

**February 18, 2016**

The eight hundred and seventy-ninth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday February 18, 2016. The meeting convened in open session at 8:33 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance the roll call was as follows: Catherine Moss, Chairperson, Nancy Edwards, Christine Holland, Barbra Phillips, James Rossler and Daniel Wilson. Catherine Moss excused the absence of Debra Basham, Madonna Faragher and Beverly Woolridge. Also in attendance was Henrique Geigel, representative of the Attorney General, various members of the SERS staff, and members of the public.

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON  
December 17, 2015**

Christine Holland moved and James Rossler seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, December 17, 2015. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

Catherine Moss asked Farouki Majeed to present the Investment Report.

**INVESTMENT REPORT**

Farouki Majeed introduced Nancy Turner and Phil Roblee to present the annual Real Assets portfolio review. Ms. Turner discussed that the Real Assets portfolio was 14.9% of the Total Fund as of December 31, 2015 with an asset allocation target of 15%. The portfolio has been restructured with the new asset allocation, effective July 2013, through February 2016, and now consists of 85% private real estate (both core and non-core); 11% infrastructure; and 4% public real estate (REITS). The construction of the portfolio has been realigned with significant core exposure and less REIT exposure to generate consistent income. Ms. Turner also stated that the one-year, three-year, and five-year absolute returns have topped 10% each period. Additionally, the portfolio's income return has increased 17 basis points since 2013.

Phil Roblee discussed risk management and four key areas of the implementation guidelines, including Property Type Risk; Geographic Risk; Life Cycle Risk and Leverage Risk. Mr. Roblee noted that expectations for the Real Assets portfolio include a longer market cycle with expected returns of 8% over the next three years. Staff is focused on ways to improve risk return characteristics by utilizing Barra risk reports and will continue to monitor core managers. Adding to the discussion, Mr. Majeed noted the turnaround in the portfolio performance as a result of the shift to more core real estate resulting in less risk and creating better diversification in the portfolio. Following questions and answers, the Board thanked Ms. Turner and Mr. Roblee for their presentation.

Nancy Turner then introduced Tessa Fitzpatrick and Julio Garcia of IFM Investors to conduct a Board Education session on Private Market Infrastructure. Ms. Fitzpatrick and Mr. Garcia provided the Board an overview of the company and the types of infrastructure investments it pursues. SERS has been an investor in IFM's infrastructure fund since 2015. IFM manages \$44 billion in investments in private capital, debt, listed equities, and infrastructure, with nearly half of its capital invested in infrastructure. IFM looks to acquire longer-term assets, which matches pension funds' objectives and seeks opportunities that meet environmental, social, and governance (ESG) objectives. IFM added the Indiana Toll Road to its infrastructure portfolio in 2015. It is a major trucking corridor from Chicago to large Midwest cities and the East Coast; using the toll road is faster and cheaper than heading south and east on smaller interstate roads. Following discussion, the Board thanked Ms. Fitzpatrick and Mr. Garcia for their educational session.

Upon conclusion of the education session, Mr. Majeed asked John Lake and Trevor Jackson of Summit Strategies to present an update. Mr. Jackson reviewed economic and capital market highlights for the fourth quarter. Following, Mr. Lake continued the discussion of Total Fund performance which exceeded the benchmark in 2015, although this has been the most challenging year since 2011. The Board thanked Mr. Lake and Mr. Jackson for their comments.

## EXECUTIVE SESSION

At 10:17 a.m., Christine Holland moved and Barbra Phillips seconded the motion that the Board go into Executive Session pursuant to section 121.22 (G)(5) of the Ohio Revised Code to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

The Board returned to open session at 10:49 a.m.

Following the Executive Session, the Board took a break at 10:49 a.m. and reconvened at 11:02 a.m.

## INVESTMENT REPORT (continued)

Continuing with the Investment Report, Mr. Majeed discussed the economic update and quarterly Investment report for the period ending December 31, 2015. While Total Fund performance has exceeded the benchmark in recent years, he identified areas needing improvement, including the fixed income, multi-asset strategies and opportunistic portfolios. The Board thanked Mr. Majeed for his comments and review of the quarterly report.

## SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and Christine Holland seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **November 1, 2015** through **November 30, 2015** hereby be approved. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

### A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 85.9
Non-US Equities	86.4
Fixed Income	204.2
Multi-Asset Strategies	n/a
Private Equity Capital Calls	16.2
Real Asset Capital Calls	16.5
Opportunistic	1.8
Cash Equivalents	84.5

### B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$78.4	\$ 0.3
Non-US Equities	89.7	(6.2)
Fixed Income	176.8	(0.6)
Multi-Asset Strategies	2.5	0.7

Private Equity distributions	9.2	n/a
Real Asset distributions	1.3	n/a
Opportunistic	n/a	n/a
Cash Equivalents	141.2	n/a

Christine Holland moved and Barbra Phillips seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **December 1, 2015** through **December 30, 2015** hereby be approved. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 85.4
Non-US Equities	118.4
Fixed Income	173.8
Multi-Asset Strategies	n/a
Private Equity Capital Calls	67.5
Real Asset Capital Calls	33.4
Opportunistic	81.9
Cash Equivalents	159.0

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$78.4	\$ 3.8
Non-US Equities	89.7	(5.8)
Fixed Income	176.8	(0.9)
Multi-Asset Strategies	2.5	(0.1)
Private Equity distributions	9.2	n/a
Real Asset distributions	1.3	n/a
Opportunistic	n/a	(2.1)
Cash Equivalents	141.2	n/a

**EXECUTIVE DIRECTOR'S UPDATE**

**PENSION REFORM**

- Sue Eubanks facilitated the Advocacy Group Roundtable on January 28.
- Staff was very pleasantly surprised; Roundtable discussions were to the point, focused and well-received by the SERS' advocacy groups.
- Next steps: Board members indicated that they would like to participate during the next Roundtable meeting. Following additional discussions, Board and staff agreed upon March 18 (A.M.) for the next Roundtable meeting with interactive discussions amongst advocacy groups and Board members.

## **INDEPENDENT CONTRACTORS and MEMBERSHIP EROSION**

- Ms. Morris thanked Board Trustees James Rossler and Dan Wilson for their input on an OASBO issue that has put SERS in a difficult situation with a key legislator. A small but vocal OASBO subcommittee is working to exempt some contract workers who provide “occasional, ad hoc, and part-time services” from SERS or STRS membership. Their stated goal is to “increase efficiencies, lower costs, and ease administrative burdens.”
- At issue seems to be contract workers who are either working for a private sector company that pays into Social Security, or are self-employed:
  - The OASBO group has attracted the attention of Representatives Kirk Schuring and Ron Amstutz;
  - Representative Schuring is especially “opposed to people paying twice” into Social Security and a state retirement system, and wants to help the subcommittee resolve their questions with the retirement systems;
  - For the most part, SERS has determined that these individuals are doing work “common to the normal daily operation” of the schools, and should therefore be contributors, even if a different person comes every week;
  - The subcommittee has also muddied the waters by asserting that informal comments in an email from one state tax department employee constitutes official guidance on whether or not these individuals should pay into Social Security or the systems;
  - In response, staff has been meeting with Representative Schuring and the subcommittee to be responsive to their concerns.
- At the request of Representative Schuring, SERS created a new intake form that should provide additional clarity and improve the process:
  - Joe Marotta provided a federal court decision from 1965 that held contract bus drivers for the Huron school district should contribute to SERS, and they could get a refund of the FICA taxes they paid;
  - Representative Schuring appreciated SERS responsiveness, and said he wants to “go straight to the IRS in DC” about this.
- Staff will continue to provide updates. The next interested party meeting has not been scheduled.

## **ORSC**

- Committee briefly met February 11.
- Katie Bloomfield, Investment Compliance Analyst, presented SERS’ annual Iran/Sudan divestment report.
- Tracy Valentino presented highlights of our FY2015 valuations.
- The next meeting is tentatively set for March 10. Do not expect a lot of meetings in the near term.

## **OHIO CHECKBOOK.COM**

- Tracy Valentino and Maria Robinson uploaded the checkbook-level information, and Laurel Johnson provided sample “landing page” information for the systems.
- Staff will get an opportunity to review next week.
- We expect the site to “go live” with our information soon – we will keep the Board posted.

## **STATE LEGISLATION**

- HJR 6 Divestment – this joint resolution to amend the constitution with a divestment mandate was introduced with a large number of Republican co-sponsors, including Speaker Rosenberger. We’re told the Speaker co-sponsored it because the issue is important to his caucus, but he has no plans to rush it through. He understands there are financial impacts to the systems, and wants to work with us. In other words, please stand down. However, the systems immediately began work on a shared outreach and communications plan. We will be highlighting our highly successful voluntary divestment and engagement efforts.
- HB 305 University of Akron – this bill was forwarded to the House Finance Committee after being referred from Health & Aging specifically to address budget provisions.
- Alternative Retirement Plan (ARP) Mitigating Rate – we submitted the requested actuarial work to Representative Schuring, and he is considering including a new ARP formula in the upcoming omnibus pension bill.
- Omnibus pension corrections bill should be introduced shortly. Should have no controversial provisions; only a few clean-ups for SERS.

## **ADVOCACY GROUPS**

- Ohio Federation of Teachers (OFT) has invited Lisa and Laurel to provide a system update at their pre-convention workshop at STRS on February 24.

## LEGISLATIVE REPORT

### STATE LEGISLATION BOARD REPORT 131st General Assembly (Prepared by Laurel Johnson as of February 5, 2016)

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**HB284 PENSIONS-FEDERAL OFFENSES** Mike Dovilla (H7-R-Berea) and Marlene Anielski (H6-R-Walton Hills) To add extortion and perjury and certain federal offenses to the offenses that may result in forfeiture or termination of public retirement system benefits.

Current Status: 01/26/2016 REPORTED OUT

ORSC Position: Approved staff recommendation for passage with amendments

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**HB305 UNIVERSITY OF AKRON-OPERS MEMBERS** Kirk Schuring (H48-R-Canton) To include new nonteaching employees of The University of Akron as members in the Public Employees Retirement System and to make an appropriation for the University's School Employees Retirement System employer surcharge payments.

Current Status: 02/02/2016 Re-Referred to Finance Committee

ORSC Position: Approved staff recommendation for passage with amendments

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**HJR6 DIVEST-TERRORISM SPONSORED COMPANIES** Terry Johnson (H90-R-McDermott) To prohibit state agencies and the state's public retirement systems from contracting with and investing in companies with certain business operations in countries designated as state sponsors of terrorism and to require state agencies and public retirement systems to divest investments from such companies.

Current Status: 02/02/2016 Introduced

ORSC Position:

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### FEDERAL LEGISLATION BOARD REPORT 114<sup>th</sup> United States Congress (Prepared by Laurel Johnson as of February 5, 2016)

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#### **HR 711**

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTION: 2/4/2015 Referred to the House Committee on Ways and Means.

CAPTION: Amends title II of the Social Security Act to repeal the windfall elimination provision and protect the retirement of public servants.

COMMENT: The Equal Treatment for Public Servants Act of 2015. Repeals the Windfall Elimination Provision (WEP) and replaces it with a formula that treats public employees the same as other Americans with regard to their own earned Social Security benefit. HR 711 has 51 co-sponsors, including eight Ohioans: Beatty, Chabot, Johnson, Joyce, Renacci, Ryan, Stivers, and Tiberi.

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#### **HR 973**

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: 2/13/2015 Referred to the House Committee on Ways and Means.

CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions.

COMMENT: The Social Security Fairness Act of 2015. Repeals the Government Pension Offset (GPO) and WEP. HR 973 has 129 co-sponsors, including six Ohioans: Beatty, Fudge, Joyce, Kaptur, Ryan, and Turner. Companion bill to S 1651.

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### **S 1651**

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: 6/23/2015 Referred to Senate committee. Status: Read twice and referred to the Committee on Finance.

CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions.

COMMENT: The Social Security Fairness Act of 2015. Repeals the Government Pension Offset (GPO) and WEP. S 1651 has 21 co-sponsors. Companion bill to HR 973.

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## **JANUARY-FEBRUARY FEDERAL UPDATE (Prepared by Jim Miller, as of February 5, 2016)**

### **OVERVIEW**

Speculation abounds as to how productive this session of Congress will be. It is too soon to know for sure, but early indications are that it will be a very slow year on the legislative front. First of all, only 95 days have been set aside for legislative floor time; plus, the combination of the July conventions, the traditional August recess, and the desire to have as much time as possible in September and October to campaign, will keep the campaign strategists' attention focused on messaging, polls, and raising campaign cash. What does seem to be clear is that most of what will get done in the legislative arena this year will have to be accomplished between now and mid-July.

Speaker Ryan has outlined the five policy areas on his agenda: national security, the economy, health care, poverty, and constitutional powers. As an article in Roll Call put it, the Speaker has "drafted the playbook, but has not committed to running the plays." Some of Ryan's comments suggest that he anticipates most of these issues will be carried over to 2017, which has not thrilled the arch-conservative wing of the House.

Certainly a number of contentious and very political issues will dominate the headlines throughout the session. These include immigration reform, gun control, national security, foreign policy, fallout over the stock market if it continues to decline, Planned Parenthood, health care, and foreign policy, particularly as it relates to the Middle-East. Senate Democrats are also trying to elevate the student loan crisis to front-page status.

Most predictions are hazardous at best, and three of the most common areas of which most people express opinions are sports, the stock market, and politics, because all three have winners and losers and money is involved. However, as of the moment, the heavy money is on a very slow Congressional session because both parties have pivoted firmly toward election-year politics.

### **HEALTH CARE**

To no one's surprise, on January 6, House Republicans voted out a bill to repeal the ACA that had already passed the Senate, which the President quickly vetoed. This action was only the beginning of the messaging process for this election year.

On a more positive note, the Chairman of the Senate HELP Committee, Lamar Alexander, announced that the committee plans to hold three meetings to produce companion legislation to the House-passed 21st Century Cures Act, with the first session scheduled for February 9. Alexander also said that in the February session they will mark-up seven medical innovation bills that address the interoperability of electronic health records, medical devices, rare diseases, NIH research, neurological diseases, medical rehabilitation research, and duodenoscopies. The committee will have sessions on March 9 and April 6, after which they expect to have a comprehensive companion medical innovation bill.

On January 28, the HELP Committee held a hearing on "Generic Drug User Fee Amendments: Accelerating Patient Access to Generic Drugs." The witness was Dr. Judy Woodcock, Director of the FDA Center for Drug Evaluation and Research. The focus of the hearing centered on the pace of the approval process, with Chairman Alexander citing that the

original goal of the 1984 Hatch-Waxman amendments was to approve generic drugs in 180 days, but now the median approval times range from 30 to 48 months.

Developing naming standards for biosimilars remains a controversial topic. The Public Sector Healthcare Roundtable and others continue to push for an FDA ruling that generic biologics should have the same INN as their brand-name reference products. The FDA in August released draft guidance for the naming of biosimilars that would require each product to have a unique name.

In a recent development, PhRMA and the Biotechnology Innovation Organization have filed a citizens' petition asking the FDA to require even sharper distinctions for biosimilars. The FDA has 180 days to respond to the petition.

## **SOCIAL SECURITY**

The mandatory coverage issue may surface in some of the campaign related discussions concerning ways to reform Social Security and also to boost the Trust Fund, but no one expects any action on Social Security reform in a hotly contested election year. For members from non-covered states such as Ohio, the issue of mandatory coverage is particularly radioactive in an election year.

This is not to say that pressures for mandatory coverage will not continue, particularly from the Arnold Foundation and its various grantees. Given the slim investment returns for 2015 and the declining market so far in 2016, it can be expected that Arnold will continue the theme that public plans will not be able to deliver promised benefits, and that Social Security is needed as a safety net for retirees.

The fate of H.R. 711, the WEP reform bill, will likely be determined by mid-July, assuming the predictions about the Congress basically shutting down after the conventions hold true. As Chairman of the House Ways and Means Committee, Kevin Brady is in a position to move his bill either as a stand-alone bill, or by amending it into a measure that is sure to be passed by both chambers and signed into law. Brady still needs to find a Senator to carry the bill, as well as solidifying support from leadership.

The Ways and Means Committee held its retreat in late January for the purpose of determining an agenda for the first part of this session. He has indicated his intent to have H.R. 711 on the early agenda.

## **FINANCE**

Senate Finance Chairman Hatch has announced that he is working on a corporate tax proposal he hopes to release in the upcoming weeks. As noted in the following section on retirement security, Hatch held a hearing in January related to expanding retirement savings. His plans for his SAFE ACT proposal are not yet known.

House Financial Services held two hearings in January to discuss the National Flood Insurance Program, which is scheduled to expire on September 30, 2017. Recent floods in the nation have caused concerns relating to costs and affordability for consumers.

Chairman Hensarling has announced that Federal Reserve Chairman Yellen will appear before the committee on February 10 to deliver the Fed's semi-annual "Monetary Report to the Congress."

It is expected that the committee will quickly resume its review of the Dodd-Frank Act in its attempt to modify or eliminate certain provisions of the act.

On January 11, the SEC announced that among its 2016 examination priorities it will include public pension advisors. SEC said it will "examine advisers to municipalities and other government entities, focusing on pay-to-play and certain other key risk areas related to advisers to public plans, including identification of undisclosed gifts and entertainment."

## **RETIREMENT SECURITY**

The immediate concern this year relates to the actions the Congress will take relative to providing financial assistance to Puerto Rico. Since both parties have expressed a desire to act as soon as possible, which is supported by the administration, this proposal has a good chance to be enacted even during a slow year. Senator Reid has asked Majority Leader McConnell to create a task force to reach a deal on legislation by the end of February. The concern for public pension plans centers on Senator Hatch as to whether or not he will try to once again attach the PEPTA legislation and SAFE Act to the bill to aid Puerto Rico. Neither bill has been introduced this session. Both have long been strongly opposed by all segments of the public pension community. His attempt this past December failed, so there is some thinking that if he does so, this language becomes a poison pill for the entire bill, and he will be asked not to try it again by leadership. This should become clearer in the next few weeks.

The Senate Finance Committee chaired by Senator Hatch held a hearing on January 26 entitled, "Expanding Retirement Savings Plans in the Workplace." The stated purpose of the hearing was to examine ways to empower job creators to offer and increase access to savings plans for their employees. While job creators were not specifically defined, small businesses were referenced in the committee notice.

In the meantime, events in states around the nation, accompanied by continued actions by the Arnold Foundation as a part of its campaign to discredit public plans, continued to generate ammunition that could be used at the federal level to enact unwanted and unnecessary legislation that would negatively impact state and local plans. Some of these events include the following:

- State employee and teacher retirement plans in Kentucky are experiencing significant funding issues. The new governor is expected to lead an effort to convert both plans to defined contribution systems.
- The Manhattan Institute issued another report severely attacking teacher retirement systems, saying that the "crushing debt" facing many states due to pension liabilities is unfair to young teachers starting their careers and such plans should convert to DC plans.
- A report from Funston Advisory Services says that the New York City Pension System is in danger of "operational failure" due to lack of resources, a lack of many basic tools relating to investments, and understaffing, among other problems noted in the report.
- On January 26, a new group funded by the Arnold Foundation called the Retirement Security Initiative (RSI), publicly launched an advocacy campaign aimed – as they describe it – at the "uncertain future" of public pension plans. As announced in their press release, their goal is to provide government officials with help and information about pension reform options, and to generally "help them help themselves." Leaders of the group include Chuck Reed, which clearly indicates the direction the RSI will take. Another of their strong supporters is former Utah state senator Dan Liljenquist. Enough said.
- The Manhattan Institute released an article by Steven Malanga, senior editor of the City Journal, entitled, "Scary Pension Math." It is very likely to further escalate criticism of public plans, particularly as a result of the current market downturn, combined with the relatively flat returns of 2015.
- Pew Charitable Trusts, while appearing to adopt a lower profile concerning their Arnold-influenced actions with state and local plans, have not really done so. Recent reports prepared for Kentucky, Arizona, and Montana reveal that their recommendations echo the Arnold Foundation themes that these plans can't deliver benefit promises, and will eventually become a burden to state taxpayers.

There is some good news in the retirement security arena as it relates to the current stream of attacks on public plans. This includes the following:

- The measure to curb public pension benefits in California has been pulled from the ballot. Sponsors say they are now targeting 2018 for their next attempt.
- A state labor board ruled against San Diego's pension cutbacks affecting nearly 2,000 employees.
- The Pennsylvania House voted down a proposed pension bill that would have changed the traditional pensions of new state and public school employees by enrolling them in a 401(k) plan.

The Boston College Center for Retirement Research released a report covering a 22-year period showing that DB plans outperformed DC plans, and also noting that many 401(k) plans are rolled over into IRAs, which earn even lower returns.

The concern about overall retirement security for all Americans will continue to escalate due to a combination of factors, including a recent GAO report saying that nearly half of people 55 and older have no retirement savings such as a 401(k) or IRA to supplement any pension plan they might have, and many have only Social Security for retirement income.

## **SUMMARY OF KEY ACTIVITIES**

1. Held discussions with Ways and Means staff concerning staff changes and agenda for 2016
2. Distributed NEA position statement on H.R. 711 to a variety of entities
3. Discussed public plan legislative agenda with various D.C.-based association staff
4. Monitored relevant committee agendas for early 2016
5. Observed the HELP Committee hearing on generic drugs
6. Monitored a number of different sources pertaining to state pension issues that have implications for federal issues

Following the Executive Director's update, the Board continued with the Operations Report.

### **OPERATIONS REPORT**

Helen Ninos reported on SERS 2<sup>nd</sup> Quarter Operations Report, noting new initiatives that focus on changes implemented within the organization during the last quarter. Ms. Ninos asked John Grumney to provide an overview of a new service model for the Member Services Department.

Mr. Grumney discussed the Member Support Team – a group of designated individuals with a high level of knowledge and understanding of SERS. This group of individuals will educate and assist SERS members and retirees regarding their accounts. The Team's roles and responsibilities will include: educating members and retirees, allow for a one-call resolution/follow-through; streamlining of services; and provide quality customer service. Mr. Grumney also noted that as a result of this initiative, staff headcount remains the same. He thanked Lisa Morris, Helen Ninos and his staff for their support.

Tracy Valentino provided highlights of SERS' financials, noting a decrease of 4.3% from June 30, 2015. She also noted a continued decrease in employer receivables, and SERS continues to see the impact of GASB 68. Ms. Valentino stated that retiree benefits are up, due in part to more retirees and the cost of living adjustment. She also reported that health care continues to be impacted, and will also be impacted this year by the Funding Policy.

Concluding the Operations Report, the Board reviewed Superannuations and Special Cases.

The Board recessed at 12:34p.m. and reconvened at 1:33 p.m.

## **EXECUTIVE SESSION**

At 1:33 p.m., Barbra Phillips moved and Christine Holland seconded the motion that the Board go into Executive Session pursuant to section 121.22 (G)(5) of the Ohio Revised Code to review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

The Board returned to open session at 2:00p.m.

The Board and staff thanked Dr. Seasons for his continued service over the years and presented him with the following proclamation.

**The Retirement Board of the School Employees Retirement System of Ohio  
adopted the following resolution on February 18, 2016  
to honor Dr. Edwin Season**

**WHEREAS**, the School Employees Retirement System of Ohio provides pension benefits to more than 197,000 active and retired non-teaching public school employees; and

**WHEREAS**, Dr. Edwin Season dedicated 39 years of exceptional service to SERS' Medical Advisory Committee, 17 of which were spent as Chairman; and

**WHEREAS**, Dr. Season's extensive experience as an independent medical examiner was instrumental during the review of approximately 16,000 disability cases during his chairmanship; and

**WHEREAS**, Dr. Season exhibited a deep understanding of the jobs SERS members perform and how their medical condition would affect their ability to work; and

**WHEREAS**, the SERS staff always appreciated Dr. Season's considerate, direct, and proactive communication with other examiners and committee members; and

**WHEREAS**, the SERS Board of Trustees is indebted to Dr. Season for his detailed explanations of the medical specifics of cases that came before the Board and appreciative of his respectful questioning of members during disability appeals, and

**WHEREAS**, Dr. Season was a vital resource in the early stages of the implementation of SERS' vocation rehabilitation program because of his familiarity with the vocational rehabilitation standard and experience with Workers Compensation; and therefore,

**BE IT RESOLVED**, that the Retirement Board of the School Employees Retirement System of Ohio is deeply grateful for the work Dr. Season has done on behalf of SERS as a member of the Medical Advisory Committee, and for the compassion he has shown to our members who have encountered life-changing medical emergencies while they worked in a SERS-covered position.

Concluding the Disability Report, Anne Jewel, Health Care Director, presented a health care planning update.

## **HEALTH CARE PLANNING UPDATE**

As a follow-up to Eric St. Pierre's presentation, Ms. Jewel discussed additional details regarding the activities currently underway. As suggested during the Board Retreat by Mr. St. Pierre, SERS' biggest expense drivers is the 65 and under age group. As such, SERS is looking for ways to utilize the Marketplace to expense coverage. Ms. 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.

Ms. Jewel stated that the Health Care department has drafted an RFP to engage a vendor who will work with SERS disability members. She also asked the Board to consider a request to change the statute which would require disability applicants to apply for SSI benefits.

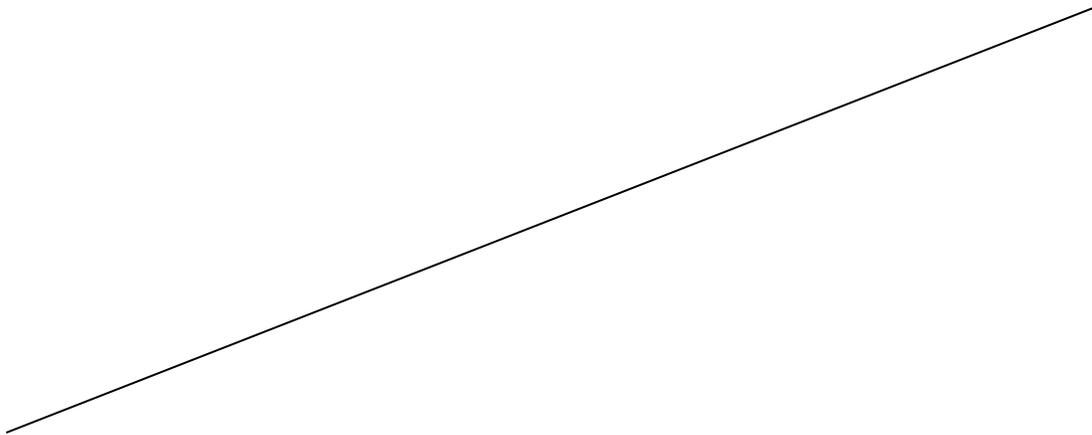
Continuing the discussion, several Board members shared their concern about just now learning about these health care options when they have repeatedly asked staff to investigate all options under the Affordable Care Act (ACA). Staff advised that these programs are rather hidden from usage in a non-Social Security state like Ohio, and Ohio would be one of the defined benefit plans in a non-Social Security state to the take advantage of these programs.

Concluding the discussion, staff and Board acknowledged the importance of the health care benefit, and will continue to develop strategies for preserving health care coverage for current and future recipients.

## **AMENDMENTS TO R.C. 3309.392**

Nancy Edwards moved and Christine Holland seconded to authorized staff to seek legislation amending Ohio Revised Code section 3309.392 to provide that a recipient of a disability benefit who enrolls in SERS' health care coverage must apply for social security disability insurance benefits and hospital insurance benefits under Medicare Part A for which they may be eligible. Upon roll call, the vote was as follows: Yea: Nancy Edwards, Christine Holland, James Rossler and Catherine Moss. Nay: Barbra Phillips and Daniel Wilson. The motion was denied.

The Board continued with the review of calendar dates and future Board meetings. As a result of a conflict with the May Board meeting date, the Board agreed to change the date to May 24 & 25, 2016.



## CALENDAR DATES FOR FUTURE BOARD MEETINGS

### 2016

March 17 and 18 (Thurs. and Fri.)  
April 21 and 22 (Thurs. and Fri.)  
**May 24 and 25 (Tues. and Weds.) REVISED**  
June 16 and 17 (Thurs. and Fri.)  
July 21 and 22 (Thurs. and Fri.)  
September 15 and 16 (Thurs. and Fri.)  
October 20 and 21 (Thurs. and Fri.)  
November 17 and 18 (Thurs. and Fri.)  
December 15 and 16 (Thurs. and Fri.)

**\*\*NOTE:** *The above dates are tentative.*

### ACCEPTANCE OF EMPLOYEE BOARD MEMBER RESIGNATION; DECLARATION OF VACANCY; SCHEDULE FOR FILLING EMPLOYEE BOARD MEMBER SEAT

Barbra Phillips moved and James Rossler seconded that Debra Basham's resignation be accepted effective February 7, 2016 and that a vacancy in the employee member seat held by Ms. Basham be declared effective February 7, 2016. Be it further moved that the following schedule will be used to fill the vacant employee member seat:

SERS members interested in being elected by the Board to fill the vacancy shall submit a statement of interest and qualifications to the Board no later than March 4, 2016.

Nominations for candidates will be held at the Board meeting scheduled for March 17 & 18, 2016.

Interviews of the nominated candidates will be held at the Board meeting scheduled for April 21 & 22, 2016.

Election by the Board will be conducted at the Board meeting scheduled for April 21 & 22, 2016.

Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

### APPROVAL OF OUT-OF-STATE BOARD TRAVEL

James Rossler moved and Barbra Phillips seconded the motion that requests by Board Members to attend and receive reimbursement for the following out-of-state conferences and meetings be approved. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Christine Holland, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

<b>Conference</b>	<b>Attendee</b>	<b>Conference Dates</b>	<b>Conference Location</b>	<b>Estimate of Expenses</b>
IFEBP- Health Care Management Conf	Christine Holland	April 11-13, 2016	Phoenix, AZ	\$2,875.48
IFEBP- Health Care Management Conf	Madonna Faragher	April 11-13, 2016	Phoenix, AZ	\$2,820.81

Following the approval of out-of-state Board travel, Ms. Moss announced that the February Audit Committee meeting had been canceled. In addition, she noted that the Committee has been reduced to three: Barbra Phillips, Committee Chair, and members – Dan Wilson and Catherine Moss.

**DISPOSITION OF TABLED, (CONTINUED OR NEW) BUSINESS**  
**Board Information Requested**

Ms. Valentino responded to Nancy Edwards' request for an update on the TOS custodial RFP and costs, noting that the RFP process is still open; however, she and Stacy Easterday continue to actively be involved. Ms. Valentino also noted that there are several ancillary services involved. SERS will continue to take advantage of every opportunity available throughout the process. Also of note, Ms. Morris stated that there may be some opportunity to leverage savings.

Ms. Edwards noted that SERS goal should be to have custodial costs comparable to other states. She also noted the concern is that if SERS continues to play the same game for years and years, we will probably receive the same results. Ms. Edwards stated that it is her hope SERS can take this opportunity to leverage savings. Staff noted that this process is unlike other TOS-bid custodial contract processes in prior years.

Ms. Moss thanked staff for the work they are doing during this process.

**ADJOURNMENT**

Catherine Moss moved that the Board adjourn to meet on Thursday, March 17, 2016 for their regularly scheduled meeting. The meeting adjourned at 3:24 p.m.

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Catherine Moss– Board Chair

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Lisa J. Morris – Secretary