



OPERS FORUM FOCUSES ON CORPORATE GOVERNANCE

Did you know that the Ohio Public Employees Retirement System (“OPERS”) maintains a Corporate Governance Department? Since the mid-1990’s, the OPERS Board has recognized the value of an established corporate governance program. The OPERS Board, corporate governance experts, and company executives alike acknowledge that the adoption of key best practices in corporate governance by boards of directors in public companies can add value to the companies in which OPERS invests. During the Inaugural OPERS Corporate Governance Forum, held in March at Ohio Public Employees Retirement System headquarters, participants said that engaging companies in corporate governance is on the rise.

“Corporate governance is kind of a combination of law and finance,” said Charles M. Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. “It’s important to the fund’s long-term shareholder value for the returns you’ve got to earn. This accountability has created a much better economic investment vehicle than we had seen for a long time.”

The half-day forum was an opportunity for the OPERS Board of Trustees, staff and stakeholders to become familiar with our Corporate Governance program and learn about best practices in this discipline.

During his keynote address, Elson said it is important that company directors are independent from executives and that executives have appropriate levels of stock ownership in their own company. He said you have to look no further than the collapse of Enron in the early 2000s for an example that lax oversight can do a company in.

“Accountability makes us better at what we do,” Elson said.

Also at the forum:

- A panel that discussed what works and what doesn’t in company engagement included Ryan Droze, corporate

governance analyst with the UAW Retiree Medical Benefits Trust; Robert McCormick, chief policy officer for Glass Lewis & Co.; and Ann Yerger, executive director of the Council of Institutional Investors.

- A panel that examined corporate governance from the point of view of directors included George S. Barrett, chairman and chief executive officer of Cardinal Health; Eleanor Bloxham, chief executive officer of The Value Alliance and Corporate Governance Alliance; and Frank C. Sullivan, chairman and chief executive officer of RPM International.



A company’s corporate governance structure specifies the distribution of rights and responsibilities within an organization, including the board of directors, managers, and shareholders. It also spells out the rules and procedures for making decisions on corporate affairs.

To help protect our investments, the OPERS Board has adopted a Corporate Governance Policy and Proxy Voting Guidelines. OPERS’ Corporate Governance team works with other institutional investors and organizations to comment on proposed corporate governance, financial regulatory reforms and legislation, vote

OPERS’ proxies, engage companies regarding specific proxy proposals, and help them understand how corporate governance best practices can add value.

Our Corporate Governance department is actively involved with the Council of Institutional Investors and the International Corporate Governance Network, and more companies and investors are reaching out to us, which increases our program’s exposure. The approach is one of “quiet diplomacy,” in which we work behind the scenes to effectuate change.

Go to: <https://www.opers.org/about/corporate/Forum/index.shtml> to view the presentation materials and Professor Elson’s key note remarks.

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OPERS THANKS CONGRESS FOR SUPPORT OF EXTENSION FOR MEDICARE PAYMENTS

OPERS appreciates the work that Congress did in supporting the Protecting Access to Medicare Act of 2014 (H.R. 4302), which prevented a planned 24 percent cut in payments to physicians participating in the Medicare program.

Although a temporary measure, we are hopeful that H.R. 4302 will provide the time necessary to craft a workable permanent replacement for the Sustainable Growth Rate formula.

The SGR formula's focus on preventing Medicare spending from growing faster than the general economy has proven to be challenging for our retirees and their doctors. The SGR formula takes into account the growth in GDP, patients treated and intensity of treatment before establishing a sustainable physician reimbursement level. Since 2003, the implementation of the SGR formula could have resulted in annual cuts to physician payments, but Congress has intervened each time to prevent the cuts from taking effect. Many people typically call this the "doc fix."

This intervention has become a double-edged sword. On the one hand, Congress' action has prevented physicians from leaving the Medicare program or refusing to see new Medicare patients; while on

the other hand, the annual fix has resulted in uncertainty for physicians as they are left to contemplate the status of their Medicare reimbursements.

OPERS provides discretionary health care coverage to more than 240,000 retired members and their dependents. Of that number, more than 140,000 are Medicare-eligible. These members have access to much needed health care coverage

because of our Board of Trustees' active management of the program. We do not want our members to feel caught in the middle and negatively impacted.

OPERS appreciates our congressional delegation's leadership

on this issue, and urges the adoption of a permanent solution to this complicated issue: a revised Medicare reimbursement system that focuses on value and quality of care rather than the quantity of services provided.

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With assets of \$80.3 billion, as of Dec. 31, 2012, OPERS is the largest public pension fund in Ohio and the 11th largest public pension fund in the U.S. In operation since 1935, OPERS provides retirement, disability and survivor benefits for public employees throughout the state and serves more than one million members, including more than 190,000 retirees and beneficiaries.