

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

**Minutes
April 10, 2014**

The meeting was called to order by Chairman Wachtmann at approximately 9:13 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

David Burke
Shannon Jones
Kirk Schuring
Lynn Wachtmann

Non-voting members

Mark Atkeson
Gordon Gatien
John Gallagher
Lisa Morris
Mike Nehf
Kari Hertel

Absent

Seth Morgan
Edna Brown
Dan Ramos
Lora Miller

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

There not being a quorum present, Chairman Wachtmann moved to the fourth item on the agenda.

The Chairman recognized William "Flick" Fornia and Linda Bournival (PTA/KMS) to present the SERS Actuarial Audit report. Mr. Fornia reported that the project went well and that they were able to replicate the result of SERS' actuary to within a very narrow percentage difference.

Sen. Burke asked (1) how important the mortality table is for this report and how increases in longevity will affect the system and (2) seeing that low expectations for inflation, how much of a cushion is present in the portfolio in the event of a large inflation increase. Mr. Fornia said that there are indeed various mortality tables but that most longevity increases have already been achieved (citing the example that you can't get people to stop smoking twice) and that he was comfortable with the tables being used by SERS. To the second point, Mr. Fornia noted that asset allocation was beyond the scope of this audit. However, he noted that inflation expectations were so low right now in the wider investment

community that it probably doesn't matter and that SERS already had a cushion of expected inflation. He was comfortable with the SERS current inflation expectations.

Director Morris thanked Flick and Linda for their work and noted that this audit has been very beneficial in light of the upcoming experience study. The Chairman congratulated SERS on a successful audit.

Chairman Wachtmann asked Director Gallagher to report on the 2013 Disability Report for OP&F. Director Gallagher noted that the Board continues to review their procedures, but overall, the Fund is pleased with the progress and experience in the recent years.

Sen. Burke asked if the number of disability claims had decreased. Director Gallagher said that they have. Sen. Burke asked if the decrease was as a percentage of the workforce. Director Gallagher said that the ratio of "on-duty" vs. "off-duty" retirements have changed, but that, in sum, more people are achieving a normal retirement rather than requesting a disability retirement.

Chairman Wachtmann asked if there was a summary in the report and if certain areas of the state continued to have abnormal experience reports. Director Gallagher said that there was a 10-year review in the report, including a large summary provided to ORSC staff late last year and that there had been no unusual rates of experience from particular areas. The Chairman asked if the Fund has any influence on safety programs to help lower disability claims. Director Gallagher said that he has been working with the BWC in generating some grant activity for equipment and promoting safety programs to reduce disabilities. He also noted that the Fund is doing a great job with the resources available.

Concerned about the health levels of officers, Chairman Wachtmann asked if there was a break-down of causes and conditions of disability in the report. Director Gallagher remarked that this information was in the report previously submitted to ORSC staff. The Chairman encouraged the Director to continue promoting safety programs, and he gave the example of gym memberships. Director Gallagher remarked that he would be reluctant to seek this type of program, as it could affect collective bargaining agreements.

Sen. Burke noted that he would like to see more investment into local governments for the purpose of promoting safety programs and helping with the need of equipment rather than simply giving blank check money to local areas. Director Gallagher said that there is always room for improvement, and OP&F is doing everything it can to help.

The Chairman remarked on the practice of local departments encouraging disability but not footing the bill because it's OP&F, not the localities that pay disability benefits. The Chairman congratulated OP&F on their improvements.

Chairman Wachtmann moved to Director Morris and asked her to report on the progress of the STRS/SERS membership determinations. Director Morris reviewed the information that was provided in the member's packets. Director Nehf reiterated the STRS/SERS joint letter to the employers and pointed out that the July 1st change is not retroactive. He believed there to be some confusion on that matter. Director Nehf also thanked everyone involved in this process for their hard work.

Chairman Wachtmann asked if the systems now had the total picture regarding who would be affected by this change. After some discussion, Director Morris indicated that they are close to getting a complete picture but can safely say at this point that the maximum number of people affected would be approximately 2,000-2,500. Based on this limited group of people, the Chairman remarked that it would seem to be a modest request that they be grandfathered into their current system. Director Morris said that she would like the opportunity to speak with the employers because they have asked for clarity and consistency in determinations. The Chairman asked if the systems were able to wait on any action in order to continue the discussion. Director Morris said that the membership determination implementation date was widely disseminated at this point and she would be concerned of causing greater confusion.

Rep. Schuring noted that if the Council wanted to recommend grandfathering in certain groups, then they would need to start the legislative process. Sen. Jones agreed with Rep. Schuring. She also mentioned that she appreciated the need for clarity with the employers, but on behalf of the members, she would like more conversation to perhaps have something ready in May. Sen. Burke agreed and said that more research and due diligence was needed. Chairman Wachtmann suggested that a meeting be set up for the directors and the members present today to learn more about the situation. He asked Director Rhodes to facilitate that meeting.

Chairman Wachtmann asked Director Nehf to give an update on the 30-year plan for STRS. Director Nehf reviewed the letter provided to the members. There were no questions.

Chairman Wachtmann asked Mr. Bernard to review the rules for this month. Mr. Bernard said that STRS was the only system to submit rules to the ORSC this month, all of which complied with Ohio Revised Code. Chairman Wachtmann asked if there were any emergency rules. Mr. Bernard said no, but noted that there were some replacements of emergency rules with permanent rules, a process consistent with JCARR protocol. Chairman Wachtmann thanked Mr. Bernard.

The Chairman asked Director Rhodes when the next ORSC meeting should be scheduled. Director Rhodes noted that it was anticipated that Milliman would have provided the investment review today, but because they were unable to provide a draft report in a timely fashion, she anticipates Milliman presenting at the May meeting. The next ORSC meeting was set for May 8, 2014.

The meeting adjourned at approximately 10:15 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair