

Background - The Ohio Retirement Study Council (ORSC) was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public pension policy, and is one of the oldest public oversight councils in the country. Since then, several states have turned to the Council for guidance in creating their own retirement councils.

The general purpose of the Council is to advise and inform the state legislature on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems in Ohio: the Public Employees Retirement System, covering all state and local government workers; the State Teachers Retirement System, covering teachers at public schools, colleges, and universities; the School Employees Retirement System, covering non-teaching school employees; the Police and Fire Pension Fund, covering full-time police officers and firefighters; and the State Highway Patrol Retirement System, covering state troopers. In addition, the Council provides legislative oversight with respect to the Ohio Public Safety Officers Death Benefit Fund, a state-funded program providing death benefits to the survivors of law enforcement and public safety officers killed in the line of duty, and the Volunteer Fire Fighters' Dependents Fund, a program providing benefits to disabled volunteer firefighters and their survivors. The Cincinnati Retirement System is the only municipal retirement system in Ohio,

and falls outside the jurisdiction of the Council.

The ORSC was created in response to financial crises involving local police and fire pension funds. Prior to 1967 police and firefighters were members of local pension funds rather than a statewide fund. In the mid-1960's, many of Ohio's 454 local police and fire pension funds faced financial disaster. They had routinely disregarded the financial impact of benefit increases and, as a result, many were close to financial insolvency. As a result, they were consolidated into a statewide fund in 1967. At that time, the local pension funds transferred assets totaling approximately \$75 million to the Ohio Police and Fire Pension Fund and accrued liabilities of approximately \$490 million. The cities were given a 67-year period, beginning in 1969, to pay their unfunded accrued liabilities. As of December 31, 2007, the remaining unfunded accrued liability totaled nearly \$34.5 million.

Because of this financial crisis, the General Assembly realized there was a need for continuing oversight of the state pension funds to ensure they remained financially solvent, unlike the local police and fire pension funds. The creation of the ORSC was a direct result of the consolidation of those funds.

Legislators are accustomed to dealing in two-year budgetary cycles, whereas decisions about public pension plans typically involve significant long-term

costs, such as 30-year pension obligations. If not made carefully and with foresight, such decisions can seriously threaten the budgetary stability of state and local governments years later when the pension obligations become due. They can also result in an unfair burden on future generations of taxpayers, and adversely affect the credit rating of the state or local government's debt.

Merits - The merits of a permanent pension oversight council, such as Ohio's, are several. First, pensions are an increasingly complex subject area requiring a degree of expertise and knowledge; once acquired, it should continue to be available. Second, pension laws demand continuous supervision and attention. A single, ill-conceived retirement bill could have serious fiscal consequences that are not fully recognized for many years later. Third, there is a need for continuity of policy based on sound pension principles rather than special interests. Change of policy should always be possible, but it should be accompanied by knowledge of the past. Fourth, permanent pension councils can apply consistent policy to the perpetual stream of retirement bills. A great deal of pension law grows by patchwork, yielding in time to favoritism and special interests in the absence of consistent application of sound public policy. Finally, legislative term limits make the establishment of permanent pension councils essential if legislators are to have an independent source of information to help them place retirement issues in the widest possible context of public policy.

Statutory Duties - The Ohio Revised Code mandates that the Council shall perform the following statutory duties:

- (1) Make an impartial review from time to time of all laws governing the public retirement systems and makes recommendations to the legislature on any changes the ORSC finds desirable with respect to benefits, sound financing of benefit costs, and prudent investment of funds [R.C. §171.04(A)];
- (2) Report to the governor and legislature on its evaluation and recommendations with respect to the operations of the public retirement systems and their funds [R.C. §171.04(B)];
- (3) Study all proposed changes to the public retirement laws and reports to the legislature on their probable costs, actuarial implications and desirability as a matter of sound public policy [R.C. §171.04(C)];
- (4) Review semiannually the policies, objectives, and criteria of the systems' investment programs [R.C. §171.04(D)];
- (5) Have prepared, at least once every ten years, an independent actuarial review of the annual actuarial valuations and quinquennial actuarial investigations prepared by each system [R.C. §171.04(E)];
- (6) Have conducted a fiduciary performance audit of each system at least once every ten years [R.C. §171.04(F)];
- (7) Provide each Council member with copies of all proposed rules submitted by the retirement systems and submit any recommendations to the Joint Committee on Agency Rule Review [R.C. §171.04(G)];
- (8) Review the police and fire contribution rates and makes recommendations to the

legislature that it finds necessary for the proper financing of OP&F benefits [R.C. §742.311]; and

- (9) Prepare an independent actuarial study every three years on the required employer supplemental contribution to be made on behalf of academic and administrative employees of higher education electing an alternative retirement plan [R.C. §171.07].

The Council has its own consulting actuary, Milliman, and its own investment consultant, Evaluation Associates. Milliman conducts reviews independent of the systems' actuaries, including a review of the actuarial analysis required for all retirement legislation having any measurable financial impact on the systems, whereas Evaluation Associates conducts a semiannual review of the policies, objectives, and criteria of the systems' investment programs. The Council played an instrumental role in establishing the statutory requirements for an actuarial analysis of retirement legislation (S.B. 82 - eff. 3/6/97) and the semiannual review of the systems' investment programs (S.B. 190 - 7/13/00).

Additionally, in the past the Council has engaged the services of the William M. Mercer Company to undertake a comprehensive disability study of OP&F and, most recently, independent actuarial audits of OP&F and HPRS. The Council has also contracted with Independent Fiduciary Services to complete independent fiduciary audits of STRS and OP&F. These consulting arrangements provide tremendous credibility, expertise, and independence to the Council's various oversight responsibilities.

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ORSC BACKGROUND INFORMATION

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Voting Members (as of 9/11)

Representatives

Lynn Wachtmann, *Vice-Chair*
Dan Ramos
Kirk Schuring

Senators

Keith Faber, *Chair*
Scott Oelslager
Charleta B. Tavares

Governor's Appointees

Doug Gillum
Lora Miller
Seth Morgan

Non-Voting Members

Karen Carraher, *Public Employees Retirement System (PERS)*
William Estabrook, *Ohio Police & Fire Pension Fund (OP&F)*
Lisa Morris, *School Employees Retirement System (SERS)*
Mike Nehf, *State Teachers Retirement System (STRS)*
Dan Weiss, *Highway Patrol Retirement System (HPRS)*

Director

Aristotle L. Hutras