

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

Minutes
December 11, 2014

The meeting was called to order by Chairman Wachtmann at approximately 9:37 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

Shannon Jones
Dan Ramos
Kirk Schuring
Lynn Wachtmann
Lora Miller

Non-voting members

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

Absent

Seth Morgan
David Burke
Edna Brown

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

Lacking a quorum, the Council acted as a subcommittee, and Chairman Wachtmann moved to the non-voting items on the agenda.

Director Nehf reviewed the STRS valuation report. There were no questions.

CFO Tracy Valentino reviewed the SERS valuation report. There were no questions, but the Chairman did remark that it was good to see headway being made.

Chairman Wachtmann recognized Director Gallagher for the OP&F Communications Plan. The Director noted that the plan was given to Council at an earlier time, and he would answer any questions the Council had. There were none.

Chairman Wachtmann then asked each system to report on the Iran/ Sudan Divestiture report. Director Carraher reviewed the PERS report noting the continued effort of PERS to reduce investment exposure to companies with ties to Iran and Sudan. Chairman Wachtmann asked if the systems work together to use their accumulative influence in this area. Director Carraher replied that PERS relies heavily on its governance staff to take action with this issue.

Rep. Ramos entered the meeting at 9:42 a.m. giving the Council a quorum.

Directors Nehf and Morris also reviewed their divestiture report. Vice Chair Jones asked if it was the same companies appearing on the scrutinized list each year. Julie Diesler, SERS Investment Compliance Officer, said that there was some variance in the companies listed from year to year. Carol Drake, PERS Director of External Affairs, mentioned that some of the companies on the scrutinized list provide humanitarian services for the governments; therefore, some have remained on the list longer than others. Vice Chair Jones stressed the need for caution working with those humanitarian efforts as it was sometimes the governments actually being the ones to commit crimes such as genocide. Chairman Wachtmann asked if the systems were required to report to the Treasurer's office on this matter. The systems all indicated that they are not required to report to the Treasurer's office regarding this issue. Director Gallagher reviewed the OP&F divestiture report and noted that the systems investment activity in this area was really down to a trickle. Director Atkeson explained that SHPRS does not hold any direct international investments due to the system's relatively small size. Rep. Ramos made mention of the OP&F report and said that he was glad to see them scrutinizing Russian Federal oil interests in light of current world events.

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 asked Director Rhodes to report on the actions of the subcommittee to develop an RFP for the actuarial audit of PERS. Director Rhodes explained that the subcommittee unanimously voted to recommend PTA/KMS as the Council's choice for the PERS audit. The Chairman moved to accept the recommendation, and Ms. Miller seconded.

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

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

The Chairman then asked Director Rhodes to review the ORSC audit and response. She did, noting that all recommendations made by the Auditor have been implemented into ORSC staff operation. Chairman Wachtmann asked how far back the audit went. Director Rhodes said that it covered Jan.1, 2012 through June 30, 2013. Chairman Wachtmann noted that checks and balances are difficult to maintain in a small office like ORSC, but that they are very important. The Chairman also asked how often the audit is to be completed, and the Director said that it is to be done every two years.

Chairman Wachtmann moved to the ORSC mitigating rate report and asked Mr. Bernard to review the report. Mr. Bernard noted that the report was required by H.B. 483 for the purpose of researching the history of the rate and its operation. Mr. Bernard mentioned that the history is quite convoluted, but having it all in one place in this report should be helpful. Mr. Bernard made several recommendations in his report including the need for the General Assembly to provide clarity on the amount they wish to be mitigated. Rep. Schuring agreed that additional clarity is needed, but remarked that the General Assembly will need some guidance itself on that matter. He suggested a future meeting with PTA to that end. He added that the report clearly showed that without that clarity, the systems are using more of a compensatory rate rather than a mitigating rate. Chairman Wachtmann said that the discrepancy among the systems' rates never made sense to him, and he remarked that the Council should have fun with that (in light of the Chairman's term limitations). The Chairman moved to accept the report, and Rep. Schuring seconded.

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

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

Chairman Wachtmann asked Mr. Bernard to review the ORSC memo regarding STRS membership and Am. Sub. H.B. 483. Mr. Bernard summarized the memo. There were no questions. The Chairman moved to adopt the position stated in the memo, and Rep. Schuring seconded.

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

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

Chairman Wachtmann moved on to the Memo of Understanding regarding the ORSC staff health care. Director Nehf explained that the five statewide systems

share the cost of operating the ORSC, and that according to the Memo of Understanding, the systems will continue to fund health care for the staff. The Memo was drafted with the help and review of Kari Hertel from the Attorney General's office. He also noted that the system directors would sign the Memo at the close of the meeting with the Council's affirmative vote. Sen. Jones moved to approve the Memo of Understanding, and Rep. Schuring seconded.

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

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

Chairman Wachtmann moved to the standardization of reports item on the agenda. Mr. Bernard reviewed the ORSC memo on the issue asking for input from the Council on which reports they would like staff to begin with and to approve the provided action plan. Rep. Schuring suggested a change to the action plan in that ORSC staff should confer with the systems first before providing a template to the Council for approval. The Chairman agreed and said that starting with an easier report, suggesting the Iran /Sudan Divestiture report, would be a good way for staff to get comfortable with the process. Director Rhodes suggested that she individually check with members regarding their specific desires for each report and that staff do most of the work internally with the systems before bringing templates before the Council. Council members indicated that they agreed with her plan.

The Chairman moved on to the health care reports from PERS, HPRS, and OP&F. Each director reviewed their system's report. There were no questions from the Council.

Chairman Wachtmann asked for any new business before the Council. Director Rhodes pointed out the memo in the back of the members packets that detailed the amendments made to S.B. 42. She said the memo was just for information purposes.

Rep. Schuring said that he wanted to take some time to contemplate the Chairman's departure. He spoke of Chairman Wachtmann's passion for the people of Ohio and said that the Chairman would be sorely missed. Vice Chair Jones added that she felt left out not being able to hear all the goodbyes said on the House floor the previous evening, but that she wanted to thank Chairman Wachtmann for his guidance in her career. She also remarked that she looked forward to the work he will do in the future, and she hoped to be a part of it. Rep. Ramos also added his thanks to the Chairman, and said that he was very happy with the working relationship they maintained in the House Health committee as well as ORSC. He also added that the Chairman ran the Council for the people in

the pension systems and kept politics out of it. He said that it was a true pleasure to work with Chairman Wachtmann and that term limits are the dumbest things in the General Assembly. Ms. Miller said that she and the Chairman had been friends for a long time, and she was proud of that fact. She added that she hoped Chairman Wachtmann was made a Governor's appointee to the ORSC alongside her, because the ORSC needed him.

Chairman Wachtmann shared that the Speaker pulled him aside for a chat 30 years ago about the importance of these systems and the job it was to protect them. He thanked everyone for their work on the Council.

The meeting adjourned at approximately 11:15 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair