

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

**Minutes
May 8, 2014**

The meeting was called to order by Chairman Wachtmann at approximately 9:04 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

Voting members

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

Absent

David Burke
Seth Morgan

Non-voting members

Mark Atkeson
Karen Carraher
John Gallagher
Lisa Morris
Mike Nehf
Jim Patterson

Staff

Bethany Rhodes
Jeff Bernard
Ashley Wilson

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

Due to a time constraint, Chairman Wachtmann moved to new business. He brought forward the pay of Director Rhodes. Rep. Schuring said that in order to get caught up on something the Council has been meaning to do for some time, he made a motion to raise the Director's salary to \$115,000 retroactive to January 1, 2014. He also mentioned that this was due to the Director's expertise and professional service for the Council. Rep. Ramos seconded the motion. The Chairman added that he had asked his staff to provide salary comparisons to other attorneys in similar positions, and he found this amount to be appropriate.

(Lora Miller entered the meeting at 9:08 a.m.)

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 recognized Marty Dirks of Milliman to present the Investment Performance Review for the Period Ending December 31, 2013. Mr. Dirks presented the report. Mr. Dirks also commented on the rising debt to GDP ratio, mentioning the likelihood that interest rates will need to rise as one way to address the debt. He mentioned that this could have a significant effect on the systems liabilities and funding status in the future.

(Chairman Wachtmann left the meeting at 9:16 a.m. Sen. Brown and Sen. Jones left the meeting at 9:17 a.m.)

Rep. Ramos asked if, since the ending of this report, there were any preliminary estimates for market performance in Europe going forward, considering the recent actions of the Russian Federation. Mr. Dirks remarked that, yes, the political concerns in Europe are influencing the markets and that first quarter returns in Europe were 1.8%. There were no further questions.

Sen. Brown returned at 9:26 a.m.

Rep. Schuring recognized Directors Carraher and Nehf to give an update on the Health Care Waiver Program. Director Carraher reviewed the history of the program and its cessation. Director Nehf explained that OPERS, SERS, and STRS are permitting those that waived their health care benefit to again enroll in the health care program of the retirement system from which they receive their monthly retirement benefit. Director Nehf also explained that SERS and STRS submitted rule changes for this type of enrollment and that PERS does not require a rule change for enrollment. However, PERS will submit an amended rule before the end of the year to clarify COBRA coverage. Rep. Schuring asked if there were any questions. There were none.

Rep. Schuring moved onto the STRS/SERS Determination item and asked if there were any updates. Director Nehf said that there were no updates, but he reiterated the continued work of STRS and SERS implementing the July 1 effect date. Director Morris noted that the estimated number of members impacted is holding. She mentioned that this number is less than 1% of membership. Director Morris also mentioned that she had met with some employers, and they were requesting a July 1 implementation without grandfathering in members. Sen. Brown asked what kind of pushback the systems were seeing from the membership. Director Morris said that they were getting very little pushback, and

that most phone calls were questions pertaining to clarification. Director Nehf concurred. Rep. Schuring asked if there were any other questions. There were none.

Rep. Schuring moved to the 2015 SERS budget. Director Morris recognized the acting SERS CFO, Carla Marshall, and congratulated her on her upcoming retirement and thanked her for her 30 years of service. Director Morris noted that Tracy Valentino, former CFO of Ohio BWC, will be the new CFO at SERS. Ms. Marshall reviewed the proposed 2015 SERS budget. Rep. Schuring asked if there were any questions. There were none.

Rep. Schuring moved to the 2015 STRS budget. Director Nehf introduced STRS's CFO, Paul Snyder, to give the report. Mr. Snyder reviewed the proposed budget. Rep. Ramos asked for an explanation of the 20% increase in the custodial banking fees. Mr. Snyder explained that STRS was required to change custodial banks and was given two choices. Therefore, STRS was moving from State Street to City Bank and this move was coming with a 25 basis point increase in cost (from 25 to 50 basis points). He said that the full cost would be realized next year due to the implementation of this change occurring in December. Rep. Ramos asked for a reason for switching banks. Mr. Snyder said that the Treasurer of State was in charge of determining which banks could serve as retirement system custodians. The Treasurer removed State Street as an option, requiring STRS to switch custodial banks. Rep. Ramos asked to clarify if that was a requirement of law. Mr. Snyder said that it was. There were no further questions.

Rep. Schuring asked Director Nehf to discuss the change in performance based incentive compensation. The Director reviewed the info provided to the members in their packets and stressed that it is simply a board approved item; no rule or statute changes were needed. There were no questions.

Rep. Schuring asked Mr. Bernard to report on the rules. Mr. Bernard said that all rules submitted this month were in compliance with the Revised Code. Rep. Schuring thanked Mr. Bernard.

Rep. Schuring asked if there was any new business. Sen. Brown called attention to a letter that she had sent to all members of the Council in addition to the PERS Board. She noted that she was waiting on a response from the Board before she proceeded but wanted to encourage the members of the Council to read the letter and be aware of her constituents' concerns. Rep. Schuring thanked Sen. Brown and also encouraged Council members to read the letter. Director Carraher added that the PERS Board would respond to the letter and set up a meeting with Sen. Brown.

Rep. Schuring announced the next ORSC meeting on June 12, 2014.

The meeting adjourned at approximately 9:53 a.m.

Date approved

Lynn Wachtmann, Chair

Secretary

Shannon Jones, Vice Chair