

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

**Minutes**  
**October 10, 2013**

The meeting was called to order by Chairman Wachtmann at approximately 9:08 a.m. in room 121, the statehouse, Columbus, Ohio.

The following members attended the meeting:

**Voting members**

Shannon Jones  
Charleta B. Tavares  
Dan Ramos  
Kirk Schuring  
Lynn Wachtmann  
Lora Miller  
Seth Morgan

**Non-voting members**

Mark Atkeson  
Gordon Gatien (OPERS)  
John Gallagher  
Helen Ninos (SERS)  
Mike Nehf  
Kari Hertel

**Absent**

David Burke

**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 recognized STRS Deputy Executive Director Bob Slater, who announced his retirement at the end of October. Chairman Wachtmann said he appreciated Bob's professionalism and wished him well on his retirement.

The Chairman recognized Marty Dirks from Milliman and asked him to present the investment performance review. Mr. Dirks reviewed the report, noting positive gains in all funds for the first half of the year. Two (STRS and OP&F) of the six funds [PERS has a defined benefit fund and a separate health care fund] have met their actuarial interest rates over the trailing ten years. However, over the trailing three year period, all plans were above their respective actuarial interest rates. Mr. Dirks explained that the three year period consist of recovery years

from the financial crisis. He noted that the returns are very sensitive to the time period used.

Chairmann Wachtmann asked Mr. Dirks to explain and specify the utility of the “value” vs. “growth” chart. Mr. Dirks explained that value stocks refer to those with a lower price and likely slower growth, as would be expected in an established firm. “Growth” refers to those firms with a higher valuation and therefore higher price, but potential for faster growth. He explained that the utility of the chart is to show the performance of growth and value stocks in specific sectors during the first half of the year.

After Mr. Dirks described the “Comparison of Actual Asset Allocation” chart on page 16 of the report, Mr. Morgan asked what the “Other” column referred to. Mr. Dirks did not have that information with him. OP&F and PERS indicated what “other” referred to, making clear that “other” category cannot be compared across systems as they include different investments.

At the request of the Council, Mr. Dirks had included in his report a chart describing the fees, broken down by asset class, of investments. Chairman Wachtmann asked if the systems reviewed their cost of investment vs. returns. Miss Ninos said that SERS has been actively looking at those costs and has been able to reduce fees by 3% overall and specifically 16% for hedge funds this year. PERS noted that they were able to get advantageous fees due to their size and amount of assets. Chairman Wachtmann asked if the systems had ever considered teaming up in some way to see if they could get better fees.

Director Nehf said that the STRS Board uses outside studies to help in hiring managers and making financial decisions, but most of their financial advice comes from in-house staff. He also mentioned that this was the case for most systems. He noted that teaming up would be complicated and difficult, if not unfeasible, due to the various asset liability and asset allocation choices each of the systems must make in their Board directed funding plans.

The Chairman asked Mr. Dirks if he can provide a dollar value to manager’s fees. Mr. Dirks said that he couldn’t do the math right there, but it wouldn’t take much work to do it. Mr. Morgan asked Mr. Dirks if the outside fees were the only ones used in the report. Mr. Dirks said that he requested the in-house fees as well and included those numbers in the report.

Chairman Wachtmann recognized Director Atkeson and asked him to review the 2014 budget for HPRS. Director Atkeson reviewed the report and noted a few errors on page six of the budget report. The “Active Members” line item should read as follows:

<u>Year</u>	<u>Active Members</u>
2013	1,641

2012	1,651
2011	1,511

Director Atkeson also noted that after the budget report was submitted to ORSC, there were some staff changes that would ultimately save the system \$10,000. Chairman Wachtmann thanked Director Atkeson for his report.

Chairman Wachtmann asked Mr. Bernard to discuss rules submitted to ORSC. Mr. Bernard updated the Council on the OP&F rule 742-3-05 saying that the revised rule is now very close to the original suggestion of ORSC staff and is in compliance with the Revised Code. Mr. Bernard continued by confirming that all other rules submitted to the ORSC this month were in compliance with the Revised Code. Chairman Wachtmann thanked Mr. Bernard.

The Chairman noted that ORSC staff members have been attending several of the public pension systems' meetings. He also noted that at the recent Joint Trustee Training, Barbra Phillips and Catherine Moss left the meeting before the session on investments was given. Chairman Wachtmann thought this was interesting since both women were very adamant about needing investment training in Hawaii.

The Chairman asked Director Rhodes if there was any new or old business. There was none.

The meeting adjourned at approximately 9:54 a.m.

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Date approved

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Lynn Wachtmann, Chair

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Secretary

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Shannon Jones, Vice Chair