

OHIO COUNCIL OF HIGHER EDUCATION RETIREES
STRS OHIO, 7th Floor Conference Room
May 21, 2019

PRESENT: University of Akron: Bob Gandee, Dan Sheffer; Bowling Green State University: Roger Anderson, Karel King; University of Cincinnati, Steven Howe; Cleveland State University: Jeff Ford, Rodger Govea, Dave Larson; Kent State University, Jenelle Feezel, Jerry Feezel; North East Ohio Medical University, Cheryl Hodnichak,; Ohio State University: Michele Hobbs, Jerry Newsom, Meg Teaford; Ohio University: Richard Vedder, Rosemary Rossiter; University of Toledo: Jim Lapp; Wright State University: Peggy Bott, Richard Williams; Youngstown State University, Marianne Anderson.
ABSENT: Miami, Shawnee State University

Meeting was called to Order at 9:30 AM.

Minutes of the March 26, 2019 meeting were approved with corrections.

Treasurer's Report. The report from the Treasurer, Jim Lapp was approved. The Ending Balance is \$5,934.25.

OPERS Report – Michele Hobbs reported the following:

MEMORANDUM

DATE: May 14, 2019

TO: OPERS Retirement Board Members

FROM: Karen Carraher, Executive Director

RE: **V. Discussion Items:**

B. Executive Director Report – April 2019

Below is my Executive Director report for April 2019.

Legal

The tri-annual Ohio Retirement Systems and Ohio Deferred Compensation

Joint-Trustee Training Program will be held on **November 4, 2019**. The program will be held at OPERS and is expected to begin at 9:00 a.m. (with breakfast starting at 8:30) and end around 3:00 p.m. Additional details will be provided as the agenda is finalized.

Legislation/Government Relations

Senator Jay Hottinger (R-Newark) introduced **SB 135**, which would authorize **automatic enrollment of new public employees into the Ohio Public Employees Deferred Compensation Program**. The bill, if passed, would upon employment, enroll employees of the following employers: supreme court, house of representatives, senate, legislative service commission, secretary of state, auditor of state, treasurer of state, or attorney general, and other state employees who do not elect to participate in the Deferred Compensation Program.

In addition, the bill grants the authority of other public employers to initiate automatic enrollment into the Deferred Compensation Program. However, it also grants the authority of those employers to cease the auto-enrollment no sooner than 90 days after the date of notification to the Deferred Compensation Board. The bill grants the authority to the Board for specifying the deferral amounts as long as they do “not exceed the lesser of either ten per cent of an eligible employee's compensation or the maximum contribution that the employee is eligible to contribute under federal law. Finally, there is a restriction from auto-enrollment if the collective bargaining agreement conflicts with it.

Though early in the 133rd General Assembly, the House of Representatives has already lost two of its members. Representative **Steven Arndt (R-Port Clinton)** announced his retirement effective date as July 31st, citing a desire to “spend more time with his family and his boat.” Representative **Sarah LaTourette (R-Chagrin Falls)** resigned her 76th House seat effective May 5th to resume her public service career as the executive director of Ohio Family and Children First. Speaker Householder (R-Glenford) named separate panels to vet candidates and to make recommendations for filling the vacancies.

The **Ohio House lost its third member** recently, as Rep. Glenn Holmes (DMcDonald) was appointed to the Ohio Parole Board. Applications to fill the 63rd House District seat are due by May 17 to the House Democrats.

Staff met with Rep. Thomas West (D-Canton) to **request his sponsorship of a House resolution similar to that of HCR 23**, which was introduced last General Assembly by term-limited Representative Dorothy Pelanda (now Director of the Ohio Department of Agriculture). As you may recall, the resolution was designed to encourage “equitable and diverse gender representation on corporate boards and senior management of Ohio companies.” Because research indicates that companies with more women board directors experience higher financial performance, the intent of the resolution is to merely promote awareness and not to prescribe standards. Rep. West enthusiastically agreed to sponsor the initiative and offered to seek bipartisan sponsorship.

Finance

We will have a new **Assistant Director – Financial Reporting** starting on May 15th. Her name is Erica Worley. She is coming to us from Scotts Miracle-Gro Company and was their manager over external reporting. Prior to this position, she spent almost eight years with PricewaterhouseCoopers (PwC) as an audit manager.

Discussion with Randy Gardner, Chancellor of Higher Education. Chancellor Gardner introduced himself to the group; he has been a long time legislator from northwest Ohio and was appointed by Governor DeWine to his current position earlier this year. He is also a former teacher and comes from a family of teachers. He shared that he has been traveling the state to meet with representatives of two and four year colleges. There was discussion about the falling number of high school graduates and therefore expected drops in Ohio higher education. The Chancellor also discussed student debt in Ohio and the need to keep graduates here in the state.

Legislative Report: Marla Bump from STRS and Gordon Gatien from OPERS presented a short legislative report. Work continues on the new state budget which has passed the Ohio House and is now being considered by the Ohio Senate. The budget must be passed and signed by the Governor by June 30. So far, the budget does not have any impact upon the retirement systems except for a requirement to raise minimum teacher salaries from \$20,000 a year to \$30,000. Their report also contained information on the Trump administration's proposal change the drug rebate program under Part D.

Campus Reports:

OCHER CAMPUS REPORT – May 21, 2019 The University of Toledo

The UT Retirees Association (UTRA) membership stands at about 700. The current balance in our treasury is just over \$36,000. The association has two endowed scholarship funds – the UTRA Scholarship Fund and the Health Science Campus Retirees Scholarship Fund. The current balances are approximately \$50,000 and \$59,000. We awarded \$8,000 in scholarships to seven recipients the past academic year and will be awarding another \$8,000 in scholarships for the coming year. The UTRA annual luncheon and business meeting will be held June 12th. President Sharon Gaber will be our featured guest. Members have taken advantage of a number of programs over the past year, including our annual holiday brunch, a wine tasting, tours of the historic Libbey House and the Toledo Museum of Art, and a lecture on healthy living for the brain and body. A tour of the Great Lakes Museum and a bus trip to Chicago are coming up this summer. We also continue to have our monthly breakfast group, lunch bunch, a day of cards and games, and the UTRA book club. And finally, we are very proud to have been named the UT Alumni Association's Affiliate of the Year for 2018-19 (the third time in the last eight years). UTRA was recognized for this award at the Alumni Association Annual Meeting May 11th.

Last fall UT welcomed the best academically prepared class of first-year students in University history. The incoming class (3,269 students) had an average ACT score of just over 23, and an average GPA of 3.45. The freshman class was 1.5 percent larger than the previous year's class. Overall fall semester enrollment was 20,304, down slightly from 20,579 fall 2017. The number of students who return to campus for their second year has been climbing for six consecutive years, and the first-to-second year retention is now the highest that it has ever been. The undergraduate fall-to-spring semester retention rate was 90.5 percent for the 2018-19 academic year (more than 90 percent of new students continued from fall to spring). Total spring 2019 enrollment was 18,801, down from 19,236 in spring 2018.

The number of donors who participated in the second annual University of Toledo Day of Giving in October more than doubled 2017's participation, with 3,156 donors contributing a total of \$717,375. Retirees also participated in Day of Giving and contributed over \$80,000 to the campaign.

UT's social media content has gained national recognition the last two years. This year the University's Facebook, Twitter and Instagram accounts were compared against all 338 Division I programs, and UT was ranked 14th for its consistent engagement of social media users.

This past fall the University launched "Downtown Connect," a late-night bus service for students, faculty and staff to provide an opportunity to explore and enjoy restaurants, concerts, games and special events going on in downtown Toledo. The route includes stops in the Warehouse District, Promenade Park and the Uptown District. Buses leave campus beginning at 11 p.m. Thursday and Friday, and 8 p.m. Saturdays, with the final pickup from downtown at 2:35 a.m.

UT started its "Rocket Fuel: Food Recovery Program" which lets students enjoy a hot meal or take it to-go. This program texts participants whenever there is leftover food following a catered campus event to notify them to pick it up or share a meal with other students. Since late February, more than 700 pounds of catered meals have been provided to students instead of going to waste.

In April, University President Sharon L. Gaber unveiled UT Toledo's new brand – "Fueling Tomorrows." The new branding, which will have an edgier look, is to be rolled out in July.

The University of Toledo was named the recipient of the 2017-18 MAC Institutional Academic Achievement Award. Last year UT's student-athletes posted an overall GPA of 3.266. This was the fifth time in the last seven years that the Rockets received the award. Additionally, UT women were named the recipients of the 2017-18 MAC Faculty Athletics Academic Achievement Award for having the highest overall conference GPA. And this spring semester student-athletes earned the highest GPA (3.294) in school history. This was the ninth consecutive semester varsity athletes earned at least a 3.2 GPA. In football, UT finished No. 1 in MAC attendance for the second year in a row. The women's basketball team led the conference in attendance for the 29th consecutive season, and finished No. 30 in the country averaging over 3,700 fans per contest. The softball team recently won the MAC Tournament for the first time in program history.

YSURA Report for OCHER Committee

May 21, 2019

1. President Tressel continues to be loved by the YSU community.
2. YSU has had a slight uptick in enrollment. The 2018 freshman class is up 31% from 4 years ago, boasting an average high school GPA of 3.35, with 22% minority students
3. YSU has a new Provost and VP for Academic Affairs. His name is Brien Smith. He came from the Scott College of Business at Indiana State University where he increased enrollment, graduation rates and also raised millions of dollars in gifts and

grants during his 7 years of employment. Smith will be YSU's 2nd highest ranking officer and will oversee all academic operations.

4. According to a report from the Institute of International Education, YSU is the 2nd fastest growing public university in the U.S. among schools with at least 300 international students. YSU's total number of international students jumped from 363 to 581 in the Fall of 2018. This includes international students enrolled in both classes and internships. This is a 60% increase over the last 2 years.
5. In April 2019, YSU's Board of Trustees received the John W. Nason Award for Board Leadership from the Association of Governing Boards of Universities and Colleges.
6. YSU's Small Business Development Center helped area businesses generate nearly \$100 million in sales last year. For this, they received the national SBDC Excellence and Innovation Award from the U.S. Small Business Administration.
7. The Director of Financial Aid and Scholarships reported that YSU's student loan default rates have dropped nearly in half in the last six years. In Fiscal Year 2011, the student loan default rate was 20.3%. The latest available data is from Fiscal Year 2016 and the rate is down to 11.8%. The Director attributes this decline to the increased focus on student success, more scholarships and keeping costs low.

STRS Health Update:

STRS Health Care Update: Greg Nickell of STRS reported that the Board has not made any decisions about the 2020 health plan. He did highlight changes at the federal level that may have an impact especially upon Medicare Part D prescription drug benefits.

The STRS Board also heard a presentation on proposed changes to the health care plan. The Board will vote on any changes at its June meeting, but any changes are expected to be small.

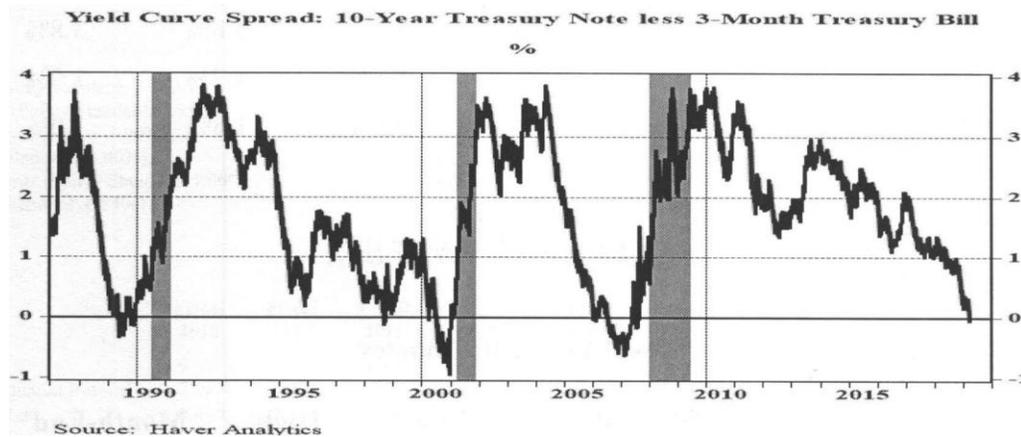
STRS Report to OCHER, May 2019. G. Newsom

At the end of the second quarter of FY 2019, STRS's investments showed a **loss** of 3.6% YTD, but things have been much better since. For the fiscal year up to the end of April, there was a net **gain** of +5.9%, an increase of 9.5% in 4 months. Remember the target is 7.45% per year.

In September 2017, the return on domestic equities over the previous decade hovered around 7%, and now the 10-year return is well over 15%. It's not that returns have gotten a lot better; it's just that the starting point for the 10-year average was much higher in summer 2007 than it was in spring 2009.

CFO Paul Snyder described the effects of the assumed rate of investment return vs. risk for the health-care fund. A low-risk portfolio had a projected mean return of 4.1% but with low volatility, while a high-risk plan had a projected mean return of 11.2% but high volatility. A neutral-weight plan had a 7.3% return with moderate volatility. With its low volatility, the low-risk plan can confidently be projected; the value of the portfolio would slowly decrease as investment returns were below expenses, and eventually the fund would collapse. That would happen sometime between 30 and 60 years in the future. If the goal is to guarantee the fund would be solvent for 30 years, the low-risk plan is fine (with only a 3% chance of failure); if you want the 60-year solvency the Board has adopted, there's a 95% chance the plan would fail. The high-risk plan is just the opposite. It has a 17% chance of running out of money in less than 30 years and only a 27% chance of being insolvent after 60 years. The neutral-weight portfolio has a 13% chance of failure within 30 years and a 32% chance of being insolvent in 60 years. How one invests depends critically on what the goals are.

Policies of the Federal Reserve, trade talks, and geopolitical issues are all important factors hanging over the market. Financial news recently has remarked on the “inverted yield curve,” when the return on 10-year Treasury notes is less than the 3-month Treasury bills. The



Investment Department provided the graph at left, where grey bars show recessions. The yield curve was only slightly negative when

the graph was prepared, and this also happened in late 1995 without a recession following soon after. The message is that evidence for a recession coming soon is not strong.

Busloads of retired teachers, mostly with the American Federation of Teachers, have been coming to Board meetings to protest the loss of COLAs. Of course the protesters do not have fiduciary responsibility as the Board members do and they don't seem to grasp the possible negative effects a reinstatement of their COLAs could have on their future pensions. Much of the May Board meeting was devoted to discussing the dire consequences possible if the pension fund suffers major losses. It was spelled out quite clearly that STRS might then have to tell retirees that the COLA they received in 2016 is being taken back, **reducing** future pension payments. As the protesters unfurled their banners protesting loss of COLAs, I was wondering if part of the Board's agenda was to help them understand what is at stake here. (One Board member mentioned in passing that some steel workers have lost 80% to 90% of their pension

benefits.) However, when the time for public comment arrived, there was the usual repetition of demands for resumption of COLAs. I think their comments would have had more impact if some had said they're willing to accept a much-increased risk of pension reduction in the future in return for COLAs now, but nobody said that. There were also many demands that investment staff not be given raises until COLAs are returned. STRS staff claim that such a move would cause top investment managers to leave, with the resulting drop in STRS investment returns. Since STRS returns generally outperform most other public pension funds, this argument sounds plausible, although I have no way of verifying it. The argument made during public participation that the Board should stop bonuses for investment staff and provide retiree COLAs instead is clearly not grounded in reality; the bonuses amount to a few million dollars, while the cost of COLAs is more than ten billion dollars.

The table below summarizes the past situation for the pension fund. The funded ratio is the ratio of assets to liabilities. UAAL stands for unfunded actuarial accrued liability. The funding

Year	Discount Rate	Funded Ratio (MVA)	UAAL (\$B)	Funding Period (AVA)	Pension Total Contribution Rate	DB Plan Normal Cost
1983	7.50%	58%	5.3	44.0	20.0%	14.2%
1988	7.75%	68%	6.8	35.0	20.8%	14.3%
1993	7.50%	79%	8.2	31.5	21.3%	14.7%
1998	7.50%	94%	7.3	24.2	19.8%	15.3%
2003	8.00%	68%	17.0	42.3	22.3%	14.9%
2008	8.00%	77%	18.2	41.2	23.0%	14.2%
2013	7.75%	69%	31.8	40.2	23.0%	12.0%
2018	7.45%	77%	23.8	17.8	28.0%	10.7%

period is how many years it will take for the funded ratio to reach 100% under current assumptions. Normal cost is the fraction of salary that goes towards the teacher's future pension; the rest (the difference between the last two columns) goes to pay down existing liabilities.

Items to note:

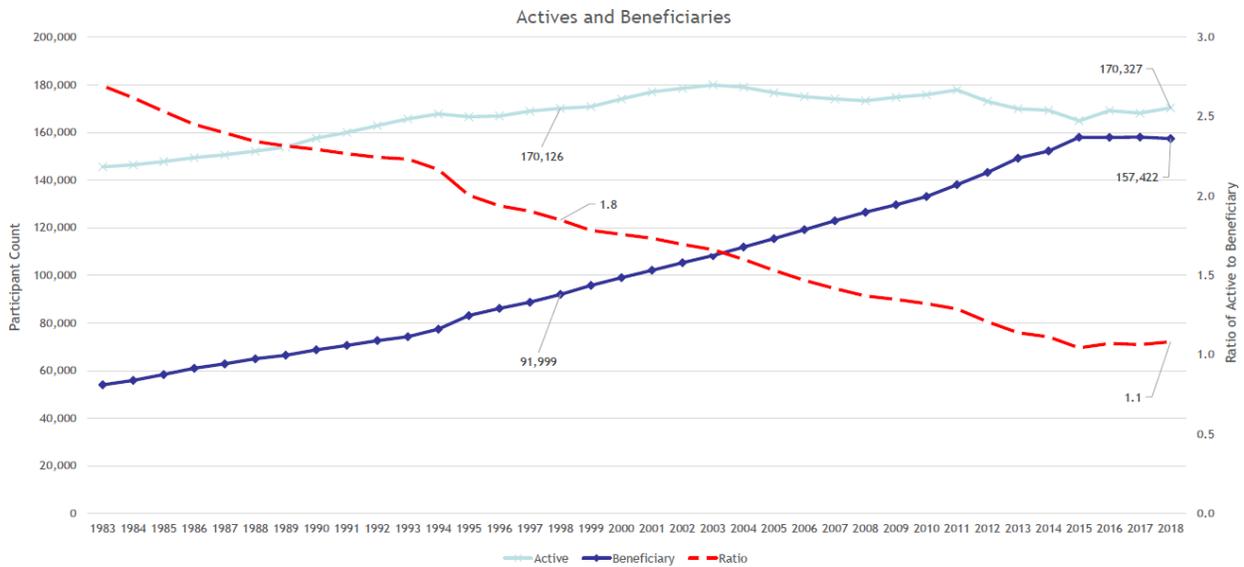
There was a big jump in unfunded liabilities by 2003, as the economy was in recession.

The funding period now is well below historical averages. Part of the reason for this is shown in the last two columns. Employee contributions after 2013 went from 10% to 14%, and the 1% of salary that used to go to the health insurance fund was retained by the pension fund. Also, the drop in value of pensions lowered the normal cost.

Protestors often point out that the 2018 conditions don't look significantly worse than in the past, so there's no reason to suspend COLAs. The STRS response is that in the past STRS had "levers" they could pull to improve their finances in a downturn, such as raising contributions, changing the pension formula, and reducing COLAs, but most of those levers have already been pulled; a future downturn does not give the STRS Board many options other than reducing

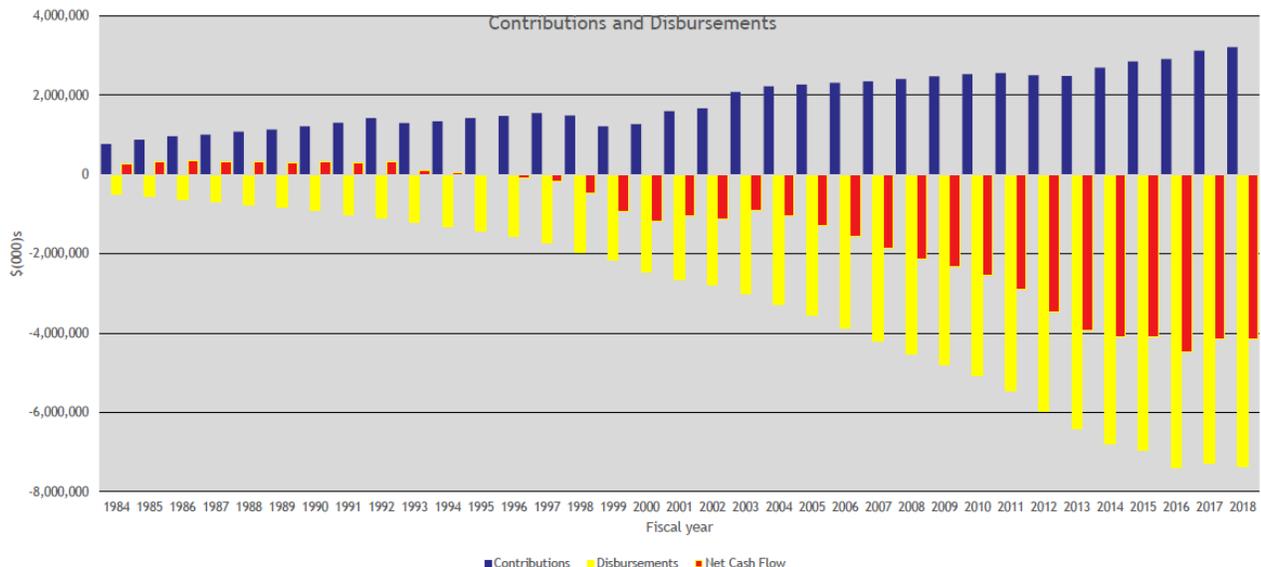
current pensions for retirees. Board members appear to think the legislature is unlikely to allow them to increase employer contributions in the future. (The Ohio Revised Code limits employer contributions to 14% of salary, but elsewhere the code also says if STRS cannot make its pension payments, employers are required to cover the shortfall. These provisions clearly seem in conflict, with no indication what would happen if the situation ever arises.)

Another way of demonstrating how STRS has changed in recent decades is the plot of the number of active teachers (contributing to the system) and beneficiaries (taking money out of the system). Several decades ago, STRS was an “immature” system, with far more actives than retirees. A couple years ago the ratio was nearly one (the sign of a “mature” system, not likely to change dramatically in the coming years). It looked as if the lines were about to cross. But changes in the retirement and health-care formulae for teachers provided an incentive to



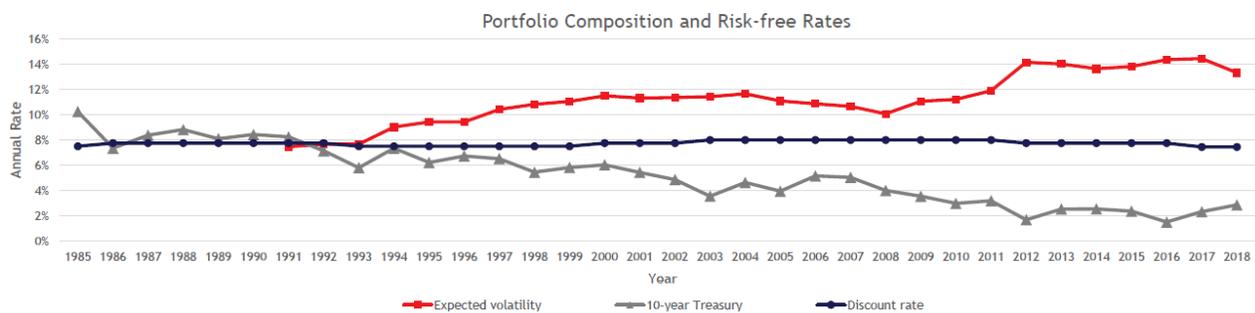
postpone retirement, which flattened the curves.

Another way of displaying how STRS has changed is the plot below, comparing contributions from employees and employers to pension-fund payouts. In the late 1980s and early 1990s, contributions (blue) exceed payouts (yellow), and the pension-fund balances would grow even without investment returns (a characteristic of an immature fund, with many more people



contributing than receiving). That changed in the mid-1990s, when the net cash flow (red) turned negative. The shortfall is covered by investment returns. The message: 30 years ago STRS did not depend on investments to pay its expenses, but now investment returns are vital. Even though the Funding Period now looks much better than it did 30 years ago, the fund is very vulnerable in a way it was not back then.

Adding to the above dramatic changes over the last three decades is the changing investment environment. As the plot below shows, in the 1980s, even though STRS was not depending on investments, one could get better than an 8% return from 10-year Treasury notes (totally safe). Now, when we depend so much more on investment returns, the risk is much higher. Vulnerable.



Staff portrayed the rather devastating effects of one very bad investment year (e.g., contributions would have to increase by 10% of payroll for 20 years to cover the loss from one very bad year). However, this was portrayed as an isolated event. A graph of the S&P 500 over the last 30 years shows that sharp declines were followed by a sharp increase, not necessarily getting back to the pre-drop value but still mitigating much of the initial loss.

Discussion continued over whether the Board should state that STRS “may consider plan changes that do not materially impact the fiscal integrity of the system” if the funded ratio reaches 85%. The Board approved this, with Chairman Bob Stein voting against, worried this could mislead retirees into thinking they’d likely get their COLAs back if the 85% mark is reached. HPA met to see if we wanted to take a stance on this issue. There was no consensus in HPA so we did not make a recommendation. I personally don’t think it matters all that much; I find it hard to believe consultants would advise that reinstating the COLA when the funding ratio reaches 85% would not materially impact the fiscal integrity of the system. Retirees at the May Board meeting to lobby for reintroduced COLAs cheered on the Board vote, evidently believing this helped their cause. The next 5-year review of the pension system is due from their actuary, Cheiron, in 2022, and they may urge a lower assumed return on investments then, which would reduce the funded ratio.

Health Care

There was preliminary discussion at the May Board meeting of what the STRS health insurance is likely to look like in CY 2020. The maximum out-of-pocket limit for Medicare retirees is required to be increased from \$5,100 in 2019 to \$6,350, which sounds dramatic. However, only six enrollees reached the \$5,000 limit in 2018, so very few people will be affected. Among non-Medicare enrollees, only 38 out of about 19,500 enrollees reached the \$5,000 limit in 2018. Non-Medicare enrollees are likely to get a 24-hour nurse hotline, and organ transplants will have to be done at an “Organ Transplant Center” (they do many more transplants so are much cheaper (saving \$300 k to \$400 k) and have better outcomes). The cost of the Aetna Medicare Advantage plan is now projected to increase by less than 2.5%, much less than the 6% assumed. This produces savings that are likely to be used to increase the subsidy for non-Medicare enrollees. The current \$29.90 monthly subsidy for retirees participating in Medicare, which was due to expire in December, is likely to continue in 2020 and may even be made permanent. Making it permanent would reduce the health-care funding ratio from 181% to 155%. Final decisions on 2020 health care insurance, including what the premiums will be, will be made at the June meeting.

Miscellaneous

FY 2020 marks the 100th anniversary of the founding of STRS. STRS plans activities to recognize the milestone, with some aimed to honor active and retired teachers in Ohio.

For the first time, STRS investors are executing short sales in domestic equities (borrowing stock and selling it, expecting the price to drop so they can buy the stock back later at a lower price to pay back the loan). This gives the Investment Department another tool to use in managing investments, although not without risk. [Source: Report From the Investment Department, April 18, 2019, slide 12]

The STRS pension reforms in 2012 increased the years of service requirement by one year every two years. As expected, in alternate years there’s an increase in the number of teachers who retire. In 2020 the number of years increases to 33, causing the retirement applications in 2019 to increase 29% (as of the end of March) compared to last year, and the number should drop next year. [Source: STRS Executive Director’s Report, April 18, 2019]

The Economic Policy Institute (EPI, which Wikipedia describes as advocating “for policies they say are favorable for low- to moderate-income families”) issued a report saying teachers are paying a “wage penalty,” the amount teachers earn compared to other college graduates, and this wage penalty reached an all-time high of 21.4% in 2018. This continues a trend over the last few decades, and the EPI report says this discourages college students from considering teacher careers. This 21.4% wage penalty is partially offset by better benefits; teachers average 29.1% of total compensation in the form of benefits, vs. 21.5% for other professionals. The report notes that the loss of COLAs for many retired teachers is eroding the higher value teachers enjoy in their benefits package.

Several years ago a lawsuit was filed by participants in the Alternative Retirement Plan (ARP) challenging how the mitigating rate was set. (The mitigating rate is the amount of the employer contribution that goes to STRS to offset the loss of income to STRS caused by faculty opting to join the ARP.) The lawsuit was heard in the Franklin County Court of Common Pleas, which ruled in favor of STRS. This was appealed to the Court of Appeals of Ohio, Tenth Appellate District, which ruled on 20 Nov. 2018 that the lower court ruling was incorrect, and the case was remanded back to the lower court (Clark v. State Teachers Retirement Sys., 2018-Ohio-4680). The point of contention seems to be whether STRS or the Ohio Retirement Study Council (ORSC, the state group overseeing the pension funds) should set the rate, but this does not apply to current contributions since it was set by the legislature a couple years ago.

The state requires that public pension funds cut their investments in companies doing business with Sudan and Iran, as long as it does not significantly cut investment returns. To show adherence, STRS reported that they had \$1.6 B invested in “restricted companies” in 2007, and that number is down to \$99 M now. STRS tries to work with these companies to get them to cut their ties to Iran and Sudan, but divesting in their stock is the ultimate action.

The STRS budget for FY 2020 will be sent to the Ohio Retirement Study Council in May, with final approval by the STRS Board at their June meeting. Operating costs for STRS in the proposed budget amount to 0.1% of assets, or 1.5% of benefits paid out. Expenses are increased for recruiting a new executive director and for medical insurance of employees (due to their increasing age), but continuing cuts in the headcount acts to reduce expenses. Electric car charging stations should be added at STRS (the user pays for the electricity).

In 2011, police in the town of Branford, CT, moved from a DB (defined benefit) plan to a 401(k)-type plan. The result has been that some senior police officers left for other departments with DB plans, and young recruits joined the Branford department, only to leave after Branford had paid for their training. The town decided leaving the DB plan was costing them money, so they are likely to go back to a DB plan. Part of the objection to a 401(k) plan is it provides no disability insurance, which is an important consideration for police. [Source: New Haven Register, April 26, 2019] On the other hand, settlement of the strike by musicians in the Chicago Symphony Orchestra calls for shifting musicians from a DB to DC (defined contribution) plan. [Source: Chicago Classical Review, Apr 27, 2019]

Legislative news

The Governmental Accounting Standards Board (GASB) sets standards for how government accounting is done. Two of the standards, GASB 68 (Pension) and GASB 75 (Other Post-Employment Benefits) require employers to show a share of pension net liability, since the Ohio Revised Code says public employers are liable if public pension funds in Ohio cannot meet their obligations. The slight increase in the ratio of assets to liabilities last fiscal year thus allows public employers to have a slightly smaller hit to their financial statements. The high ratio of

assets to liabilities in the health-care fund means employers can show a small positive net asset for this category. [Source: STRS Executive Director’s Report, April 18, 2019]

The problems many states have with their public pension systems is illustrated by Colorado, one of the most underfunded in the country. To try to recover financial stability, the legislature passed bills to shore up the system, requiring school districts and other local government agencies to contribute more to the pension system and requiring workers to make financial sacrifices and retirees to have benefit cuts. To finance their increased contributions, school boards are finding it harder to attract and retain teachers, who already are staging walkouts to protest low pay. (In 2004, school districts across the country paid an average of \$530/pupil for teacher retirements, but by 2018 the amount was \$1,312. Meanwhile, average teacher salaries across the country have declined slightly in constant dollars.) [Source: <https://hechingerreport.org/how-rising-teacher-pension-costs-hurt-school-districts/>]

Vermont’s unfunded pension obligations were one factor in Moody’s lowering of the state’s bond rating from Aaa to Aa1, although Vermont still has the highest bond rating of all the New England states. [Source: Vermont Public Radio, <https://www.vpr.org/post/aging-population-slow-economic-growth-cost-vermont-its-triple-bond-rating#stream/0>]

With their large investment portfolios, public pension funds are subject to pressure to divest in companies that are not considered friendly to environmental, social, and governance (ESG) concerns. Pension fund managers note that their charge is to maximize investment returns, while critics claim that divestment based on ESG makes for a better life for retirees and will lead to higher returns in the long run. A group named the Institute for Pension Fund Integrity (IPFI) has been issuing reports critical of the ESG movement, campaigning to “keep politics out of pension funds.” IPFI, in turn, is being criticized for refusing to say who funds their organization and for many errors in their publications. [Source: <https://www.institutionalinvestor.com/article/b1f3bld0jg586l/The-Dark-Money-Lobbying-Group-Going-After-Pension-Funds>] Efforts to restrict STRS investments seem quite mild, restricting some investments in the Middle East.

Otherwise, the discussion focused on their visits to various new representatives and senators to let them know about the retirement programs.

John Morrow from the STRS Investment section discussed how their program is staffed and how this has changed over the past two decades especially since the 2008 recession. He shared ways in which they approached the asset liability mix and the use of external managers in managing the funds. The growth of a real estate section is a significant development over the past decades and is currently the largest section although real estate is the largest holding in their portfolio.

Wright State University Report

Hannah Beachler, a graduate of the Motion Pictures Program won an Academy Award for Best Production for work on “Black Panther”. The women’s basketball team won the Horizon

League and the men's team finished in second place. The University added six million to their reserves and avoided being placed on Fiscal Watch by the State.

Our Retirees Association now has 305 members. The University provides a stipend each year to cover offices costs including a student assistant as well as office space. Our dues are \$25 a year or \$100 for a lifetime membership. We awarded four \$1500 student scholarships this past year. Another ongoing service activity is the Historical Preservation Project that is done in conjunction with Archives in the University Library. We also have liaisons firth Athletic Council, the Alumni Organization and Friends of the library. We are sponsoring a book club with the Friends of the Library and the Alumni Association. Our group had a tour of Woodland Cemetery. We sponsored a series of Workshops on the following topics: Art Appreciation, Midterm Elections and the Current Political Climate, and World Affairs. For the Holidays we had both a dining in and dining out brunch. We attended a University production of "Crazy About You" and a university basketball game. Our annual Retirees Luncheon was April 26, 2019. Sixty-three retirees and guests attended.

Meeting adjourned at 3:00 PM.

Submitted by Michele

NEXT MEETING – September 17, 2019