

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

**Minutes
June 12, 2014**

The meeting was called to order by Chairman Wachtmann at approximately 9:47 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

David Burke
Shannon Jones
Dan Ramos
Kirk Schuring
Lynn Wachtmann
Lora Miller

Non-voting members

Mark Atkeson
Karen Carraher
Scott Miller
Helen Ninos
Mike Nehf
Kari Hertel

Absent

Edna Brown
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 noted that there were three RFPs to be approved. Ms. Miller moved that the Council approve the Request for Proposal: Actuarial Audit of the Public Employees Retirement System of Ohio dated June 12, 2014, with an option to amend at the Executive Director's discretion. Rep. Ramos seconded the motion. Sen. Jones asked if there were any significant differences in this RFP than the previous RFP. Director Rhodes said that this RFP is almost identical to the one done for SERS. There was no further discussion.

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

YES: Chairman Wachtmann
Sen. Burke
Ms. Miller

Vice-Chair Jones
Rep. Ramos
Rep. Schuring

Ms. Miller moved that the Council approve the Request for Proposal: Actuary Consulting Services dated June 12, 2014, with an option to amend at the Executive Director's discretion. Rep. Ramos seconded the motion. There was no discussion.

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

YES: Chairman Wachtmann
Sen. Burke
Ms. Miller

Vice-Chair Jones
Rep. Ramos
Rep. Schuring

Ms. Miller moved that the Council approve the Request for Proposal: Investment Performance Evaluation of Ohio's Public Retirement Systems dated June 12, 2014, with an option to amend at the Executive Director's discretion. Rep. Ramos seconded the motion. There was no discussion.

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

YES: Chairman Wachtmann
Sen. Burke
Ms. Miller

Vice-Chair Jones
Rep. Ramos
Rep. Schuring

Chairman Wachtmann moved to the proposed ORSC FY 2015 budget. Director Rhodes noted that although there is a 1.85% increase from FY 2014 to 2015, the budget is still lower than the previous five years.

Sen. Jones noted that line item 145 "Contract Services" showed a large difference between what was spent and what is requested from FY 2014 to FY 2015 and asked Director Rhodes to explain the difference, asking why the line item is being maintained at a high level even with low usage. Director Rhodes said that due to certain conflicts of interest with the current actuary Milliman, she has put a few projects off and moved others in-house which meant the amount spent last budget was low. Some of this work now needs to be completed. She also noted that the Council had just approved the new RFPs, and those services will need funding.

Sen. Jones noted that this did not answer the question and that while she could understand a difference, she didn't see the need for a 150% increase for that line item compared to what was actually spent. Director Rhodes stated that previous

years' budgets have exceeded the proposed \$275,000 item. Sen. Jones said that she can see by the trend that FY 2014 was an anomaly, but she would like a minute to review the documents given to her.

After some review, Sen. Burke said that he could appreciate Sen. Jones' concern, but noted that he was comfortable with the amount, knowing that there are different price points for different contracts and prices for contracted services have increased. He stated that the request seemed reasonable. Sen Jones again noted that it was a 150% increase, and since the RFPs have no significant changes since the previous RFPs were posted, she didn't understand the need for that amount of an increase. Sen Jones asked that the Director specify what services are anticipated and the likely expenses so that she might better understand the contract services line item.

Chairman Wachtmann asked Director Rhodes to prepare a five year history of the obligations that fall under this line item. He also thanked Sen. Jones for bringing up some valid questions. He asked that the review include a list of things that were done, including some things that should have been done that were not done, to give a better estimate of expenditures. The Chairman said that he would entertain a motion to approve the ORSC proposed FY 2015 budget. Sen. Jones made the motion, and Ms. Miller seconded the motion.

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. Burke	Rep. Ramos
Ms. Miller	Rep. Schuring

Chairman Wachtmann moved to discussing the SERS incentive plan. The SERS Chief Investment Officer Farouki Majeed was available to answer questions. Chairman Wachtmann asked if the incentives were similar to those at other systems with comparable job responsibilities. Mr. Majeed said that they were, and he reviewed the comparable rates from the other Ohio systems. The Chairman then asked if Mr. Majeed knew the incentive rates for the private sector. Mr. Majeed noted the OSU endowment had a maximum of 100% of base pay incentive or more, making it a higher incentive than SERS.

Sen. Burke remarked that the incentive was based on the benchmark return. He asked for clarification on what benchmark was used. Mr. Majeed noted that it was the total fund benchmark, so the blended return of all assets. Sen. Burke asked if it was possible for an incentive to be provided if the fund had a negative return, but still exceeded the benchmark. Mr. Majeed said that yes, it was possible. He explained that the goal is to outperform the benchmark and so investment staff could be compensated if their investments led to less loss

than the benchmark. This can happen even if the fund earns a negative amount. He also said that when this happens there will be a reduction in the incentive amount. Sen. Burke asked if there was a relationship between the incentive plan and rate of return. Mr. Majeed noted that yes, over the long term, while returns are tied very closely to the market, they are able to achieve a higher return. Chairman Wachtmann thanked Mr. Majeed for his report.

The Chairman asked Mr. Bernard to review the rules for this month. Mr. Bernard said that there were only two rules for this month and that both were in compliance with the Ohio Revised Code. Rep. Ramos asked how many people would lose coverage by the changes to health care rule 3309-1-35. Mr. Bernard deferred to Ms. Ninos. She said that this rule had to do with the ending of the Health Care Waiver Program, and was more a rule to allow those people who had previously waived coverage to return to coverage under SERS, so it would not be a loss of health care coverage.

Chairman Wachtmann asked if there was any new or old business. There was none.

No ORSC meeting was scheduled for July.

The meeting adjourned at approximately 10:50 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair