

October 2016

 **BOARD**
Highlights

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Board Member Reappointed

Daniel L. Wilson took his oath of office at this month's Board meeting. He was reappointed by Gov. John Kasich as an investment expert.

This is Wilson's fourth term on the SERS Board. His term runs until September 27, 2020.

Wilson is Chief Financial Officer for the Mentor Exempted Village Board of Education, where he has worked since 2004. Wilson has more than 42 years of experience in the fiscal management of Ohio public schools.



Appointed Member Daniel L. Wilson, left, and General Counsel Joseph Marotta, right

Global Private Equity Portfolio Review

Investment staff gave the Board an overview of SERS' Global Private Equity portfolio.

The portfolio realized a net return of 11.40% in FY2016, which ranked SERS in the top quartile of similar funds according to the Burgiss All Private Equity (BAPE) benchmark. In addition, the performance of SERS' Global Private Equity portfolio ranked highest among its Ohio peers over the 3-year, 5-year, and 10-year periods. The returns topped 10% in each period.

The broadly diversified portfolio has gained positive momentum over the last several years. Staff continues to increase momentum by continuously reviewing and enriching portfolio construction; continuously refining and improving portfolio management; and staying aware of trends.

SERS' investment staff attributed much of the portfolio's success to portfolio construction and management. Staff emphasized the importance of selecting managers that consistently generated returns in the top quartile versus the bottom quartile. The difference in returns between the top and bottom quartile managers was consistently 10%-15% per year.

When evaluating managers, SERS looks for experienced investors that have a disciplined process in place and a consistent track record of performance.

While considering the above factors, investment staff also maintains consistent investment discipline. Reinvestment with existing managers is not automatic. Some managers have been declined due to performance issues, management issues, and strategy drift, among other reasons. In addition, investment staff closely examines fees to verify they are reasonable given the fund's strategy and size. Since 2014, private equity portfolio fees have been reduced by 0.5%.

The FY2017 objectives are to increase and maintain the private equity portfolio near its asset allocation target of 10%; review the portfolio's strategy and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions, and optimize manager counts; and actively seek co-investment opportunities where appropriate.

Total Fund Update

TOTAL FUND BALANCE		
July 31	August 31	Difference
\$12.70 billion	\$12.64 billion	▼ \$60 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 2.56%	▲ 5.35%	▲ 7.71%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.04%	▲ 0.35%	▲ 0.78%

SERS Commits to Private Equity Investment

The SERS Staff Investment Committee approved a \$25 million commitment to Francisco Partners Agility, a lower middle-market technology strategy within the System's private equity portfolio.

This investment will be funded from cash reserves.

Executive Director's Update

SERS' Recent Investment Performance Ranked Highest in ORSC Report

In a semi-annual report by RVK, Inc., the Ohio Retirement Study Council's independent investment consultant, SERS' recent investment performance ranked first among the Ohio systems in total fund performance over one year (2.0%), first in Ohio over three years (8.0%), and third in Ohio over five years (7.6%).

When compared to similar nationwide peer group of funds with more than \$10 billion in assets, SERS ranked 17th nationally over the one-year period, first over the three-year period, and fourth over the five-year period.

Social Security Announces Minimal COLA Increase

The Social Security Administration recently announced that the cost-of-living adjustment (COLA) will be only 0.3% in 2017. While approximately 70% of Medicare beneficiaries are protected by the "hold harmless" provision, which states that Social Security benefits cannot be reduced from one year to the next, approximately 30% are not. The group who is not "held harmless" could see its premiums increase substantially in 2017. Ohio public retirees who do not receive a Social Security benefit are included in this 30%.

SERS is closely watching this issue, and prepared to launch advocacy efforts, if necessary, once the Medicare Part B premium is announced. Last year, when the Social Security COLA was zero, SERS initiated a grassroots effort to request congressional support in reducing or eliminating the proposed Medicare Part B premium increase. Our retirees responded by sending more than 14,000 emails to

Congress, resulting in a reduction of the proposed 2016 Medicare Part B premium for those who were not "held harmless."

Health Care Update

Anne Jewel, SERS' director of Health Care Services, provided the Board with an update on two health care initiatives currently underway.

SERS recently launched an initiative to identify those enrolled in SERS' health care coverage who are under age 65 and may be eligible for early Medicare due to a disability. Human Arc was selected as our vendor to contact benefit recipients who may be eligible, and assist them with their Social Security applications. In the first three months of the project, Human Arc mailed nearly 2,000 letters and talked to more than 900 SERS benefit recipients. To date, they have filed 100 applications with Social Security.

HealthSCOPE, the third-party administrator managing SERS' Marketplace Wraparound Plan, has already spoken with nearly 900 interested SERS members. Members are beginning to schedule appointments after November 1, 2016, which is when the Marketplace opens.

SERS' statewide open enrollment meetings have been well-attended by non-Medicare enrollees, with approximately 215 people staying for special Marketplace Wraparound sessions after the regular meeting. SERS' open enrollment period runs through October 31, 2016.

Retiring Executive Director Honored

The SERS Board presented retiring Executive Director Lisa Morris with a framed proclamation summarizing her accomplishments and 12 years of dedicated service to SERS. Morris joined SERS in 2004 as deputy executive director, and has served as the System's executive director since 2010.

The Board chose Deputy Executive Director Helen Ninos to assume the duties of interim executive director effective November 1, 2016.



Executive Director Lisa Morris, left, and Employee-Member Madonna D. Faragher, right

Monthly Retirement and Survivor Benefit Transactions

For October, the SERS Board approved 340 active members for service retirements, and 22 survivor benefits for spouses and/or dependents.

November Meeting Dates

The next Board meeting will take place Thursday, November 17, and Friday, November 18 (if necessary) at 8:30 a.m.

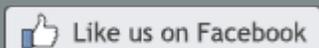
The *Board Highlights* are a high-level summary of select information discussed during SERS' Board meetings. Details of all Board discussions are contained in the *Board Meeting Minutes*.

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

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

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

CALL toll-free 800-878-5853 / **VISIT** www.ohsers.org



SERS Retirement Board:

Barbra M. Phillips, *Chair*

James Haller, *Employee-Member*

Catherine D. Moss, *Retiree-Member*

Daniel L. Wilson, *Appointed Member*

Vacant, *Appointed Member*

Madonna D. Faragher, *Vice-Chair*

Christine D. Holland, *Employee-Member*

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

Beverly A. Woolridge, *Retiree-Member*