

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

**Minutes
November 5, 2014**

The meeting was called to order by Chairman Wachtmann at approximately 1:32 p.m. in room 116, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Edna Brown
Shannon Jones
Dan Ramos
Kirk Schuring
Lynn Wachtmann
Lora Miller

Non-voting members

Mark Atkeson
Karen Carraher
John Gallagher
Helen Ninos
Mike Nehf
Kari Hertel

Absent

David Burke
Seth Morgan

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

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

Chairman Wachtmann referred to the letter provided by SHPRS regarding the system's amortization period. The letter was just a formality that SHPRS is within the 30-year statutory period, and no comment was needed.

The Chairman moved to the OP&F five-year experience report, and upon questions from Rep. Schuring, Director Gallagher explained that the Council had already seen a draft version of this report. The final version held no changes. It was an oversight on the part of OP&F that the final version was not provided sooner.

Chairman Wachtmann then recognized Director Carraher to present the annual valuation for OPERS. The Director reviewed the report and asked for any questions from the Council. Chairman Wachtmann asked where the system, with a funded ratio of 82.4%, stood in relation to other states. Director Carraher remarked that she didn't know the exact numbers and knew some states, such as South Dakota, were higher, but believed the system to be in the top percentages.

The Chairman then recognized Director Gallagher to present the annual valuation for OP&F. The Director reviewed the report and noted that the system was at 33 years for their amortization period. He remarked that the trustees were confident that the system will be within the 30 year period by the next reporting year and that no new plan to get to the 30-year mark was needed as they were moving forward with the changes in last year's plan. Chairman Wachtmann complimented the Director and the OP&F Board for their due diligence. Director Gallagher said that their progress in this matter was due to the membership and their sacrifices.

(Rep. Ramos entered the meeting at 1:45)

Chairman Wachtmann asked Director Atkeson to present the SHPRS's annual valuation. The Director reviewed the report, and there were no questions.

The Chairman then asked Director Nehf to present the STRS Disability Report. The Director reviewed the report, and there were no questions.

The Chairman asked Helen Ninos to report on the SERS Disability report. Ms. Ninos referred to John Grumney, Director of Member Services, to present the report. Mr. Grumney reviewed the report and asked if the Council had any questions. Chairman Wachtmann asked if there was any effect or cost put on the employer when an employee goes out on disability. Mr. Grumney said there was not. The Chairman asked for Mr. Grumney to clarify the nature of the "physical medicine" category in the report. Mr. Grumney replied that it was mostly comprised of back and joint injuries. The Chairman asked if SERS provided some kind of safety program. Mr. Grumney said that there was not a safety program but that SERS does provide a location rehabilitation service. Chairman Wachtmann asked if SERS has a program that monitors the prescribing habits of the physicians that care for those on disability. Mr. Grumney said that they did not have a specific program but that it would be addressed by the medical advisor. The Chairman asked if addiction was a form of disability, and Mr. Grumney replied that it was a disability categorized under "psychiatry" in the report but that the number of occurrences was very low.

The Chairman then moved on to the budgets being presented by three of the systems. CFO Jenny Starr presented the OPERS budget and remarked that without the increases in custodial fees, the percentage budget increase would

have been much less. The Chairman thanked her for her report, and the Council had no questions. Director Atkeson presented the SHPRS budget and noted that the 3% increase is due to upcoming actuarial reports, otherwise the system would be asking for a 1% decrease. Rep. Schuring asked Director Atkeson to clarify the increase in consulting fees in the budget. The Director noted that there was an increase in legal fees due to the hiring of general counsel (much of the system's legal work was previously handled by the AG's office) and medical examiner fees. Chairman Wachtmann thanked Director Atkeson for his work. Scott Miller the Finance Director for OP&F presented the system's budget and asked for any questions from the Council. There were none.

Chairman Wachtmann then asked a general question of all the systems as to whether or not any of the Boards were planning to attend any conferences in locations that might cause question. All the systems replied that they were not.

The Chairman then recognized Director Carraher who was speaking for all the systems in presenting the Ohio Managers Report. Director Carraher reviewed the reports and asked for any questions from the Council. There were none.

Chairman Wachtmann moved to the ORSC list of previously raised recommendations and actions and asked Jeff Bernard to summarize the list. Mr. Bernard reviewed the list. Rep. Schuring noted that he was the one that requested the list for the purpose of having an inventory to track and monitor the Council's actions, and he said that the list provided satisfied that request. He thanked staff for their work and made a motion to accept the list. Sen. Jones seconded the motion. Sen. Brown asked what the next step would be after accepting the list, noting that several items needed action to be taken. Chairman Wachtmann agreed that that was an excellent question and turned it over to Rep. Schuring for the answer. Rep. Schuring replied that the list would be used as a tool for legislative action and review. Sen. Brown thanked Rep. Schuring and said that she could certainly appreciate that plan. Chairman Wachtmann also added that the list was important for categorization and laying out potential legislation.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

YES: Chairman Wachtmann	Vice-Chair Jones
Sen. Brown	Rep. Ramos
Rep. Schuring	Ms. Miller

The Chairman moved on to the next item and asked Mr. Bernard to present the ORSC Staff Disability Report. Mr. Bernard reviewed the staff recommendations noting the need for standardization in disability forms and uniformity in how the systems present disability data. Chairman Wachtmann asked how a standard form would help. Mr. Bernard replied that it is nearly impossible to compare all 5

systems as of now. He explained that at the heart of the matter is knowing what data to collect because the current data isn't useful to staff. Chairman Wachtmann then asked if the overall point of this report was a need for profitable information. Mr. Bernard replied that the inconsistent reporting is a huge problem, since the Council can't compare divergent data and can't measure performance in the absence of data. He further explained that the goal would be to create a form that is administratively feasible and one that provides information that is useful to both ORSC staff and ultimately members of the Council.

Sen. Jones remarked that it was clear the Council needed to work on its reporting processes. She noted that she receives a lot of information but doesn't find that much of it very useful, remarking that the systems are taxed with having to provide a lot of information that isn't particularly useful. She said that the Council needed to make some decisions, specifically on cleaning up disability reports. Rep. Schuring said that he would like to build on Rep. Jones's comments by making a motion to form an Ad Hoc committee including the system executive directors to determine ways to standardize reporting. Rep. Jones seconded the motion. Chairman Wachtmann suggested that ORSC staff look into some methods and start compiling ideas first. Rep. Schuring withdrew his motion and made a new one to reflect the Chairman's suggestion. Rep. Jones seconded. Rep. Ramos suggested that the staff also look into what causes increases in disability and partial disability. Sen. Jones said that she appreciated Rep. Ramos's suggestion, but she doesn't believe the Council is prepared to get into that discussion before even knowing what data the Council needs to collect. Rep. Schuring clarified that he was speaking in a broad sense when he made his motion. He was not focusing on disability but on all reports received by the Council. Rep. Ramos remarked that the Council shouldn't hinder itself by looking for perfect uniformity, but he certainly supported the motion. Chairman Wachtmann noted that uniformity in reporting is a very useful tool and one which he had advocated for a long time, and he supported the motion as well.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

YES: Chairman Wachtmann	Vice-Chair Jones
Sen. Brown	Rep. Ramos
Rep. Schuring	Ms. Miller

Chairman Wachtmann moved to the joint retirement letter and asked Director Nehf to present the letter from OPERS, STRS, and SERS. The Director reviewed the contents of the letter. Chairman Wachtmann thanked him and the other directors for all their work on this matter.

The Chairman asked Mr. Bernard to review the rules submitted to ORSC for this month. Mr. Bernard noted two rules in particular. 1) OPERS rule 145-4-26

pertaining to 401(h) retiree medical accounts and interest on those accounts and 2) SHPRS rule 5505-7-04 pertaining to the provision of health care to reemployed Highway Patrol members. Mr. Bernard said that these rules in addition to all others submitted comply with the Ohio Revised Code. There were no questions for Mr. Bernard.

Chairman Wachtmann asked if there was any new business before the Council. Sen. Brown said that due to the number of calls and letters that her office has received, she felt a need to bring her concern of OPERS health care changes to the Council members. Sen. Brown, referring to the copies of correspondence between herself and OPERS that she provided to the members, explained that the new changes requiring those with less than 20 years of service credit to retire by November 30, 2014, to receive health care will affect 22,000 people, and she would like to see anyone 60 years of age and over with 15 or more years of service (but less than 20 years of service) grandfathered in to the current health care eligibility standards. She also said that it was her understanding that PERS was the only system with discretionary authority to modify or provide health care and change eligibility standards.

Chairman Wachtmann asked if there were any comments or questions to add. Rep. Ramos asked Director Carraher if there was a cost analysis done for the health care change issue. Director Carraher explained that all five of Ohio's systems are provided with discretionary authority to provide health care and that, though the primary responsibility is to pensions, the board understands that health care is an important benefit. She also explained that there was a cost analysis on the health care changes completed over a two year period. The Director also noted that during pension reform (when the changes were made), OPERS held open meetings and had outreach programs that discussed the changes that were going to take place at length with union groups and OPERS membership in general. She remarked that pension reform was not done primarily to achieve 30-year funding, as the system was already at 30 years. Instead, the changes were made specifically to preserve health care and that this was expressed to the members during pension reform. She remarked that one of the complaints from members during reform was that each change to the system grandfathered existing members and they wanted a more equitable distribution of pension and health care changes. Director Carraher stressed the importance of understanding that pension and health care is seen as an integrated benefit at OPERS, and it may be more beneficial for members to work longer in order to receive a better pension benefit rather than just focusing on health care. She remarked that one of the primary jobs of OPERS staff is to discuss options with retiring members and see what makes sense for the member as far as retiring earlier or later.

Chairman Wachtmann asked Director Carraher if the system had the legal flexibility to grandfather in different groups. The Director replied that yes they did have the legal ability. In light of the results of the cost analysis, the system made

the best decision it could to preserve health care for career members. Sen. Brown noted that there was a discrepancy between what the Director was saying and what the union leaders had told her in that the union leaders specifically told her that they never “signed off” on the changes made by OPERS during pension reform. Chairman Wachtmann expressed that the General Assembly has always declined jurisdiction (even in pension reform) with regards to health care, so it would be extraordinarily inappropriate for the ORSC to get involved right now. He continued to say that health care is not a guaranteed benefit, and he is confident that the system has done the best it could for the membership as a whole. He remarked that it is a difficult problem, and he thanked Sen. Brown for bringing up the issue.

Chairman Wachtmann asked if there was any other business. There was none.

The next ORSC meeting is to be determined.

The meeting adjourned at approximately 3:23 p.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair