



Date: September 8, 2015

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

Jerry Dare
Sally E. Dellinger
Howard L. Gauthier
Raimund E. Goerler
Michele B. Hobbs
Richard M. Hill
Fern E. Hunt

Daniel L. Jensen
Carl Leier
Shirley McCoy
Sally W. Morgan
Ivan I. Mueller
Gerald H. Newsom
Hallan C. Noltmier

Diane Selby
Thomas L. Sweeney
Marie T. Taris
Gisela M. Vitt
Nancy S. Wardwell
Elenore Zeller
Alabelle Zghoul

From: Gerald H. Newsom, President

**OSURA Executive Board Meeting
Tuesday, September 8, 2015 from 9:00 to 11:00 AM
Northwood and High Building, Room 100
2231 North High St.**

A G E N D A

| | | | |
|------|-------------------------------------|-------|----------------------------|
| 9:00 | Call to Order and Personals | 9:50 | Representatives' Report |
| 9:03 | Meeting Minutes – Sweeney | | Bucks for Charity – Dell |
| 9:06 | President's Comments – Newsom | | Campus Campaign – Sweeney |
| 9:15 | Treasurer's Report - Jensen | | FCBC – Goerler |
| 9:21 | Office Report – Lantz | | Legislative Update – Hill |
| 9:28 | Committee Reports | | OCHER/HPA – Wardwell/Hobbs |
| | Benefits – Noltmier | | OPERS – Hobbs |
| | Fall Conference – Noltmier (Turner) | | STRS – Hill/Gauthier |
| | Bylaws – Taris | | |
| | Communications – Wardwell | 10:33 | Old Business |
| | Finance – Gauthier | 10:38 | New Business |
| | Friendship – Dellinger | | |
| | Membership – Selby/Vitt | 11:00 | Adjournment |
| | Special Interests Groups – Leier | | |
| | Vice President's Report - McCoy | | |

Please contact Jerry Newsom at newsom.1@osu.edu if you are not able to attend.

Next meeting: October 13, 2015

Cc: Tami Jones, Michele Bondurant, Pam Doseck, Bob Hessenauer

The Ohio State University Retirees Association
(OSURA)

EXECUTIVE BOARD MINUTES

Tuesday, August 11, 2015, 9:00 a.m. - 11:00 a.m.
Community Room, Northwood-High Building
2231 North High Street, Columbus, Ohio 43201

| | | | |
|--|----------------------|---------------------|--------------------|
| Members: | Jerome G. Dare | Sally E. Dellinger | Howard L. Gauthier |
| | Raimund E. Goerler | Richard M. Hill | Fern E. Hunt |
| | Daniel L. Jensen | Carl V. Leier | Shirley F. McCoy |
| | Sally W. Morgan* | Gerald H. Newsom | Hallan C. Noltmier |
| | Diane M. Selby* | Thomas L. Sweeney | Marie T. Taris* |
| | Gisela M. Vitt | Nancy S. Wardwell | |
| Representatives & Other Committee Chairs: | Phyllis J. Carroll | Don M. Dell* | Michele B. Hobbs |
| | Elenore R. Zeller | Alabelle B. Zghoul* | |
| | | | |
| OSU-HR Office: | Michele R. Bondurant | Diana L. Lantz | |
| Guests: | | | |

* Not present

Chair: Gerald H. Newsom, President

1. **Call to Order** – 9:01 a.m. **Personals** – Sally Morgan fractured her ankle at the White House.
2. **Minutes of June 9, 2015** (Thomas L. Sweeney) The minutes were approved as distributed.
3. **President's Comments** (Gerald H. Newsom) Jerry asked that courtesy copies of emails now being sent to Diana Lantz be discontinued. Due to the large number of emails that Diana must review during the day, it would help if she received copies only when there is an action item for her and that action item is made clear.

Carlene Hamilton has prepared lists from information submitted by members with their membership renewals. These lists show general interests, e.g. arts, budgeting, fitness, and also interests in specific OSURA committees and activities. Committee chairs should follow up on this information.

Jerry mentioned the OSURA database maintained by HR. Several OSURA committees have interest in the database. Currently, when information is inserted into the database any previous information in that place in the database is lost. While annual snapshots of the database are available from 2009, only the last few annual snapshots seem to be useful.

Shirley, Hal, and Jerry will represent OSURA at the upcoming Big10 retiree association meeting at Michigan State. Jerry will be bringing copies of our Newsletter to share with other attendees. He asked for Board members to send to him by email any questions or suggestions for discussion at the meeting.

Jerry has been informed that Rai Goerler has been appointed to be the retiree member of the Faculty Compensation and Benefits Committee (FCBC) by OSU President Drake. The official letter of appointment has not yet been received by Rai.

Carl Leier will be the Chair of the Special Interest Group (SIG) Coordinating Committee.

Jerry has been in contact with John Woods of OSU Development Gift Planning. John offered ideas for OSURA endowment solicitations and also general information on giving to OSU that might be used in the OSURA Newsletter. Through Nancy Wardwell, Jerry also has had contact with Kate Hopkins of the College of Education who is working on a P-12 outreach program that might be of interest to OSURA volunteers.

4. Treasurer's Report (Daniel L. Jensen) Dan presented the Treasurer's Report as of June 30, 2015. An excerpt of Dan's report follows:

| | |
|--|------------------|
| Big Ten Meeting Reserve | 4,000 |
| Emergency Fund | 266 |
| Life Membership Fund | 145,253 |
| Travel | 32,641 |
| Strategic Initiatives Reserve | 5,000 |
| Endowment Fund (part of the permanent OSU endowment) | <u>142,132</u> |
| TOTAL FUND EQUITIES | \$329,293 |

Dan reviewed his detailed report with the Board. Some of the apparent increase in equities is due to sponsor/advertising income and also to a large amount of advance travel reservation funds being held temporarily by OSURA, most of which will need to be paid out later in this fiscal year.

See Dan's written report for complete details.

5. Office Report (Michele R. Bondurant and Diana L. Lantz) Diana reported that the Office handled 268 incoming calls, 169 e-mails on the message boards, 504 e-mails from members, 1168 checks, 3 Events with registration rosters and name tags, and 8 Weekly Events and Program Reports. In addition, the Office provided information for the Finance/Treasurer Report and for the Membership Report, as well as endowment information for the Friendship Committee.

The student will start work on August 17, 2015.

Registration for the Annual Conference and Meeting stands at 301. Diana will work with Rachael Turner to determine the final cutoff number for registration. The working number for this is now 325.

Diana thought that next year may require a bigger venue for the event if a large number of members must be turned away this year.

Class begin on August 26, 2015. The University will be closed on September 7, 2015.

6. Committee Reports

Benefits (Hallan C. Noltimier) Hal highlighted a few items from the last Committee meeting as follows:

He reported that Don Cook, a past President of OSURA, has joined the Committee. Planning for the Annual Conference is moving forward well. Sponsor revenues are coming in as are member registrations. Meg Teaford is working on an article for an upcoming Newsletter. The next meeting of the Committee will be on September 1, 2015.

Additional Benefit Committee items will be discussed in other reports today.

See Hal's report in the Meeting Packet for a full discussion of the Committee meeting.

Bylaws (Marie T. Taris) No report.

Communications (Nancy S. Wardwell) Nancy noted that the August Newsletter was distributed on schedule. Reports from the Annual Conference will be in subsequent issues of the Newsletter, causing these later issues to be larger than usual.

Finance (Howard L. Gauthier) Howard mentioned several items of recent interest to the Committee.

The strategic investment initiative yielded four proposals. These will be evaluated in the Committee meeting to be held immediately after today's Board meeting.

The Committee will be evaluating the current bookkeeping agreement.

The Committee and the Executive Board have been receiving more complete financial reports and the Committee will be continuing to seek improvement in this matter due to Dan Jensen's good efforts.

Howard and one or two other Committee members will be meeting with the Development Fund to establish a "Quasi-Endowment". The Quasi-Endowment requires a minimum contribution of \$50,000. Up to 5% of any amounts over \$50,000 may be invaded in times of financial difficulty. It is anticipated that the investment returns from the Quasi-Endowment will be greater than we could otherwise achieve in external investments such as Certificates of Deposit and the like.

See Howard's written report in the Meeting Packet for details.

Friendship Committee (Sally E. Dellinger) The next Committee meeting will be in September. Work continues on the usual Committee business. The Committee will continue to assist with registration for the Annual Conference.

Membership (Gisela M. Vitt) Although Diane Selby is the Chair of the Committee, Gisela will normally be reporting for the Committee at Board meetings.

Gisela reported that Don Larson, Committee Vice-Chair, continues to provide his usual data report on membership. Total paid membership is at 2,873, down 22 over the same date last year.

Membership renewals continue to come in.

"Spotlight" articles in the Newsletter appear to be successful.

See further details, including current membership numbers, in the Meeting Packet

Special Interest Groups (SIG) Coordinating Committee (Shirley F. McCoy) The SIGs were invited to prepare brief descriptions of their activities. These will be placed in the conference bags for the upcoming Annual Conference.

The Litter Pickers will meet on August 24, 2015. The Bridge Group is seeking new members. Tertulia will meet on August 25, 2015; the group needs at least 20 attendees each month.

Carl Leier will be the new Chair of the SIG Coordinating Committee.

Vice President's Report (Shirley F. McCoy) Shirley reported that the Cultural Arts and the Travel Committees will join forces to permit better coordination. The meeting of the

combined group will be on December 3, 2015; each Committee will meet separately before that.

Many interesting events are being planned included a visit to Norway, Denmark, and Sweden for July 8-21, 2016

7. Representatives' Reports

Bucks for Charity (Don M. Dell) No report. The campaign starts September 14, 2015.

Campus Campaign (Thomas L. Sweeney) No report.

FCBC (Raimund E. Goerler) Rai reported that the first meeting of this academic year has yet to take place.

Legislative Update (Richard M. Hill) Dick covered several points in his report.

Of the new drugs receiving FDA approval, 53% were "specialty" medications costing over \$50,000 per year per patient.

The average woman now weighs 166.2 pounds, the average man, 195.5. Men averaged 166.3 pounds in the early 1960s.

The American Medical Association has agreed to spearhead an effort to create guidelines for when physicians should retire.

Daily nut consumption, including peanuts, may be linked to a lower risk of early death.

State spending for higher education is now at 10% of the state budget, including only state funds and not funds provided to the state by the federal government.

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

OCHER /HPA (Nancy S. Wardwell, Howard L. Gauthier, and Richard M. Hill) Nancy reported that she will be stepping down as the President of OCHER and that Roger Anderson of Bowling Green State University will succeed her. Michele Hobbs will continue as Secretary. The next OCHER meeting will be on September 25, 2015 at the STRS building.

Michele and Nancy were appointed as the two official OSURA representatives to OCHER. It was pointed out that a number of other Board members are regular attendees and all Board members are invited to attend and participate in the discussions.

Tom Sweeney mentioned that the materials on the formation of OCHER that were recently brought to the OSURA office from the papers of Chalmer Hixson will be transferred to the OCHER archives at BGSU.

Howard noted that the HPA did not meet over the summer. The next meeting will be early in September with the expectation of monitoring any STRS actions with respect to reducing the unfunded liability. STRS needs high returns and thus must be willing to accept higher volatility.

OCHER subsidizes HPA at the level of \$500 per year

OPERS (Michele B. Hobbs) Michele reported that the health care plans for 2016 have been approved by the OPERS Board. There will be a partial premium reduction for three

years for Medical Mutual of Ohio enrollees who are not yet eligible for Medicare so as to help with the impact of higher costs to them. Medicare retirees will also have a three year additional amount.

See Michele's extensive report in the Meeting Packet to review the many changes in the OPERS health plans.

SCBS and USAC (Michele R. Bondurant) No report.

STRS (Richard M. Hill and Howard L. Gauthier) Dick reported that STRS retirements are up again this year.

Although the mitigation rate should be increased to the range of 7.2% to 12.0%, there is now a two-year moratorium on increases leaving the rate unchanged.

At the end of FY 2014, the funding ratio for STRS was 69%. If payroll increases at 3.5% a year and the return on investments is 7.75%, by 2024 the funding ratio will increase to 80%. Dick presented a table showing the various possibilities for differing payroll growth and return on investment.

A recent study showed that STRS has about average operation costs but has outstanding levels of member service.

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

8. Old Business

There was no Old Business.

9. New Business / Add-on Items

Diana is trying to set up a meeting with OSU HR leaders to increase their knowledge and support of OSURA.

10. Next Regular Board Meeting

Tuesday, September 8, 2015, 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 10:36 a.m.

Thomas L. Sweeney, Secretary
August 19, 2015

Summary of Benefits Committee meeting, September 1, 2015

Attendees: Rai Goerler, Dick Hill, Michele Hobbs, Joan Leitzel, Shirley McCoy (VP, P-elect), Jerry Newsom (President), Hallan Noltimier (Chair), Tom Sweeney, Marie Taris (Vice Chair), Meg Teaford.

Meeting began at 9 AM. Minutes of August 4 were approved as submitted. Personals included names of two new committee members, Mervin Muller and Carol Newcomb-Alutto. Sally Rudman has resigned from membership.

Noltimier informed the committee about a meeting of several OSURA officers in HR with Tami Jones of HR on September 22.

Rai Goerler had no FCBC report, first meeting later this month. Noltimier had no SCBS report, Michelle Bondurant is the liaison.

Hobbs presented a full OPERS report focused on health care.

Hill presented thorough report of STRS/HPA/Mitigation rate, and the legislative update.

Elder Care was covered by Teaford. Sweeney had no report on Campus Campaign. There were no reports on PERI (Dellinger), OCHER (Wardwell), OSURA Discounts (Wardwell), 403(b)/457 (Moellering), or a Financial Issues Update (Jones).

Rachael Turner had provided a report from the Annual Conference Planning Committee.

A New Business issue was presented by President Jerry Newsom which concerns OSURA considering financing undergraduate/graduate scholarships. This issue will be mentioned at the Executive Board meeting on September 8. Meeting adjourned at 10:30 AM.

Next meeting is October 6, 2015.

Prepared by Hal Noltimier

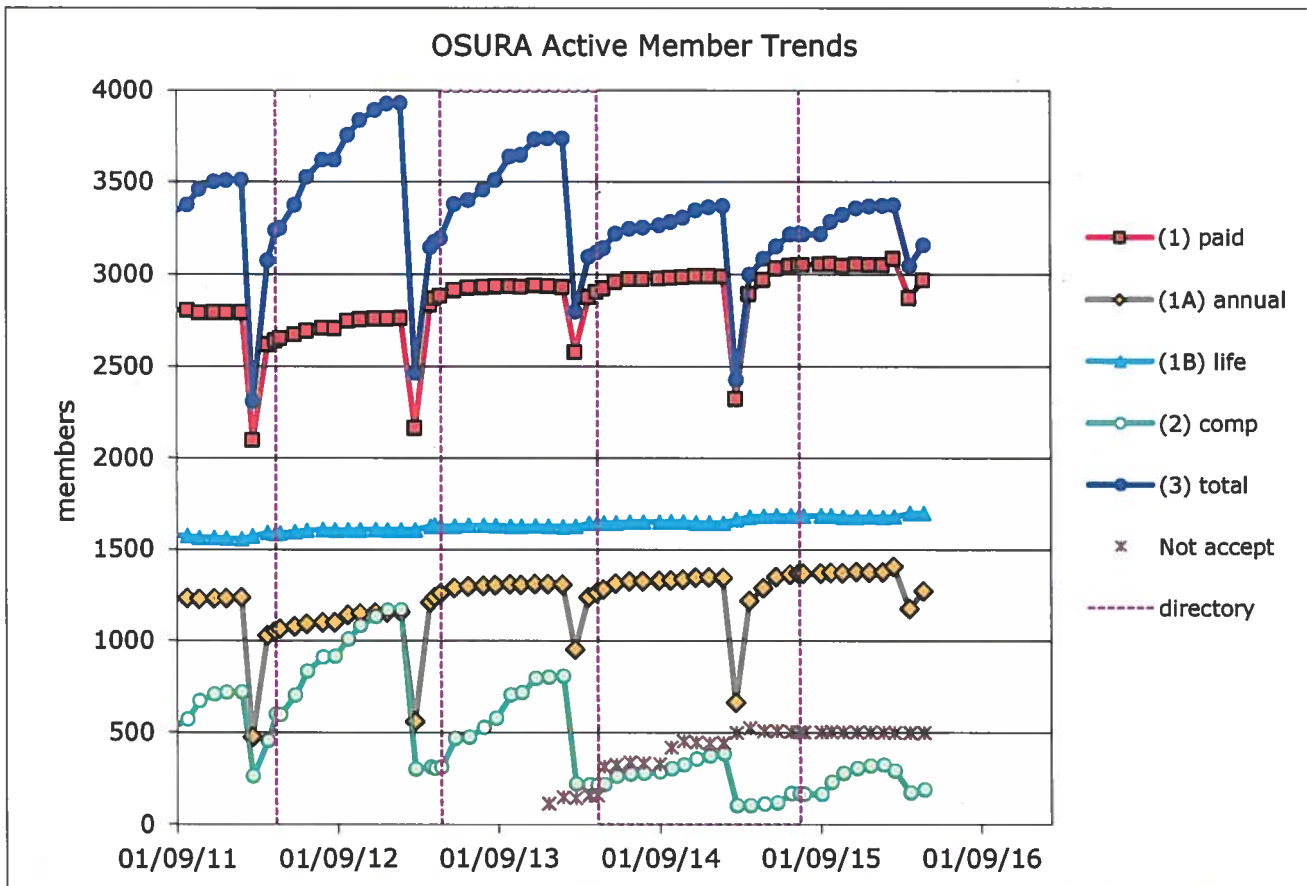
Monthly Report
OSURA Finance Committee
September 8, 2015

At the August meeting, the members reviewed the budget report submitted by Treasurer, Dan Jensen. It is clear that the current financial situation of the association is in accord with budget expectations. It was noted that the faster collection of revenue from the Newsletter and from vendors at the fall conference are boosting total revenues.

The annual review of OSURA's finances is being done by Bill Shkurti and Tom Pritchard and will be made available on the website. The committee plans to check with OSU Internal Auditing to determine if that unit or someone therein can handle future audits and at what cost. It is most likely our current procedure will continue to be followed.

The committee reviewed four proposals submitted for funding from the Strategic Initiative Fund. The requests from the Membership Committee, the OSURA Book Club and the OSURA Photography Club were approved. The committee recommended that the request from the Benefits Committee for funding of the Tax Seminar should be handled as part of the committee's annual budget. Funding from the Strategic Initiative Fund is to encourage and test new ventures in fulfillment of OSURA's Strategic Plan.

The committee discussed our current process for budgeting operating expenses. The committee wants to improve the process so committees and SIGs will make requests that can be addressed in planning the next fiscal year's budget. Currently, requests have been made after the operating budget has been approved.



**Monthly Number of OSURA Members by Category
(through September 1, 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 |
| 09/01/15 | 2969 | 1270 | 1699 | 189 | 3158 | 498 | current month |
| 07/31/15 | 2873 | 1174 | 1699 | 171 | 3044 | 498 | comparison with last month |
| | 96 | 96 | 0 | 18 | 114 | 0 | |
| 09/02/14 | 2971 | 1288 | 1683 | 112 | 3083 | 508 | comparison with last year |
| | -2 | -18 | 16 | 77 | 75 | -10 | |

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

MEMBERSHIP REPORT**DATE: 9/1/2015**

| Membership Category | # of Memberships*** | # of Spouses/Partners of Retirees | Total # of Members in This Category |
|---------------------------------------|----------------------------|--|--|
| 1. Paid Membership | 1944 | 1025 | 2969 |
| A. Annual | 830 | 440 | 1270 |
| B. Life | 1114 | 585 | 1699 |
| 2. Complimentary Membership | 124 | 65 | 189 |
| 3. Total (1 + 2) | 2068 | 1090 | 3158 |
| 4. Associate Memberships* | 23 | 8 | 31 |
| A. Annual* | 19 | 5 | 24 |
| B. Life* | 4 | 3 | 7 |
| 5. Dual Spouse Memberships* | 128 | 128 | 256 |
| A. Annual* | 39 | 39 | 78 |
| B. Life* | 82 | 82 | 164 |
| C. Complimentary Memberships** | 7 | 7 | 14 |
| 6. Membership Not Accepted Membership | N/A | N/A | 498 |

* Included in Paid Memberships.

** Included in Complimentary Memberships.

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

My report as the SIGs chairman is:

Most of the SIGs are starting their activities and events for Academic Year 2015-2016 in September-October.

However, the Tertulia Breakfast meets monthly and the Litter Pickers Group and Bridge Club have met in August.

The current SIGS: Chairs-contacts include:

Book Club: Lee Hill

Bridge Club: Sherry Detillian

Dinner Series: Howard Gauthier

Health and Wellness: Sally Morgan

Litter Pickers: Ellen Leppert

Photographic Society: Larry Kennedy

Tertulia Breakfast: Jerry Dare

Walking/Hiking: Hal Noltemier

I emailed the SIGs chairs of my role, availability and contact information as the new overall Chair of SIGs on August 24, 2015.

Sincerely, Carl V. Leier

1. Healthcare Spending Grew 4.9% In Q2

[Modern Healthcare](#) (7/31, Subscription Publication) reports that US healthcare spending “grew at twice the rate of the rest of the economy in the second quarter, renewing fears that the sector’s upward march has resumed after nearly a half decade of relative calm.” The Commerce Department’s Bureau of Economic Analysis said in its advance estimate for second-quarter GDP that healthcare spending increased **4.9 percent over last year**. The overall economy “grew at a **2.3% rate in the quarter**.”



2. More Consumers Turn To Walk-In Clinics.

The [Boston Globe](#) (8/9, McCluskey) reported that healthcare consumers “looking for faster and more convenient options to get basic medical care” often turn to walk-in clinics, “forcing traditional healthcare providers, from small doctors offices to big hospitals, to react.” The Globe added that while “more options are generally good for healthcare consumers,” some “experts are concerned that care will become more fractured and less coordinated if patients seek services at many different places” and “it’s unclear whether this shift will lead to lower costs.”

3. New Search Tool To Show Doctors' Backgrounds.

[MedPade Today](#) (8/21, Wallan) reports The Federation of State Medical Boards (FSMB) has launched **docInfo**, which is “a publicly accessible physician search tool containing licensing and state medical board disciplinary information on more than 900,000 physicians and physician assistants nationally.”

4. Merck Manuals Moving To Digital Format.

[Reuters](#)   (6/17, Gumpert) reports that Merck Manuals, the industry-standard health guides published by Merck & Co., are moving to a strictly digital format. The digital versions debuted in the US two months ago, and will appear in other English-speaking countries next month. Versions in nine other languages are expected to be rolled out in the next 12 to 18 months. The new versions are being made available **for free** in an effort to educate the global community about medical issues.

5. Your True ‘Biological Age’ ?

[HealthDay](#) (7/7, Mozes) reports that at age 38, participants’ “biological age” – the state of their organs, immune system, heart health and chromosomes – ranged from as young as 30 to as old as 60.” People whose biological age was older even looked older. In addition, “the fast-agers showed worse balance and poorer motor coordination, and reported having more trouble with tasks such as climbing stairs or carrying groceries.

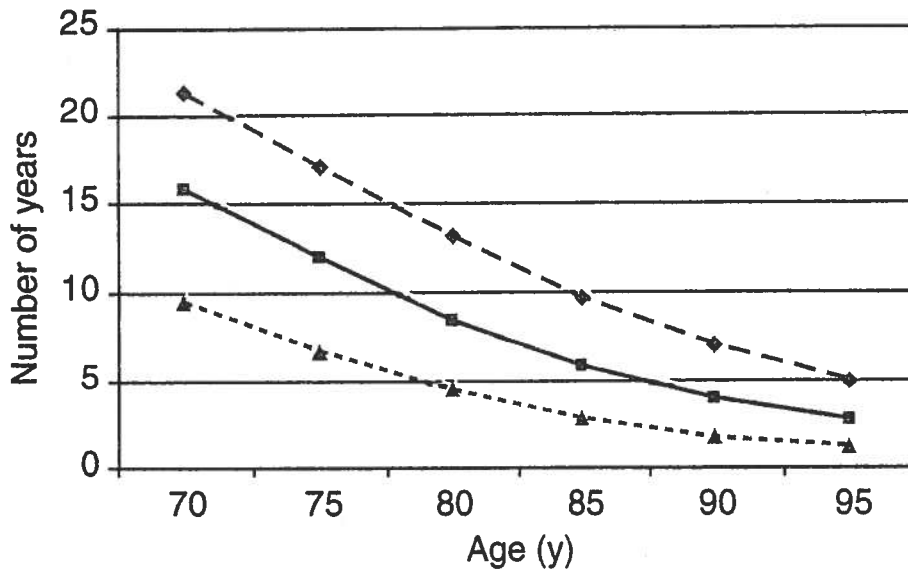
PENSION ECONOMICS - *The “Ultimate Variable”*

[OVER]

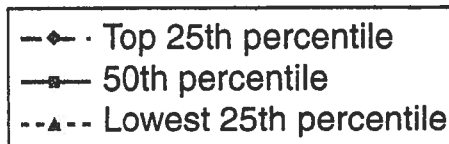
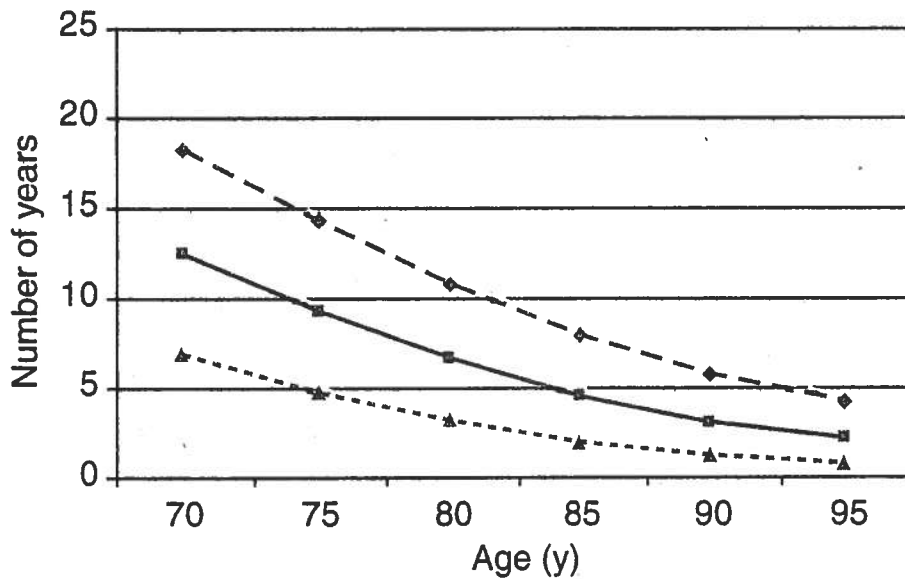
Dick Hill / Excerpted from the August 2015 *STRS Ohio Legislative Update*, and other sources.

Bold print and italics have been added in some places for emphasis and reader convenience

Women



Men



Median life expectancy of older women and men. (Adapted, with permission, from Walter LC et al. Screening for colorectal, breast, and cervical cancer in the elderly: a review of the evidence. *Am J Med.* 2005 Oct;118(10):1078–86.)

August 19, 2015 OPERS Board Meeting

As of August 1, 2015 Total Assets are 89.5 Billion Dollars.

Under Action items there were three different Membership determinations.

Report from Executive Director Karen Carraher, Chief Operating Officer Blake Sherry, and Chief Financial Officer Jennifer Starr:

On behalf of the OPERS Board of Trustees, management and staff, it is our pleasure to present this 2014 Summary Annual Financial Report for the fiscal year ended December 31, 2014. We believe all stakeholders will find the theme, Strength for our future—planted deep, growing strong, reaching high, accurately reflects the spirit of our history and our 2014 achievements. You're invited to review our key 2014 activities: Ongoing implementation of pension changes: As a System, we must be able to fund the unfunded pension liabilities within a 30-year window. Changes implemented in 2014 from the 2012 legislation have enabled us to continue to meet that mandate. OPERS can demonstrate that both the strength of the pension fund and solvency of the health care fund have steadily improved in 2014—as was anticipated when we partnered with stakeholders to ensure the pension legislation passed.

Health Care Preservation Plan 3.0: Neither mandated nor guaranteed, we know access to health care for our retirees is important for a secure retirement. While OPERS has one of the largest health care trust funds in the U.S., we recognized the need for change to ensure sufficient health care funds would be available for both current and future retirees. In 2014, we focused on initiating the OPERS Medicare Connector (Connector), a program whereby eligible retirees over the age of 65 will receive funding (based on years of service and age at retirement) to apply to the health care program of their choice with the assistance of an OPERS vendor. Analysis shows the Connector will provide the majority of the 145,000 OPERS retirees who are over age 65 with better and more affordable health care than any group program OPERS could provide. We worked throughout 2014 to ensure retirees—present and future—fully understood the changes and their impact. These efforts will continue into 2015. In addition, in 2014, OPERS established a 115 Health Care Trust to prepare to change the manner of funding health care through the Connector.

Our Way Forward initiative: This technology and business process redesign will refine internal systems so that OPERS can continue to deliver superior customer service to the expanding retiree population without adding significantly to staff. In 2014, almost 77% of retirement applications were filed online, compared to only 10% prior to the initial implementation of Our Way Forward. Most importantly, about 93% of retiring members now receive their first retirement payment by their effective date.

Defined contribution solutions: In 2014, the OPERS Board of Trustees approved several changes to the defined contribution plans and the Member-Directed Plan retiree medical account (MD-RMA). These changes were designed to update the defined contribution program to address various issues such as service credits in multiple OPERS retirement plans, modify health care vesting, identify a funding method for the Member-Directed Plan to complete the repayment of its start-up costs, and

establish an administrative fee structure for the Member-Directed and Combined plans to ensure each plan is self-sufficient.

Financial reporting standards: The Governmental Accounting Standards Board (GASB) issued two standards intended to improve transparency of pension-related information in financial reporting. The new standards require pension systems to allocate the net pension liability, or unfunded liability, to all contributing employers. Throughout 2014, OPERS partnered with all affected public employers to ensure they have all the tools necessary to help implement these standards and understand the information OPERS is providing in 2015.

Targeted outreach to all stakeholders: We know our members and retirees are not pension experts and we recognize the trust placed in us to deliver on our promise of providing a secure retirement. As members and employers deposit contributions over the span of an employee's career, OPERS has the responsibility to deliver ongoing, accurate communication about the strength of the System and the pension benefits each employee has earned. Thus, our ongoing focus on outreach is both appropriate and of incalculable importance—for us and for our members, retirees and stakeholders.

Thriving in all environments: Our accomplishments in 2014 were substantial and have helped strengthen us for the future. However, we must remain alert to changes to our environment and continue to shape the organization so all branches are sturdy enough to support themselves and, therefore, support the overall strength of the organization.

Overall, 2014 was a good year and a good year is always a pleasure to report. We continued to reach high so that we can continue to deliver on our promise to all members. Our organization is strong and is shaped for ongoing growth by anticipating and acclimating to every environment. We expect to thrive in 2015, as we did in 2014. However, no one knows what any given year will bring—just as no one can control the weather. We know OPERS has been shaped to bend with any weather and that ultimately our strength will allow us to straighten and reach new heights in all environments. Our promise to our members and retirees is clear: We will not simply endure, we will continue to thrive—that's our members' expectation; that's our promise; and that's our tradition. We continue to reach high—to serve our members. We continue to work diligently to enhance the strength of the System by ongoing shaping of the System, monitoring of our environment, minimizing investment risk and monitoring expenses. Consider these results for 2014:

-

Funded status:

Funded status measures the progress of accumulating the funds necessary to meet future obligations. OPERS continues to thrive by constantly monitoring its environment to ensure we have remained in compliance with the 30-year funding window required by law. The 2014 funded status was 83.8% funded, with an amortization period of 21 years on a GASB-reporting basis. As of the December 31, 2013 health care actuarial valuation (the date of the latest study), OPERS was 60.8% funded, with funds expected to be sufficient to fund future health care needs.

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Importance of strong investment returns:

Employee contributions, employer contributions, and income from investments provide the funds necessary to finance retirement benefits. As expected with a mature plan, approximately two-thirds of OPERS revenue, from which benefits are paid, is generated from investment returns. The remaining funding comes from employee and employer contributions.

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Security for members:

Expenses (which include pension benefit payments, health care coverage expenses and refunds) for fiscal year 2014 were \$7.4 billion, an increase of 3.7% over 2013 expenses of \$7.1 billion. The increase in members receiving pension benefits reflects the baby-boomer generation reaching retirement age. Health care expenses rose 5.9% in 2014 to \$1.7 billion. These increases reflect our dedication to providing a secure retirement for our members. All told, in 2014, OPERS paid \$5.1 billion in pension benefits and \$1.7 billion in health care to more than 203,000 retired Ohioans and their beneficiaries.

Submitted by Michele Hobbs

Main Points Overview Relating to Retiree Members: *

- Investment (Overall Asset Mix) FY 2016 YTD: \$74.488 Billion, + 1.0% since June 30, 2015
 Investment Plan: 30 yr closed amortization
 (+5.45% over the past 12 months)
- STRS Portfolio Performance Report - Last 4 Quarters

Relative Objective Attainment

| | Relative Objective Attainment | | | | | | Historical Fiscal (annualized) | | | |
|---------------------------------------|-------------------------------|----------------|----------------|----------------|-----------------------|----------------------------|--------------------------------|----------------|----------------|-----------------|
| | Sept. Qtr. 2014 | Dec. Qtr. 2014 | Mar. Qtr. 2015 | Jun. Qtr. 2015 | Fiscal Year Jun. 2015 | Trailing 12 mos. Jun. 2015 | 1 Year 2015 | 3 Year '13-'15 | 5 Year '11-'15 | 10 Year '06-'15 |
| Total Fund | | | | | | | | | | |
| STRS Ohio Total Fund ⁴ | -0.20% | 2.01% | 3.03% | 0.53% | 5.45% | 5.45% | 5.45% | 11.88% | 11.93% | 7.33% |
| Total Fund Blended Index ¹ | -0.11% | 1.91% | 3.00% | 0.22% | 5.08% | 5.08% | 5.08% | 12.13% | 11.98% | 7.21% |

3. STRS Ohio's Fiscal 2015 Total Fund Return in Line With Expectation

Preliminary results show that STRS Ohio's total fund return was +5.4% for the year ending June 30, 2015, consistent with the annual plan forecast of moderate, positive returns. The total fund return was estimated to be above 7% in mid-June; however, contentious discussions between Greece and other European leaders regarding the terms of the Greek bailout spooked markets during the final days of the fiscal year. The moderate return in fiscal 2015 follows a robust 16.8% return for fiscal 2014. Staff estimates that STRS Ohio's three- and five-year annualized total fund return is +11.9%.

The estimated value of investment assets as of June 30 was \$74.2 billion, a decrease of about \$600 million from the June 30, 2014, level of \$74.8 billion.

The overall decline in the value of investment assets reflects that STRS Ohio pays more in benefits (estimated \$7.3 billion) than it collects in contributions (estimated \$3.2 billion). The retirement system relies on investment returns to make up the difference.

4. Treasurer of State Begins RFP Process for Custodial Banks

Treasurer of State representatives began the request for proposal (RFP) process for custodial banks and are meeting with the Ohio public pension funds. Custodial banks provide a variety of services, including transaction settlements, foreign exchange and account administration. The custodial RFP process is inclusive of domestic and global custody. STRS Ohio currently works with Fifth Third Bank as its domestic custodian and Citi as its global custodian.

5. The Media Finally Moves Beyond 2012 - "... modest improvements ..." [OVER]

Next Regular Board Meeting: September 17, 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.

Opinion

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Editorial

Pensions edging up

Public retirement systems have made progress, but gap remains

Three years after long-overdue reforms were enacted, Ohio's five major public pension plans are showing modest improvements but still collectively are short of being fully funded as defined by state law.

This in some cases is the result of years of foot-dragging — some funds were told for years that they needed to make reforms, but only did so once the Wall Street recovery from the recession was well under way — but is a reason for cautious optimism.

The problem was stoked by the severe market downturn: According to a 2013 Morningstar report, the funded ratio of Ohio's state-administered pension plans between fiscal years 2008 and 2012 decreased from 96.1 percent to 77.2 percent. The funds were slow to adopt recommendations the Ohio Retirement Study Council had been making for well over a decade, including tweaks to contributions, cost-of-living adjustments and retirement ages. Even then, they did so sometimes in stages, and grudgingly. The outlook now is better, but no one should get complacent just because the last couple of years have been good on Wall Street.

which reports on public-pension funding across the United States, does not include Ohio Police & Fire or SERS in its analysis, but has seen some similar improvements in Ohio's other three pension funds. It is tricky to compare Ohio with other states, as each has unique circumstances as to benefits and contributions. In Ohio, unlike most other states, for example, public employees do not pay into Social Security. In Pew's analysis for fiscal year 2013, these plans had an average funded ratio of about 74 percent, an improvement over the 67 percent ratio in fiscal 2012. This moved Ohio up from 25th highest to 21st highest among the states for its funding ratio.

This doesn't mean that danger doesn't remain or that future changes won't be needed to keep the funds on track. Nick Treneff, a STRS spokesman, says the STRS board is pleased with the progress being made but also is developing a longer-

The Ohio Retirement Study Council's latest data puts the combined unfunded liabilities of the state pension funds for fiscal 2013 at about \$59 million. Among the individual funds, the largest, the Ohio Public Employees Retirement System (OPERS), has the highest funding ratio, at 82.4 percent.

It has had the highest ratio for each of the past five years. The other systems all have ratios of between 65 percent and 70 percent. They are Ohio Police & Fire Pension Fund (OP&F); State Teachers Retirement System (STRS); School Employees Retirement System (SERS); and Ohio Highway Patrol Retirement System (HPRS).
Pew Charitable Trusts,

range plan to remain in front of funding needs in the future. Lisa J. Morris, executive director of SERS, also stresses that pension changes are beginning to work, but it will take time.

Pension representatives also argue that taxpayers are not on the hook in the worst-case scenario of a pension system failing, as Ohio law puts that responsibility with the systems themselves.

However, that wouldn't prevent a pension fund potentially seeking a bailout of some form in that unlikely event.

It's good to see a positive trend, but this doesn't mean the funds — and taxpayers — can take their eyes off the ball.

Ever happened?