



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**  
**BOARD MEETING HIGHLIGHTS**  
**NOVEMBER 2016**

**Board Member Reappointed**

James A. Rossler, Jr. took his oath of office at this month’s Board meeting. He was reappointed by the Speaker of the House of Representatives and the President of the Ohio Senate.

This is Rossler’s fourth term on the SERS Board. His first term began in October 2004. His term runs until November 4, 2020.

Rossler is treasurer of the Rossford Exempted Village School System and regional past president of the Ohio Association of School Business Officials.

**Actuary Presents FY2016 Analysis to Board**

SERS’ actuary, Cavanaugh Macdonald Consulting, LLC, presented the FY2016 actuarial report to the Board. In FY2016, SERS’ funded level declined from 68.1% to 66.7%, and the amortization period (the amount of time it takes to pay off all pension liabilities) increased from 27 years to 28 years. SERS’ unfunded liabilities increased \$668 million, due mainly to the reduction of the assumed rate of return from 7.75% to 7.5%.

The health care fund ended FY2016 with \$370 million, which is \$38 million less than in FY2015. The health care fund is projected to remain solvent until 2024.

Finally, at the recommendation of SERS’ actuary, the Board set the minimum compensation amount of \$23,700 for determination of the FY2017 health care surcharge.

**Investments Quarterly Report**

David Lindberg and Felicia Bennett of Wilshire Associates, SERS’ general investment consultant, provided the Board with an update of current investment conditions in the U.S. and SERS’ third quarter investment results.

The U.S. equity market gained 4.3% during the third quarter. Solid job growth and a slow but upward trend in hourly earnings boosted consumer spending and contributed positively to real GDP growth. The 10-year U.S. Treasury yield increased during the quarter from a low of 1.37% to end the period at 1.60%. Non U.S. equity markets also had a strong quarter, especially emerging markets with a 9.2% return for the period.

SERS’ total fund returned 3.74% net of fees during the quarter, which is above the policy benchmark of 3.33%. All portfolios, except real assets, exceeded their benchmarks.

**Total Fund Update**

<b>TOTAL FUND BALANCE</b>		
<b>August 31</b>	<b>September 30</b>	<b>Difference</b>
\$12.64 billion	\$12.78 billion	▲ \$140 million
<b>TOTAL FUND RETURN (net of fees)</b>		
<b>Fiscal Year</b>	<b>Calendar Year</b>	<b>3-Year</b>
▲ 3.74%	▲ 6.56%	▲ 6.78%
<b>TOTAL FUND RETURN vs. BENCHMARK</b>		
<b>Fiscal Year</b>	<b>Calendar Year</b>	<b>3-Year</b>
▲ 0.41%	▲ 0.68%	▲ 0.44%

RETIREMENT BOARD

BARBRA M. PHILLIPS  
*Chair, Employee-Member*  
 CATHERINE D. MOSS  
*Retiree-Member*

MADONNA D. FARAGHER  
*Vice-Chair, Employee-Member*  
 JAMES A. ROSSLER, JR.  
*Appointed Member*

DANIEL L. WILSON  
*Appointed Member*

JAMES HALLER  
*Employee-Member*  
 BEVERLY A. WOOLRIDGE  
*Retiree-Member*

CHRISTINE D. HOLLAND  
*Employee-Member*  
 VACANT  
*Appointed Member*

## **SERS Commits to Private Equity Investment**

The SERS Staff Investment Committee approved a €40 million commitment to Charterhouse Capital Partners X, a European buyout fund.

This investment will be funded from cash reserves.

## **Executive Director's Update**

### ***SERS Intensifies Outreach Efforts to Oppose Medicare Part B Increase***

Due to a minimal cost-of-living adjustment (COLA) increase announced by Social Security earlier this month, and a “hold harmless” provision in the Social Security law, retired Ohio public employees may see a 10% increase in their 2017 Medicare Part B premiums.

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.

For many SERS retirees, this will result in a monthly premium of \$134, an increase of \$12.20. For the other 70% of Medicare Part B recipients who draw Social Security benefits, this will result in a monthly premium of \$109, a slight increase from \$104.90.

SERS believes it is unfair that Medicare Part B recipients who do not draw a Social Security benefit must pay \$25 per month more than those who do. As a result, SERS initiated a Call to Action to lobby for a reduction of the 2017 Medicare Part B premiums for non-Social Security recipients. Since a Call to Action email was sent to SERS retirees on Thursday, November 17, almost 8,000 letters have been sent to Ohio's congressional representatives.

### ***H.B. 520 Clears Ohio House***

By a vote of 83-7, H.B. 520 cleared the House on November 17, 2016. H.B. 520, or the omnibus pension bill, contains general statutory cleanup language for all five statewide public pension systems. It also contains a change to the Alternative Retirement Plan (ARP) mitigating rate. The Ohio Senate must also approve the legislation before the end of the year for passage.

### ***GFOA/PPCC Awards***

For the 31<sup>st</sup> consecutive year, SERS received the Certificate of Achievement for Excellence in Financial reporting award from the Government Finance Officers Association of the United States and Canada (GFOA) for its *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2015. The GFOA also gave SERS an award for Outstanding Achievement in Popular Annual Financial reporting for its FY2015 *Summary of Annual Financial Report*.

In addition, SERS received the Public Pension Standards Award from the Public Pension Coordinating Council (PPCC) for excellence in meeting professional standards that guide plan funding and administration for state and local public retirement systems.

### ***SERS Staff Aids Charity Activities***

After Halloween, SERS' staff donated a total of 101 pounds of extra Halloween candy for the troops through Operation Gratitude. In addition to the candy, they also sent a box full of dental care supplies.

Staff also is currently participating in the Salvation Army's Angel Tree program. The program provides gifts to underprivileged children around Central Ohio. SERS employees are expected to donate at least 75 gifts this year.

Lastly, staff is collecting new or gently used coats, hats, gloves, and scarves for the Cristo Rey High School coat drive. The coats not only benefit the students at Cristo Rey, but also their families and other local charities.

### **SERS Joins Midwest Diversity Initiative**

The Board approved SERS' participation in the Midwest Diversity Initiative, which is comprised of a group of institutional investors located in the Midwest who are working to encourage diversity on corporate boards. The coalition's mission is to advance board diversity in companies located in Midwestern states and advocate at those companies for the adoption of board diversity policies that detail how women and minorities are considered as diverse candidates during their director nomination processes.

### **Health Care Update**

SERS is moving ahead with the Marketplace Wraparound Coverage for under 65 retirees despite the uncertainty of the status of the Affordable Care Act (ACA) following the national election. While we expect that the election will impact the ACA we don't know when and what that impact will be. For 2017, we are advising SERS members interested in signing up for Marketplace Wraparound Coverage to continue to do so. Should changes take place that negatively impact the Marketplace coverage of SERS retirees, they can always come back to other SERS-sponsored coverage.

### **Monthly Retirement and Survivor Benefit Transactions**

For November, the SERS Board approved 738 active members for service retirements, and 32 survivor benefits for spouses and/or dependents.

### **December Meeting Dates**

The next Board meeting will take place Thursday, December 15, and Friday, December 16 (if necessary) at 8:30 a.m.