

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

**Minutes  
October 12, 2017**

The meeting was called to order by Chairman Schuring at approximately 10:00 a.m. in room 121, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

**Voting members**

Rick Carfagna  
Edna Brown  
Lora Miller  
Dr. Thomas Pascarella  
Christopher Potts  
Dan Ramos  
Kirk Schuring

**Non-voting members**

Mark Atkeson  
Karen Carraher  
John Gallagher  
Mike Nehf  
Richard Stensrud  
Kari Hertel

**Absent**

Jay Hottinger  
Steve Wilson

**Staff**

Jeff Bernard  
Bethany Rhodes  
Ali Yogmour

With a quorum present, Chairman Schuring moved that the minutes of the previous meeting be approved. The minutes were approved without objection.

Chairman Schuring asked RVK to review the Investment Performance Analysis for the period ending 6/30/2017. Jim Voytko and Christian Eicher from RVK gave a detailed overview of the Investment Performance. Mr. Voytko continued to give a presentation on the importance of using diversification in investment strategies.

Lora Miller asked for a clarification on responses and lack of responses to the average assumed rate of return. Mr. Voytko clarified that the averages were not for the entire public fund universe, but a select number within their survey.

*Representative Ramos entered the room at 10:03 a.m.*

Chairman Schuring asked William Fonia from PTA/KMS to review the actuarial audit of the Ohio Police and Fire Pension Fund for the Ohio Retirement Study Council. Mr.

Fornia explained the audit's major findings in terms of assumptions, actuarial methods and liability, as well as a review of healthcare in comparison to Buck's valuation.

Representative Carfagna expressed interest in utilization from the healthcare assumptions. Mr. Fornia noted that an actuary would not have a detailed look at utilization but would instead provide an expected expense for members at certain ages. He stated that he was unsure of the specific details.

Dr. Pascarella asked about Mr. Fornia's comments on the 7.5% investment return rate. Mr. Fornia clarified that OP&F's actuary is comfortable at 8% and stated that 8% was in a reasonable range. He said that 8% is a better assumption in most actuaries' opinions than 8.25%.

Mr. Fornia explained the actuarial audit was based on January 1, 2016. He pointed out the last page of the letter sent to the Ohio Retirement Study Council, which compared PTA/KMS numbers against Buck's.

Mr. Fornia then moved to the Adequacy of OP&F Contribution Rates report. He reviewed the report. He also noted the OP&F member and employer contribution rates, which differ based on whether a member is Police or Fire. There is 24% employer contribution for a firefighter and 19.5% employer contribution for police. He noted that, in the report, Buck anticipated that OP&F would remain within the 30-year funding period in a years' time. As the report was a year old and investment returns had been positive, Mr. Fornia anticipated that this would indeed be the case even with the proposed assumption changes.

*Representative Ramos exited the room at approximately 10:55 a.m.*

Representative Carfagna moved to accept the 10-Year OP&F Actuarial Audit. Representative Brown seconded the motion.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

Representative Carfagna moved to accept the OP&F Adequacy of Contributions report. Senator Brown seconded the motion.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

Chairman Schuring asked Representative Carfagna to give the ORSC Subcommittee report. Representative Carfagna noted that the Subcommittee to Establish an RFP for the PERS Fiduciary Audit met earlier in the week and recommended the RFP to come before the whole committee.

Karen Carraher stated that she was concerned about the addition of a requirement that the auditor provide an in-person presentation of the audit to the PERS Board. Chairman

Schuring noted that it was a new provision but that he respected the process of the subcommittee and the recommendation of the subcommittee.

Representative Carfagna moved to accept the recommendation of the subcommittee as is. Senator Brown seconded the motion.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

Chairman Schuring asked Director Rhodes to review the ORSC audit. Director Rhodes reviewed the audit and noted there were no instances of noncompliance.

Representative Carfagna moved to accept the audit. Representative Brown seconded the motion.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

Chairman Schuring asked ORSC staff to give an overview of the staff recommendation on House Bill 362. Staff noted that House Bill 362 was presented before as a draft bill and this was presented as an update to include the board approved amendments that were accepted.

Representative Carfagna motion to approve the staff recommendation. Senator Brown seconded.

Representative Carfagna asked if there was any deviation from what was originally proposed as changes to the draft bill in June. Staff clarified that the amendments were as directed by the ORSC recommendations approved in June.

Director Atkeson thanked the sponsors for their support.

The Council voted on the motion. A roll call vote was taken, and the motion passed 6-0.

Chairman Schuring asked staff to give a summary of House Bill 49. Staff summarized House Bill 49 and highlighted the SERS COLA provisions as well as SHPRS provisions.

Chairman Schuring asked Director Gallagher to report on the OP&F Budget. Director Gallagher stated that he anticipated that OP&F will be at a funding period of 28 years even with the assumed rate return changes that he expects the Board will accept later this month. Significant pension reform was highlighted by Director Gallagher that made this possible. He thanked the board for their due diligence over the past few years to continue making improvements. Director Gallagher then introduced Scott Miller, OP&F Deputy Executive Director, who presented the OP&F budget. He highlighted the 3.3% increase in the total operating budget and detailed the reasons for the increases. Mr. Miller also gave an overview of the capital budget and board member expenses.

Chairman Schuring asked Director Atkeson to give a review of the SHPRS Budget. Director Atkeson introduced finance director Mike Press. He gave an overview of the 2.68% increase in the operating budget. Mr. Press stated they did not anticipate any capital budget expenses for 2018 and then highlighted board members expenses increases due to an off-site board retreat planned for 2018.

Chairman Schuring asked Director Carraher to provide the healthcare report from PERS. Director Carraher stated that there was \$11.9 billion dollars in the healthcare fund and that it was 64.5% funded. She pointed out the annual health care expenditure has decreased from \$1.8 billion to \$1.2 billion.

Chairman Schuring asked Director Gallagher to provide the OP&F Healthcare report. Director Gallagher spoke about OP&F's self-insured program. He noted that OP&F was experiencing the same challenges as all other self-insured entities. He informed the Council that the OP&F board is currently undergoing an evaluation of its options, including new revenue streams and participation in the exchange market. After board action, changes will be implemented by 2019.

Chairman Schuring asked Director Atkeson to review the HPRS Healthcare report. Director Atkeson gave an overview of the healthcare report and the changes to premium structures.

Chairman Schuring asked Director Nehf to provide the STRS Disability Report. Director Nehf gave an overview and mentioned that numbers remain low.

Representative Carfagna asked why Oncologic percentages have risen. Director Nehf did not know the answer but said he could follow-up.

Chairman Schuring asked Director Strensrud to provide the SERS Disability Report. Director Strensrud gave an overview of the report and noted that numbers are consistent with past years. He also noted an uptick in oncologic numbers and stated they have not identified a factor behind it.

Chairman Schuring asked Director Carraher to give the Actuarial Valuation Report for PERS. Director Carraher gave a brief summary of the valuation.

Chairman Schuring asked ORSC staff to provide the Rules report.

Mr. Bernard said that all the rules were in compliance with the Revised Code, and he had no other comments.

Chairman Schuring asked Director Strensrud to report on the COLA decision by the SERS board. Director Strensrud reported that the SERS board voted to implement a three year COLA suspension and he commended the staff and board on their diligent work on reaching that decision. He also mentioned that SERS would be seeking

legislation that would provide for a three-year waiting period prior to any retiree receiving an initial COLA.

Chairman Schuring announced that the next meeting would be November 9, 2017, at 10:00am.

The meeting adjourned at approximately 11:35 a.m.

\_\_\_\_\_  
Date Approved

\_\_\_\_\_  
Kirk Schuring, Chair

\_\_\_\_\_  
Bethany Rhodes, Secretary

\_\_\_\_\_  
Steve Wilson, Vice Chair