THE OHIO STATE UNIVERSITY

Ohio State University Retirees Association
Office of Human Resources
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Date: February 10, 2015

To: **OSURA Executive Board Members/Historian/Representatives**

Donald B. Cooper
Don M. Dell
Sally E. Dellinger
Howard L. Gauthier
Raimund E. Goerler
Michele B. Hobbs
Richard M. Hill
Fern E. Hunt
Daniel L. Jensen
Donald W. Larson
Shirley McCoy
Sally W. Morgan
Ivan I. Mueller
Gerald H. Newsom
Hallan C. Noltimier
Thomas L. Sweeney
Marie T. Taris
Gisela M. Vitt
Nancy S. Wardwell

From: Hallan C. Noltimier, President

OSURA Executive Board Meeting
Tuesday, February 10, 2015 from 9:00 to 11:00 AM
Northwood and High Building, Room 100
2231 North High St.

AGENDA

9:00 Call to Order and Personals
9:03 Meeting Minutes — Sweeney
9:08 President's Comments – Noltimier
9:13 Treasurer's Report - Jensen
9:23 Office Report — Lantz
9:28 Committee Reports
- Benefits – Taris (Noltimier)
  - Fall Conference – Turner
- Bylaws – Taris
- Communications – Wardwell
- Finance – Gauthier
- Friendship – Dellinger
- Membership – Larson
- Special Interests Groups – McCoy
- Vice President's Report - Newsom

9:48 Representatives' Report
- Bucks for Charity – Dell
- Campus Campaign – Sweeney
- FCBC – Mueller
- Legislative Update – Hill
- OCHER/ORTA/HPA – Wardwell/ Gauthier
- OPERS – Hobbs
- STRS – Hill/Gauthier
- Big Ten Conference – Noltimier
- Drake Meeting March 25 - Turner

10:28 Old Business

10:33 New Business
Operating Manual – Taris (Newsom)

11:00 Adjournment

Please contact Hallan Noltimier at Noltimier.2@osu.edu if you are not able to attend.
Next meeting: March 10, 2015

Cc: Anne Nagy, Michele Bondurant, Pam Doseck, Bob Hessenauer

The Ohio State University Retirees Association
(OSURA)

EXECUTIVE BOARD MINUTES
Tuesday, January 12, 2015, 9:00 a.m. - 11:00 a.m.
Community Room, Northwood-High Building
2231 North High Street, Columbus, Ohio 43201

Members:	Donald B. Cooper*	Don M. Dell*	Sally E. Dellinger
	Howard L. Gauthier	Raimund E. Goerler	Richard M. Hill
	Fern E. Hunt	Daniel L. Jensen	Donald W. Larson
	Shirley F. McCoy	Sally W. Morgan	Ivan I. Mueller
	Gerald H. Newsom	Hallan C. Noltimier	Thomas L. Sweeney
	Marie T. Taris*	Nancy S. Wardwell	
Representatives & Other Committee Chairs:	Odette Blum*	Mary Anne Herbst*	Michele B. Hobbs
	Alabelle B. Zghoul*		
OSU-HR Office:	Michele R. Bondurant*	Diana L. Lantz	
Guests:			

* *not present*

Chair: Hallan C. Noltimier, President

1. ***Call to Order*** – 9:03 a.m.

Personals – Warren Lee is ill. Marty continues to improve. A card was received from Fran Ridenour in response to the resolution noting Tom Ridenour's service to OSURA.

2. ***Minutes of December 9, 2014*** (Thomas L. Sweeney) The minutes were approved as distributed. Tom stated that he would be away in February and that a substitute secretary would be needed. Shirley McCoy agreed to serve in that capacity.

3. ***President's Comments*** (Hallan C. Noltimier) Hal noted that he was uncertain as to the need for an OSURA liaison to the SCBC. He mentioned that the Nominating Committee might want to discuss finding a replacement but suggested that the matter be put off for discussion until the February Board meeting.

   Hal reminded Board members of Marie Taris' request that each person review the part of the Operating Manual that relates to his/her duties with suggestions for change. Any changes should be sent to Marie before the end of January and will eventually come to the Board for its consideration.

4. **Treasurer's Report** (Daniel L. Jensen) Dan informed the Board that as of December 31, 2014, the total of the fund balances was $255,645, of which $142,723 was the life membership fund, and on October 31, 2014 the market value of the Endowment fund was $140,230.

   The OSURA endowment received approximately $1,300 during the first half of the current fiscal year.

   See Dan's detailed written report for complete details.

5. ***Office Report*** (Michele R. Bondurant and Diana L. Lantz) Diana reported that the Office handled 152 incoming calls, 103 e-mails on the message boards, 204 e-mails from members, 22

checks, the Weekly Events and Program Report, information for the Membership Report, and endowment information for the Friendship Committee. Rosters and name tags for three events were prepared.

The University will be closed on January 19th. Training is ongoing for the students working in the office. The Directory should be in the mail this week. Work continues on the Database Upgrade Project.

Michele will be away from the office for the next couple of weeks.

6. Committee Reports

Benefits (Marie T. Taris) By written report Marie noted that her committee did not meet this month due to inclement weather. When classes for the Columbus Public Schools are cancelled, the Committee had determined that any committee meeting on that day would also be cancelled.

The next meeting of Rachael Turner's Annual Conference Committee will be at the Kingsdale MCL on January 15, 2015 from 9:00 to 11:00 a.m. All Board members are invited to attend and to assist in the planning.

Sally Morgan asked whether speakers at, say, the new health related SIG presentations, could be given a token gift (for example, a bottle of wine) to recognize their contributions. Also, could copying and other costs be covered by OSURA? The consensus of the Board was that it would be highly appropriate to give token gifts and that, of course, OSURA should pay for copying. In cases where a registration fee is charged, copying costs could be recovered from the fee, but in cases where there is no registration fee the costs should be taken from the appropriate budget allocation.

See Marie's written report in the Meeting Packet for complete information.

Bylaws (Marie T. Taris) No report.

Communications (Nancy S. Wardwell) No report. Nancy requested that Board members take pictures at various OSURA activities and send copies to her for use in the Newsletter and perhaps the Directory.

Finance (Howard L. Gauthier) Howard said that the Committee did not meet in December but would meet after the Board meeting. The Committee will discuss the budget for 2015-2016 and some revisions of financial procedures, for example the addition of an accounts payable ledger.

Friendship Committee (Sally E. Dellinger) No report.

Membership (Donald W. Larson) Don reported that paid membership is up by 76 over last year for a total of 3,054. Total membership is at 3,218.

The Committee will meet later this month. The Directory is about to come out and many thanks are due to Diana and her staff for a smooth process in the production of the Directory.

See further details, including current membership numbers, in Don's report in the Meeting Packet.

Special Interest Groups (SIG) Coordinating Committee (Shirley F. McCoy) No report.

Vice President's Report (Gerald H. Newsom) Jerry noted that the Nominating Committee has been working. He expressed appreciation for the suggestions that he has received from fellow Board members.

Jerry reported that Gisela M. Vitt has agreed to serve the unexpired term of an at-large member of the Board ending June 30, 2016. As provided by the Bylaws, the Board elects a successor to any Board member who is unable to serve. It was moved, seconded, and unanimously approved that Gisela be elected.

Jerry reminded the Board that a new chair for the Social Committee is needed. Mary Anne Herbst is continuing to serve as chair, but needs to retire very soon.

7. **Representatives' Reports**

Bucks for Charity (Don M. Dell) By written report, Don noted that retirees had contributed over $59,000 to the drive, well over the goal of $50,000. The total amount collected over the entire university was more than $1 million.

Campus Campaign (Thomas L. Sweeney) Tom reported that the Campus Campaign had submitted copy for a suggested Newsletter article.

FCBC (Ivan I. Mueller) The December FCBC meeting included a discussion of salary issues and a presentation by Geoff Chatas, Sr. VP and CFO, on the financial outlook for the university. Ivan reported that OSU is nearing $6 billion in annual expenditures. The largest portion of that amount is for salary and benefits, $1.8 billion, making even small percentage wage increases very expensive for the University.

The University has a continuing and financially successful effort to verify eligibility for dependent health coverage.

In a special meeting, the President and the Provost of the University met recently with the FCBC to discuss compensation and benefit matters.

Legislative Update (Richard M. Hill) Dick reported that, at the Federal level, recent legislation permits in some cases the reduction in benefits to current retirees in multiemployer plans.

In public pension plans nationally, the ratio of active workers to retirees averages 1.65. The ratio for STRS is 1.14. The national funded ratio is 72%. The STRS value is 69%. (2012 data)

Dick passed out a list of state and federal legislators, along with contact information. He also noted that efforts continue in Congress, with little likelihood of success, to end the Social Security Windfall Elimination Provision.

See Dick's notes in the Meeting Packet for his written report.

OCHER /HPA (Nancy S. Wardwell, Howard L. Gauthier, and Richard M. Hill) OCHER will meet on March 17, 2015. The most recent scheduled meeting of HPA was cancelled. The HPA will meet again in February.

Dick circulated a letter to the editor of the Columbus Dispatch from Bruce Johnson, President of the Inter-University Council of Ohio detailing state funding for higher education in Ohio during recent years.

OPERS (Michele B. Hobbs) Total assets for OPERS on November 30, 2014 were $90.7 billion. The Medicare connector for OPERS health benefits is Extend Health, Inc., a Towers Watson Company.

Michele reported on OPERS actions to prepare members to make informed decisions on retirement and on the approval of the OPERS administrative and capital budgets. She also discussed the decision to maintain the current allocation of the 14% employer contribution at 12% to fund pension benefits and 2% to fund health care benefits.

See the Meeting Packet for Michele's written report.

SCBS and USAC (Vacant) No report.

STRS (Richard M. Hill and Howard L. Gauthier) Dick discussed two models for planning for the future that were presented at a recent STRS board meeting by the actuaries. The first model assumes that everything is stable over the next 20 years. Under this assumption, the funding period gradually reduces from about 30 years in 2014 to about 8 years in 2034. The unfunded liability would remain at about $20 billion over the 20 year period, but it would be a smaller percentage of STRS total assets each year.

The second model uses the past 20 years as a template for the next 20 years. This results in a "roller coaster" ride for the funding period, hitting zero several times and ending at zero in 2034. The unfunded liability is highly variable also, and ends up at just a few billion dollars in 2034.

Dick also presented data that argues that STRS saves about $100 million annually by managing the bulk of its investments internally. This is primarily due to lower costs rather than better investment performance.

See Dick's notes in the Meeting Packet for his written report.

Tax Seminar (Hallan C. Noltimier) Hal informed the Board that the Tax Seminar will be on Friday January 16, 2015 at the Brice Eck Center, 3880 Reed Rd., Upper Arlington from 1 to 3 p.m. No registration is required.

8. Old Business

Operating Manual Revisions (Marie T. Taris) No report, but see the President's Comments, on page 1 of these minutes.

9. New Business / Add-on Items

Meeting Cancelation Policy (Hallan C. Noltimier) If Columbus Public Schools cancels classes due to inclement weather on a day scheduled for an OSURA Executive Board meeting, the Executive Board Meeting will be automatically cancelled.

10. Next Regular Board Meeting

Tuesday, February 10, 2014, 9:00 a.m. - 11:00 a.m.
Community Room, Northwood-High Building
2231 North High Street, Columbus, Ohio 43201

11. Adjournment – The meeting was adjourned at 10:30 a.m.

Thomas L. Sweeney, Secretary
January 22, 2015

OSURA RETIREES ASSOCIATION

FY 2015 Budget Request

OSURA is proposing a continuation budget that reflects the three strategic goals the Association has adopted to increase its value to OSU retirees and the University

1. To help OSU remain an employer of choice for talented professionals by assisting OSU retirees achieve an active and fulfilling retirement.

2. To advance the University by encouraging retirees to donate time, money and energy to the advancement of the University.

3. To reduce over time our dependence on University General Funds by diversifying our revenue base and developing an operating reserve fund.

OSURA proposes to advance these goals by taking the following steps:

- Continuation of the $40,000 annual support provided by the Office of Human Resources for core functions that are identified in the attached budget.

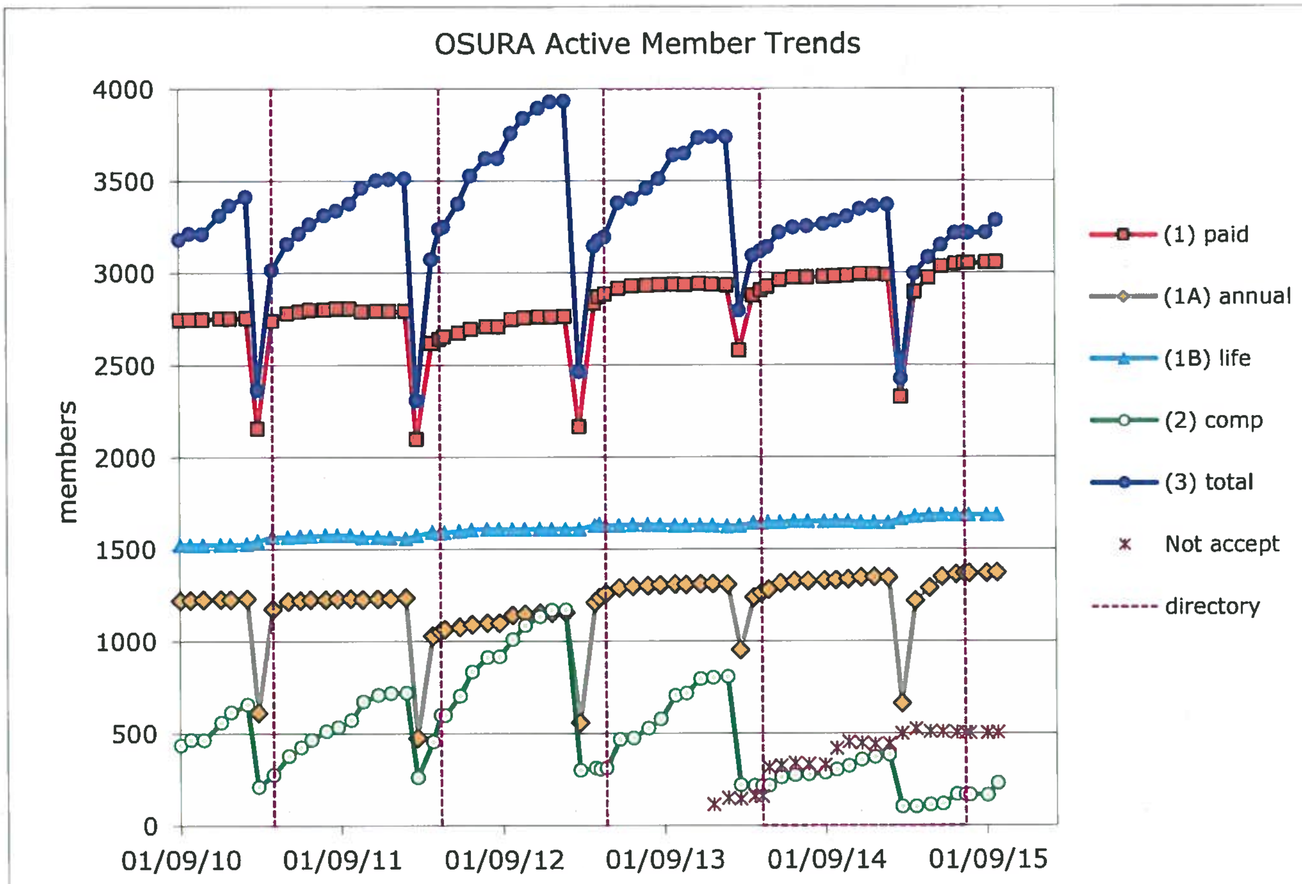
- Invest approximately $15,000 of self-generated resources to advance the strategic goals of the association, such as increased membership and improved member satisfaction. To increase membership in 2014-2015, we developed a brochure describing the activities and interests of OSURA to be distributed to new retirees and members of the OSU HR Council. To improve member satisfaction, we increased our number of Special Interest Groups to meet more of the broad interests of our membership.

- Invest $6,000 of self-generated revenues into a bookkeeping agreement with John Gerlach & Co. to strengthen our financial management.

- Develop closer ties with the OSU Office of Advancement, while continuing to maintain our close ties with the Office of Human Resources.

OSURA
2015-16 Budget Worksheet
Revised January 14, 2015

	2014-15 Consolidated Budget	2014-15 Actual to 31-Dec			Budget Minus YTD Actual	Discusssion Draft of 2015-16 Consolidated Budget
		OSURA	HR	Consolidated		
Revenue:						
Human Resources	**40,000**	0	40,000	**40,000**	0	**40,000**
Dues	**17,000**	17,160	0	**17,160**	(160)	**17,000**
Investment Income	**1,500**	1,525	0	**1,525**	(25)	**1,500**
Travel Transfer	**4,500**	3,312	0	**3,312**	1,188	**4,500**
Endowment	**5,000**	5,580	0	**5,580**	(580)	**5,000**
Annual Meeting & Fall Conference:						
Registration Fees	**8,000**	8,720	0	**8,720**	(720)	**8,700**
Advertising	**9,000**	14,045	0	**14,045**	(5,045)	**14,000**
Newsletter Advertising	**6,000**	2,500	0	**2,500**	3,500	**6,000**
Total Revenue	**91,000**	52,842	40,000	**92,842**	(1,842)	**96,700**
Expenditures:						
Communications:						
Membership Directory	***10,500***					***10,500***
Monthly Newsletter	***28,000***					***28,000***
Special Communications	***6,500***					***6,500***
Transfer to HR Office	***5,000***					***5,000***
Total Communications	***50,000***	*0*	*11,068*	**11,068**	38,932	***50,000***
Administrative	**6,800**	2,004	570	**2,574**	4,226	**12,800**
Annual Meeting & Fall Conference	**16,700**	20,690	105	**20,795**	(4,095)	**21,000**
Special Events *(Dinner Series)*	**0**	(34)	0	**(34)**	34	**0**
Strategic Initiatives *(Committee Projects, Special Interest Groups)*	**350**	0	1,213	**1,213**	(863)	**1,000**
Total Expenditures	**73,850**	22,660	12,956	**35,616**	38,234	**84,800**
Revenue Over (Under) Expense	**17,150**	30,182	27,044	**57,226**		**11,900**
Addition to Strategic Initiatives Reserve	**5,000**					**5,000**
Net Operating Balance	**12,150**					**6,900**



Monthly Number of OSURA Members by Category
(through February 2, 2015)

paid = annual + life
total = paid + comp

Number of Members at Significant Times:

	(1) paid	(1A) annual	(1B) life	(2) comp	(3) total	not accept	
06/06/11	2794	1236	1558	719	3513		annual maximum (2.9% increase)
08/22/11	2639	1051	1588	599	3238		directory
06/01/12	2763	1155	1608	1170	3933		annual maximum (12.0% increase)
08/31/12	2885	1258	1627	310	3195		directory
05/01/13	2937	1309	1628	802	3739		annual maximum (4.9% Decrease)
08/19/13	2904	1261	1643	214	3118		directory
06/02/14	2988	1343	1645	383	3371	443	annual maximum (9.8% decrease)
11/21/14	3051	1366	1685	166	3217	502	directory
02/02/15	3057	1371	1686	228	3285	503	current month
01/10/15	3054	1368	1686	164	3218	502	comparison with last month
	3	3	0	64	67	1	
02/03/14	2981	1329	1652	302	3283	418	comparison with last year
	76	42	34	-74	2	85	

Note: Membership categories are the same as those used in the "Analysis" at the back of the *Membership Directory*.

<u>MEMBERSHIP REPORT</u> **<u>DATE: 2/2/2015</u>**

Membership Category	# of Memberships***	# of Spouses/Partners of Retirees	Total # of Members in This Category
1. Paid Membership	1985	1072	3057
A. Annual	886	485	1371
B. Life	1099	587	1686
2. Complimentary Membership	152	76	228
3. Total (1 + 2)	2137	1148	3285
4. Associate Memberships*	23	9	32
A. Annual*	19	6	25
B. Life*	4	3	7
5. Dual Spouse Memberships*	116	116	232
A. Annual*	34	34	68
B. Life*	80	80	160
C. Complimentary Memberships**	2	2	4
6. Membership Not Accepted Membership	N/A	N/A	503

* Included in Paid Memberships.

** Included in Complimentary Memberships.

*** Some memberships are spouses/partners of deceased retirees.

Legislative/ Health Care, Pension, and Financial Updates — JANUARY 2015

STRS Board Meeting – January 2015 *(Retreat Month)*
Excerpts from the *STRS Ohio Legislative Update,* and Other Sources

1. The Value of Defined Benefit Plans - *The Need for Proper Funding*

A14 | Tuesday, December 16, 2014 THE WALL STREET JOURNAL.

OPINION

Pension Plans Do Well When They Are Properly Funded

With respect to Andrew Biggs's "Public Pensions Need Gamblers Anonymous" (op-ed, Dec. 3) and the letters of Dec. 9: Comparing individual investments for retirement through 401(k)-style plans with group investments through pensions funds is wholly inappropriate. The vast majority of American workers have little or no investment savvy—a big minus for the effectiveness of 401(k) plans—while pension-plan investments are professionally managed and overseen by boards of trustees under the jurisdiction of state and local governments. The administrative costs of pension plans are minuscule compared with the hidden costs individuals must pay with 401(k) plan investments. Simply put, public pension plans provide a higher level of benefits at much lower cost than 401(k) plans.

We aren't sure how Mr. Biggs arrived at 62 for the typical age of a Calpers participant. Taking school employees as an example, the median age for active participants is about 45. Even applying Mr. Biggs's outdated, debunked "100 minus your age" rule, Calpers' asset allocation appears just about right.

The truth is that the vast majority of public pensions are well funded and are growing stronger as the economy continues to recover. Calpers, for example, has higher assets today than it did in 2007, a year before the Great Recession devastated the economy and the markets. The biggest challenge public pensions face is receiving the timely and full payments of annual required contributions by state and local governments. The public pension plans in trouble today are typically the plans whose legislatures have failed to fund them, even in boom economic times.

HANK KIM
Executive Director
National Conference on Public Employee Retirement Systems
Washington

Value of the DB Plan

Value of DB Plan:		
1. Normal Cost		11.74%
2. Additional Value of DB Plan:		
a) Value of DB Plan Asset Management	4.40%	
b) Value of DB Plan Annuity	2.28%	
c) Value of DB Plan Disability/Death Benefits	1.17%	
d) Retiree Health Care Normal Cost	0.93%	
e) Retiree Health Care Value of Group Purchasing	0.46%	
f) Total		9.24%
3. Total Value of DB Plan: (1) + (2f)		20.98%
4. Current Member Contribution Rate*		12.00%
5. Excess of Value of DB Plan over Current Rate		8.98%

* Based on the ultimate member contribution rate of 14.00%, the additional value of the DB Plan is 6.98%.

Segal Consulting 6

2. The Illinois Example - *And, What We All Owe Nationally*

[OVER]

Dick Hill / Excerpted from the *STRS Ohio Legislative Update,* and other sources.
Bold print and italics have been added in some places for emphasis and reader convenience

Welcome to Illinois, the Deadbeat State

By Gerald Skoning

Like millions of other Americans, I have spent cautiously, paid bills on time and maintained a strict budget. That doesn't make us heroes. But it does mean we have exercised common sense, which has been sorely lacking among the politicians in my home state of Illinois.

The Land of Lincoln has accrued a $111 billion unfunded liability for government workers' pensions—up 75% from five years ago. There is an additional $56 billion of unfunded debt to cover health benefits for the state's retirees. Illinois today is already spending more of its general fund on pensions than on K-12 education. One in four tax dollars pays for its retired workers' benefits. Last year the state had to defer paying $7 billion owed to contractors. All this after Democrats in 2011 raised income taxes and corporate taxes by 67% and 30%, respectively.

It's getting embarrassing to admit that I'm a citizen of such a deadbeat state.

The level of debt is staggering. According to a recent report by Statista Inc., Illinois residents owe $24,959 each as their share of the outstanding bonds, unfunded pension commitments and budget gaps the state has accumulated. Thank goodness this obligation doesn't go on my credit report, or my credit rating would be in the tank along with the state's A-minus bond rating, the worst of any state in the nation.

It is no wonder that 850,000 people have left Illinois for other states in the past 15 years, according to the Illinois Policy Institute. Or that Illinois has become one of the most business unfriendly states in the country (40th in a recent Forbes survey).

Last year the Land of Lincoln had to defer paying $7 billion owed to contractors. Its bond rating is the worst of any state.

Ironically, there is an easy way for me and my fellow Illinoisans to reduce our obligations: Move next door to Indiana, or maybe to Florida. The debt per resident in the Hoosier State is just $5,726 (third lowest in the country) and residents of the Sunshine State owe only $7,175 each (fourth lowest). It may be a coincidence, but the eight lowest debt-per-resident states have Republican governors.

Crushing debt isn't just Illinois's problem. According to State Budget Solutions, America's 50 state governments collectively owe $5.1 trillion, including outstanding bonds, unfunded pension commitments and budget gaps. California has by far the largest debt—$778 billion—more than twice that of No. 2, New York, with $387 billion in red ink.

County and local governments also are huge debtors. The Cook County treasurer notes that the county's numerous local governments have a debt load of more than $140 billion. Of course, Uncle Sam is the worst offender in the deficit-spending Hall of Shame. The federal debt is more than $17 trillion and increasing by $4 billion a day. Every citizen's share of the debt is $58,604.

The $17 trillion federal deficit is the tip of the iceberg. The U.S. has nearly more than $115 trillion in unfunded liabilities, principally in entitlement programs such as Medicare and Social Security. That's $1.1 million per U.S. taxpayer.

Forget about Indiana and Florida, maybe I should move to the Cayman Islands. But I'm not going to leave the United States—or Illinois. The message of the midterm elections last month was that Americans want to put the era of fiscal irresponsibility and economic stagnation in the rearview mirror. I'm hoping that Bruce Rauner, the Republican elected governor of deep-blue Illinois, will show them how it can be done.

Mr. Skoning is a labor and employment lawyer in Chicago.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
277 EAST TOWN STREET, COLUMBUS, OH 43215-4642
1-800-222-PERS (7377)
www.opers.org

OPERS
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MEMORANDUM

DATE: January 12, 2015

TO: OPERS Retirement Board Members
Karen Carraher, Executive Director

FROM: Gordon Gatien, Government Relations Officer
Carol Drake, Chief External Affairs Officer

RE: **IV. Discussion Items:**
C. 2014 Legislative Summary

The following report is a culmination of the Fourth Quarter FY 14 Government Relations activities, with a particular focus on legislative activity in the final days of the 130th Ohio General Assembly.

Ohio Retirement Study Council ("ORSC or Council")
With a November agenda that included the OPERS 2015 operating budget, which garnered no questions, the agenda item with the most attention was the ORSC staff report on a list of previously raised recommendations and actions. Of the 16 recommendations, the Council only acted on one of them, which was the provision in Am. Sub. SB 42 that contained a provision for each system to pay for its own actuarial audit. In addition, the Council approved the joint retirement agreement among the three non-uniform retirement systems, for OPERS, STRS and SERS.

As you may recall, the ORSC recommended that the custodial bank relationship with the retirement systems be modified, a long-standing recommendation by the Council. Though there were discussions about possible legislative language to address the issue, the issue was ultimately tabled.

Legislative
A year of monitoring legislation and advocating for and/or against that which affected OPERS culminated in a flurry of activity in November and December. A list of bills that staff actively monitored is provided in the Board materials. The bills that drew most of staff's attention included: Amended Substitute Senate Bill 42, House Bill 620, House Bill

238 and its companion, Senate Bill 344, and House Bills 321-324 (i.e., Data Ohio Initiative).

- Am. Sub. S.B. 42 ("SB 42"), signed by Governor Kasich on December 19, 2014, contained not only corrective language approved by the OPERS Board in Am. Sub. S.B. 343 ("SB 343"), i.e., pension reform bill from 2012, but it also contained provisions that codified the joint retirement agreement crafted by the non-uniform systems (SERS and STRS), as well as changes that the Board approved to allow OPERS to provide allowances to our Medicare Part B-only population.

  About two-thirds of the corrective language simply consisted of technical changes (e.g., incorrect cross-references, omitted language, and changes in terminology). Other changes included clarifications that merged administrative rules and business processes with the law. Those changes included a universal beneficiary designation provision, disability clarifications, and Workers' Compensation service credit purchase limitations. (*please see the attached summary of corrective changes*)

  SB 42 also included new statutory changes that were identified as necessary during the implementation of the changes under SB 343. Those included: specifying that OPERS associates are not subject to civil service laws, an issue on which OPERS has prevailed on three separate occasions before the State Personnel Board of Review; and assigning OPERS authority to collect interest on overpayments.

  With regard to coordination of benefits (i.e., joint retirement), the new law:

  - Identifies the system that determines eligibility for benefits under coordination of benefit provisions as the "paying system" and the system that transfers service credit and contributions as the "transferring system."

  - Reduces the amount of employer contributions the transferring system must transfer by a "retention percentage" established by the bill.

  - Specifies that the retention percentage is 5% of the employee's compensation unless the percentage is changed by agreement of the systems, and requires the systems to review the percentage at least once every five years.

  - Requires the transferring system to certify certain information, including the transferring system's determination of the member's eligibility for a retirement or disability benefit and the employee's service credit.

  - Permits the paying system to reduce the member's service credit if the credit certified by the transferring system is concurrent with any period of service credit earned from the paying system or the amount certified exceeds one year when added to the member's service credit in the paying system.

As was discussed last month, SB 42 also gives OPERS the discretion to provide a Medicare Part A coverage plan, as it does currently, or allow our Med-B-only population to utilize the connector, select their own plan, and be reimbursed for such coverage (as well as for any applicable surcharges).

There were two other provisions that were included within SB 42, neither which OPERS requested, but neither provision was a concern. The first is a provision that was discussed during the SB 343 legislative process – increasing the minimum compensation for poll workers to $600 (from $500) before OPERS contributions are required. The other amendment requires that each retirement system pay for its own actuarial audit through the ORSC process, which benefits OPERS.

The sponsor of House Bill 620 (division of property orders / survivor benefits), Rep. Matt Huffman (R-Lima) worked with interested parties earlier in the year prior to introducing the bill. After numerous discussions behind the scenes, HB 620 was introduced in September; however, the one main component of the bill for which we advocated was absent from the introduced version. The bill provides that the pre-retirement survivor benefit for an ex-spouse would be automatically assigned, leaving no room for negotiation among the parties. OPERS staff, as well as staff from the other public retirement systems, strongly suggested that the parties should be able to negotiate terms of the division of property, particularly for those who were receiving previously-negotiated benefits. After one committee hearing in early December, the bill died. Because there was some interest by legislators in the concept behind HB 620, staff expects that a similar bill may be introduced next session.

The Data Ohio Initiative was a series of bills (HB 321-324) sponsored by Rep. Mike Duffy (R-Columbus) that were intended to improve transparency throughout state & local government by promoting data standardization, uniform charts of accounts, and a centralized website directing users to relevant data. When these were introduced in October of 2013, we had some concerns because of the bills' vague language and the redundancy that would have been created due to the level of transparency that already exists with the information that OPERS discloses. What appeared to be harmless in scope could have cost OPERS significant money to conform to the standards being contemplated.

With some productive meetings with Rep. Duffy, we were able to have the bills amended sufficiently to satisfy our concerns. Ultimately, the bills were consolidated into HB 324 during lame duck, with some of the amended language missing and reported to the floor of the House of Representatives. Though the bill died in the Senate, staff expects to see similar legislation next session since

Substitute HB 324 was approved unanimously by the House (89-0) and Rep. Duffy returns for the 131st General Assembly.

The "Transparency in Private Attorney Contracts Act" (HB 238 / SB 344), sponsored by Rep. Jim Butler (R-Batavia) and Sen. Bill Seitz (R-Cincinnati), would require the Attorney General to justify, in writing, the hiring of outside counsel. In addition, the bill would have required the AG to hire only Ohio firms unless the AG (representing the agency) determined that, for various reasons, there were no qualified attorneys in Ohio or any who are willing to represent Ohio. Staff voiced its concerns with the bill because of the lack of legal expertise in Ohio relative to the highly specialized nature of securities litigation. After much discussion with the bills' sponsors, both companion bills were amended to staff's satisfaction; however, neither bill cleared both chambers. This is a bill that staff expects to see early in 2015, as both sponsors return for the 131st General Assembly.

Another bill that staff actively monitored throughout the year was SB 258 (Pharmacy audits), a bill that would establish standards for the performance of pharmacy audits. SB 258 was signed into law on December 18, 2014.

Outreach

Looking ahead to 2015, staff intends to meet with each new legislator and their legislative aides. Meetings have been scheduled with several of them already. Additionally, staff will enhance its direct contact with OPERS' stakeholder groups via informal meetings along with the formal update meetings.

If you have any questions about the information in this report, please contact us at your convenience.

Main Points Overview Relating to Retiree Members: *

1. Identification of RISKS

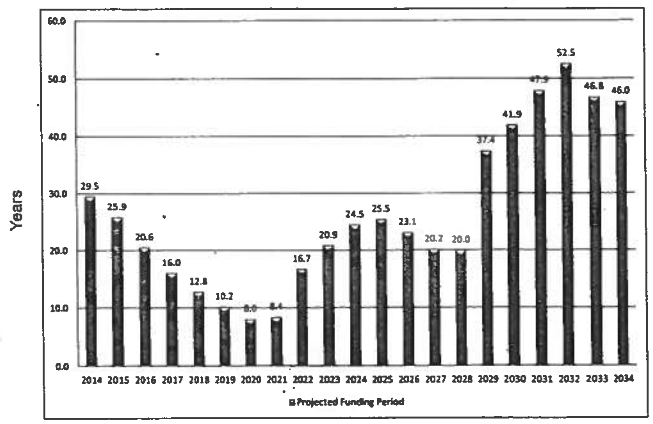
(1) Economic Variables: ***e.g., Investment Returns; Inflation . . .***
(2) Demographic Events: ***e.g., Mortality; Payroll / Population Changes . . .***
(3) External Forces: ***e.g., Governance; Regulatory; Litigation; ORSC . . .***

2. GLIMPSES Into "The Fiscal Future" of STRS: ***2015 to 2034*** **Part 2**

(A.) Two Decades of Reduced Market Returns: 6% instead of our current 7.75%

Deterministic Projections – Projected Funding Period

Assuming market value returns for FY2015-2034 average 6%



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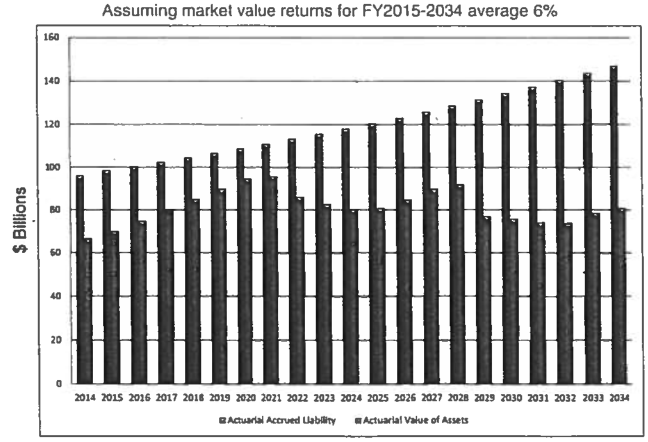
Deterministic Projections – Projection of Actuarial Accrued Liability and Actuarial Value of Assets

Assuming market value returns for FY2015-2034 average 6%



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(B.) A Comprehensive DASHBOARD of Key Metrics **[OVER]**

Next Regular Board Meeting: February 19, 2015. * From the STRS Executive Director's Report, and Other Sources (e.g., news-bounces@strsoh.org; Legislative News). Underline, bold, and/or italics have been added in some citations above.

Dick Hill / Member, OSURA Executive Board

Dashboard of Key Metrics

➢ The Segal report will be accompanied by a "dashboard" that summarizes key metrics on a single page

Contribution Rate Sufficiency:

A

1. Total normal cost rate	11.54%
2. Less: member rate	-11.71%
3. Employer normal cost rate	-0.17%
4. Funding policy UAL amortization	13.86%
5. Actuarially determined contribution	13.69%
6. Employer contribution rate	14.00%
7. Sufficiency/(Deficiency): (6) - (5)	0.31%

Demographics ($ in millions):

B

	Active Count	% Chg	Covered Pay	% Chg
06/30/2014	169,295	-0.38%	$ 9,833.0	-0.86%
06/30/2013	169,945	-1.79%	$ 9,917.9	-1.83%
06/30/2012	173,044	-2.73%	$ 10,102.5	-2.57%
06/30/2011	177,897	1.17%	$ 10,369.4	0.27%
06/30/2010	175,842	0.59%	$ 10,341.5	2.17%
06/30/2009	174,807	--	$ 10,122.1	--

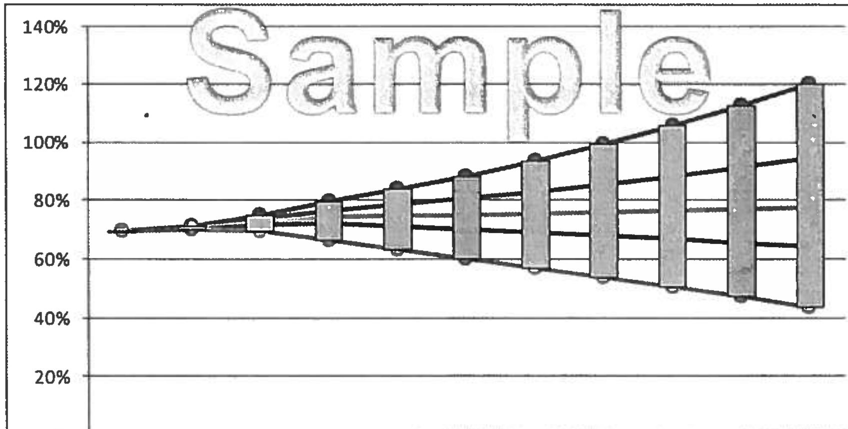
Cash Flow ($ in millions):

C

	Contributions	Disbursements	Net CF
2013-2014	$ 2,702.2	$ (6,786.0)	$ (4,083.8)
2012-2013	$ 2,491.1	$ (6,418.3)	$ (3,927.2)
2011-2012	$ 2,511.5	$ (5,983.6)	$ (3,472.1)
2010-2011	$ 2,566.8	$ (5,469.1)	$ (2,902.3)
2009-2010	$ 2,537.5	$ (5,086.7)	$ (2,549.2)

Funded Status:

D

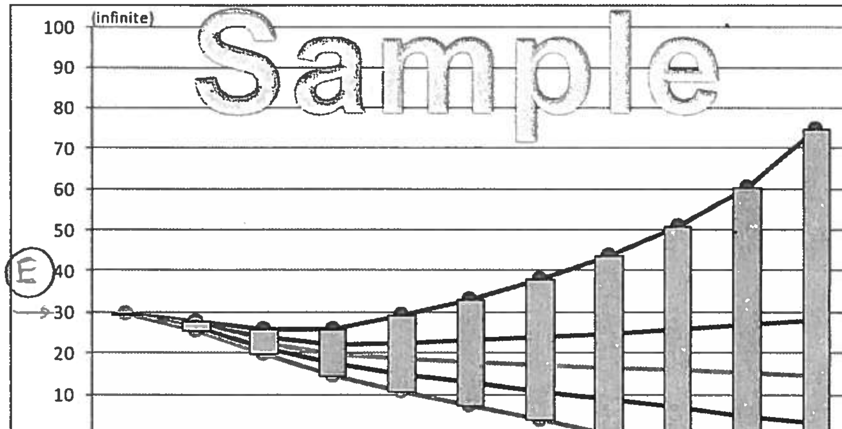


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
95th	69%	71%	75%	79%	84%	88%	93%	99%	105%	112%	120%
75th	69%	71%	74%	76%	79%	81%	83%	86%	88%	91%	95%
50th	69%	70%	73%	74%	75%	75%	75%	76%	76%	77%	77%
25th	69%	70%	72%	72%	71%	70%	69%	68%	67%	65%	64%
5th	69%	70%	69%	66%	63%	60%	57%	54%	50%	47%	44%

95th 75th 50th 25th 5th

Funding Period (in years):

E



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
95th	30	28	26	26	29	33	38	44	51	60	75
75th	30	27	24	22	22	23	24	25	26	27	28
50th	30	27	23	20	19	18	17	16	16	15	14
25th	30	26	21	17	15	13	11	9	7	5	3
5th	30	25	20	15	11	7	4	0	0	0	0

95th 75th 50th 25th 5th