rep. Amstutz asked what the SERS benefit package looked like. Ms. Jewel said that SERS had a Medicare

Advantage plan and an Under 65 Plan. Amstutz asked how much [of the premiums] the Health Care fund covered for the Under 65 plan. Ms. Jewel said that 75% was covered by the system with 25% as the cost share for the member. Vice-Chairman Schuring asked where the solvency period appeared in the report that was provided to the Council. SERS Government Relations Officer Laurel Johnson pointed out that it was on the last line of page 1.

Ms. Miller left the meeting at approx. 10:29 a.m.

Vice-Chairman Schuring recognized Director Carraher to present the OPERS Disability Report. The Director reviewed the report, and took questions from the Council. Rep. Amstutz asked about the large difference in denied/approved/pending applications in the 2011 calendar year. OPERS Director of Benefits Allen Foster remarked that 2011 is the year OPERS began using a third party administrator which caused a temporary backlog of applications.

The Vice-Chairman asked Director Atkeson to present the HPRS Disability Report. The Director reviewed the report, and there were no questions.

The Vice-Chairman asked Director Gallagher to present the OP&F Disability Report. The Director reviewed the report and took questions from the Council. Vice-Chairman Schuring noted that he couldn't read the small print, but the Director's verbal explanation sounded good.

The Vice-Chairman recognized Director Carraher to present the OPERS Travel Policy. The Director noted that OPERS had been operating under the \$6,000 travel budget limit amount for its Board, but it wasn't a part of the official Travel Policy until it was suggested by former Council member Lynn Wachtmann that it be officially included. Rep. Amstutz asked about whether and how the \$6,000 is being used. The Director said that an average of \$3,000 has been used previously but that this was with a fairly experienced board. She anticipated that this average would likely increase as there were a number of new members that would benefit from some investment education. Rep. Amstutz asked if the total cost of a conference (i.e. airfare, hotel, registration fee, etc.) was included in the \$6,000. Director Carraher said that it was all inclusive. Rep. Amstutz remarked that that was interesting.

The Vice-Chairman asked Mr. Bernard to review the rules. Mr. Bernard first asked if the members would prefer having a single document of rules on the iPads, or if it would be preferred to break the rules apart into each system. The Vice-Chairman indicated that a single document would be fine. Mr. Bernard said that all the rules submitted to the ORSC were in compliance with the Ohio Revised Code.

The next ORSC meeting was tentatively set for Thursday, May 14, 2015, at 9:00 a.m.

The meeting adjourned at approximately 10:44 a.m.

Date approved

Bill Beagle, Chair

Secretary

Kirk Schuring, Vice-Chair