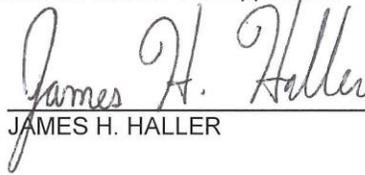


May 24, 2016

OATH OF OFFICE

OATH OF OFFICE OF JAMES H. HALLER
MEMBER OF THE RETIREMENT BOARD OF THE
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

I, JAMES H. HALLER, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Ohio; that I will not knowingly violate or willfully permit to be violated any of the provisions of law applicable to this Retirement System, and that I will diligently and honestly administer the affairs of the said office and duties as a member of the Retirement Board of the School Employees Retirement System of Ohio during the period for which I was appointed.



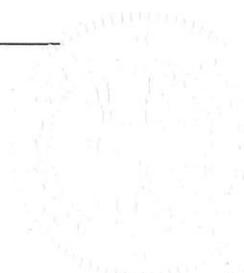
JAMES H. HALLER

SWORN TO and SUBSCRIBED before me this 24th day of May, 2016.



Notary Public

JOSEPH M. MAROTTA
ATTORNEY AT LAW
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.



ATTESTED BY:



Lisa J. Morris, Executive Director



Catherine Moss, Chairperson

The eight hundred and ninetieth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Tuesday, May 24, 2016. The meeting convened in open session at 8:30 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, Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. 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
April 21, 2016**

Madonna Faragher moved and Christine Holland seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, April 21, 2016. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Madonna Faragher, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Catherine Moss. Abstain: Jams Haller. The motion carried.

INVESTMENT REPORT

Farouki Majeed introduced John Lake of Summit Strategies Group. Mr. Lake reviewed economic and capital market highlights and Total Fund performance for the first quarter. Following the discussion, the Board thanked Mr. Lake for his comments.

Following Summit Strategies review, Mr. Majeed discussed the economic update and quarterly Investment report for the period ending March 31, 2016. The discussion highlighted modest earnings growth going forward and evidence of a recession in 2017 or 2018, which is not surprising given that the economy is seven years into the market cycle. The Board thanked Mr. Majeed for his comments and review of the quarterly report.

Next, Mr. Majeed highlighted the FY2017 Annual Investment Plan (AIP) providing an overview of the initiatives, FY2016 updates and FY2017 goals. Total Fund objectives for FY2017 include on-boarding of the new General Investment Consultant, conducting a new asset/liability study, including the role of hedge funds in the portfolio, and conducting a search for a new hedge fund consultant prior to expiration of the existing contract. Following the discussion, Mr. Majeed requested that Board members may offer any changes or suggestions prior to the June meeting. The AIP will be brought back for final review and approval during the June 2016 Board meeting.

Lisa Morris asked Mr. Majeed to discuss the RVK report provided to the Ohio Retirement Study Council during their May meeting. Mr. Majeed commented SERS' one year return is the highest of their peers. The Board thanked the Investment staff for their efforts and Mr. Majeed for his comments.

The Board took a brief recess at 10:20 a.m., and reconvened at 10:35 a.m.

Continuing the Investment Report, Julie Deisler presented the Investment Department Incentive Compensation Plan for FY2017, noting changes to refined language and increase transparency. Changes were made to Section 8 to address those Investment Officers who have moved from one asset class to another or cover more than one asset class, so that the calculations being used in practice are more clearly defined in the plan. Also, adjustments were made to performance goal weights for both individual portfolio management goals and department goals. After further discussion, the Board requested minor modifications be made to the Plan, and to delay a recommendation and vote until the June 2016 Board meeting.

SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and James Rossler seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **March 1, 2016** through **March 31, 2016** hereby be approved. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Catherine Moss. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 105.2
Non-US Equities	143.8
Fixed Income	215.8
Multi-Asset Strategies	n/a
Private Equity Capital Calls	17.1
Real Asset Capital Calls	7.8
Opportunistic	11.3
Cash Equivalents	178.0

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 188.1	\$ 24.8
Non-US Equities	247.7	9.4
Fixed Income	190.7	(0.2)
Multi-Asset Strategies	60.4	(3.2)
Private Equity distributions	15.6	n/a
Real Asset distributions	11.8	n/a
Opportunistic	1.1	n/a
Cash Equivalents	139.5	n/a

Concluding the Investment report, Anne Jewel presented the Health Care Report.

2017 BENEFIT CHANGES AND FUTURE OF HEALTH CARE

Ms. Jewel began by providing an update on the various health care vendors. HealthSpan has announced that they are terminating their insurance business in Ohio. SERS will be transitioning the HealthSpan non-Medicare group effective July 1, 2016 to our Aetna self-insured coverage. The Medicare enrollees will transition to the Aetna Medicare Advantage coverage beginning in 2017. She also stated that Paramount's small non-Medicare group members will move to the Aetna self-insured coverage beginning in 2017. Further, a request to extend the current Aetna Medicare Advantage PPO Group Agreement for a period of two years will be made during the June Board meeting.

Ms. Jewel recommended that SERS no longer offer a premium discount to the non-Medicare group. Individuals who qualify for the non-Medicare premium discount are also eligible for Medicaid or a significant subsidy in the Marketplace. She noted that benefit recipients eligible for this program would receive equivalent or better benefits at a more affordable price through Medicaid or the Marketplace and SERS' Wrap.

Ms. Jewel then discussed proposed 2017 benefit changes. She proposed increasing deductibles for the non-Medicare group from \$1,500/\$3,000 to \$2,000/\$4,000 and raising the out of pocket limit to the

maximum allowed by the ACA. By raising the deductible, SERS is making our benefits more comparable to coverage in the marketplace and encouraging members to consider the new Marketplace and SERS wraparound benefit package.

Recommended benefit changes to the pharmacy plan include lowering the Donut Hole co-payment subsidy. The impact would be to keep the pharmacy co-pay level throughout the year, reducing confusion for members and resulting in substantial cost savings to SERS. Ms. Jewel also recommended discontinuing coverage for the proton pump inhibitors (PPIs) in the non-Medicare plan; as they are now available over the counter.

Continuing the discussion, Ms. Jewel reported that she is anticipating a shortfall of approximately \$40 - \$50M for FY2016. The estimated health care funding shortfall projection for FY2017 is expected to be closer to \$15-20M. SERS is continuing to make changes to health care to lower expenses in anticipation of future decreased funding.

Ms. Jewel then discussed changes to the SERS' Premium Subsidy and Premium Discount programs, noting that changes to these programs should be discussed in-depth. The Board requested a more in-depth conversation on subsidy and eligibility be scheduled at an upcoming Board meeting.

PRESENTATION OF 2017 SELF-INSURED RATES BY ACTUARY

Ms. Jewel introduced Alisa Bennett, an actuary with Cavanaugh Macdonald. Ms. Bennett presented the 2017 proposed rates for SERS' self-insured medical plans and prescription drug coverage. She summarized the rate setting data and trend assumptions. Rate setting data uses the actual claims and enrollment to estimate what the costs would be in 2017; adding in administrative expenses and costs. Ms. Bennett stated that these rates fully support the plan.

Ms. Bennett stated that the cost of covering children has continued to increase. She recommended increasing the ratio from 25% to 30% of retiree cost for child(ren), and maintaining the ratio of 90% for spouse. Ms. Bennett stated the projected 2017 total increase in the rate for a single retiree is 7.4%. The Board thanked Ms. Bennett for her presentation.

MEMBERSHIP APPEAL

Henrique Geigel, Assistant Attorney General, provided introductions of the parties: Donna Eickholt and Jason Matthews, representing Ms. Eickholt, and Erin Butcher and Rory Callahan, counsel from the Office of the Ohio Attorney General's, representing Terra State Community College. The parties presented oral testimony as to the facts of the appeal.

AFFIRM STAFF MEMBERSHIP DETERMINATION TERRA STATE COMMUNITY COLLEGE – DONNA EICKHOLT

The Board discussed Terra State Community College's appeal from the SERS' staff determination that service performed under a contract between Terra State and AVI by Donna Eickholt as cafeteria manager from 1991-2003 was SERS-covered employment for which contributions should have been made.

After review of all materials submitted and testimony at the May 24 Board meeting, it was moved by Nancy Edwards and seconded by Beverly Woolridge that it is the decision of the Board to affirm the SERS staff determination that Ms. Eickholt's employment was SERS-covered employment for which contributions should have been made. Staff is directed to notify counsel for Terra State and Ms. Eickholt of the Board's decision. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Catherine Moss. The motion carried.

EXECUTIVE DIRECTOR'S UPDATE

Ohio Retirement Study Council (ORSC)

The ORSC meeting on May 12 featured a presentation by RVK on the new investment performance report of the five systems as of the end of December. SERS led the way in returns at 2.9%. As a follow-up to the report, last week a letter was sent to members of the Council advising that one of the important issues identified as part of RVK's report was the need to review the assumed rate of return. The Executive Director advised the Council that the SERS' Board, on the advice of its independent actuary, had already acted on this issue; the Board reduced our assumed rate of return from 7.75% to 7.5% for the next five-year period at its meeting on April 21, just before the ORSC presentation. This change brings our investment return assumption slightly below the national average of 7.62%, based on recent figures calculated by the National Association of State Retirement Administrators.

Also during the meeting, Joe Bell provided an overview of the annual Internal Audit report; Tracy Valentino presented SERS' draft budget; and, Anne Jewel and the Executive Director addressed questions regarding SERS' ORSC health care report.

It was a lengthy meeting this month and the Fiduciary Performance Audit did not make the agenda. The next meeting has been tentatively set for June 9, and the Council is expected to vote on the ORSC staff recommendations that were reviewed at the meeting on the omnibus pension corrections bill (HB 520), and the joint resolution to place a constitutional amendment on the ballot requiring mandatory divestment from companies doing certain types of business in Iran, Sudan, Syria and Cuba (HJR 6).

Legislative Visits on Divestment

The Executive Director shared with the Board the five-system Executive Director letter urging that HJR 6 be referred to the ORSC for review; this effort was successful. Laurel and the Executive Director met with committee Chair Representative Tim Brown (R-Bowling Green) and Vice Chair Representative Louis Blessing III (R-Cincinnati) to discuss how SERS' current engagement process has yielded great results without a mandate.

NASRA Resolution

The Executive Director provided a copy of a new NASRA resolution, "*Guiding Principles for Public Retirement System Plan Design and Sustainability.*"

Advocacy Group Meetings

SERS has been very busy this month. On May 13, the Executive Director had the pleasure of addressing the OEA Representative Assembly on a panel with Sandy Knoesel of STRS and others. Approximately 900 delegates were in attendance, and the panel was moderated by Scott DiMauro. On May 11 and 12, Member Services' Cameron Vaughn also had the pleasure of attending the OAPSE Convention in Cleveland. Cameron staffed an information booth that was well-visited.

The SERO Annual Meeting was held on May 11; Board members Cathie Moss, Beverly Woolridge and James Rossler were in attendance. Many staff members also spoke. SERS health care staff manned an information booth, and our vendors were there also.

On Thursday, May 26, SERS will host OASBO for their annual Joint Legislative and Education Finance Committee meeting.

HB 520 – Ohio Pension Systems' Omnibus Clean-Up Bill

The early-Medicare language requiring under-65 disability benefit recipients on SERS' health care to apply for early Medicare if they are eligible should be in the sub-bill tomorrow (Wednesday). Also expected in the sub-bill: the alternative retirement plan (ARP) mitigating rate

formula will be adjusted, and the cap will be raised to 4.5% (from 4% in the bill; currently 6%). Very few of SERS eligible members select an ARP.

HR 711 – WEP Reform

And 11th member of our delegation, Representative Michael Turner, has signed on to the legislation.

Board Photo

The Executive Director reminded Board members that their photo is during June Board meeting.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

131st General Assembly

(Prepared by Laurel Johnson as of May 6, 2016)

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 of House Judiciary Committee, (Third Hearing)

ORSC Position: Approved staff recommendation for passage with amendments

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.

Current Status: 05/03/2016 Senate State and Local Government, (Third Hearing)

ORSC Position: Approved staff recommendation for passage with amendments

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: 04/26/2016 House Government Accountability and Oversight, (Second Hearing)

ORSC Position:

HB520 PUBLIC RETIREMENT SYSTEMS Kirk Schuring, (H48-R-Canton) Dan Ramos, (H56-D-Lorain) To revise the law governing the state's public retirement systems.

Current Status: 05/04/2016 House Health and Aging, (First Hearing)

ORSC Position:

FEDERAL LEGISLATION BOARD REPORT
114th United States Congress
(Prepared by Laurel Johnson as of May 6, 2016)

HR 711

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTION: 3/22/2016 Hearing in the House Ways and Means Social Security Subcommittee.

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 is proportional to a worker's full career earnings. HR 711 has 83 co-sponsors, including ten Ohioans: Beatty, Chabot, Gibbs, Johnson, Joyce, Latta, Renacci, Ryan, Stivers, and Tiberi.

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 145 co-sponsors, including six Ohioans: Beatty, Fudge, Joyce, Kaptur, Ryan, and Turner. Companion bill to S 1651.

S 1651

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: 6/23/2015 Referred to the Senate 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 23 co-sponsors. Companion bill to HR 973.

HR 4822

SPONSOR: Sen. Devin Nunes (R-CA)

LAST ACTIONS: 3/21/16 Referred to the House Committee on Ways and Means.

CAPTION: To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

COMMENT: The Public Employee Pension Transparency Act. Requires reporting the system's liabilities using a risk-free rate to the Treasury Department for a public database; failure to report would result in the state losing its tax-exempt bonding authority. HR 4822 has eight co-sponsors, but none from Ohio.

APRIL – MAY FEDERAL UPDATE
(Prepared by Jim Miller, as of May 2, 2016)

OVERVIEW

With the exception of the Puerto Rico bill, April was a quiet month for public plan issues.

On a larger scale, much Congressional attention was focused on members' individual election campaigns, the presidential campaign, and positioning on issues prior to the November vote.

Speaker Ryan continues to experience some of the same problems with his caucus as did John Boehner. The national political debate has seen a shift from not too many years ago when crime, welfare reform, foreign policy, tax reform, and others dominated the agenda. While those issues still comprise a major part of the national debate, they are now joined by immigration reform, terrorism, concerns about corporate America and income inequality, as well as an unusual level of public concern about how well the government is functioning.

All these go together to produce a very difficult, if not toxic, political environment.

HEALTH CARE

The House Appropriations Committee approved legislation that would block the FDA from implementing a proposed rule on updating prescription drug safety labels in its current form. The final rule is expected to be released in July. The committee included language in the spending bill for FDA that none of the funds could be used to implement the rule as currently written. The Public Sector Healthcare Roundtable has been very active in its opposition to the proposed rule.

Ways and Means Health Care Subcommittee Chairman Pat Tiberi joined Chairman Brady in sending a letter to CMS pressing the agency to collect, analyze, and publish data regarding the behavioral health of Medicare patients. The letter asks CMS to expand on its recent initiatives in this area to improve data transparency, so that health care providers can better meet the needs of patients. Their letter cited statistics saying that 26 percent of Medicare beneficiaries experience some mental disorder each year, and 37 percent of all disabled Medicare beneficiaries have a severe mental disorder.

In late April, the House Energy and Commerce Committee passed several bills intended to address the opioid epidemic. The bills had bipartisan support, but their overall future is unclear. The Senate is working on similar bills, and there is some thought that eventually the real bill will emerge. The chairman's opening statement included data that 120 Americans die every day from drug overdoses, and more than four million Americans abuse prescription drugs or pain killers.

In a Ways and Means Committee hearing on the "Tax Treatment of Health Care," a witness from the American Enterprise Institute commented that the excise "Cadillac" tax is not the right reform, and instead, reasonable reform would repeal the excise tax and modify the employer exclusion.

In early April, the FDA announced that it has approved Inflectra, its second generic biopharmaceutical drug. The drug will treat Crohn's disease, ulcerative colitis, and certain other ailments.

SOCIAL SECURITY

While there has been no legislative action on H.R. 711 since the March hearing in the Ways and Means Social Security Subcommittee, there is some good news in that the bill now has 80 co-sponsors representing 24 states and the District of Columbia. Texas leads the way with 24 members signing on, with Ohio is in second place with 10 members: Beatty, Chabot, Gibbs, Johnson, Joyce, Latta, Renacci, Ryan, Stivers, and Tiberi.

Recent discussions with Ways and Means staff have not produced any new information as to what Chairman Brady's next steps will be, and as yet, no Senate strategy has emerged. There is some speculation that Brady will amend H.R. 711 into some must-pass legislation, as well as possibly waiting to see what happens in the House on any legislation pertaining to fiscal relief for the financial crisis in Puerto Rico. Time is also becoming a factor, as the number of legislative days scheduled for the Congress is dwindling.

There has been no mention of mandatory coverage in recent weeks, and in a hotly contested election year, there is not likely to be.

FINANCE

The Senate Banking Committee held a hearing on April 14 concerning fixed income market liquidity. Both Republican and Democratic members of the committee raised concerns about increasing volatility, decreasing liquidity, the lack of a central exchange, post-trade transparency, and a number of other concerns. Witnesses Jerome Powell of the Federal Reserve and Treasury Attorney Antonio Weiss disputed some of the concerns, and as to be expected, some of the discussion veered to the pros and cons of Dodd-Frank.

Other Senate finance-related issues of interest to public plans occurred during the debate in the Senate Appropriations Committee over the proposed budget increases for the SEC and CFTC. The SEC is requesting an increase of \$1.78 billion, which Republicans pointed out would be an increase of 11 percent, and the CFTC is requesting a 32 percent increase. SEC Chair White and CFTC Chairman Massad provided spirited defenses of their budget requests.

Senator Hatch announced that his corporate integration tax reform proposal may not be released until June. The proposal is expected to address double taxation of companies that pay the 35 percent corporate tax rate, and are also taxed when they pay out dividends. It would also level the taxation of interest, and could include withholding regimes for both dividends and interest.

PUERTO RICO

The Puerto Rico relief bill ran into some snags in the House. Following the April 13 hearing in which a number of concerns were raised by members of both parties, the decision was made to cancel the mark-up and rework the bill. The revised version has not yet been made public, nor is the timetable for H.R. 4900 very clear at this point. Speaker Ryan had wanted the bill to be passed prior to May 1, but in late April, House Majority Leader Kevin McCarthy announced that it is hoped the House could pass the bill prior to July 1, when a multi-billion-dollar July payment is due.

Conservative Republicans are objecting to what they label as a bailout bill, and the Democrats are concerned about a provision that would reduce the minimum wage. Both parties have concerns about the role of the proposed oversight board, and how the bill will address both bondholders and Puerto Rico's severely stressed pension plan. According to Keith Brainard of NASRA, the plan has a 96 percent funding shortfall, which is probably the largest ever for pensions of this size and scale.

Fundamentally, conservatives want to ensure that public pensions and unions are not given priority over investors, and Democrats are pushing to see that pensioners' benefits are paid in full. Adding to the mix is a huge lobbying effort on the part of the financial industry to shape the bill. Included among the financial groups lobbying are Mass Mutual Life Insurance Company, Citigroup, Blue Mountain Capital, the Investment Company Institute, Citadel, and many other hedge and mutual fund companies.

The continuing concern for public plans as it relates to any Puerto Rico financial relief bill is the language addressing any reporting requirements the oversight board would place on the Puerto Rico pension funds, and whether or not the language would apply only to Puerto Rico, or be extended to include all U.S. public pension funds.

Attempts were made in December to include PEPTA in the Puerto Rico bill, but it did not pass. The most recent version heard in the committee included PEPTA-like reporting requirements, but if the yet-to-come reworked version includes PEPTA-like language, H.R. 4900 could certainly provide an opening to not only consider the full PEPTA language, but the SAFE ACT as well.

The hope is that enough opposition arises so as to make any inclusion of either PEPTA or the SAFE ACT a "poison pill" for the bill.

RETIREMENT SECURITY

The drumbeat concerning the yin and yang about the fiscal health of public funds continues with the majority of the discussion being on the yang (negative) side.

First, some of the positive yins:

1. GFOA made a great response to the April 11 article in The Hill from Joshua Rauh asserting that public funds are facing a \$3.4 trillion funding gap. Jeff Esser's comments can be summed up by his statement that data shows the vast majority of state and local public pensions are doing quite well in funding their pension obligations, and recent changes made by many states concerning benefit levels and financing structures have been a positive change as well.

2. Participants on a "Pension Bridge" conference panel did a great job defending public plans and emphasizing the fact that critics such as the Arnold Foundation and others are "mixing politics and portfolios." Such groups do not have beneficiaries' best interests at heart, and have a predetermined agenda against public pension plans.

On the yang side, critics continue their focus on the alleged underfunding of public funds. Recent examples include the following:

1. The Hill article citing Rauh's data claiming that the nation's public pension systems are facing a \$3.4 trillion funding hole.

2. The George Will column that essentially supported the need for PEPTA.

3. The confusing and inaccurate report by teacherpensions.org, a project of Bellwether Education Partners and funded by the Arnold Foundation, that posts what they consider the average pension for each state's teachers. Diane Oakley of NIRS quickly responded that this project continues to misrepresent the actual facts, and their calculations simply do not add up.

4. The Hatch push for PEPTA, as has been previously reported in the update on the Puerto Rico relief bill.

IDENTITY THEFT

Representative Renacci introduced H.R. 3832, which lays out actions the IRS must take to combat the growing problem of identity theft. It is intended to help victims by making it easier to work with the IRS to resolve identity theft cases, and requires the IRS to notify a taxpayer whose identity has been compromised. Part of Rep. Renacci's motivation may stem from the fact that he was a recent victim of identity theft.

SUMMARY OF KEY ACTIVITIES

1. Continuous monitoring of the Puerto Rico and Brady WEP bills.

2. Frequent communications with staff from AFSCME, NCSL, NCTR, NASRA, CPRS, and key Ohio offices.

3. Monitoring health care issues, including the excise tax.

4. Responded to requests for information from Congressional offices.

REVIEW SERS FY 2017 ADMINISTRATIVE BUDGET

Tracy Valentino, Chief Financial Officer, presented highlights of the FY2017 Administrative Budget, noting that the budget reflects SERS' ongoing commitment to providing our membership with valuable lifetime pension benefit programs and services. For FY2017, the total budget increased approximately \$916,000 or approximately 2% over the current fiscal year budget. And along with normal operating costs, increases due to salaries and wages, and related benefit costs were offset by decreases in communication expenses, investment related expenses and building related expenses.

Ms. Valentino stated that the primary driver of the increase in budget is the upcoming ORSC fiduciary audit; SERS anticipates the completion of the audit will occur during fiscal year 2017. A secondary driver is the proposed capital budget that provides for technology upgrades and facilities upgrades to support the transition to the new SERS Member and Retiree Tracking system (SMART) that is expected to deploy during fiscal year 2017.

SERS' budget also reflects a commitment to continuing the work of the current year, with primary focus on creating a secure retirement for our members through the pursuit of innovative solutions, partnership with stakeholders, and strategic planning. Overall the proposed budget provides the resources needed to build on the accomplishments and milestones of previous years, continue to improve customer service, and provide greater stability to the pension system. With over \$12.3 billion in assets, protecting and growing the retirement contributions of our members and their employers is SERS' primary objective.

Highlights of the FY2017 budget includes:

PERSONNEL: An increase of 4%, including a 3% performance-based merit; an increase for staff and a 5% overall increase in group health insurance. Ms. Valentino noted that the budget includes no additional positions and, at this time, SERS is fully staffed. SERS continues to budget health care expenses based on actuarial rates that are derived from actual plan claims experience and health care cost trends supplied by our Actuary. The increase in health care is lower than it has been over the last few years, as well as less than the projected national trend assumptions for SERS' plan type.

PROFESSIONAL SERVICES: Reflects an increase of less than 1% over the current year budget. The increase due to the fiduciary audit mandated by the Ohio Retirement Study Council (ORSC) is offset by decreases in master recordkeeping fees, investment consulting services and technical services. The ORSC is expected to select a vendor to perform a fiduciary performance audit that includes a review of overall system governance and administration, and management of our investment portfolio.

COMMUNICATIONS: Decreased almost 6% from FY2016. In FY2017, Member Services plans to access more members by increasing its popular remote counseling sessions, while Employer Services will continue Employer outreach efforts coupled with SMART training, readying employers for SMART deployment.

OTHER OPERATING: Decreased slightly, most notably in regard to mandatory ORSC costs (which are based on asset values) and conferences/education and related travel.

ADMINISTRATIVE CAPITAL: Includes a black and white high volume printer for centralized printing, network performance improvements and a test environment build-out production readiness.

OSERS BROAD STREET: The Net Building Occupancy Expense budget decreased 12.2%. This budget reflects tenant remodeling that will begin in late 2016 and continue through the second quarter of FY2017. It also includes capital improvement for the Plaza reconstruction, set to break ground in late FY2017, and an upgrade to the building's original security server and associated CCTV equipment. This equipment has reached the end of its useful life. In FY2017, OSERS will remain 100% occupied and continue to operate a safe and efficient LEED-certified environment.

Overall, the proposed budget continues to provide the resources needed to pay timely and accurate pension and health care benefits to members, successfully manage investment assets, and ensure SERS meets all fiduciary responsibilities and legal requirements. Additionally, the proposed budget complies with all Retirement Board policies and demonstrates to members that SERS is managing operating expenses prudently.

QUARTERLY OPERATIONS REPORT – THIRD QUARTER

Following the FY2016 Administrative Budget presentation, Helen Ninos, Deputy Executive Director, presented highlights of the Third Quarter Operations Report:

- As a result of the continued popularity of remote counseling, Member Services is adding an additional day to four of the locations around the state.
- The average attendance for conferences offered this quarter was 386 members.
- Employer Services continues to provide individual assistance to Employers. A new form was also developed to determine membership determination.
- Health Care has experienced large increases in customer service and communication.
- Staff prepared and issued two separate Requests for Proposals (RFPs): (1) Medicare application assistance for disabled retirees; and (2) assistance with a Marketplace Wraparound product for non-Medicare plan participants.
- SMART – more transparency since the change in management with Sagitc staff.
- The Investment Committee held four meetings during the quarter and funded three managers approved in prior meetings.

Concluding the Operations Report, the Board took a break at 1:09p.m., and reconvened at 1:42p.m.

EXECUTIVE SESSION

At 1:44p.m., Beverly Woolridge 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 review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Nancy Edwards, Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Catherine Moss. The motion carried.

The Board returned to open session at 1:47p.m.

PENSION REFORM DISCUSSION

The pension funding discussion continued during the May Board meeting, with Board and system actuaries discussing possible pension reform options. While no decisions were made, the Board asked SERS' actuary, Cavanaugh Macdonald, to review the impact of several different cost of living adjustment (COLA) changes on the System's funded status, final average salary, extension of retirement age, and a combination of options.

Staff added that 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.

Based on this discussion, the Board asked the Cavanaugh Macdonald actuaries to run projections of a CPI-indexed COLA capped at 2.5%, with COLA delay and suspension for discussion and possible vote at the June meeting.

The Board continued with the review of calendar dates and future Board meetings.

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2016

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*.**

DISPOSITION OF TABLED, (CONTINUED OR NEW) BUSINESS

Board Information Requested

Ms. Morris continued by reviewing the open and closed information items and noted requests made during the April meeting.

Prior to adjourning the meeting, Nancy Edwards announced her intent to resign. Ms. Edwards spoke of the many accomplishments and challenges during her tenure on the Board, and thanked both staff and Trustees for the work that's being done for SERS' members and retirees.

Chairperson Catherine Moss thanked Ms. Edwards for her dedication to SERS, her work on the Audit Committee, Information Security and Enterprise Risk Management.

ADJOURNMENT

Catherine Moss moved that the Board adjourn to meet on Thursday, June 16, 2016 for their regularly scheduled meeting. The meeting adjourned at 3:50 p.m.

Catherine Moss– Board Chair

Lisa J. Morris – Secretary