

May 2016

 **BOARD**
Highlights

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Board Member Takes Oath

James Haller took his oath of office at this month's meeting of the Board. He was chosen by the Board to fill the employee-member seat left vacant by Debra Basham, who resigned in February.

Haller's term runs until June 30, 2017.



Haller (left) with SERS General Counsel Joseph M. Marotta

Investments Quarterly Report

John Lake of Summit Strategies Group, SERS' investment consultant, updated the Board on the fund's third quarter results for fiscal year 2016. Equity markets declined more than 10% during the last quarter. Even though the US economy remains on a course for moderate growth, the Federal Reserve will consider raising short-term interest rates in June and September.

SERS' total fund returned 0.92%, net of fees, during the quarter, which was below the policy benchmark of 1.10%. The US equity, private equity, fixed income, and real assets portfolios all recorded gains, but only the private equity and real assets portfolios exceeded their benchmarks.

In a semi-annual report by RVK, Inc., the Ohio Retirement Study Council's independent investment consultant, SERS' 1-year return ranked highest among its Ohio peers. The fund continues to show steady improvement in performance when compared to a similar group of U.S. pension funds.

Total Fund Update

TOTAL FUND BALANCE		
February 29	March 31	Difference
\$11.84 billion	\$12.34 billion	▲ \$500 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▼ 0.40%	▲ 0.92%	▲ 6.59%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▼ 0.04%	▼ 0.18%	▲ 0.04%

SERS Commits to Two Investments

The SERS Staff Investment Committee approved a \$50 million commitment to City of London Fund, an emerging markets equity strategy within the System's non-US equity portfolio.

The committee also approved a €30 million commitment to Cinven VI Fund, a buyout strategy within SERS' private equity portfolio. Previously, SERS invested in The Fifth Cinven Fund.

These investments will be funded from cash reserves.

Health Care Update

Alisa Bennett, actuary from Cavanaugh Macdonald, presented the Board with current medical and prescription drug trends information for the SERS self-insured plans. She also presented her recommended rates for 2017 to the Board for the SERS self-insured health care plans.

The Board will approve plan changes and premiums for the 2017 health care plans at the June meeting.

A more in-depth discussion regarding future strategies for the health care program will take place at the July Board meeting.

Board Member Announces Resignation

Nancy Edwards, treasurer appointee, announced her intent to resign. Edwards, a risk management consultant for Cardinal Health, has served on the Board since January 2011.

The Ohio Treasurer of State will appoint a new investment designee member to the SERS Board at a later date.

Executive Director's Update

SERS Provides Annual Update to Advocacy Groups

On May 11, several SERS staff members attended and presented at the School Employee Retirees of Ohio (SERO) annual meeting.

Executive Director Lisa Morris participated in a panel session featuring pension system representatives at the Ohio Education Association (OEA) Representative Assembly on May 13. There were 900 delegates in attendance.

On May 26, SERS hosted school treasurers during a joint meeting with the Ohio Association of School Business Officials' (OASBO) legislative and school finance committees.

Another Ohio Legislator Supports H.R. 711

Ohio legislators continue to show their support for a reform of the Social Security Windfall Elimination Provision (WEP). Rep. Michael Turner (R-OH-10) recently signed on as a co-sponsor, bringing the total Ohio co-sponsors to 11.

H.R. 711, the Equal Treatment of Public Servants Act, now has the bipartisan support of 98 legislators throughout the country.

Pension Reform Discussions Continue

The Board dedicated the entire afternoon of the May 24 meeting to discuss possible pension reform options. While no decisions were made, the Board asked SERS' actuary to assess the impact of several different cost of living adjustment (COLA) changes on the System's funded status, and their effects on members and retirees.

SERS has a long history of adjusting the COLA, depending on prevailing economic conditions. Since 1970, SERS has changed the COLA nine times, the last one in 2006.

When SERS made age and service changes in 2012, it was to address significant investment losses during the Great Recession, and compensate for the growing financial impact of retirees living longer in retirement than they paid into the pension system. The age and service changes, along with double-digit investment returns, improved the System's funded status from 63% to 69%, but new financial pressures have caused the need for further reform.

The new pressures include a decrease in the funded status due to a reduction in the assumed rate of return from 7.75% to 7.50%, warnings from financial advisors that investment returns will not meet expectations for several years, and concern that another significant recession could cause SERS to move outside the legislatively mandated 30-year funding window, triggering more extensive reform changes.

A recent change to SERS' Funding Policy that limits health care funding until the pension funded status reaches 90% provides an added incentive to find ways to keep the pension financially sound.

Monthly Retirement and Survivor Benefit Transactions

For May, the SERS Board approved 328 active members for service retirements, and 14 survivor benefits for spouses and/or dependents.

June Meeting Dates

The next Board meeting will take place Thursday, June 16, and Friday, June 17 (if necessary) at 8:30 a.m.

The *Board Highlights* are a high-level summary of select information discussed during SERS' Board meetings. Details of all Board discussions are contained in the *Board Meeting Minutes*.

Previous *Highlights* and *Minutes* can be accessed on our website at: www.ohsers.org/board-of-trustees.

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

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Barbra M. Phillips, *Vice-Chair*

Nancy D. Edwards, *Appointed Member*

Madonna D. Faragher, *Employee-Member*

James Haller, *Employee-Member*

Christine D. Holland, *Employee-Member*

James A. Rossler, Jr., *Appointed Member*

Daniel L. Wilson, *Appointed Member*

Beverly A. Woolridge, *Retiree-Member*