

September 15, 2016

The eight hundred and ninety-third 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, September 15, 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: Barbra Phillips, Chairperson, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Madonna Faragher. 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
July 21, 2016**

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

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON
August 18, 2016**

Madonna Faragher moved and Beverly Woolridge seconded the motion to approve the minutes of the Special Retirement Board meeting held on Thursday, August 18, 2016. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. Abstain: Catherine Moss. The motion carried.

APPROVAL OF OUT OF STATE BOARD TRAVEL

Catherine Moss moved and James Rossler 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: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

Conference	Attendee	Conference Dates	Conference Location	Estimate of Expenses
Council of Institutional Investors 2016 Fall Conference	Beverly Woolridge	Sept 28-30, 2016	Chicago, IL	\$ 2,158.06

PENSION REFORM

SERS' independent actuaries, John Garrett and Todd Green of Cavanaugh Macdonald, continued the discussion on pension reform and the options before the Board. Beginning the discussion, Mr. Green noted for informational purposes that the CPI-W index 10-year average is approximately 2%, and the 5-year average is approximately 1.4%. He then highlighted Option 1: COLA indexed to the CPI-W not greater than 2.5% with a floor of 0%; retirement allowances or benefits that commence on or after

January 1, 2018 shall receive a cost-of-living adjustment, with the first cost-of-living adjustment applied on the fourth anniversary date following commencement of the retirement allowance or benefit. In no case shall a person miss more than three cost-of-living adjustments in total. And, no cost-of-living adjustment shall be applied to a retirement allowance or benefit that commenced before January 1, 2018 for three consecutive years, with such suspension beginning January 1, 2018, and payment of cost of living adjustments resuming on anniversary dates on and after January 1, 2021. Mr. Green stated that with Option 1, the Fund will see an immediate improvement, with a projected 90% funding level by 2034, and 100% funded by 2043.

With Option 2, the positive change does not occur as quickly. The COLA would be indexed to CPI-W not greater than 2.5% with a floor of 0%, and no delay or suspension on COLA. Option 2 projection achieves 90% funded status by 2040. The actuaries stated that the current plan achieves 90% funded status over the 30-year projection period reflecting the estimated 1% return on market value of assets for FY2016.

Mr. Wilson inquired about the assumed rate of return of 7.5% - noting that it is his belief the charts are overly optimistic. Mr. Green assured the Board that the 7.5% is something the actuaries will continue to monitor.

In summarizing the results of both options discussed, the actuaries stated that taking into account the 1% market value, the fund receives a 90% over the 30-year funded status; this does not take into effect any demographic changes.

Ms. Phillips reminded the Board of its obligation to fund the pension, and Ms. Moss expressed her concern that there will be a floor of 0%, and suggested either a .5% or 1% floor. Ms. Moss also asked if more could be looked at besides the COLA. Mr. Wilson expressed his concern of a shrinking workforce, and that he views this as a journey with no end in sight; this is the first step of many needed actions. Ms. Morris stated that there is a provision that will allow the Board to adjust the COLA.

The Board thanked Mr. Garrett and Mr. Green for their presentation.

SERS COLA LEGISLATION – OPTION 1

It was moved by James Rossler and seconded by Madonna Faragher to authorize staff to seek legislation amending Ohio Revised Code section 3309.374 to provide that:

- all cost-of-living adjustments paid by SERS on and after January 1, 2018 shall be the percentage increase in the consumer price index for urban wage earners and clerical workers (CPI-W), not to exceed two and one-half percent (2.5%) with a floor of zero percent (0%).
- retirement allowances or benefits that commence on or after January 1, 2018 shall receive a cost-of-living adjustment, with the first cost-of-living adjustment applied on the fourth (4th) anniversary date following commencement of the retirement allowance or benefit; in no case shall a person miss more than three (3) cost-of-living adjustments in total, including a person who missed one or more cost-of-living adjustments pursuant to the suspension described below, in which case they shall forego additional cost-of-living adjustments only to the extent they have not yet missed a total of three (3) cost-of-living adjustments.
- no cost-of-living adjustment shall be applied to a retirement allowance or benefit that commenced before January 1, 2018 for three (3) consecutive years, with such suspension beginning January 1, 2018, and payment of cost-of-living adjustments resuming on anniversary dates on and after January 1, 2021.
- the SERS Board may adjust the cost-of-living adjustment if the Board's actuary, in its annual actuarial valuation required by Ohio Revised Code section 3309.21 or in other evaluations

conducted under that section, determines that an adjustment does not materially impair the fiscal integrity of SERS or is necessary to preserve the fiscal integrity of SERS.

Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, James Rossler, Daniel Wilson and Barbra Phillips. Nay: Catherine Moss and Beverly Woolridge. The motion carried.

The Board took a break at 9:35 a.m. and reconvened at 9:42 a.m.

INVESTMENT REPORT

Chairwoman Barbra Phillips asked Farouki Majeed to present the Investment report. Mr. Majeed welcomed Steve Foresti, David Lindberg and Felicia Bennett of Wilshire Associates. Mr. Lindberg introduced Steve Foresti, CIO of Wilshire. Mr. Lindberg and Ms. Bennett presented the performance report as of June 30, 2016, including economic and capital market highlights, asset class performance, and Total Fund performance for the second quarter. It was noted that in a comparison of 160 pension funds, SERS fiscal year 2016 performance was in the top quartile for one and three years. Following the discussion, the Board thanked the Wilshire team for their comments.

The Asset Allocation and Capital Markets Assumptions discussion began with Mr. Majeed identifying that the first step in the asset liability study is to discuss expected return and risk assumptions for asset classes within the Total Fund. Steve Foresti presented Wilshire's methodology in determining capital market assumptions for fixed income, equities, private market asset classes, and hedge funds. A comparison of total return and risk assumptions for these asset classes and strategies for the periods December 2015 and second quarter 2016 were also provided.

Mr. Majeed discussed that asset allocation is an important decision to be made by the Board. Asset allocation is determined by the level of risk tolerance. Mr. Majeed provided a comparison of assumptions with actual market returns for prior periods as well as Staff's current assumptions compared with other sources. Mr. Majeed discussed that the next step in this process is to finalize the capital market assumptions which will involve both Staff and Wilshire and then proceed with asset liability modeling.

Mr. Majeed next discussed the Investment report for the period ending July 2016. The preliminary performance report as of 8/31/16 was provided to the Board for their information.

Mr. Majeed and Yen Le then presented the Risk Report as of June 30, 2016. The risk presentation included the Total Fund risk forecast, individual asset class contributions to risk, active risk, asset class correlation and a comparison of realized risk vs. forecast risk.

SUMMARY OF INVESTMENT TRANSACTIONS

Beverly Woolridge moved and Catherine Moss seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **June 1, 2016** through **June 30, 2016** hereby be approved. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 83.1
Non-US Equities	217.6
Fixed Income	231.7
Multi-Asset Strategies	n/a
Private Equity Capital Calls	46.2
Real Asset Capital Calls	19.3
Opportunistic	8.2
Cash Equivalents	348.8

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 113.1	\$ 10.3
Non-US Equities	282.4	14.7
Fixed Income	212.8	3.1
Multi-Asset Strategies	n/a	n/a
Private Equity distributions	15.9	n/a
Real Asset distributions	36.7	n/a
Opportunistic	2.0	0.1
Cash Equivalents	288.6	n/a

SUMMARY OF INVESTMENT TRANSACTIONS

Catherine Moss 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 **July 1, 2016** through **July 31, 2016** hereby be approved. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

B. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 95.8
Non-US Equities	90.3
Fixed Income	303.7
Multi-Asset Strategies	30.0
Private Equity Capital Calls	33.3
Real Asset Capital Calls	n/a
Opportunistic	2.9
Cash Equivalents	326.6

C. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 108.3	\$ 5.8
Non-US Equities	85.0	(0.6)
Fixed Income	244.1	2.9
Multi-Asset Strategies	73.0	25.5
Private Equity distributions	37.6	n/a
Real Asset distributions	24.4	n/a
Opportunistic	12.2	1.7
Cash Equivalents	170.7	n/a

The Board took a break at 11:31 a.m. and reconvened at 11:41 a.m.

Following, Lisa Morris presented the Executive Director's update.

EXECUTIVE DIRECTOR'S UPDATE

Sad Loss in Our SERS Family

Jarred Sexton, a 9-year employee, passed away suddenly two weeks ago. Jarred was an excellent, dedicated, and beloved friend and coworker, and he will be truly missed. He is survived by his young son, Korbin. Jarred joined SERS in 2007 in the mailroom, and was promoted several times after moving to Member Services in 2010. He was a Specialist III, Member Support, when he passed away. SERS recognizes that the loss of a loved one, friend, or coworker can be very difficult, and as such, a grief counselor from Matrix, SERS' Employee Assistance Program, was onsite that week for anyone who wished to speak with a counselor. SERS also encouraged staff to contact our Employee Assistance Program off-site. Employees can take advantage of six free sessions with a counselor.

Ohio Retirement Study Council

At its August meeting, SERS was pleased that the ORSC approved the selection of Funston Advisory Services for the fiduciary performance audit. The contract was signed in short order, and Joe Bell is serving as SERS's point of contact for the audit. The timeline on the audit is now through the end of February, with a separate report on the IT portion of the study later.

There is a new member of the ORSC: Professor Thomas A. Pascarella of Kent (Portage Co.), for a term ending June 30, 2018. Professor Pascarella was appointed by the Governor to fill an appointee's unexpired term. He is the Director of Administration for the City of Tallmadge; an Affiliate of Kent State University's Center for Public Health and Public Policy and; a Professor Emeritus at Hiram College.

The next meeting of the ORSC is scheduled for October 13.

Media Coverage

Unfortunately, the Ohio media has gone on the attack against the Ohio retirement systems regarding their hedge fund investments. John Damschroder, a former journalist in Columbus and

a recently named columnist for the Fremont News Messenger, wrote a July 27 opinion editorial that chastised all of the Ohio retirement systems for paying high investment management fees, specifically those for hedge funds. The article contained numerous inaccuracies about the systems' unfunded liabilities, and indicated a state bailout would be necessary if the funds failed. On July 29, OPERS, which was named in the article, responded to the inaccuracies. And on August 24, Damschroder again wrote an article for the News Messenger railing on the high investment fees and failure of hedge funds to produce good investment returns.

On August 28, Bertram de Souza wrote an editorial for the Youngstown Vindicator mentioning the News Messenger article and advocating for a switch from DB to DC plans for public employees to lessen the burden on taxpayers.

Also in August, the Society of Actuaries (SOA) released a working paper titled "Financial Economics Principles Applied to Public Pension Plans." Despite not receiving the endorsement of the SOA for final publication, SOA agreed to release the working paper because it presents viewpoints that are "important and worthy of presentation and discussion." The paper, written by members of the SOA's now defunct Pension Finance Task Force, essentially promotes using a risk-free rate for valuing public pension liabilities. In discussing the article with SERS' actuaries, Mr. Garrett stated that the SOA are predominantly a society of insurance plans. Mr. Garrett further stated that it is his belief actuaries should use an expected return rate, which should be a mid-point, so that valuations will be a stable estimate over a period of time.

PEW released a report titled "The State Pension Funding Gap: 2014" The report, funded by the Laura and John Arnold Foundation, essentially leverages GASB as the standard for determining unfunded liabilities and no longer includes the actuarially required contribution (ARC) as a way to determine a pension system's financial health. The report also expands the use of a new term, "net amortization," which is described by PEW as a new 50-state metric that can help state and local governments understand whether their funding policies are adequate to reduce pension debt. In reality, this calculation does not include employee contributions, which understates the condition and sustainability of public pensions.

Lastly, the John and Laura Arnold Foundation announced that it was seeking letters of interest from organizations wishing to conduct research projects based on public retirement policy. Key policy areas of interest are: (1) the impact of plan design, funding policy, and investment policy on retirement cost and cost uncertainty; (2) how rising retirement cost has impacted government budgets and workers' benefits, salaries and jobs; (3) how various benefit designs affect workers and plan sponsors; (4) best practices for pension plan governance and; (5) best practices for transparent and useful pension plan reporting.

Hedge Fund Public Records Requests

Since mid-July, SERS and OPERS have received two extensive public information requests about our hedge fund holdings from researchers at the American Federation of Teachers (AFT). AFT and the National Education Association (NEA) are both funding research critical of hedge funds for public pension plans, based on performance and lack of transparency. On September 6, staff met with leaders of the AFT affiliate in Ohio – the Ohio Federation of Teachers. Nancy Turner, Tim Barbour, Laurel Johnson, and Lisa Morris had a positive discussion with Melissa Cropper and Darold Johnson. SERS' agrees with the groups' recommendations for an asset allocation study, and increased transparency.

OhioCheckbook.com

On September 13, the pension systems' information went live on the Treasurer's website, OhioCheckbook.com. Tracy Valentino and the Finance staff did a fantastic job of submitting SERS' FY2015 expense data in the format required by the Treasurer's office. The systems were encouraged to provide a quote for the Treasurer's press release. SERS's statement reinforced that we share the Treasurer's dedication to transparency, and we maintain that commitment by

making public records easy to access. SERS has a great track record of being responsive to public records requests, and the online checkbook is another tool to improve that outreach.

Legislative Visits

Staff met with three ORSC legislators this period: Representative Kirk Schuring (R-Canton), Senator Bill Beagle (R-Tipp City), and Representative Dan Ramos (D-Lorain). Representative Schuring noted his concern about the impact of the negative media coverage on members of the General Assembly. He said it is a constant educational process for him to keep those legislators and his constituents informed about the value of Ohio's DB plans, and why we should not be converted to DC plans.

Advocacy Groups

Outreach to SERS member and retiree advocacy groups continued over the summer. In addition to meeting with the Ohio Federation of Teachers (OFT), staff met with OAPSE's Joe Rugola, Larry Malone, and Fred McGraw on August 10, and with the Ohio Association of Community Colleges' Jack Hershey and Tom Walsh on August 25. Staff is working to schedule a meeting in early October with the new OASBO Executive Director, Jim Rowan.

Legislation

The ORSC plans to review final amendments to the omnibus pension corrections bill (HB 520) at its October meeting. Representative Schuring has requested a committee meeting in late October to refer the bill to the full House for consideration in early November.

On the federal side, SERS was pleased to add Lisa Morris's signature to a letter of opposition drafted by the Council of Institutional Investors opposing HR 5311, which would weaken U.S. corporate governance and undercut proxy firms' ability to hold up their fiduciary obligations. The letter was signed by more than 30 CII members and other organizations, including SERS and OPERS.

OTHER

Investment Incentive Pay: Staff met their benchmark. Total incentive payout was \$712,908.66; \$567,000 was budgeted. There are no changes to next year's incentive plan.

Open Enrollment: The Health Care Department held its first Open Enrollment webinar to discuss 2017 benefits and premiums. The webinar was attended by 13 listeners, almost all of whom were under age 65. The majority of questions concerned the new marketplace wraparound coverage that the Department will offer beginning January 2017.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

131st General Assembly

(Prepared by Laurel Johnson as of September 1, 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: 05/24/2016 PASSED BY HOUSE

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: 06/28/16 SIGNED BY GOVERNOR; Effective 9/28/16

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: Staff recommended disapproval

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: 05/25/2016 House Health and Aging (Fourth Hearing)

ORSC Position: Staff recommended amendments and approval

FEDERAL LEGISLATION BOARD REPORT
114th United States Congress
(Prepared by Laurel Johnson as of September 1, 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 122 co-sponsors, including eleven Ohioans: Beatty, Chabot, Gibbs, Johnson, Joyce, Latta, Renacci, Ryan, Stivers, Tiberi, and Turner.

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 154 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 24 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.

AUGUST - SEPTEMBER FEDERAL UPDATE
(Prepared by Jim Miller as of September 1, 2016)

OVERVIEW

The Congress was on recess for the month of August and will not resume session until after Labor Day. The most pressing matter on the Congressional agenda will be either enacting a budget or a continuing resolution to keep the government running after September 30. Given that the election campaign will heat up even more, it is expected that the debate on the budget will likely be very cantankerous, as each party will be focusing on messaging for the run-up to the November vote.

HEALTHCARE

The comment period on the hotly debated issue of biosimilar labeling closed on August 2. The FDA received more than 11,000 comments on the draft guidance proposal. As expected, PhRMA, while supporting some aspects of the draft proposal, also said that several changes should be made to ensure that biosimilar labeling provides appropriate regulatory transparency. AARP also submitted comments, some of which contradicted PhRMA. The Public Sector Healthcare Roundtable (of which SERS is a member) and many other groups continue to support the position that generic biologics should have the same INN as their brand-name reference products. A survey from the Academy of Managed Care Pharmacy reported that nearly two-thirds of their members would have more confidence substituting a biosimilar for its brand-name reference product if the two shared the same nonproprietary name with no additions. How FDA will resolve this conflict over labeling is yet to be known.

A recent study by John Hopkins reported that their data suggests biosimilar drugs have very similar safety and effectiveness standards as their branded counterparts.

CMS announced some revisions to a trial program to encourage innovation related to chronic care in Medicare Advantage plans. They are planning to launch what they call a Medicare Advantage Value-based Insurance design on January 1, 2017. The first year will involve certain plans in Arizona, Oregon, Indiana, Iowa, Massachusetts, Pennsylvania, and Tennessee. The next year will include Alabama, Michigan, and Texas. In the first year, the focus will be on patients who have diabetes, chronic pulmonary

disease, congestive heart failure, a history of stroke, hypertension, coronary artery disease, and mood disorders. In the second year, rheumatoid arthritis and dementia will be added.

The Public Sector Healthcare Roundtable is supporting H.R. 5652, a bill that is aimed at encouraging better management of chronic conditions for patients with high-deductible health plans.

SOCIAL SECURITY

While conversations among advocacy groups supporting the Brady bill continued during the month of August, nothing has emerged that would suggest H.R. 711 is not dead for the year. Based on the events in July that led to the bill being pulled from mark-up, there is no evidence to suggest that opponents of the bill have softened their position, nor has there been any good solution emerge that would provide a more solid financial base for it. Further, there has been no resolution of the two issues that eventually scuttled the bill, namely the firefighters' concern about the threshold being raised from 30 to 35 years for no WEP penalty, and the impact on those who are inactive and not vested.

So far, there has been no mention of mandatory coverage as any part of the current election campaign.

FINANCE

Although there were no Congressional activities, actions in two state legislatures are of interest to public plans in other states.

In New Jersey, Governor Christie signed into law a bill that would prohibit the investment of state pension and annuity funds in companies that boycott goods, products, or businesses of Israel.

Right after that, the California State Senate advanced a version of the legislation already approved by the California General Assembly whose purpose is to ensure that taxpayer funds are not used to do business or otherwise support any state or private entity that engages in discriminatory actions against individuals, including individuals of the Jewish faith, under the pretext of a boycott or protest against Israel.

These measures are in response to the Boycott, Divestment, and Sanctions (BDS) movement, which is a global movement against Israel with the goal of forcing the nation to comply with the movement's interpretation of international law and Palestinian rights.

RETIREMENT SECURITY

The Arnold Foundation continues its unceasing campaign to discredit public pension funds. As Meredith Williams, NCTR's Executive Director, puts it, "If they could get away with it, the Arnold Foundation would blame public pension funds for about everything, including the common cold."

Recent examples of Arnold-funded actions include the following:

- A new post on the "Teachers Pension Blog" at Teacherpensions.org suggests that difficulties in recruiting teachers for STEM positions (science, technology, engineering, and math) would be relieved if such teachers could be enrolled in DC plans rather than in DB plans. Not surprisingly, the website is funded by Bellwether Education Partners, which is funded by the Arnold Foundation.
- An Arnold-funded report from the Nelson Rockefeller Institute of Government was presented at the recent NCSL Conference in Chicago. The report is the first produced by the Institute's Pension Simulation Project, which is supported by both the Arnold Foundation and Pew Charitable Trusts. Among other claims, the report states that pension underfunding as a percentage of state and local taxes is near record levels, despite reforms and large contribution increases.
- Over the past two years, a joint effort by both Arnold and Pew has been directed toward converting the Alabama DB plan to a cash-balance plan. The good news is that the Alabama

legislature ended its regular legislative session in early May without taking action on the Arnold proposals. However, it is expected that the effort will be renewed when the new legislature convenes after the first of the year.

- The City of Chicago is still struggling with ways to address its pension funding issues. The latest plan is a five-year phase-in of a water and sewer tax that would go to the municipal retirement system, which is projected to run out of money in ten years.

Pressure will continue on public plans across the nation because of the funding problems in the Oregon Public Employees Retirement System. Arnold and Pew will jump on any opportunity to put public funds in a bad light, and situations like those found in Oregon, Kentucky, and Illinois keep the fires burning.

The low levels of fund returns experienced by many plans across the nation in 2016 will be further incentive for those advocating for conversions to DC plans in 2017.

SUMMARY OF KEY ACTIVITIES

Since the Congress was on recess, the majority of time was spent on monitoring the news for any announcements by candidates that would have implications for pension plan legislation; conversations with Hill staffers concerning the September Congressional agenda; discussions with allies concerning current proposals; and, planning for fall Washington visits.

Concluding the Executive Director's report, Anne Jewel, Director of Health Care Services, updated the Board on ongoing projects.

HEALTH CARE INITIATIVES UPDATE

Early Medicare: Ms. Jewel stated that Human Arc was engaged to help members with certain medical conditions navigate the application process for early Medicare by applying for Social Security disability. Human Arc began contacting SERS' retirees in July. In the first two months, Human Arc sent out more than 1,200 letters and talked with more than 500 retirees. They filed 48 applications with Social Security and are in the process of filing another 51 applications. Ms. Jewel anticipates this level of engagement will continue into next year.

SERS Marketplace Wraparound Plan: Ms. Jewel provided a brief overview of this new 2017 coverage option. Third-party administrator, HealthSCOPE Benefits, will assist eligible non-Medicare retirees with enrolling in the Marketplace. SERS will then "wrap" the Marketplace plan with additional benefits. HealthSCOPE Benefits sent the first Marketplace Wraparound notice to eligible plan participants at the end of August. Ms. Jewel said she was pleased with the response to the initial mailing, which generated more than 200 calls to HealthSCOPE during the first week. Subsequent mailings, calls, and a feature in the SERS' retiree newsletter are planned. SERO also has been provided with an article for its newsletter.

ESI CONTRACT EXTENSION

Express Scripts Contract Extension: Ms. Jewel reviewed the contract history between SERS and its Pharmacy Benefit Manager (PBM), Express Scripts (ESI), prior to a contract extension vote by the Board. SERS is an original member of a central Ohio pharmacy consortium, known as the RxOC. ESI entered into its first contract with the RxOC members in 2008. This contract was extended through 2013. The RxOC opted to enter into a second contract with ESI in 2013 for a term of three years with the option of a three year extension.

RxOC members, for various reasons, were unable to agree as a group to go out to bid this year. Using the market power of the RxOC group however, SERS was able to negotiate better pricing for a contract extension starting January 2017. SERS will regularly audit the performance of ESI under the terms of the contract. Buck Consulting has conducted the audits this year. As of the day of the Board meeting, SERS were still in negotiations with ESI over some issues, but none rise to the level of postponing a recommendation to enter into the proposed contract extension.

APPROVAL TO NEGOTIATE EXTENSION OF PHARMACY BENEFIT MANAGER CONTRACT

Catherine Moss moved and Christine Holland seconded to authorize staff to negotiate an extension of the current contract with Express Scripts in order to provide pharmacy benefits to SERS' Medicare and non-Medicare eligible health care plan participants. The contract extension shall be for a term of three years beginning January 1, 2017. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

FINAL FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board the following proposed amended administrative rule: 3309-1-35 that has been reviewed by JCARR and is ready for final adoption by the Board.

James Rossler moved and Catherine Moss seconded that the proposed amended rule 3309-1-35 be adopted. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

3309-1-35 Health care.

(A) Definitions

As used in this rule:

- (1) "Benefit recipient" means an age and service retirant, disability benefit recipient, or a beneficiary as defined in section 3309.01 of the Revised Code, who is receiving monthly benefits due to the death of a member, age and service retirant or disability benefit recipient.
- (2) "Member" has the same meaning as in section 3309.01 of the Revised Code.
- (3) "Age and service retirant" means a former member who is receiving a retirement allowance pursuant to section 3309.34, 3309.35, 3309.36 or 3309.381 of the Revised Code. A former member with an effective retirement date after June 13, 1986 must have accrued ten years of service credit, exclusive of credit obtained after January 29, 1981 pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code.
- (4) "Disability benefit recipient" means a member who is receiving a benefit or allowance pursuant to section 3309.35, 3309.39, 3309.40 or 3309.401 of the Revised Code.
- (5) "Dependent" means an individual who is either of the following:

- (a) A spouse of an age and service retirant, disability benefit recipient, or member,
- (b) A biological, adopted or step-child of an age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member or other child in a parent-child relationship in which the age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member has or had custody of the child, so long as the child:
 - (i) Is under age twenty-six, or
 - (ii) Regardless of age is permanently and totally disabled, provided that the disability existed prior to the age and service retirant's, disability benefit recipient's, or member's death and prior to the child reaching age twenty-six. For purposes of this paragraph "permanently and totally disabled" means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.

(6) "Health care coverage" means either of the following group plans offered by the system:

(a) the a medical plan and the prescription drug plan offered by the system, or

(b) limited wraparound coverage, which provides limited benefits that wrap around an individual health insurance plan.

(7) "Premium" means a monthly amount that may be required to be paid by a benefit recipient to continue enrollment for health care coverage for the recipient or the recipient's eligible dependents.

(8) "Employer" and "public employer" have the same meaning as in section 3309.01 of the Revised Code.

(B) Eligibility

(1) A person is eligible for health care coverage under the school employees retirement system's health care plan so long as the person qualifies as one of the following:

- (a) An age and service retirant or the retirant's dependent,
- (b) A disability benefit recipient or the recipient's dependent,
- (c) The dependent of a deceased member, deceased age and service retirant, or deceased disability benefit recipient, if the dependent is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code,
- (d) The dependent child of a deceased member, deceased disability benefit recipient, or deceased age and service retirant if the spouse is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code and the spouse elects to be covered.

(2) Eligibility for health care coverage shall terminate when the person ceases to qualify as one of the persons listed in paragraph (B)(1) of this rule, except that a dependent described in

paragraph (A)(5)(b)(i) of this rule shall cease to qualify on the first day of the calendar year following the dependent's twenty-sixth birthday.

- (3) Except for a dependent described in paragraph (A)(5)(b) of this rule, eligibility for health care coverage shall terminate when the person is not enrolled in medicare part B and on or after January 1, 2016 commences employment that provides access to a medical plan with prescription coverage through the employer, or if employees of that employer in comparable positions have access to a medical plan available through the employer, provided the medical plan with prescription drug coverage available through the employer is equivalent to the medical plan with prescription coverage at the cost available to fulltime employees as defined by the employer. For purposes of this paragraph, employer means a public or private employer.

(C) Enrollment

- (1) Except as otherwise provided in this rule, an eligible benefit recipient may enroll in school employees retirement system's health care coverage only at the time the benefit recipient applies for an age and service retirement, disability benefit, or monthly benefits pursuant to section 3309.45 of the Revised Code.
- (2) An eligible spouse of an age and service retirant or disability benefit recipient may only be enrolled in the system's health care coverage at the following times as follows:
 - (a) At the time the retirant or disability benefit recipient enrolls in school employees retirement system's health care coverage ~~;~~ ~~or~~;
 - (b) Within thirty-one days of the eligible spouse's:
 - (i) Marriage to the retirant or disability benefit recipient;
 - (ii) Attaining age sixty-five; Voluntary or involuntary termination of health care coverage under medicaid; or
 - (iii) Involuntary termination of health care coverage under another plan, including a medicare advantage plan, or medicare part D plan.
 - (c) Within ninety days of becoming eligible for medicare.
- (3) An eligible dependent child of an age and service retirant, disability benefit recipient, or deceased member may be enrolled in the system's health care coverage at the following times as follows:
 - (a) At the time the retirant, disability benefit recipient, or surviving spouse enrolls in school employees retirement system's health care coverage ~~;~~ ~~or~~;
 - (b) Within thirty-one days of the eligible dependent child's:
 - (i) Birth, adoption, or custody order;
 - (ii) Voluntary or involuntary termination of health care coverage under medicaid; or
 - (iii) Involuntary termination of health care coverage under another plan, medicaid, including a medicare advantage plan, or medicare part D plan.

(c) Within ninety days of becoming eligible for medicare.

(D) Cancellation of health care coverage

(1) Health care coverage of a person shall be cancelled when:

- (a) The person's eligibility terminates as provided in paragraph (B)(2) of this rule;
- (b) The person's eligibility terminates as provided in paragraph (B)(3) of this rule;
- (c) The person's health care coverage is cancelled for default as provided in paragraph (F) of this rule;
- (d) The person's health care coverage is waived as provided in paragraph (G) of this rule;
- (e) The person's health care coverage is cancelled due to the person's enrollment in a medicare advantage plan or medicare part D plan as provided in paragraph (H) of this rule;
- (f) The health care coverage of a dependent is cancelled when the health care coverage of a benefit recipient is cancelled; or
- (g) The person's benefit payments are suspended for failure to submit documentation required to establish continued benefit eligibility under division (B)(2)(b)(i) of section 3309.45 of the Revised Code, division (F) of section 3309.39 of the Revised Code, or division (D) of section 3309.41 of the Revised Code.

(E) Effective date of coverage

(1) The effective date of health care coverage for persons eligible for health care coverage as set forth in paragraph (B) of this rule shall be as follows:

- (a) For a disability benefit recipient or dependent of a disability benefit recipient, health care coverage shall be effective on the first of the month following the determination and recommendation of disability to the retirement board or on the benefit effective date, whichever is later.
- (b) For an age and service retiree or dependent of an age and service retiree, health care coverage shall be effective on the first of the month following the date that the retirement application is filed with the retirement system or on the benefit effective date, whichever is later.
- (c) For an eligible dependent of a deceased member, deceased disability benefit recipient, or deceased age and service retiree, health care coverage shall be effective on the effective date of the benefit if the appropriate application is received within three months of the date of the member's or retiree's death, or the first of the month following the date that the appropriate application is received if not received within three months of the date of the member's or retiree's death.

(F) Premiums

(1) Payment of premiums for health care coverage shall be by deduction from the benefit recipient's monthly benefit. If the full amount of the monthly premium cannot be deducted

from the benefit recipient's monthly benefit, the benefit recipient shall be billed for the portion of the monthly premium due after any deduction from the monthly benefit.

- (2) Premium payments billed to a benefit recipient shall be deemed in default after three consecutive months of nonpayment. A benefit recipient who is in default shall be sent notice by certified U.S. mail informing the benefit recipient that payments are in default and that coverage will be cancelled on the first day of the month after the date of the notice unless payment is received. If coverage is cancelled due to a recipient's failure to pay premium amounts in default, the recipient shall remain liable for such amounts due for the period prior to cancellation of coverage.
- (3) After cancellation for default, health care coverage can be ~~reestablished and coverage~~ reinstated as provided in paragraph (l) of this rule, or upon submission of an application for reinstatement supported by medical evidence acceptable to SERS that demonstrates that the default was caused by the benefit recipient's physical or mental incapacity. "Medical evidence" means documentation provided by a licensed physician of the existence of the mental or physical incapacity causing the default. Health care coverage reinstated after termination for default shall be effective on the first of the month following the date that the application for reinstatement is approved.
- (4) A person enrolled in SERS' health care plan cannot receive a premium subsidy unless that person is:
 - (a) A dependent child.
 - (b) An age and service retiree:
 - (i) An age and service retiree with an effective retirement date before August 1, 1989; or
 - (ii) An age and service retiree with an effective retirement date on or after August 1, 1989 and before August 1, 2008 who had earned fifteen years of service credit; or
 - (iii) An age and service retiree with an effective retirement date on or after August 1, 2008 who had earned twenty years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.
 - (c) A disability benefit recipient:
 - (i) A disability benefit recipient with an effective benefit date before August 1, 2008; or
 - (ii) A disability benefit recipient with an effective benefit date on or after August 1, 2008 who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of separation from SERS service; or

- (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding separation from SERS service.
- (d) A spouse:
 - (i) A spouse or surviving spouse of an age and service retiree or disability benefit recipient with an effective retirement date or benefit date before August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code;
 - (ii) A spouse or surviving spouse of an age and service retiree or disability benefit recipient with an effective retirement date or benefit date on or after August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.
 - (iii) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date before August 1, 2008; or
 - (iv) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date on or after August 1, 2008, and the member:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of death or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding the member's death or separation from SERS service.
- (e) For purposes of determining eligibility for a subsidy under paragraph (F)(4) of this rule, when the last contributing service of an age and service retiree, disability benefit recipient, or member was as an employee as defined by division (B)(2) of section 3309.01 of the Revised Code, the health care plan participation requirement shall be if the individual would have been eligible for the public employer's health care plan if the individual were an employee as defined by division (B)(1) of section 3309.01 of the Revised Code.
- (f) Any other individual covered under a SERS health care plan shall be eligible for a premium subsidy under the standard set forth for spouses.

- (g) In all cases of doubt, the retirement board shall determine whether a person enrolled in a SERS health care plan is eligible for a premium subsidy, and its decision shall be final.

(G) Waiver

- (1) A benefit recipient may waive health care coverage by completing and submitting a SERS waiver form to SERS.
- (2) The health care coverage of a benefit recipient's dependent may be waived as follows:
- (a) For non-medicare eligible dependents, the benefit recipient may waive their coverage by completing and submitting a signed written request to SERS on their behalf.
- (b) For medicare eligible dependents, the dependent may waive their coverage by completing and submitting a signed written request to SERS.

(H) Medicare advantage or medicare part D

SERS shall cancel the health care coverage of a benefit recipient or dependent who enrolls in a medicare advantage or medicare part D plan that is not offered by the system unless SERS receives proof of cancellation within fourteen days of receipt of notice of enrollment. The cancellation shall be effective on the first day of the month after SERS notifies the benefit recipient that the coverage has been cancelled.

(I) Reinstatement to SERS health care coverage

- (1) An eligible benefit recipient, or dependent of a benefit recipient with health care coverage, whose coverage has been previously waived or cancelled may be reinstated to SERS health care coverage by filing a health care enrollment application as follows:-
- (a) The application is received no later than ninety~~thirty-one~~ days after reaching age sixty-five becoming eligible for medicare. Health care coverage shall be effective the later of the first day of the month after reaching sixty-five becoming medicare eligible or receipt of the enrollment application by the system;
- (b) The application is received no later than thirty-one days after voluntary or involuntary termination of coverage under medicaid. Health care coverage shall be effective the later of the first day of the month after termination of coverage or receipt of proof of termination and the enrollment application by the system; or
- (c) The application is received no later than thirty-one days after involuntary termination of coverage under another plan, ~~medicaid~~, medicare advantage plan, or medicare part D plan with proof of such termination. Health care coverage shall be effective the later of the first day of the month after termination of the other plan or receipt of proof of termination and the enrollment application by the system.
- (2) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(g) of this rule shall be reinstated to SERS health care plan when benefit payments are reinstated.
- (3) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(b) of this rule may be reinstated to SERS health care plan when they no longer have access to the medical plan of an employer by filing a health care enrollment application within thirty-one days of the employment ending.

- (4) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled and who is enrolled in medicare parts A and B or medicare part B only on December 31, 2007 may be reinstated to SERS health care coverage by filing a healthcare enrollment application during the period of time beginning October 1, 2007 and ending November 30, 2007. Health care coverage shall be effective January 1, 2008.
- (5) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled pursuant to paragraph (H) of this rule and who is enrolled in medicare parts A and B or medicare part B only on June 30, 2009 may be reinstated to SERS health care coverage by filing a health care enrollment application during the period of time beginning May 21, 2009 and ending July 15, 2009.
- (6) An eligible benefit recipient who had an effective retirement or benefit date on or after August 1, 2008, who qualifies for a premium subsidy under paragraph (F)(4) of this rule, and whose coverage has previously been waived as provided in paragraph (G) of this rule, may be reinstated to school employees retirement system health care coverage by submitting a complete health care enrollment application on or before December 14, 2012. Health care coverage shall be effective January 1, 2013.
- (7) An eligible benefit recipient for whom SERS is transferring funds to another Ohio retirement system in accordance with paragraph (G) of rule 3309-1-55 of the Administrative Code may be reinstated to SERS health care coverage by submitting a health care enrollment application during open enrollment periods for health care coverage starting January 1, 2015 or January 1, 2016.

(J) Medicare part "B"

- (1) A person who is enrolled in SERS' health care shall enroll in medicare part B at the person's first eligibility date for medicare part B.
- (2)
 - (a) The board shall determine the monthly amount paid to reimburse an eligible benefit recipient for medicare part B coverage. The amount paid shall be no less than forty-five dollars and fifty cents, except that the board shall make no payment that exceeds the amount paid by the recipient for the coverage.
 - (b) As used in paragraph (J) of this rule, an "eligible benefit recipient" means:
 - (i) An eligible person who was a benefit recipient and was eligible for medicare part B coverage before January 7, 2013, or
 - (ii) An eligible person who is a benefit recipient, is eligible for medicare part B coverage, and is enrolled in SERS' health care.
- (3) The effective date of the medicare part "B" premium-reimbursement to be paid by the board shall be as follows:
 - (a) For eligible benefit recipients who were ~~a~~ benefit recipients and were eligible for medicare part B coverage before January 7, 2013 the later of:
 - (i) January 1, 1977; or

(ii) The first of the month following the date that the school employees retirement system received satisfactory proof of coverage.

(b) For eligible benefit recipients not covered under paragraph (J)(3)(a) of this rule, the later of:

(i) The first month following the date that the school employees retirement system received satisfactory proof of coverage, or

(ii) The effective date of SERS health care.

(4) The board shall not:

(a) Pay more than one monthly medicare ~~part "B" premium-reimbursement~~ when a benefit recipient is receiving more than one monthly benefit from this system; nor

(b) Pay a medicare ~~part "B" premium-reimbursement~~ to a benefit recipient who is ~~receiving eligible for~~ reimbursement ~~for this premium~~ from any other source.

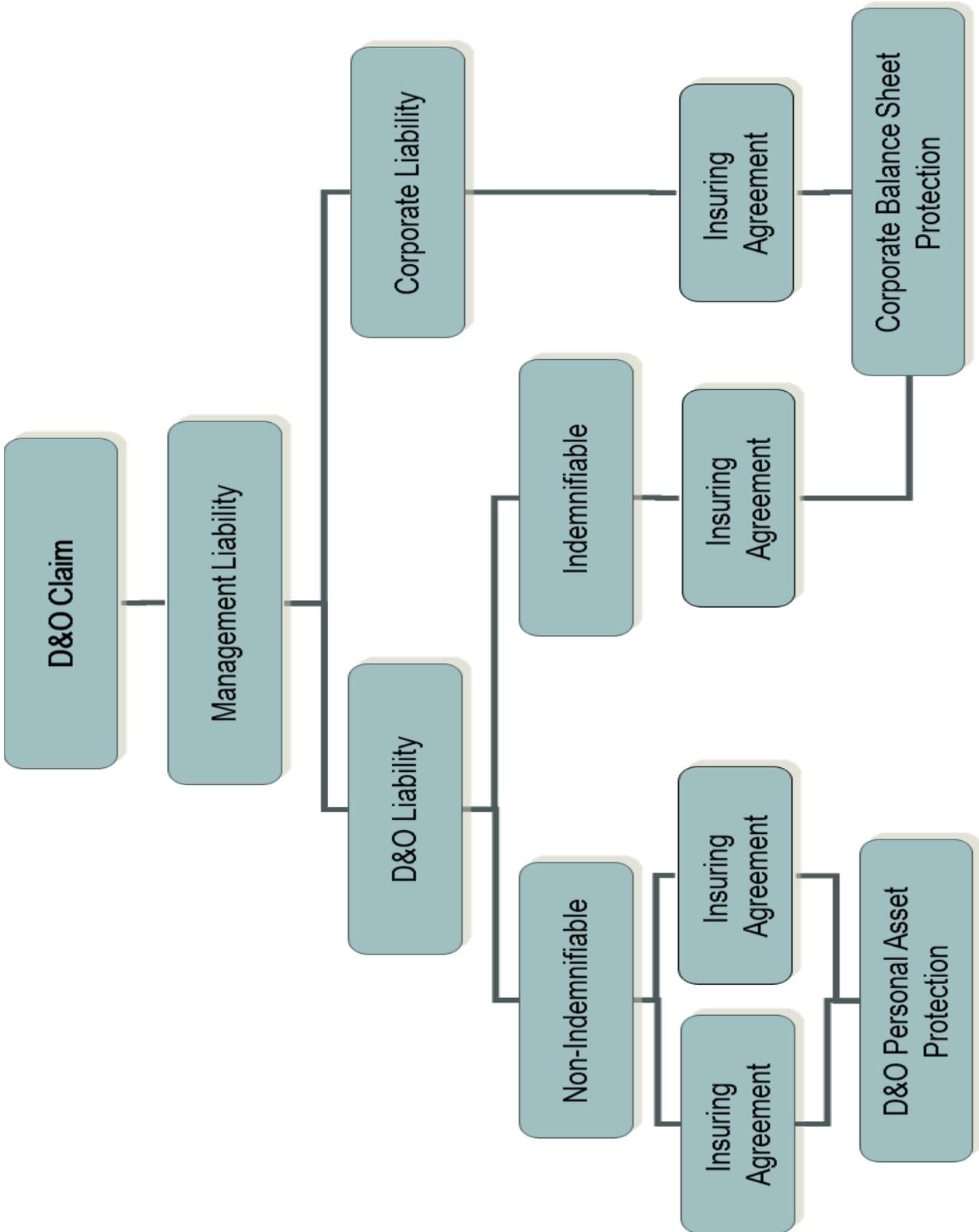
INSURANCE UPDATE

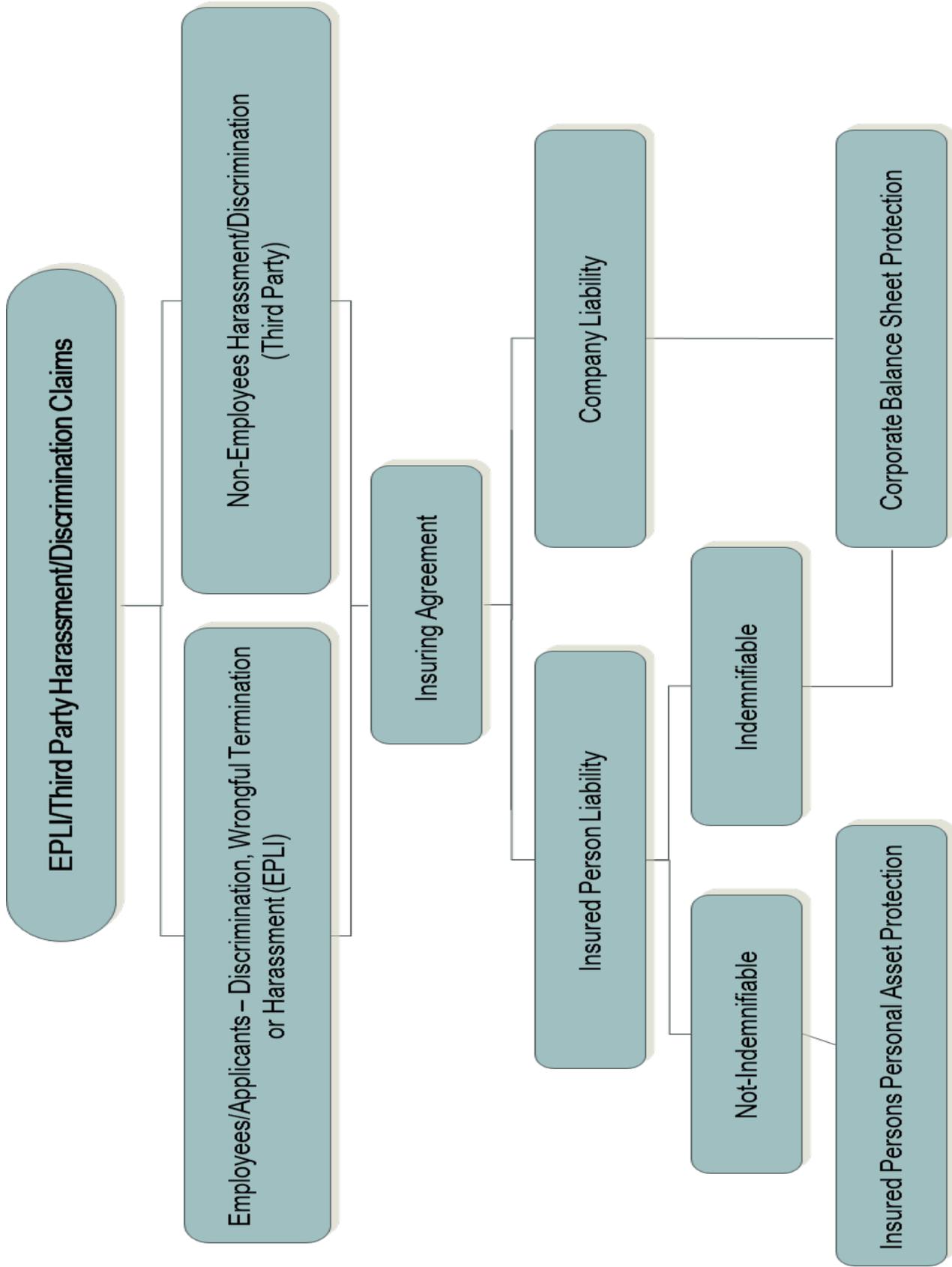
Tracy Valentino provided the Board with an insurance update. She outlined SERS' coverage (see below), and noted that SERS maintains coverage for the Board members, directors and officers, to protect against losses or to provide payment of defense costs in the event of a legal action brought for alleged wrongful acts in their capacity as directors and officers. Ms. Valentino noted that coverage can extend to defense costs resulting from criminal and regulatory investigations/trials as well.

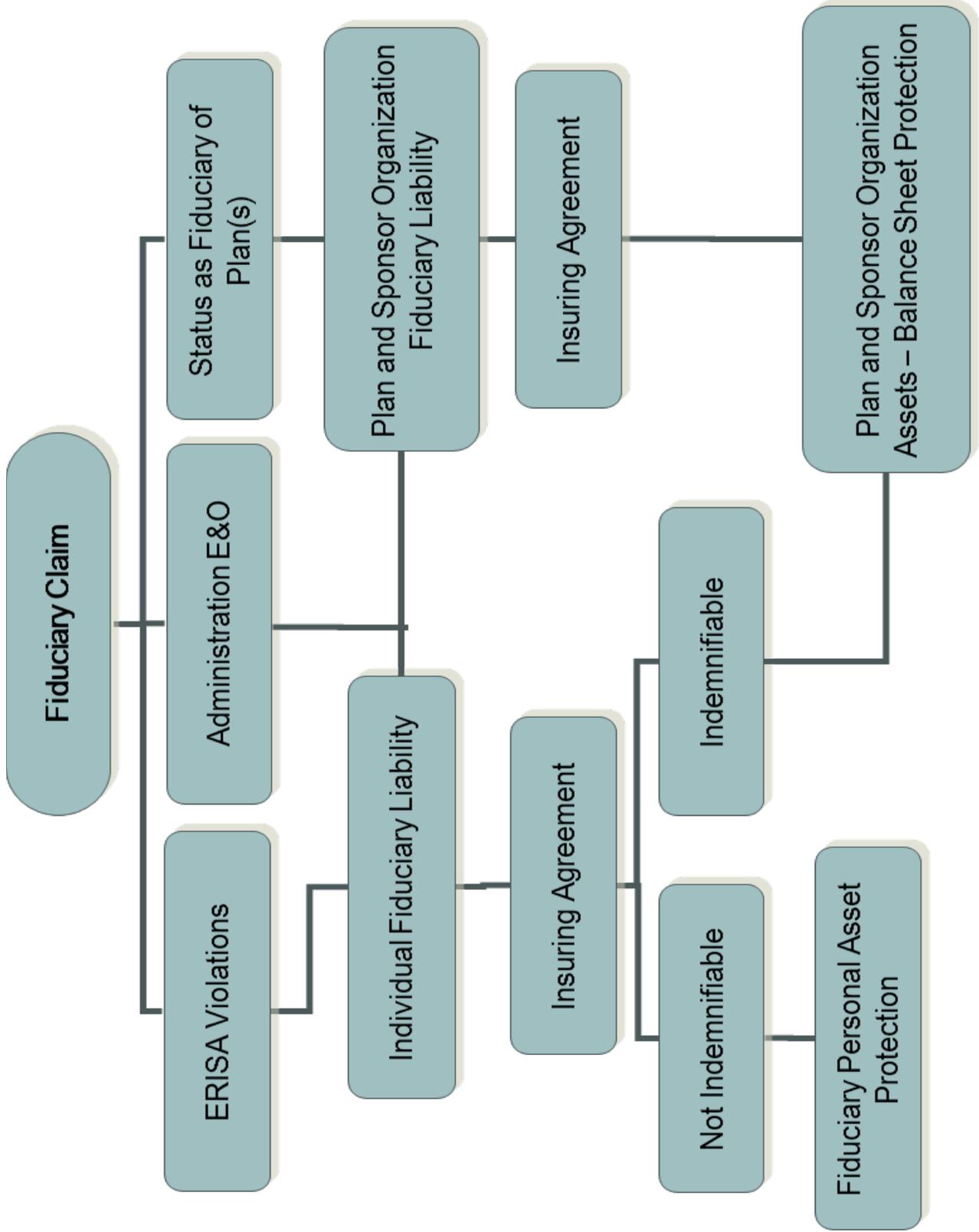
Outline of all SERS' policies with a focus on the D&O, EPLI and Fiduciary:

- Employment Practices Liability Insurance (EPLI): This Coverage protect SERS and SERS' staff against losses resulting from law suits filed (justly or unjustly) by anyone employed by SERS now, formerly employed by SERS and even people whom SERS considered employing.
- Fiduciary Liability Insurance (Fiduciary): Fiduciary Coverage protects SERS and directors and officers against civil damages and legal fees arising from lawsuits against directors and officers that are accused of breaches of fiduciary duty.
- Crime Coverage (Crime): Under this coverage SERS is afforded protection from losses resulting from criminal acts such as robbery, burglary and other forms of theft by employees or third-party contractors. SERS' coverage also protects against losses resulting from social engineering activities.
- Cyber Liability Insurance (Cyber): Cyber insurance protects SERS from losses incurred from a data breach. This includes, but is not limited to, legal defense costs, loss of income, investigative expenses, and notification expenses.
- Property Insurance: This coverage protects SERS from loss of property and equipment in the event of damage resulting from a fire, flood, earthquake or other event.
- Automobile Insurance: Since SERS' employees drive for business reasons, we have coverage to protect SERS from losses resulting from automobile theft or accident.
- General Liability Insurance: This coverage protect SERS from losses resulting from lawsuits due to bodily injury, personal injury, or property loss.
- Garage keeper's Insurance: SERS maintains coverage to protect SERS against liability for damages done to vehicles in SERS' care or custody
- Umbrella Liability Insurance: SERS maintains coverage to protect against losses in excess of specified limits on other policies; this insurance is also potentially primary insurance for losses not covered by the other policies.

In closing, Ms. Valentino stated that SERS is one of two pension systems that have cyber liability insurance. Every year the policy is evaluated and reviewed.







The Board recessed at 12:30 p.m., and reconvened at 1:30 p.m.

EXECUTIVE SESSION

At 1:30 p.m., James Haller moved and Catherine Moss seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

The Board returned to open session at 2:10 p.m.

AUDIT COMMITTEE UPDATE

Joe Bell, Chief Audit Officer, provided an update of audit activities for the first quarter. He noted that during this month's Audit Committee meeting, the committee was updated on the external audit and financial reporting, the internal audit plan, and completed audits during the first quarter (three compliance updates and a Member Refund audit). Mr. Bell also noted that the committee reviewed his goals, and that he is comfortable with the controls that are in place.

In addition to internal audit activity, Mr. Bell provided an update on the fiduciary audit. He stated that he is involved with the consultants, Funston Advisory Services, and also looking into SMART and what controls and responsibilities are in place. Mr. Bell stated that these are going to be a larger effort than what was to be expected. He will be working independently in this role, and that SERS is in the best place for the fiduciary audit. Mr. Bell also informed the Board that Funston will also reach out to Board members. Funston will be onsite in October and go over an in-depth review; however, most of their work will be done remotely.

Concluding, Mr. Bell stated that he will be involved in a peer-to-peer review audit this year. A colleague from OPERS will provide a primer of the work Mr. Bell is doing, and an outside firm will provide a full review.

Following, James Rossler provided an update to the Board on NCPERS 2016 Public Pension Forum that he attend.

Concluding updates, the Board recessed at 2:29 p.m.

September 16, 2016

The Board reconvened at 8:31 a.m., and began with the discussion of the Executive Director Search. Ms. Phillips asked Gary Hudepohl, Hudepohl & Associates, to discuss the process moving forward for the Executive Director Search.

Mr. Hudepohl gave a brief background about the company. He stated that his firm has a 98% retention rate, and that a search can take generally 14-16 weeks. Mr. Hudepohl also noted that there are not many ED searches happening right now, and that there are very few competitors in this environment currently. Mr. Hudepohl then outlined his five-step process, which involves active recruiting of passive candidates. The goal is to find someone's skill set which matches what the system is looking for.

EXECUTIVE SESSION

At 9:56 a.m., Beverly Woolridge moved and Madonna Faragher seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment, appointment and compensation of public employees. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

The Board returned to open session at 10:18 a.m.

Concluding Executive Session, Chairwoman Barbra Phillips acknowledged that she would be the primary point of contact moving forward with the Executive Director search.

EXECUTIVE SESSION

At 10:24 a.m., Barbra Phillips moved and Madonna Faragher seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment, appointment and compensation of public employees. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

The Board returned to open session at 10:30 a.m.

APPOINTMENT AND COMPENSATION OF INTERIM EXECUTIVE DIRECTOR

Madonna Faragher moved and Beverly Woolridge seconded the motion to appoint Helen M. Ninos as Interim Executive Director of the School Employees Retirement System of Ohio effective the 1st day of November, 2016 with all powers, duties, rights and responsibilities normally associated with the Executive Director, including but not limited to, all signature authority inherent to and granted by Chapter 3309 of the Ohio Revised Code to be exercised on behalf of and in the interests of SERS. Said powers, duties, rights and responsibilities shall be granted to and exercised by Ms. Ninos until such time as an Executive Director shall officially be appointed by the Board, or until otherwise terminated by official action of the Board, whichever is earlier. While Ms. Ninos serves as Interim Executive Director her salary shall be increased by 8%, as recommended by the SERS Compensation Committee. Upon roll call, the vote was as follows: Yea: Madonna Faragher, James Haller, Christine Holland, Catherine Moss, James Rossler, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

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

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2016

October 20 and 21 (Thurs. and Fri.)
November 17 and 18 (Thurs. and Fri.)
December 15 and 16 (Thurs. and Fri.)

2017

February 15 Board Retreat (Wed.)
February 16 and 17 (Thurs. and Fri.)
March 16 and 17 (Thurs. and Fri.)
April 20 and 21 (Thurs. and Fri.)
May 18 and 19 (Thurs. and Fri.)
June 15 and 16 (Thurs. and Fri.)
July 20 and 21 (Thurs. and Fri.)
September 21 and 22 (Thurs. and Fri.)
October 19 and 20 (Thurs. and Fri.)
November 16 and 17 (Thurs. and Fri.)
December 21 and 22 (Thurs. and Fri.)

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

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

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

ADJOURNMENT

Barbra Phillips moved that the Board adjourn to meet on Thursday, October 20, 2016 for their regularly scheduled meeting. The meeting adjourned at 10:34 a.m.

Barbra Phillips– Board Chair

Lisa J. Morris – Secretary