

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

**Minutes
February 13, 2014**

The meeting was called to order by Chairman Wachtmann at approximately 9:12 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

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

Non-voting members

Mark Atkeson
Karen Carraher
John Gallagher
Helen Ninos
Mike Nehf
Carol Mosholder

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 welcomed Senator Brown to the ORSC. Senator Brown said she was looking forward to serving.

The Chairman moved to the subject of the Investment Managers Report from all of the systems. John Lane, CFO at OPERS, gave a combined report. Rep. Ramos asked Mr. Lane if he had information on why there were no agents certified as Ohio Minority Business Enterprises. Mr. Lane replied that the previous agent simply wasn't in business anymore and that there were no new qualified agents. He mentioned that with changes to the cost of trading, larger firms with economies of scale make survival of smaller firms difficult and that those that survive tend to move to New York.

Chairman Wachtmann asked if the systems had seen a growth in the use of Ohio-qualified agents and investment managers. Mr. Lane said that the systems were on par with ten years ago and that there was no significant change. The Chairman then asked if there was difficulty in preparing this report. Mr. Lane said that there was some effort, but it is manageable. Chairman Wachtmann mentioned that he wondered if it was still necessary for the Council to receive this report. Ms. Miller then asked if the increase in fees paid to the managers had been steady. Mr. Lane said that the increase had been steady in more recent years.

Chairman Wachtmann moved onto the Iran/Sudan Divestment Reports from each system. Director Carraher again recognized Mr. Lane to give that report for OPERS. Mr. Lane reviewed the report and noted that OPERS has decreased the number of companies on its list to three and that the value of those three remaining holdings is lower. Sen. Jones thanked each system for their disciplined approach to narrowing the list of companies that the pension systems invest in with ties to Iran and Sudan. She noted that in doing this the pension systems make better investment decisions that result in stronger portfolios. Chairman Wachtmann agreed and said that he appreciated the work done. Rep. Ramos asked Mr. Lane if the scrutinized companies are located in a specific geographical area. Mr. Lane said that sometimes they were in the same country, but mostly they are in the same type of business.

Director Nehf presented the Divestment report for STRS. Sen. Jones asked how STRS was reducing the number of companies on the scrutinized list. Director Nehf said that the STRS policy is developed by the Board and followed by staff, but that he did not know specifically why or how the scrutinized list was decreasing.

Ms. Ninos reviewed the SERS Divestment report. Chairman Wachtmann asked if SERS found it hard to find replacements for investments in the six remaining scrutinized companies. Ms. Ninos said that it was a challenge to find comparable investments for the remaining holdings. She also noted that some of the decrease in the scrutinized list was because companies had existing contracts causing them to be on the list that they elected not to renew which gradually caused them to leave the scrutinized list.

Director Gallagher reviewed the Divestment report for OP&F. Director Atkeson reported that since HPRS comingled funds, he had nothing to report. Sen. Jones asked that all the systems compare their scrutinized lists.

The Chairman recognized Director Nehf to give the STRS Disability report. Director Nehf reviewed the report, and there were no questions.

Chairman Wachtmann asked Director Gallagher to present the OP&F 30-Year Plan report. Director Gallagher reviewed the plan. He also recognized OP&F

trustee Larry Petrick for his service as a firefighter as well as an OP&F Board member and congratulated him on his retirement. Chairman Wachtmann also thanked Mr. Petrick for his service.

The Chairman thanked the OP&F Board for their unanimous support of the proposed 30-year plan. Rep. Schuring asked what the solvency of the health care fund was previous to the 30-year plan. Director Gallagher said that it was 17 years, but the plan reduced it to 10 years. Rep. Schuring asked what the funding period for the pension fund would be if the health care fund were maintained at the Board policy of 15 years. Director Gallagher said that he did not have that information but will get that figure for the Council.

Rep. Schuring asked if Director Gallagher had received any communication on how the implementing of a blended employer contribution rate would work out. Director Gallagher said the report was delayed when the contract with Milliman expired; however, he has spoken with Director Rhodes and is working towards a solution to having the report completed. Rep. Schuring asked if the COLA reduction presented in the plan was a permanent reduction. Director Gallagher said that the board is seeking limited authority to adjust the COLA as necessary to stay within the 30-year funding period. He also mentioned that the OP&F Board was interested in watching how HPRS handled its authority to adjust COLAs.

Rep. Ramos expressed concern over decreasing the COLA at a time when retirees need it the most. Director Gallagher assured the Council that it was not a topic that the board took lightly, and it was debated. However, for the purpose of the 30-year plan, it works. Rep. Ramos asked if there was a chance of getting to the 30 years without reducing the COLA. Director Gallagher said that OP&F is probably at the 30-year mark now, but the board took action to be compliant with statute. Chairman Wachtmann asked what the reaction from retirees was regarding this plan. Director Gallagher noted that there was concern about the health care reduction, but noted that OP&F must look to the pensions first. Chairman thanked Director Gallagher.

Chairman Wachtmann asked a general question of the system directors regarding their experience with opiate use among their retirees. He said that the issue is being raised in the legislature, and he wanted to know if the directors have had any problems. Suzanne Martin, SERS Assistant Director of Health Care, said that SERS has a program that monitors opiate fraud and abuse, but it is not a huge issue for them. The Chairman asked that the other systems be prepared to provide a quick overview of these efforts at the next meeting.

Director Nehf gave an update on the STRS 30-Year Plan report. Chairman Wachtmann asked Director Nehf to clarify the process by which the plan would be presented and that ORSC would receive a 30-year plan. Director Nehf confirmed that the STRS Board will be meeting next week to approve a plan, and

he expects to deliver it to ORSC by that Friday (February 21st). Chairman Wachtmann asked if there were any other questions. There were none.

Chairman Wachtmann then asked Director Nehf to review the STRS/SERS Membership Determination letter. Chairman Wachtmann asked if there was a way to grandfather in the members that would otherwise need to switch systems. Director Nehf said that it was considered but, on advice from legal counsel, later determined to be not possible because the board doesn't have the authority to do so. The Chairman asked if the board needed legislative action to grandfather them in, and if that was something the systems would support. Ms. Ninos said that the response from the employers so far was positive regarding moving members to the correct system, and that they were focused on making the switches rather than causing further confusion. The Chairman asked what the response from members had been. Ms. Ninos commented that there have not been many calls, but she is anticipating that members will start to call in if they see their contributions increase. Ms. Miller asked if there was a way to predetermine the amount of people affected by this before the change on July 1st. Director Nehf said that they could certainly look into that. Chairman Wachtmann agreed that it would be good to know that information.

Ms. Ninos reviewed the SERS Health Care Report. Sen. Jones asked how many members are eligible for Medicaid expansion. Suzanne Martin said that there were roughly 200.

Director Nehf reviewed the STRS Health Care Report. There were no questions.

Chairman Wachtmann asked Mr. Bernard to review the rules submitted to ORSC. Mr. Bernard reported that all rules submitted to the ORSC this month were in compliance with the Revised Code.

Chairman Wachtmann moved to new business for the council. He suggested moving the ORSC meetings to Tuesdays or Wednesdays and asked for input from the other members of the Council. After some discussion, Chairman Wachtmann said that a variable schedule might work best.

The meeting adjourned at approximately 10:37 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair