

Prepared Remarks of Robin Rayfield at STRS Board Meeting

Good morning. I'm Robin Rayfield, Executive Director of the Ohio Retired Teachers Association. As a retired teacher, I wanted to use this time to give a brief history lesson.

I hate saying "I told you so," but I told you so. As I predicted in my testimony last month, the year-end asset values are now lower than when the staff requested bonuses in August. So far by *at least* \$1 billion, for a total loss of over \$5 billion for the year. I'm going to go on record to say that I think the audited numbers will show the loss to be even greater.

Some people are now calling me the Oracle of ORTA. But the truth is everyone in the world knew that the valuations were too good to be true. When the public equities in the stock market dropped by 26%, it was impossible for similar assets like private equities not to lose value.

This is a classic example of the agency problem, the staff put their own self-interests ahead of the members. The entire investment world, including STRS' highly-paid investment staff, knew the values were going to fall. In fact, the staff's knowledge was the *very reason* they rushed the approval to take advantage of an accounting gimmick that delays the valuation. Let me say that in plain English: the STRS staff rushed the bonus vote because they knew time would show they had not earned the bonuses. It's as bad as it sounds.

You ignored pleas from your colleagues and members to delay the vote until we had audited numbers. Shame on those of you who approved bonuses on premature information - especially the investment experts, you knew better.

How can you possibly defend a rushed vote on flawed numbers as being in the fiduciary interest of the fund? I understand the staff put forward this self-serving request, but willful ignorance is no defense. ACA doesn't save you either. Thanks to Wade Steen's questions, the record is clear that ACA doesn't confirm the accuracy of the inputs, just the accuracy of the arithmetic. Garbage in, garbage out. You may not have known by how much, but it was obvious the values were overstated. You paid bonuses that weren't earned and you have personal liability.

The Executive and his co-conspirators are not looking out for your best interests. In fact, they are looking to pin all the liability on you. They want all the control and none of the responsibility. Ditch the current staff and get people you can trust.

On behalf of all active and retired Ohio teachers, I want to know how you're going to get back the unearned bonus money. Will you make the staff pay it back, withhold it from their paychecks, reduce the pay of the executives or consultants who recommended it, or are you going to pay it back yourselves since you're liable for it? That money should go to teachers, not staff. The money is for benefits, not bogus performance. I don't care how you get it back, just do it.

Thank you.