

February 2016



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Special Board Election Materials Due by March 4, 2016

A Special Election is being held to fill a vacant employee-member Board seat due to the resignation of a Board member. For a Special Election, candidates are nominated by the Board members, and the successor member is chosen by a Board vote. All SERS members, other than disability recipients, are eligible to apply for this open seat.

Interested candidates should send a resume addressed to the SERS Board of Trustees, 300 E. Broad St., Suite 100, Columbus, OH, 43215-3746, or by email to SERSBoardofTrustees@ohsers.org by March 4, 2016. Candidates also must submit a completed [Certification Form](#), which can be downloaded from the SERS website. The completed form should be mailed to the above address.

The term for this Board seat runs from April 21, 2016, to June 30, 2017. [Click here](#) to see the full Special Election timeline.

If you have questions about this Special Election, please contact Tim Barbour, Senior Communications Coordinator, by phone at 614-222-5901, or by email at tbarbour@ohsers.org.

Member Services Department to Implement New Service Model

Member Services Staff provided a presentation on its new service model, which will be implemented this summer.

With call volume increasing by 47%, estimate requests increasing by 60%, and refunds increasing by 274%, Member Services has promptly responded to customer need by maximizing the efforts of its existing staff in a number of ways. In addition to adding dedicated time away from the phone to process applications and forms, cross-training to process procedures, and scheduling more Remote Counseling Sessions, Member Services has developed the new Member Support Team to streamline efficiency and reinforce its dedication to the delivery of quality customer service.

Team members are volunteers, selected on the basis of expertise, skillset, and desire. They have been assembled from across the department, and represent its distinct operational sections as well as knowledge specialties.

The team will educate and assist SERS members and retirees on all issues regarding their SERS account. They will serve by offering personalized one-call resolution and follow-through for any questions.

Training for the team began this month.

Global Real Assets Portfolio Review

Investment staff gave the Board an overview of SERS' global real assets portfolio. Currently, the portfolio is at 14.9% of the Total Fund, which is close to its 15% target. The makeup of the portfolio is 85% private real estate (core and non-core); 11% infrastructure; and 4% public real estate (REITs).

The role of the asset class is to provide consistent income. To attain that goal, staff has structured the portfolio with significant core exposure (78%). REIT exposure has been reduced to just 4% to improve the risk return characteristics of the portfolio.

The one-year, three-year, and five-year absolute returns have topped 10% each period, which reflects healthy commercial real estate markets globally. Additionally, the portfolio's income return has increased 17 basis points since 2013.

Goals for 2016 include looking for ways to further improve risk return characteristics, and research portfolio return expectations within the current market cycle.

Board Education Program on Real Assets

To supplement this month's global real assets portfolio review, Julio Garcia, Head of Infrastructure, North America, and Tessa Fitzpatrick, Vice President of Investor Relations for IFM Investors, gave the Board an overview of the company and the types of infrastructure investments it pursues.

While IFM manages investments in private capital, debt, listed equities, and infrastructure, nearly half of its capital is invested in infrastructure. It currently has 141 investors in the infrastructure asset class, of which 36% are public pension funds.

IFM looks to acquire longer-term assets, which matches pension funds' objectives. It also looks for assets that are not affected by political interference, and generally prefers existing assets rather than newly built projects. In addition, IFM seeks opportunities that meet environmental, social, and governance (ESG) objectives, especially since that more investors are incorporating these objectives into their investment decisions.

A notable asset that IFM added to its infrastructure portfolio in 2015 was the Indiana Toll Road. IFM liked the toll road because it was a major corridor from Chicago to big Midwest cities and the East Coast.

Most goods move east from Chicago by truck. Using the toll road is faster and cheaper for freight haulers than heading south and east on smaller interstate roads. There also is more than 50 years of traffic history that provides insight into toll road usage over many economic periods.

SERS has been an investor in IFM's infrastructure fund since 2014.

Total Fund Update

TOTAL FUND BALANCE		
November 31	December 31	Difference
\$12.45 billion	\$12.36 billion	▼ \$90 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▼ 1.30%	▲ 2.31%	▲ 8.06%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.11%	▲ 0.78%	▲ 0.37%

SERS Commits to Multi-Asset Strategies Investment

The SERS Staff Investment Committee approved a \$60 million commitment to Stone Milliner Macro Fund Inc., a global macro tactical trading strategy within SERS' Multi-Asset Strategies portfolio.

This investment will be funded from cash reserves.

Health Care Funding Update

Anne Jewel, SERS' director of Health Care Services, continued a discussion begun at the Board Retreat regarding strategies for the SERS Health Care Program.

Jewel provided an overview of two new initiatives that could leverage Medicare and Marketplace opportunities in order to maintain some members' health care coverage while substantially decreasing program costs for SERS.

Staff and the Board understand the importance of the health care benefit, and continue to develop strategies for preserving health care coverage for current and future recipients.

Medical Advisory Committee Changes

After serving 18 years as chair of SERS' Medical Advisory Committee (MAC), Dr. Edwin Season has resigned from this position. He continues to serve on the committee as a reviewing member. In all, Dr. Season has been a member of the MAC for nearly 40 years.

The MAC is a critical component of SERS' disability program. Members review all disability benefit applications with staff, review SERS' examiner reports, and make formal recommendations to the Board. In addition, the MAC chair attends personal appearance hearings and presides over Special Conference hearings.

Following Dr. Season's resignation, Dr. Glen Borchers was appointed MAC chair, effective December 2015.

He has practiced gastroenterology/hepatology in Columbus for more than 20 years and is Board-certified in Internal Medicine and Gastroenterology.

Dr. Borchers was appointed by the Board to the MAC in July 2014.

Executive Director's Update

Roundtable Results

On January 28, SERS held an advocacy group meeting to begin discussions on ways to improve pension funding and stabilize the health care fund.

With SERS' Funding Policy limiting the amount of employer contributions available for health care funding until pension funding attained certain levels, Board and staff enlisted the assistance of member and retiree advocacy groups to review possible solutions and generate additional ideas.

The Board asked that a follow-up meeting be scheduled for Friday, March 18 from 9:30 to 11:30 a.m. in the O'Keefe Conference Room at SERS' headquarters building.

Monthly Retirement and Survivor Benefit Transactions

For February, the SERS Board approved 581 active members for service retirements, and 35 survivor benefits for spouses and/or dependents.

March Meeting Dates

The March Board meeting will take place Thursday, March 17 at 8:30 a.m. On Friday, March 18 at 9:30 a.m., the Board will hold a special meeting that will include a roundtable discussion on pension reform with its advocacy groups. The agenda of activities for both days will be posted to the "Board Meeting Dates, Agendas, Board Highlights" section of the SERS website at www.ohsers.org/board-of-trustees-3 a week before the meetings.

[Click here](#) to view and download a printer-friendly version of this month's *Board Highlights*.

Retiring in the next 12 months? **[Click here](#)** to register for a *Retiring with SERS* webinar.

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Madonna D. Faragher, Employee-Member

Christine D. Holland, Employee-Member

James A. Rossler, Jr., Appointed Member

Daniel L. Wilson, Appointed Member

Beverly A. Woolridge, Retiree-Member

Vacant, Employee-Member