

OHIO RETIREMENT STUDY COUNCIL

88 EAST BROAD STREET, SUITE 1175, COLUMBUS, OHIO 43215

MINUTES

10 AUGUST 2011

The meeting was called to order by Sen. Faber at approximately 9:05 a.m. in room 114, the Statehouse, Columbus, Ohio.

The following members attended the meeting:

VOTING MEMBERS

Keith Faber
Scott Oelslager
Dan Ramos
Kirk Schuring
Doug Gillum
Lora Miller
Seth Morgan

NON-VOTING MEMBERS

Karen Carraher
William Estabrook
Laurel Johnson, vice Lisa Morris
Mike Nehf
Dan Weiss
Janyce Katz

ABSENT

Charleta B. Tavares
Lynn Wachtmann

STAFF

Aristotle Hutras
Anne Erkman
Glenn Kacic

There being a quorum present, Sen. Faber asked the Council to review the minutes from the previous Council meeting. The minutes were approved as submitted, without objection.

Rep. Schuring said he conferred with the Chairman and thinks it's very important that everyone knows that the spirit of the contract the Council is seeking is not to delve so deeply into reevaluating what has already been done but they want to ask for recommendations. He said the spirit is recommendations. He said the likelihood of a bill being amended when it is introduced is pretty strong. He said they are seeking the consultation of experts in order to amend the bill. He said they do not want to spend time doing work that has already been done and making the systems spend more money.

Sen. Faber said he intends to go through each question that was submitted and have a discussion with the members. He proposed a general preamble to the responses that is consistent with the intent of the RFP. He said the RFP is not asking the consultant to reevaluate all the plans and their proposals, rather it is asking for a consultant that is competent and capable of giving the Council advice with regard to modification of the plan structure and various issues of solvency. He said he never anticipated that this would be a wholesale review of the plans. Sen. Faber asked if any member objected to this preamble.

Sen. Faber asked Ms. Erkman to review the first question. Ms. Erkman reviewed the first question: Does ORSC have a deadline for the completion of the project? Sen. Schuring said he would prefer to have the report completed so they could take legislative action this session. Sen. Faber proposed in addition, that depending on the nature of the questions raised by the legislature and the Council, the deadline could be variable.

Mr. Nehf asked what the variables would be. Sen. Faber said he said the question came up that in regard to one of the plans how changes in the retirement age would affect the system and that could affect the time. He said that at this point they don't really know what additional questions will be asked of the consultants.

Rep. Schuring said his preference would be to take legislative action this session. Sen. Faber said it should be done as expeditiously as possible, but it needs to be reasonable.

Mr. Nehf said it is important for the systems to have their proposals considered at the same time and for all the systems to be included in one piece of legislation. Sen. Faber said they would like to deal with this one time, but he does not know if it will be dealt with one time. Mr. Morgan said he anticipates the consultant will come up with recommendations that will lead to the next round of questions.

Sen. Faber asked the Council if there was any objection to having staff draft the responses and harmonize the language from the discussion at today's meeting. There were no objections.

Sen. Faber asked if there was any objection to answer number one; there were no objections.

Sen. Faber asked Ms. Erkman to review question number 2. Ms. Erkman reviewed the second question: Will monthly billings throughout the duration of the project be allowed instead of the process described in Sec. 6.5 of the RFP? Rep. Schuring said it would be appropriate to do what has been done in the past.

Mr. Morgan asked the consultant would be able to review any other issues once the contract is paid in full. Ms. Erkman said the RFP prohibits the consultants from implementing any of their recommendations, but if the Council had additional issues they wanted reviewed the Council could negotiate a separate fee for that work. Sen. Faber said he anticipates that compensation for additional issues could be negotiated and paid separately.

Sen. Faber asked Mr. Estabrook if these were unusual questions. Mr. Estabrook said the question about the fees is unusual and he thinks it is better business practice to specifically identify when they will pay the consultant.

Rep. Ramos suggested that the contract should be structured in such a way that it does not seem like there will not be additional consulting services after the report because he would like to run additional scenarios past the chosen consultant. Sen. Faber said that is the intent.

Sen. Faber moved to have staff draft an answer to this question that is consistent with the discussion, seconded by Rep. Ramos. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 3. Ms. Erkman reviewed the third question: Has a specific amount of money been budgeted for this project by ORSC? Rep. Schuring said he had reservations about tipping the Council's hand by stating how much has been budgeted. He said it is not prudent to state that the Council has had a dollar amount in mind so he suggested the answer should be no. Sen. Faber added that parts of this would be variable and the cost would be based on the nature of the task so to that extent he didn't think a budgeted amount would be relevant.

Rep. Schuring moved; seconded by Sen. Faber that the answer to question 3 should be no. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 4. Ms. Erkman reviewed the fourth question: Section 4.4 of the RFP indicates that actuaries should "Be, at a minimum, Fellows of the Society of Actuaries". Does this requirement apply to all members proposed to work on the project? Rep. Schuring moved, seconded by Ms. Miller, to respond that this requirement applies to the lead consultants assigned to the team, as is consistent with past practice. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 5. Ms. Erkman reviewed the fifth question: The titles listed in Section 4.5 of the RFP don't align very well with our firm's titles. Could you provide a description/definition of each title listed so that we could appropriately align our employee counts with those listed? Rep. Schuring moved, seconded by Ms. Miller, to respond that consultants should use their best judgment when classifying employees. The motion passed without objection.

Sen. Faber asked Ms. Erkman to review question number 6. Ms. Erkman reviewed the sixth question: Could you provide the travel policy rules of the ORSC as referenced by Section 6.5 of the RFP? Rep. Schuring moved, seconded by Sen. Oelslager, to attach the ORSC travel policy to the answers. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 7. Ms. Erkman reviewed the seventh question: Does the one year preclusion period mentioned in Section 3.6 of the RFP only apply to additional actuarial consulting services? Rep. Schuring moved, seconded by Sen. Oelslager, to respond that the RFP prohibits the firm from bidding on or being awarded a contract for implementing any of the recommendations made as part of this review, consistent with past practice. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review questions number 8 and 9 because the two are related. Ms. Erkman reviewed the eighth and ninth questions: A key concern is the desired degree of confidence in reviewing and determining reasonableness and accuracy as requested by ORSC. In our experiences, this may be addressed in various ways. Please provide your thoughts on the degree of precision required as described above for both, the pension and retiree health care reviews. Rep. Schuring said the answer should be they are looking for a professional review that does not include duplication. Sen. Faber said that would be consistent with the preamble discussed at the beginning of the meeting. Sen. Faber said they want someone to consult with who could answer questions such as "does this scenario work?"

Mr. Estabrook said he was concerned about who would be requesting the systems' actuaries to perform additional scenarios – the Council or the vendor. Mr. Morgan said the Council, not the vendor, would be making the requests. Mr. Morgan moved, seconded by Ms. Miller, to have staff draft a response based on the discussion. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 10. Ms. Erkman reviewed the tenth question: How many meetings with the ORSC and other related parties should be anticipated? Rep. Schuring said the Council should have the latitude to change the number of meetings. Rep. Ramos moved seconded by Sen. Oelslager, to respond that the Council anticipates at least two in-person meetings but could request additional meetings if needed. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 11. Ms. Erkman reviewed the eleventh question: For developing an opinion of the economic assumptions as requested in Scope Section 2.2, has a recent experience study been performed (i.e., compensation) and may the data in such study be relied upon for validity? Could you direct us to the most recent study for review? Rep. Ramos moved, seconded by Sen. Schuring, to respond that

the systems' most recent 5-year experience studies will be posted on the ORSC website and the vendor may rely on these reports. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 12. Ms. Erkman reviewed the twelfth question: For Scope of Service 2.3A for the Health Plan, when you refer to the annual valuation, are you referring to a GASB valuation or something else? Can you direct us to the valuation? Ms. Miller moved, seconded by Rep. Ramos, to post the reports on the ORSC website. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 13. Ms. Erkman reviewed the thirteenth question: Can you direct us to the various current plan designs, financial arrangements and cost information for retiree health coverage? Rep. Ramos moved, seconded by Ms. Miller, to have staff post the systems' health care reports on the ORSC website. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 14. Ms. Erkman reviewed the fourteenth question: In supporting recommendations for levels of retiree health care benefits, which specific competitive information would ORSC want? Mr. Morgan said the Council shouldn't tell the consultant whom they should compare the systems with. Rep. Schuring said the Council needs to rely on the consultant's discretion to make the proper comparisons, but the comparison should be with other similar size public retirement systems and appropriate private sector comparisons. Mr. Ramos agreed that they should be of similar size and employee level; he also suggested that health care should be analyzed as part of the total package. Mr. Morgan said it is not inappropriate to suggest they are expecting comparisons but leave the consultant some latitude to decide whom to compare to. Sen. Faber said the consultant is in the best position to decide which systems to use. Mr. Nehf said it is appropriate to ask where the systems being used for comparison get their funding from.

Ms. Miller moved, seconded by Mr. Morgan, to direct staff to draft a response based on the discussion. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 15. Ms. Erkman reviewed the fifteenth question: Would you please provide a copy of H.B.69 version 2 for review, as it is currently not available publicly? Mr. Morgan moved, seconded by Rep. Schuring, to have staff post the -2 version of H.B. 69 on the ORSC website. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 16. Ms. Erkman reviewed the sixteenth question: Please elaborate on "pooling purchases and sharing services" Specifically, what types of purchases and services are ORSC considering? Rep. Schuring said this fits into the preamble and is why we are asking for recommendations; we are looking for those answers from the consultant. Sen. Faber said this is an area where the Council is looking for advice, so it is not appropriate to tell the consultant what comparisons to use. Mr. Morgan moved, seconded by Rep. Schuring to have staff draft a response based on the discussion. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 17. Ms. Erkman reviewed the seventeenth question: Please explain Section 2.7, coordination of benefits. Which benefits and offsets is ORSC referring to? Mr. Morgan moved, seconded by Ms. Miller, to direct staff to draft a response similar to the response to question 16. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 18. Ms. Erkman reviewed the eighteenth question: By when is the Ohio Retirement Study Council ("ORSC") seeking the draft report from the successful bidder? Rep. Ramos moved, seconded by Rep. Schuring, to

provide the same answer as the Council did for question 1. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 19. Ms. Erkman reviewed the nineteenth question: What is the budget for this project? Rep. Schuring moved, seconded by Rep. Ramos, to provide the same answer as the Council did for question 3. The motion was approved without objection.

Sen. Faber asked Ms. Erkman to review question number 20. Ms. Erkman reviewed the twentieth question: We are an actuarial consulting firm, and did work for the Ohio Education Association (OEA) in 2009 regarding the funding situation and potential revisions (both to funding and benefits) to the State Teachers Retirement System of Ohio (STRS). We are interested in proposing on the actuarial review of the five plans and policy advice regarding pension reform issues. However, before we incur the effort to prepare this proposal, we wish to clarify that our work in 2009 for the OEA regarding possible reform of the STRS does not preclude us from bidding, under sections 4.7, 6.7 or 6.9 of the RFP. Would this prior work preclude us from bidding? Sen. Oelslager moved, seconded by Rep. Ramos, to respond that this would not preclude them from bidding on the project. The motion was approved without objection.

Mr. Nehf suggested that, related to question 1, the consultants would probably prefer a deadline for a preliminary report. Rep. Schuring suggested that a hard date would make it harder for the vendors to reply. He said the Council could ask for a specific date in the contract, but he is not prepared to do that right now.

Sen. Faber asked for further questions or comments; there were none.

Sen. Faber said they are still looking at possible dates for the "traveling road show" and suggested they target afternoon and evening meetings. Additionally, they should go to large and small communities, and go to different parts of the states. He said they anticipate the process would occur in September and October. He said they would try to group the meetings in similar geographic locations on the same day. He reminded members to submit their calendars to staff.

Sen. Faber asked for further comments; there were none.

There being no further business to come before the ORSC, the meeting was adjourned at approximately 10:00 a.m.

Date Approved

Keith Faber, Chair

Aristotle L. Hutras, Secretary

Lynn Wachtmann, Vice-Chair