



**Retirement Board Agenda
May 20, 2021**

Click Link to Join Zoom Meeting:

<https://ohsers.zoom.us/j/99185173707?pwd=bDdOM0JrbFJwOUZ6UVJLTIM4UDAYQT09>

Meeting ID: 991 8517 3707

Password: 476047

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **991 8517 3707** and password: **476047**

PLEDGE OF ALLEGIANCE

1. Roll Call
2. Approval of Out-of-State Board Travel (R)

3. CONSENT AGENDA (R)

- Minutes of the **April 15, 2021** Retirement Board meeting
- Summary of Investment Transactions
- Retirement Report
 - i. Superannuation and Survivor Benefits*
- Disability Report
 - i. Approval of Disability Benefits
 - ii. Disapproval of Disability Benefits
 - iii. Termination of Disability Benefits – Any Occupation

INVESTMENT REPORT

4. Annual Overlay Program Review
5. Quarterly Performance Report - Wilshire Associates
6. Quarterly Investment Report
7. Annual Investment Plan – FY22 Draft Distributed
8. Investment Department Incentive Program (R)

EXECUTIVE DIRECTOR'S REPORT

9. Executive Director's Update
 - Board Self-Evaluation discussion
 - Quarterly Financials
 - New Employer Request - Southwest Ohio Computer Association Council of Governments (SWOCA) (R)
10. Review SERS FY 2022 Administrative Budget

RETIREMENT REPORT

11. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits *(if needed)* (R)

HEALTH CARE REPORT

12. Presentation of 2022 Self-Insured Rates – Cavanaugh Macdonald
13. 2022 Health Care Review and Benefit Considerations

BOARD COMMUNICATION AND POLICY ISSUES

14. Calendar Dates for Future Board Meetings
15. Continued or New Business
 - Board Information Requests and Follow-up Items

FRIDAY MAY 21, 2021

EXECUTIVE DIRECTOR'S REPORT (cont.)

16. Pension Sustainability Discussion

Click Link to Join Zoom Meeting:

<https://ohsers.zoom.us/j/93845519731?pwd=aUZpWUphV0ErYzNpa01zeEZoUThMdz09>

Meeting ID: 938 4551 9731

Password: 791739

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **938 4551 9731** and password: **791739**

ADJOURNMENT (R)

*Please note there are no special cases this month.

**Retirement Board Meeting
May 20, 2021**

_____ A.M.

Roll Call:

Hugh Garside	_____
Jeffrey T. DeLeone	_____
James Haller	_____
Matthew King	_____
Catherine Moss	_____
James Rossler	_____
Frank Weglarz	_____
Daniel Wilson	_____
Barbra Phillips	_____

APPROVAL OF OUT-OF-STATE BOARD TRAVEL

_____ moved and _____ seconded the motion that the travel requests by Board Members to travel and receive reimbursement for the following out-of-state conferences and meetings be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
IFEBP 67 th Annual Employee Benefits Conference	Barbra Phillips	October 17 -20, 2021	Denver, CO	\$ 3,486.60
IFEBP 67 th Annual Employee Benefits Conference	Catherine Moss	October 17 -20, 2021	Denver, CO	\$ 3,481.00
IFEBP Certificate Series - Investment Basics	James Rossler	September 29 – 30, 2021	Orlando, FL	\$ 2,472.60
IFEBP Certificate Series – Organizational Strategies for Health & Financial Wellness	James Rossler	October 1 – 2, 2021	Orlando, FL	\$ 2,355.00

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

BOARD: Travel
R.C. 3309.04

CONSENT AGENDA

1. Minutes of the **April 15, 2021** Retirement Board meeting
2. Summary of Investment Transactions
3. Retirement Report
 - a. Superannuation and Survivor Benefits
4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Termination of Disability Benefits – Any Occupation

APPROVAL OF CONSENT AGENDA

_____ moved and _____ seconded the motion to approve the Consent Agenda, which includes the following items:

1. Minutes of the April 15, 2021 Retirement Board meeting
2. Summary of Investment Transactions
3. Retirement Report
 - a. Superannuation and Survivor Benefits
4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Termination of Disability Benefits – Any Occupation

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

SERS Retirement Board Meeting Minutes

April 15, 2021

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:31a.m. with the pledge of allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent from the meeting was Jeffrey DeLeone. Also attending virtually was Samuel Peppers, representative of the Ohio Attorney General's Office, various members of the SERS staff, and members of the public.

Approval of Minutes

Barbra Phillips moved and James Haller seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, March 18, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Executive Director's Report

Five Year Actuarial Experience Study (2015 – 2020) Cavanaugh Macdonald

Richard Stensrud, SERS Executive Director, began his report by introducing the actuaries from Cavanaugh Macdonald. John Garrett, Todd Green, and Alisa Bennett presented the five-year actuarial experience study materials. Their report included the review of economic and non-economic assumptions that were used over the past 5 years in the annual actuarial valuations. They also reviewed any recommended changes to those assumptions to be used in the annual actuarial valuations for Fiscal Years 2021 through 2025.

The board took a brief recess at 10:38 a.m. and reconvened at 10:50 a.m. to continue with the actuarial presentation.

Following the completion of the presentation, the actuary recommended that SERS adopt the long-term assumptions, as stated in the report, for the following:

- Rate of Price Inflation – 2.40%
- Rate of Investment Return – 7.00%
- Rate of Real Wage Growth - .85%
- Cost-of-Living-Adjustments – 2.00%
- Total Payroll Growth – 1.75%
- Rates of Withdrawal – Liability Weighted Experience
- Rates of Disability Retirement – As presented in the report dated March 31, 2021
- Rates of Pre-Retirement Mortality – As presented in the report dated March 31, 2021
- Rates of Post-Retirement Mortality – Using the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females
- Rates of Disabled Post-Retirement Mortality – Using the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females
- Rates of Service Retirement – As presented in the report dated March 31, 2021
- Rate of Wage Inflation – 3.25%

SERS Retirement Board Meeting Minutes

April 15, 2021

- Other Assumptions and Methods (Percent Married, Re-hired Retirees, Actuarial Cost Method, Actuarial Value of Assets, Amortization Method, and additional assumptions) – As presented in the report dated March 31, 2021
- Other Post-Employment Benefit Assumptions – Change in long-term rate of return. Changes in participation assumptions for service retirement, disability retirement and spousal coverage, and additional assumptions, as presented in the report dated March 31, 2021

James Rossler moved and Barbra Phillips seconded the motion to adopt the actuary's recommended long-term assumptions. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Investment Report

Adam Messerschmitt presented the annual review of the Private Credit Investments portfolio. SERS invests in private credit to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent stream of income. The market value as of December 31, 2020 was \$273 million. The portfolio is made up of eight managers and 12 funds with allocations to direct lending, mezzanine, stressed/distressed and structured credit/other. Mr. Messerschmitt reviewed the implementation guidelines, market overview, portfolio construction and performance. Staff has made \$683 million in new commitments and the portfolio has \$797 million in unfunded commitments. After discussing the FY2021 objectives, the Board thanked Mr. Messerschmitt for his presentation.

Farouki Majeed provided a summary of the Investment report for the period ending February 28, 2021. The preliminary performance report as of March 31, 2021 was provided to the Board for their information. As of March 31, 2021, the Fund was \$16.98 billion with an FYTD return of 20.17%. Following comments, the Board thanked Mr. Majeed for the presentation.

Extension / Renewal of Investment Consultant Agreement (R)

After discussion, the Board approved the renewal of the Investment Consultant Agreement through June 30, 2026. After discussion, Frank Weglarz moved and Catherine Moss seconded the motion to approve extending the Investment Consultant Services Agreement with Wilshire Associates, currently set to terminate June 30, 2021, through June 30, 2026, upon terms satisfactory to the Executive Director, Chief Investment Officer, and legal counsel.

Be it further provided that the Executive Director be authorized to execute any contracts or documents necessary to complete this extension. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Proxy Voting

Chris Collins, SERS Government Relations reviewed new proxy issues. There are no changes to the current proxy instructions. After comments, the Board thanked Mr. Collins for his presentation.

Summary of Investment Transactions

Catherine Moss moved and Barbra Phillips seconded that the following summary of investment transactions made in compliance with the Ohio revised Code Section 3309.15 during the period of **February 1, 2021 through February 28, 2021**. A detailed list of these transactions can be found in the Diligent board book and was posted prior to the Retirement Board Meeting. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

SERS Retirement Board Meeting Minutes

April 15, 2021

Executive Director's Report (cont.)

COVID-19 Health Care Report

SERS Executive Director, Richard Stensrud, reported on the Covid-19 numbers affecting members. To date, 2850 cases have been reported in SERS' Medicare plan, with 246 deaths. To date, 869 vaccinations have been reported in the pre-Medicare plan.

"Return to Office" Plan Update

Mr. Stensrud reported on the SERS "Return to Office" plan. Currently, with SERS' essential employees who have been working in the building full-time, plus the Senior Leadership Team and volunteers, up to 75 staff members are working at 300 E. Broad St.

Mr. Stensrud stated beginning on May 3 and 10, Phase 3 of the "Return to Office" plan will commence with approximately 66 more employees returning to the office bi-weekly. Mr. Stensrud also stated beginning on June 1 and 7, Phase 4 will have the remaining staff divided into two groups and join everyone from the previous phases as they return to the office bi-weekly.

Finally, Mr. Stensrud reported as of July 6, it is expected that all staff will be working in the building. During all this time, Senior Leadership will be evaluating what SERS' future looks like for in-office, remote, and hybrid options aka "The New Normal".

Ohio Retirement Study Council

Mr. Stensrud reported that the ORSC met on March 25th. It was the first ORSC meeting to be broadcast on the Ohio Channel website. Rep. Phil Plummer (R-Dayton) was sworn-in to replace Rep. Derek Merrin (R-Monclova). The bulk of the agenda was comprised of updates from individual systems relating to various reports that had been previously submitted to the Council including summaries of SERS' 2019 and 2020 Iran/Sudan reports, 2020 Health Care report, 2020 Actuarial Valuation, and the 2020 Disability Report.

Advocacy Groups

Mr. Stensrud reported that SERO President Joan Owen had recently passed away. Mr. Stensrud noted some of the highlights of Ms. Owen's service in and for Ohio's schools and school children as well as her service with SERO. Mr. Stensrud also noted that in her role at SERO, Ms. Owen had been a steadfast supporter and partner with SERS.

OASBO/SERS

Mr. Stensrud reported that the annual joint SERS/OASBO meeting will be held via Zoom on April 23. Mr. Stensrud noted that staff will provide 'state of SERS' information and dialogue with the OASBO attendees on sustainability topics being considered by the Board.

Education Materials

In follow up to a discussion at the last Board Meeting, Mr. Stensrud provided the Board with information on the numerous ways in which information is provided to members and employers regarding the value of the SERS benefits and the importance of supplementing them with retirement savings. Mr. Stensrud noted this information would be posted on the SERS website.

SERS Retirement Board Meeting Minutes

April 15, 2021

Ohio General Assembly

Mr. Stensrud reported that SERS has been reaching out to meet with new legislators in the Ohio General Assembly, focusing on those serving on key retirement system-related committees such as the House Financial Institutions committee. Mr. Stensrud noted that the legislators are provided with the latest statistics and information about SERS, and SERS' commitment to stakeholder engagement, transparency, and accountability. Mr. Stensrud noted that he believes the meetings will reinforce the partnership between SERS and the Ohio General Assembly in addressing our long-term goal of sustainability.

Mr. Stensrud also noted that he met with Rep. Plummer, who as previously mentioned, is the newest member of the ORSC. In addition to reviewing information about SERS, Mr. Stensrud shared the timelines and links to the sustainability initiative materials that the Board has been reviewing.

Federal Legislation

Mr. Stensrud noted among the elements in President Biden's \$2 trillion infrastructure plan was funding to replace 50,000 diesel transit vehicles, electrify at least 20 percent of the country's "yellow school bus fleet" and a \$111 billion allocation for clean, lead-free drinking water for schools. Mr. Stensrud noted that SERS' federal relations advisor Carol Drake had provided an outline of all the provisions in the plan.

Mr. Stensrud also reported that SERS continues to work with members of the Ohio delegation on language to be included in federal appropriations bills regarding the Wraparound HRA program. The goal is to enhance flexibility for participants by strongly urging the Departments of HHS, Treasury, and Labor to study and report whether a change in the cap from \$1,800 per enrolled family to \$1,800 per enrolled participant, indexed for inflation, would be possible. SERS has also been meeting with Ohio congressional office staff on health care issues in addition to the Wrap, including sharing our concerns about the currently delayed rebate rule and other prescription drug reform legislation that may come up this Congress.

Mr. Stensrud also reported that communication had gone out to both current enrollees in the Wrap HRA program members of the pre-Medicare plan who might want to consider enrolling in the Wrap HRA advising them on how to take advantage of the enhanced premium subsidies recently authorized in federal pandemic relief legislation.

Mr. Stensrud concluded his federal report by discussing the prospects for WEP and/or GPO reform.

Budget-related matters

Mr. Stensrud reported that two budget modifications were being presented for approval by the Board and asked Tracy Valentino, SERS CFO, was asked to present them for the Board's consideration.

Ms. Valentino reported that the first modification involved capital expenditures. Ms. Valentino noted that IT has had to be agile to make sure SERS staff had right equipment to continue working remotely during the pandemic and that needs had to be re-prioritized. Ms. Valentino stated certain projects that would otherwise be pushed to the FY22 budget could be accomplished this year by re-allocating operating budget funding to the capital budget. To that end, Ms. Valentino asked that \$185,000 of the operating budget in the FY2021 be reallocated to the capital budget. This reallocation would not increase the overall FY2021 budget. It will also take pressure off next year's budget. Ms. Valentino requested approval to reallocate the following purchases to FY21: Information Security - Firewall Replacement (\$55,000); Load Balancer Replacement (\$65,000); and Hyperconverged Infrastructure (\$65,000).

Discussion followed regarding development of a 5-Year Capital Budget for IT expenditures. Mr. Stensrud stated that he and Ms. Valentino supported the concept, noting that doing so was one of the reasons for establishing a Technology Committee to enhance understanding of IT resources, needs and cost. Mr. Stensrud stated he believed that in conjunction with the Technology Committee a 5-year IT capital budget could be developed by the end of the year. The Board approved the re-allocation request.

SERS Retirement Board Meeting Minutes

April 15, 2021

Ms. Valentino reported that the second budget modification involved a re-allocation of existing budget funding to the Personnel category. Ms. Valentino explained that expenditures in the Personnel category were forecast to be higher than expected due to unanticipated employee health care and related prescription medical costs. Ms. Valentino noted that expenditures in certain other budget categories would be lower than expected and that funding from those categories could be shifted to the Personnel category resulting in no change to the overall budget. After discussion, the board approved the budget reallocation request.

Change to SERS Board Meeting Minutes Format

Mr. Stensrud noted that the practice at most retirement systems and public entities generally, is for the Minutes of meetings to be a summary of the governing body's discussions and decisions regarding items on the agenda. Mr. Stensrud noted that in contrast, SERS' Minutes format is a full reproduction of the materials prepared for the meeting. Mr. Stensrud noted those materials are already available on the SERS website. Mr. Stensrud suggested that moving to a format for the Minutes focused on the business of the Board, combined with the separate posting of the meeting materials would improve transparency as it would be easier for interested parties to review Board discussions and decisions. Accordingly, Mr. Stensrud proposed that the Board consider modifying the format of the Minutes format be modified. After discussion, the Board requested to see the Minutes in both the current and proposed abbreviated versions before making a final decision. As a result, two versions of the April Board Minutes will be presented for consideration.

In addition to discussion around Minute's format changes, the Board also discussed recording the live stream of Board Meetings and making the recordings available to the public on the SERS website.

Consent Agenda for Approval of Ministerial Board Items

Mr. Stensrud proposed the development of a 'consent' agenda for the Board's consideration. A consent agenda would allow the Board to vote on and approve multiple routine, procedural, and informational items via one vote. Mr. Stensrud noted that an item could be removed from the consent agenda by any Board Member and considered separately. Board Members could also identify consent agenda items on which they abstained. Several board members indicated the consent agenda is used successfully with other boards they sit on.

The Board agreed to implement the use of a consent agenda for future board meetings.

Technology Charter Approval

Mr. Stensrud presented a proposed charter for the Board Technology Committee. Mr. Stensrud also noted if the Board wished to establish a Technology Committee, it would be necessary to amend the SERS Standing Committees of the Board Policy to add the Technology Committee. The amendment to the policy was approved. The Board reviewed the draft Technology Committee charter, agreed it was well done, and the charter was approved.

After discussion, Matt King was appointed Chair of the Technology Committee. James Rossler, Frank Weglarz, and Dan Wilson were named as committee members. The Technology Committee will convene at the Chair's pleasure.

Compensation Study RFP Update

Mr. Stensrud and Compensation Committee Chair Dan Wilson reported on the recommendation of the Compensation Committee that a Request for Proposals (RFP) process be initiated for the selection of a consultant to conduct a compensation and classification study for SERS' staff positions. The proposed review and selection process was outlined, with the proposed timeline for the vendor selection in July 2021 and work commencing on the study in August 2021.

SERS Retirement Board Meeting Minutes

April 15, 2021

ORSC Budget Update

Mr. Stensrud and Chief Financial Officer Tracy Valentino provided the Board with the FY22 draft budget and expenditure information that is required to be submitted to the ORSC by the end of April. They explained that the ORSC materials were informational, and no action was being requested. They also noted that the budget information in the ORSC report was preliminary and would continue to be worked on for the submission of the official budget proposal to the Board in May.

FY2021 SERS Budget Modification - Administrative Capital Budget

Jeffrey DeLeone moved and Matthew King seconded that the FY2021 Administrative Capital Budget be modified as presented today effective April 15, 2021. The modification reallocates \$185,000 within the SERS Operating Budget to the SERS Capital Budget for the purchase of the following three items: (1) Information Security – Firewall Replacement; (2) Load Balancer Replacement; and (3) Hyperconverged Infrastructure. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, and Hugh Garside. Nay: Daniel Wilson. The motion carried.

FY2021 SERS Administrative Budget Modification – Major Category Reallocation

Barbra Phillips moved and Matthew King seconded that the FY2021 Administrative Budget be modified as presented today effective April 15, 2021. The modification reallocates \$271,000 from the Professional Services Category to the Personnel Category. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Administrative Expenses

Tracy Valentino, Chief Financial Officer, provided an update on the administrative expenses and offered to answer any questions the board had. There were no questions from the board or the public.

Amend Standing Committees of The Board Policy

In order to approve the newly created Technology Committee, the Standing Committees of the Board Policy must first be updated. It was moved by Frank Weglarz and seconded by James Haller to amend the SERS Standing Committees of the Board Policy effective April 15, 2021 to add a SERS Technology Committee. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Proposed Technology Committee Charter

The board was presented with the proposed SERS Technology Committee Charter. It was moved by Barbra Phillips and seconded by Catherine Moss to adopt a SERS Technology Committee Charter with an effective date of April 15, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Review of the Draft Administrative Budget for The ORSC

Tracy Valentino, SERS Chief Financial Officer, presented the FY2022 Draft Budget information in the standard format required by the Ohio Retirement Study Council (ORSC) for the board's review. SERS is currently in the process of finalizing the budget for FY2022, therefore, the expanded budget document will be presented and discussed in greater detail at the May Board meeting. Ms. Valentino stated SERS is not seeking approval for the draft presentation.

SERS Retirement Board Meeting Minutes

April 15, 2021

The ORSC required documents include FY2021 and FY2022 operating, capital, staff training and travel budget comparisons, investment expenses obtained from the Annual Financial Report, a ten-year categorization of Board expenses and membership statistics. The board thanked Ms. Valentino for her report.

RFP for Compensation Consultant

The SERS Compensation Committee recommends to the Board that SERS issue a Request for Proposal to retain a compensation consultant that will determine the competitiveness and effectiveness of the SERS employee compensation program. Dan Wilson moved to adopt the Committee's recommendation. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Approval of Superannuation, Survivor Benefits, and Transfers

It was moved by Catherine Moss and seconded by Barbra Phillips that the 333 superannuation retirements, 38 survivor benefits, and 8 transfers be approved and, further, that the persons listed below be granted allowances and benefits in the amount set forth and effective as of the dates given in the report. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Special Cases - Adjustments

Barbra Phillips moved and Frank Weglarz seconded the motion that the report on Special Cases be approved in the amounts and dates as set forth below. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Retirement Report

At 2:03 p.m., Frank Weglarz 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: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

The Board returned to open session at 2:07 p.m.

Approval of Disability Benefits

Catherine Moss moved and Barbra Phillips seconded that the disability report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and that the persons named below be granted a disability benefit. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Disapproval of Disability Benefits

James Rossler moved and James Haller seconded that the disability report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the disability benefit for the persons named below be disapproved. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

SERS Retirement Board Meeting Minutes

April 15, 2021

Termination of Disability Benefits – Any Occupation

Catherine Moss moved and James Rossler seconded that the disability report, as recommended by the Medical Advisory Committee and Vocational Expert, and prepared by staff be approved, and further, that the disability benefit for the person listed below be terminated. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Board Communication and Policy Issues

FUTURE CALENDAR DATES FOR 2021 **

AUDIT COMMITTEE MEETINGS

June 16 - 2:30 p.m. (Weds.)
September 15 - 2:30 p.m. (Weds.)
December 15 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 17 - 7:30 a.m. (Thurs.)
September 16 - 7:30 a.m. (Thurs.)
December 16 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

May 20 and 21 (Thurs. and Fri.)
June 17 and 18 (Thurs. and Fri.)
July 15 and 16 (Thurs. and Fri.)
September 16 and 17 (Thurs. and Fri.)
October 21 and 22 (Thurs. and Fri.)
November 18 and 19 (Thurs. and Fri.)
December 16 and 17 (Thurs. and Fri.)

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

Continued or New Business

The Board continued with the review of continued or new business.

Recess

Frank Weglarz moved and James Haller seconded that the Board take a recess & reconvene on Friday, April 16, 2021 at 8:30 a.m. to continue the board meeting & discuss Pension Sustainability. The meeting recessed at 2:14 p.m.

Adjournment

The board reconvened at 8:30am on Friday, April 16, 2021 to discuss Pension Sustainability.

After robust board discussion, Hugh Garside moved to adjourn to meet on Friday, May 20, 2021 for their regularly scheduled meeting. The meeting adjourned at 10:43 a.m.

Summary of Investment Transactions to be
Reported to the Retirement Board for
Ratification in May 2021

_____ moved and _____ seconded that the following summary of the investment transactions made during the period of **March 1, 2021** through **March 31, 2021** be approved. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$ 407.9
Fixed Income	425.7
Multi-Asset Strategies	25.4
Private Equity Capital Calls	51.7
Real Asset Capital Calls	2.5
Opportunistic & Tactical	9.4
Global Private Credit	23.9
Cash Equivalents	496.4

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$353.0	\$ 93.1
Fixed Income	441.2	2.1
Multi-Asset Strategies	22.8	1.2
Private Equity distributions	58.5	n/a
Real Asset distributions	4.0	n/a
Opportunistic & Tactical	n/a	n/a
Global Private Credit	n/a	n/a
Cash Equivalents	517.4	n/a

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

School Employees Retirement System

Memo

To:	Retirement Board
From:	Farouki Majeed
cc:	Richard Stensrud, Karen Roggenkamp
Date:	May 5, 2021
Re:	SERS Overlay Program - Annual Update

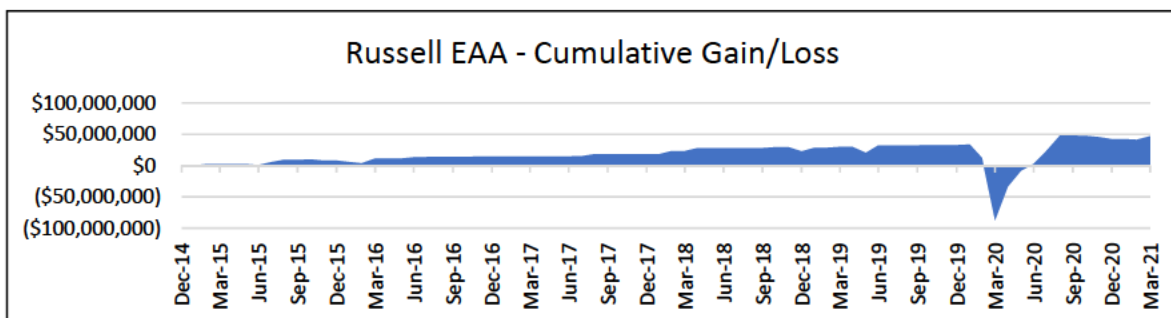
This memo provides a general overview of the SERS Overlay Program. The program is designed to directly enhance Total Fund performance and is not funded through asset class policy allocations. It is a zero net exposure, long/short program requiring only a small cash funding for futures/forwards collateral and margin requirements. Exposures are managed within a notional dollar limit and active risk targets. The program's performance objective is to add 10 to 20 basis points to Total Fund performance on a three to five year time horizon within a 1% tracking error limit. The Overlay Program consists of two sub-programs, Active Currency and Tactical Asset Allocation (TAA). As of March 31, 2021, the TAA program has added five basis points of excess return annually to the total fund since inception. The currency program has been more volatile and ended with negative results.

Tactical Asset Allocation Program

Russell Implementation Services implements SERS' Tactical Asset Allocation Program. Russell actively allocates exposures across US fixed income, US and Non-US equity markets by taking long and short positions in equal amounts in index futures. Long and short decisions are based on macroeconomic and market systematic signals, which indicate short-term shifts in relative valuations, as well as the manager's judgement of overall market conditions. The strategy trades in pairs to have zero net exposure, reducing leverage risk. Trades are only implemented when the manager forecasts a market misvaluation, so active exposure may only be on several times per year for a short time period. The usual trade has been long equities and short fixed income placed after equity valuations have fallen.

Russell has consistently generated positive cumulative returns, except in fiscal year 2020, when the positions they opened in February 2020 turned negative as equity markets continued to decline and cumulative gains were negative. However, these positions turned positive as equity markets rebounded to pre-pandemic levels and the positions were closed with cumulative gains being positive again. Currently, there are no open positions and the program has net gains of \$46.76 million since inception or five basis points annually. The following table and cumulative cumulative gains and losses graph summarizes Russell's performance to date:

Gain/(Loss) Summary	FYTD 2021 (thru 3/21)	FY 2020	FY 2019	FY 2018 – 2015	Inception To Date
Russell	\$43,820,634	(\$29,389,401)	\$4,574,746	\$27,754,932	\$46,760,911



Staff has recently hired an additional tactical asset allocation manager, AlphaEngine (AE), that will serve as a complement to Russell in the following ways:

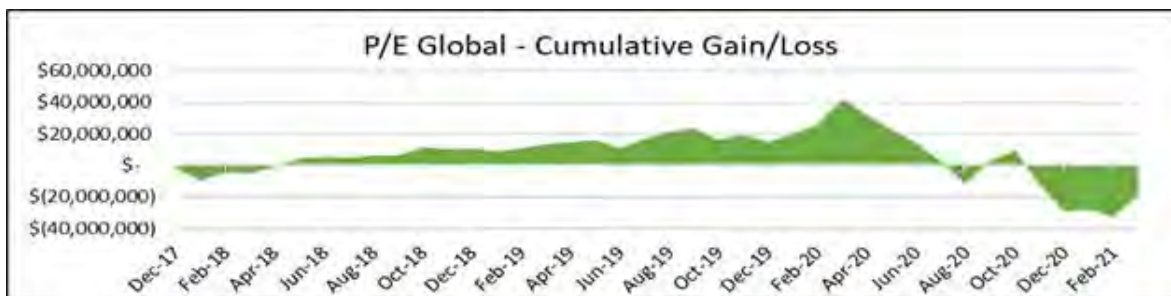
1. AE has positions on constantly versus just several times annually.
2. AE will place both long and short equity trades versus long only.
3. AE will have exposure to commodities and precious metals along with equity and fixed income.

The AE strategy started trading with a \$500 million notional exposure at a 1% risk target in April 2021.

Active Currency Program

The Currency Program is implemented through long and short forward positions in designated currencies with a net zero dollar exposure. The program was launched in August 2016 and has utilized three managers. P/E Global was hired in December 2017 and is currently the only manager in the Currency Program, managing \$450 million in notional exposure. Terminated managers have a cumulative loss of \$20.77 million. P/E’s performance was positive through fiscal year 2020, but has turned negative (in fiscal year 2021) in 1Q 2021 as the US dollar has declined and the euro has appreciated. P/E believes the long US dollar, short euro position, which is the biggest bet, will have positive returns over the next 12 months as US growth outpaces the European region and interest rate differentials improve in favor of the US dollar. The following table and cumulative gains and losses graph summarizes the Currency Program performance to date:

Gain/(Loss) Summary	FYTD 2021 (thru 3/21)	FY 2020	FY 2019	2017 – 2018 Fiscal Years	Inception To Date (August 2016)
P/E Global	(\$32,945,043)	\$ 3,307,142	\$5,501,564	\$ 5,556,654	(\$18,579,684)
Total Gain/(Loss)	(\$32,945,043)	(\$6,407,247)	\$7,201,502	(\$7,202,416)	(\$39,353,204)



Overlay Summary

Cumulative gains of the Overlay Program in combination are \$7.41 million. Staff will continue to monitor P/E’s performance and make appropriate changes as needed to recoup the current losses. Below is a summary of the Overlay Program’s performance and risk impacts on Total Fund.

Overlay Program Impact (NOF)	FYTD Return	1-Y Return	3-Y Return	5-Y Return	5-Y Risk
Currency Overlay Impact to Total Fund	(0.28)	(0.56)	(0.06)	(0.07)	(0.11)
Tactical Allocation Impact to Total Fund	0.36	1.19	0.05	0.05	0.23
Total Overlay Impact to Total Fund	0.08	0.63	(0.01)	(0.02)	0.12

Executive Summary of Investment Performance

School Employees Retirement System of Ohio

As of March 31, 2021



Wilshire

QUARTERLY MARKET REVIEW

Asset Class Performance

ASSET CLASS RETURNS - BEST TO WORST						ANNUALIZED 5-YEAR AS OF 3/21
2016	2017	2018	2019	2020	2021 YTD	
MLPs 18.3%	Emrg Mrkts 37.7%	T-Bills 1.9%	U.S. Equity 31.0%	U.S. Equity 20.8%	Midstream 20.9%	U.S. Equity 16.7%
High Yield 17.1%	Developed 25.6%	Core Bond 0.0%	REITs 25.8%	Emrg Mrkts 18.7%	REITs 8.8%	Emrg Mrkts 12.5%
U.S. Equity 13.4%	U.S. Equity 21.0%	U.S. TIPS -1.3%	Developed 22.7%	U.S. TIPS 11.0%	Commodities 6.9%	Developed 9.4%
Commodities 11.8%	High Yield 7.5%	High Yield -2.1%	Emrg Mrkts 18.9%	Developed 8.3%	U.S. Equity 6.5%	High Yield 8.1%
Emrg Mrkts 11.6%	REITs 4.2%	REITs -4.8%	High Yield 14.3%	Core Bond 7.5%	Developed 3.6%	REITs 5.0%
REITs 7.2%	Core Bond 3.6%	U.S. Equity -5.3%	Core Bond 8.7%	High Yield 7.1%	Emrg Mrkts 2.3%	Midstream 4.8%
U.S. TIPS 4.7%	U.S. TIPS 3.0%	Commodities -11.2%	U.S. TIPS 8.4%	T-Bills 0.7%	High Yield 0.8%	U.S. TIPS 3.9%
Core Bond 2.6%	Commodities 1.7%	MLPs -12.4%	Commodities 7.7%	Commodities -3.1%	T-Bills 0.0%	Core Bond 3.1%
Developed 1.5%	T-Bills 0.8%	Developed -13.4%	MLPs 6.6%	REITs -7.9%	U.S. TIPS -1.5%	Commodities 2.3%
T-Bills 0.3%	MLPs -6.5%	Emrg Mrkts -14.2%	T-Bills 2.3%	Midstream -23.4%	Core Bond -3.4%	T-Bills 1.2%

Data Sources: Bloomberg

Note: Developed asset class is developed equity markets ex-U.S., ex-Canada

QUARTERLY MARKET REVIEW

Market Commentary

U.S. Equity

The U.S. stock market, represented by the Wilshire 5000 Total Market IndexSM, was up 6.5% for the first quarter of 2021. All eleven sectors were in positive territory with Energy (+31.7%) and Financials (+16.7%) representing the best performing sectors. There was meaningful return dispersion between size and styles as the large-cap value index outperformed growth by 7.8% and small-cap outperformed large-cap by 7.7%.

Inflation indexes have been on the rise during the past few months, with growth rates meaningfully above 2%. A jump in energy prices accounted for more than two-thirds of the increase in the Producer Price Index (PPI) in February, while both gasoline and food prices weigh on consumers. Investors are expecting at least some continued inflation as the 10-year breakeven inflation rate equaled 2.38% at quarter-end, the highest level in more than five years.

Non-U.S. Equity

Economic indicators out of the U.K. have been encouraging recently as Prime Minister Boris Johnson announced a “roadmap” for reopening the economy from the U.K.’s third lockdown. Conditions in Germany are more concerning as AstraZeneca’s COVID-19 vaccine has been suspended due to concerns about serious complications.

Fixed Income

The U.S. Treasury yield curve was up significantly across most maturities during the first quarter, with the long end approaching pre-COVID levels. The 10-year Treasury yield ended the quarter at 1.74%, up 82 basis points from December. The Federal Open Market Committee met twice during the quarter with no change to their overnight rate. The Committee’s “dot plot” indicated that a few members are currently supporting a rate hike for next year, although the median forecast remains unchanged at zero increases through 2023.

QUARTERLY MARKET REVIEW

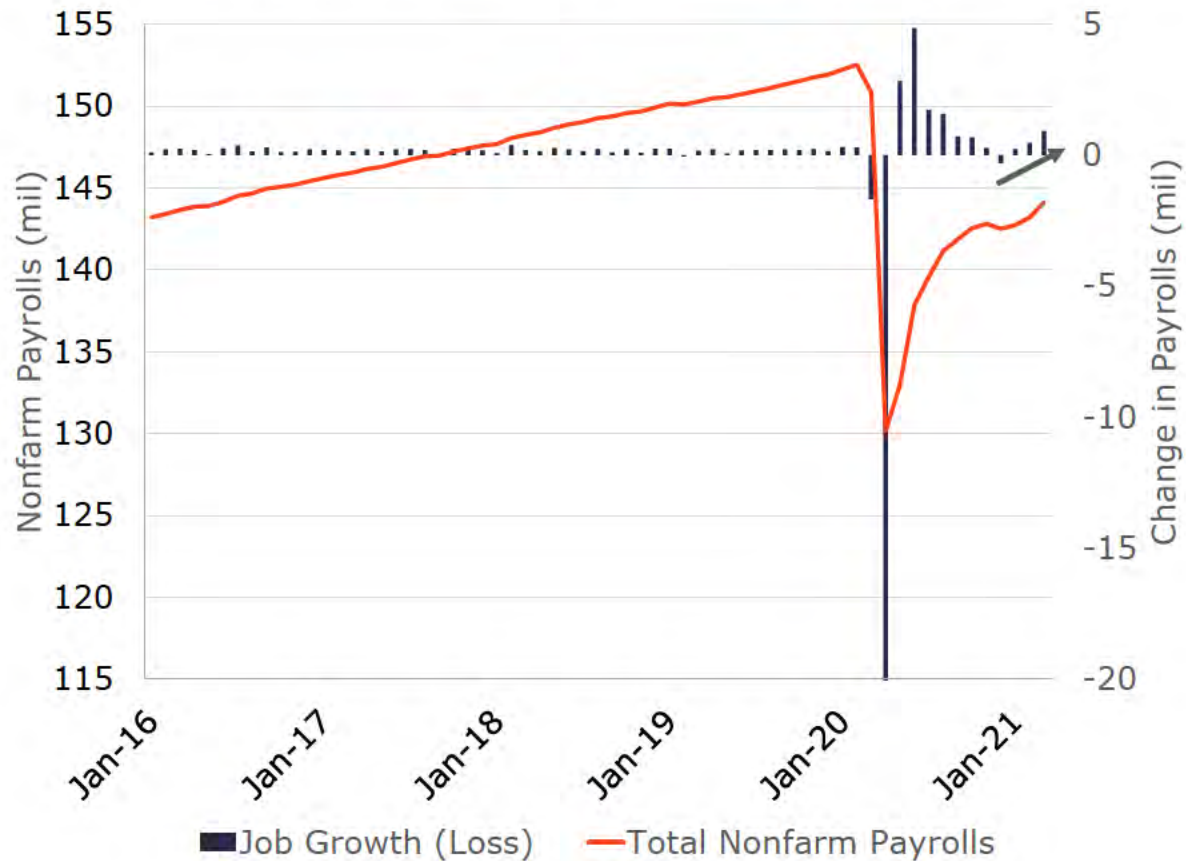
March 2021 Asset Class Assumptions

	Equity						Fixed Income						Real Assets						
	U.S. STOCK	DEV EX-U.S. STOCK	EMG. MRKT. STOCK	GLOBAL EX-U.S. STOCK	GLOBAL STOCK	PRIVATE EQUITY	CASH	CORE BOND	LT CORE BOND	U.S. TIPS	HIGH YIELD	NON-U.S. BOND (HDG)	U.S. REAL ESTATE SECS	GLOBAL REAL ESTATE SECS	PRIVATE REAL ESTATE	CMDTY	REAL ASSETS	U.S. CPI	
Compound Return (%)	4.75	5.75	5.75	6.00	5.40	7.15	1.25	2.05	2.60	1.70	3.90	0.70	5.15	5.30	6.00	3.70	5.80	2.45	
Arithmetic Return (%)	6.10	7.25	8.75	7.65	6.75	10.55	1.25	2.15	3.00	1.90	4.40	0.80	6.50	6.45	6.90	4.75	6.30	2.45	
Expected Risk (%)	17.00	18.00	26.00	19.15	17.15	28.00	0.75	4.30	8.85	6.00	10.00	4.30	17.00	15.85	14.00	15.00	10.15	1.75	
Cash Yield (%)	1.50	2.25	1.75	2.10	1.75	0.00	1.25	3.35	3.80	2.65	7.95	2.05	3.30	3.30	2.25	1.25	2.10	0.00	
Growth Exposure	8.00	8.00	8.00	8.00	8.00	13.50	0.00	-0.80	-2.10	-3.00	4.00	-1.00	6.00	6.00	3.50	0.00	1.80	0.00	
Inflation Exposure	-3.00	0.00	5.00	1.55	-1.10	-3.80	0.00	-2.45	-6.55	2.50	-1.00	-3.00	1.00	1.95	1.00	12.00	4.90	1.00	
Correlations																			
US Stock	1.00																		
Dev ex-US Stock (USD)	0.81	1.00																	
Emerging Mkt Stock	0.74	0.74	1.00																
Global ex-US Stock	0.83	0.96	0.87	1.00															
Global Stock	0.95	0.92	0.83	0.94	1.00														
Private Equity	0.74	0.64	0.62	0.67	0.74	1.00													
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.07	0.00	1.00												
Core Bond	0.28	0.13	0.00	0.09	0.20	0.31	0.19	1.00											
LT Core Bond	0.31	0.16	0.01	0.12	0.23	0.32	0.11	0.92	1.00										
TIPS	-0.05	0.00	0.15	0.05	0.00	-0.03	0.20	0.59	0.47	1.00									
High Yield Bond	0.54	0.39	0.49	0.45	0.51	0.34	-0.10	0.25	0.32	0.05	1.00								
Dev ex-US Bond (Hdg)	0.16	0.25	-0.01	0.17	0.18	0.26	0.10	0.66	0.65	0.39	0.26	1.00							
US RE Securities	0.58	0.47	0.44	0.49	0.56	0.50	-0.05	0.17	0.23	0.10	0.56	0.05	1.00						
Global RE Securities	0.64	0.58	0.56	0.61	0.65	0.58	-0.05	0.17	0.22	0.11	0.61	0.03	0.96	1.00					
Private Real Estate	0.54	0.44	0.44	0.47	0.52	0.51	-0.05	0.19	0.25	0.09	0.57	0.05	0.77	0.75	1.00				
Commodities	0.25	0.34	0.39	0.38	0.32	0.27	0.00	-0.02	-0.02	0.25	0.29	-0.10	0.25	0.28	0.25	1.00			
Real Assets	0.48	0.51	0.58	0.57	0.54	0.47	-0.02	0.23	0.25	0.39	0.56	0.05	0.70	0.75	0.70	0.65	1.00		
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	-0.08	0.05	0.03	0.05	0.44	0.26	1.00	

QUARTERLY MARKET REVIEW

Q1 Rebound in Jobs

After decelerating in Q4 2020, change in Non-farm Payrolls accelerated in Q1



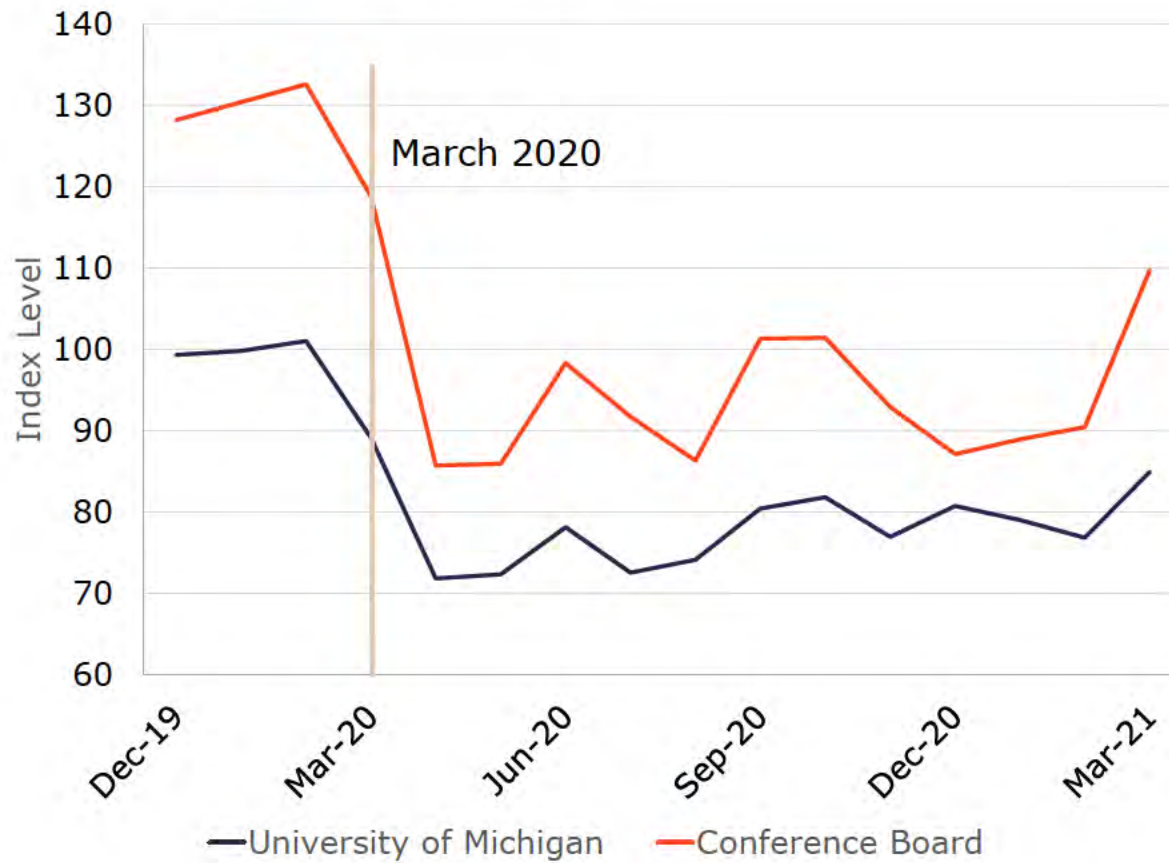
Data Source: Bloomberg

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QUARTERLY MARKET REVIEW

Consumer Confidence

Highest levels since the onset of COVID-19



Data Source: Bloomberg

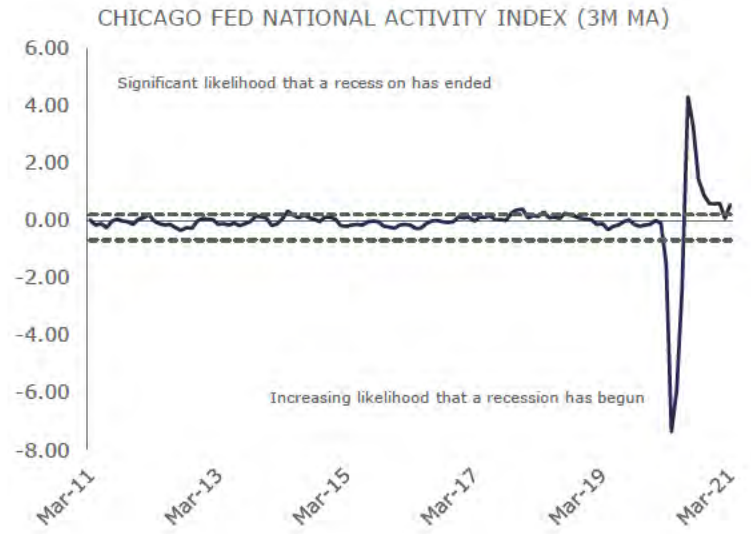
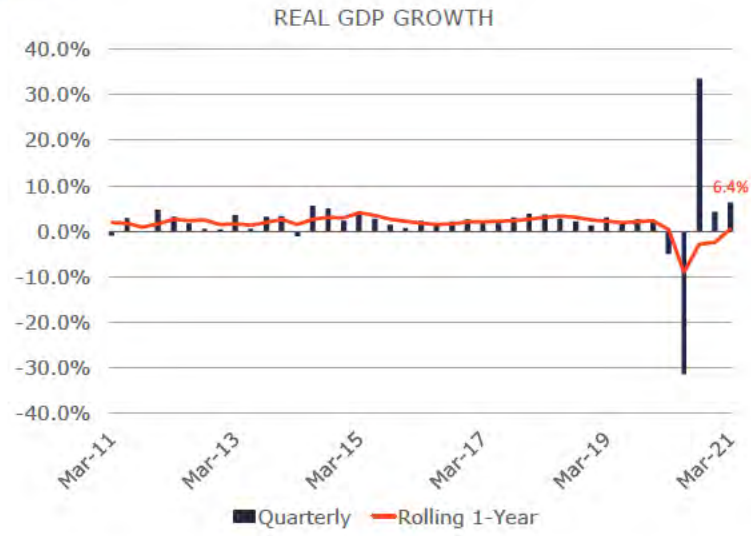
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Economic/Market Activity

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QUARTERLY MARKET REVIEW

Economic Growth

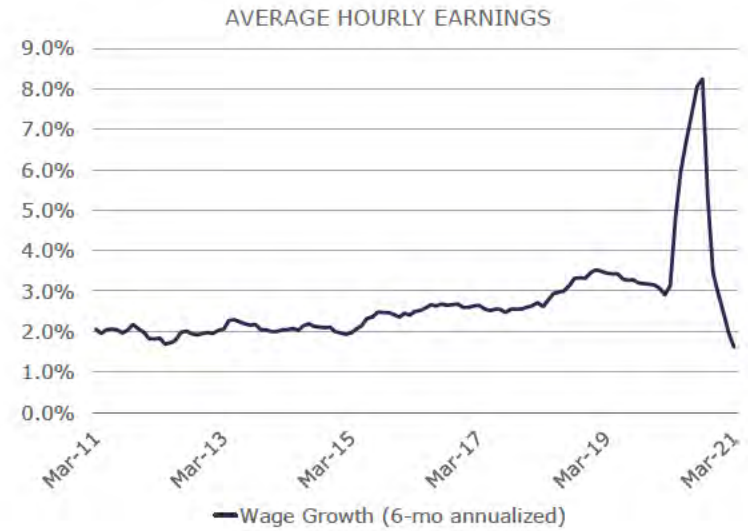
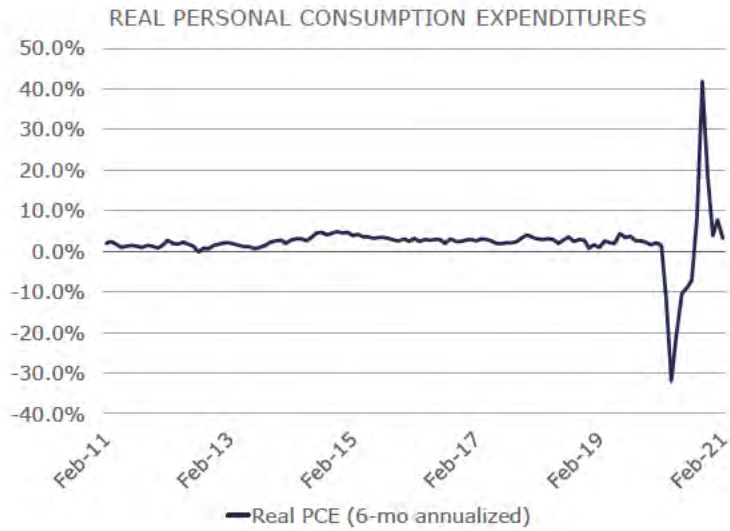
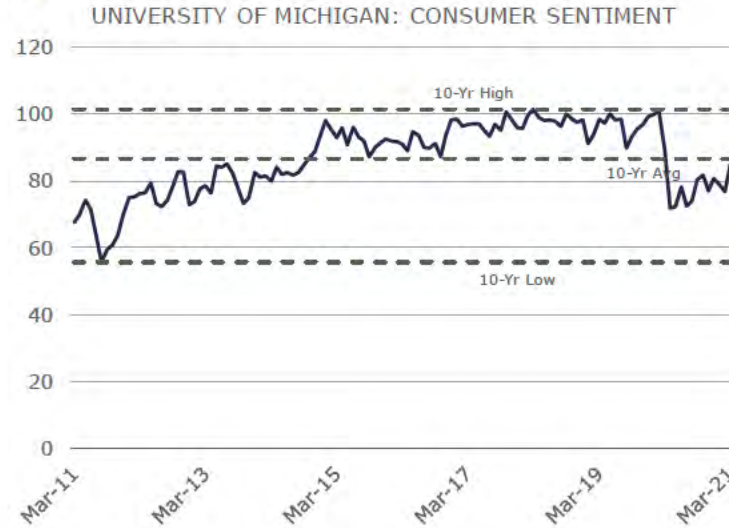


Data Sources: Bloomberg

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QUARTERLY MARKET REVIEW

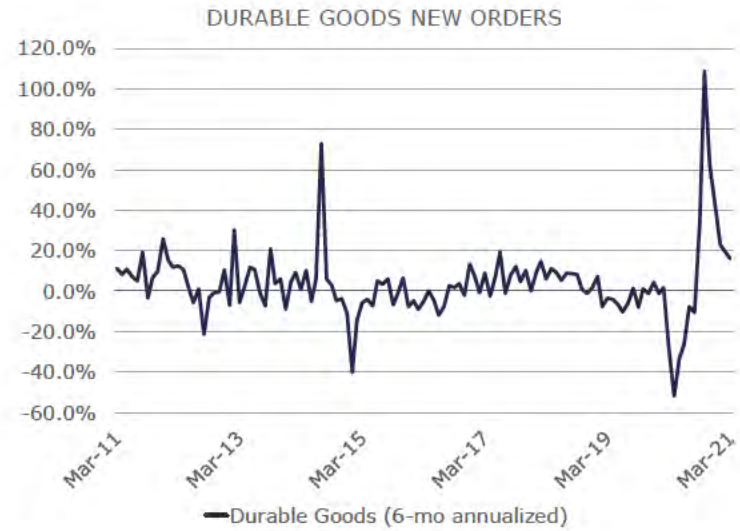
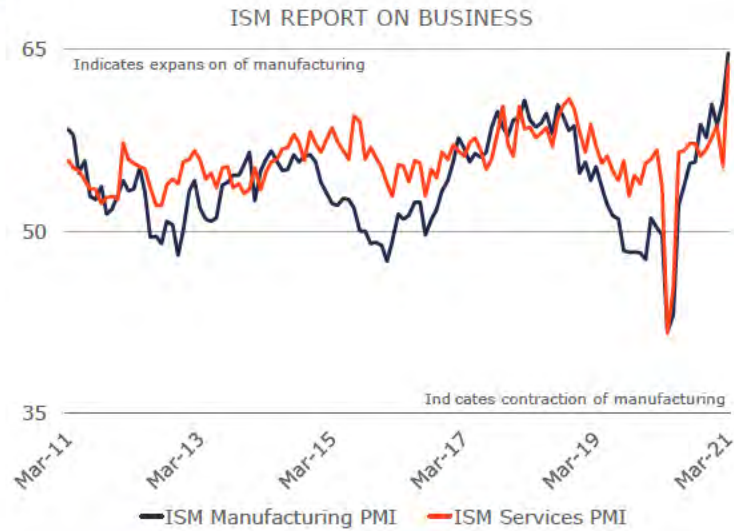
Consumer Activity



Data Sources: Bloomberg

QUARTERLY MARKET REVIEW

Business Activity

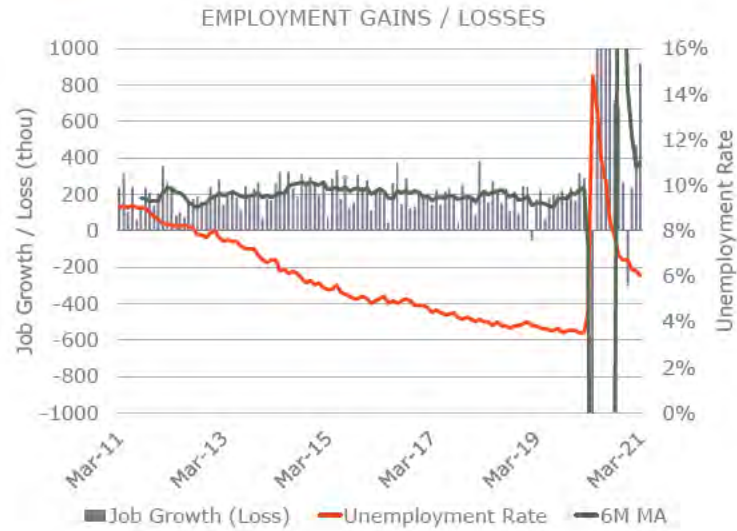
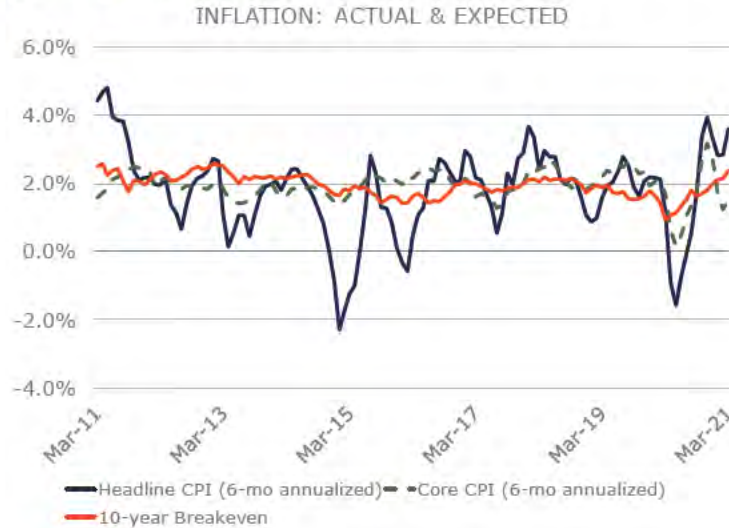


Data Sources: Bloomberg

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QUARTERLY MARKET REVIEW

Inflation and Employment



Data Sources: Bloomberg

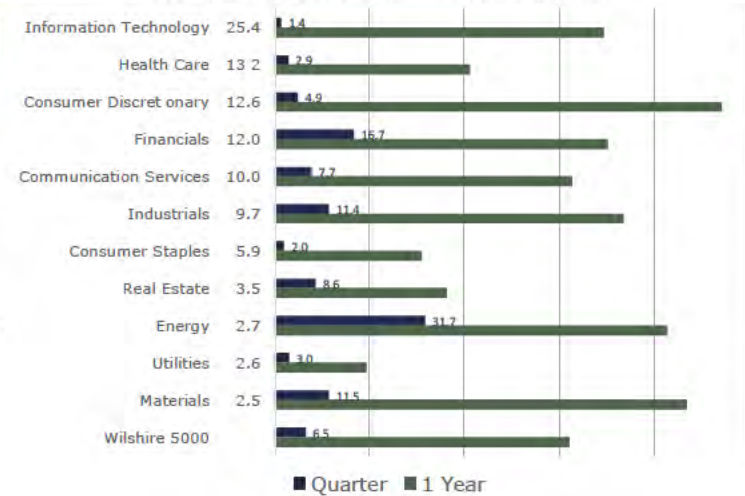
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QUARTERLY MARKET REVIEW

U.S. Equity Market

AS OF 3/31/2021	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Wilshire 5000 Index	6.5	6.5	62.2	17.2	16.7	13.8
Wilshire U.S. Large Cap	5.8	5.8	59.6	17.4	16.8	14.0
Wilshire U.S. Small Cap	13.5	13.5	94.3	14.8	15.6	12.0
Wilshire U.S. Large Growth	2.0	2.0	66.5	21.3	20.7	15.9
Wilshire U.S. Large Value	9.8	9.8	51.3	13.4	12.9	12.0
Wilshire U.S. Small Growth	9.0	9.0	96.7	17.7	18.9	13.1
Wilshire U.S. Small Value	18.2	18.2	91.5	11.9	12.3	10.8
Wilshire REIT Index	8.8	8.8	34.7	9.0	5.0	8.5
MSCI USA Min. Vol. Index	2.3	2.3	30.6	12.4	11.9	13.1
FTSE RAFI U.S. 1000 Index	14.4	14.4	67.9	14.1	14.3	12.6

U.S. SECTOR WEIGHT AND RETURN (%)



LARGE CAP VS SMALL CAP



LARGE GROWTH VS LARGE VALUE

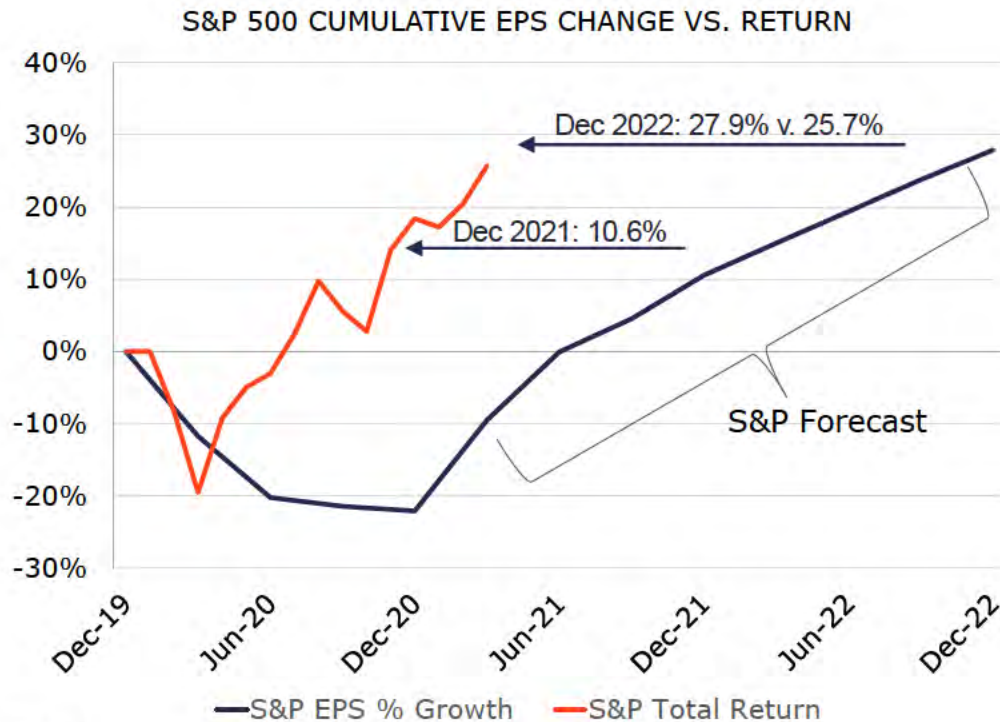


Data Sources: Bloomberg, Wilshire Atlas

QUARTERLY MARKET REVIEW

U.S. Corporate Earnings

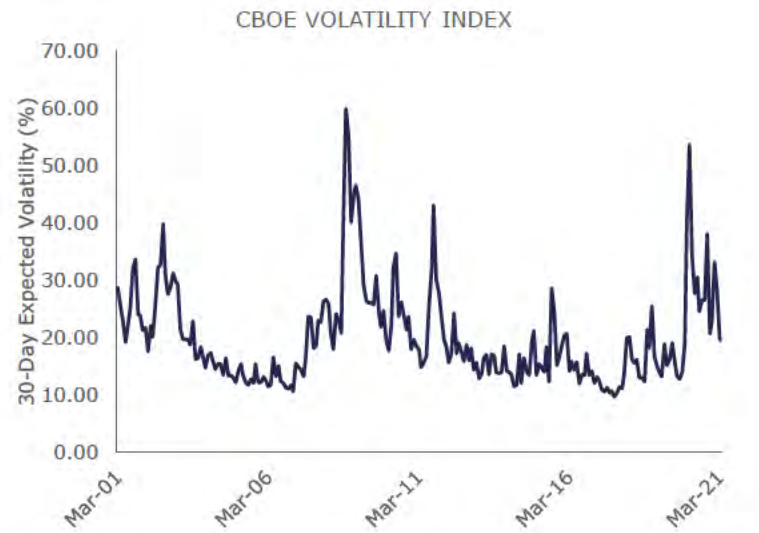
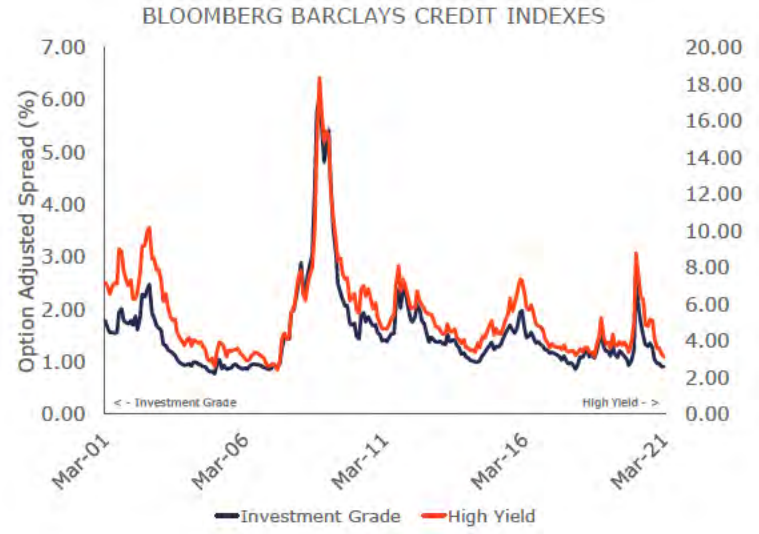
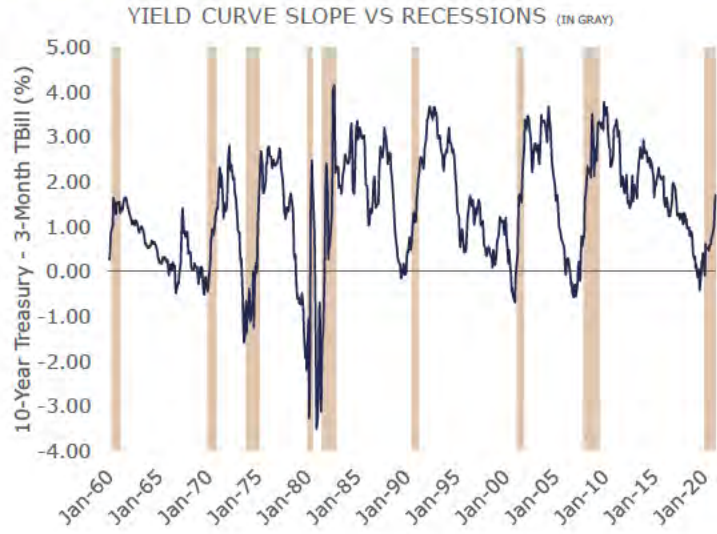
- If current S&P 500 Operating EPS estimates are realized (up ~40% in 2021 & ~15% in 2022), it would result in a 28% cumulative growth rate versus pre-COVID (Dec. 2019) levels
- Cumulative S&P 500 total return is already equal to 25.7% as of March 2021



Data Sources: Bloomberg, S&P Dow Jones

QUARTERLY MARKET REVIEW

Risk Monitor



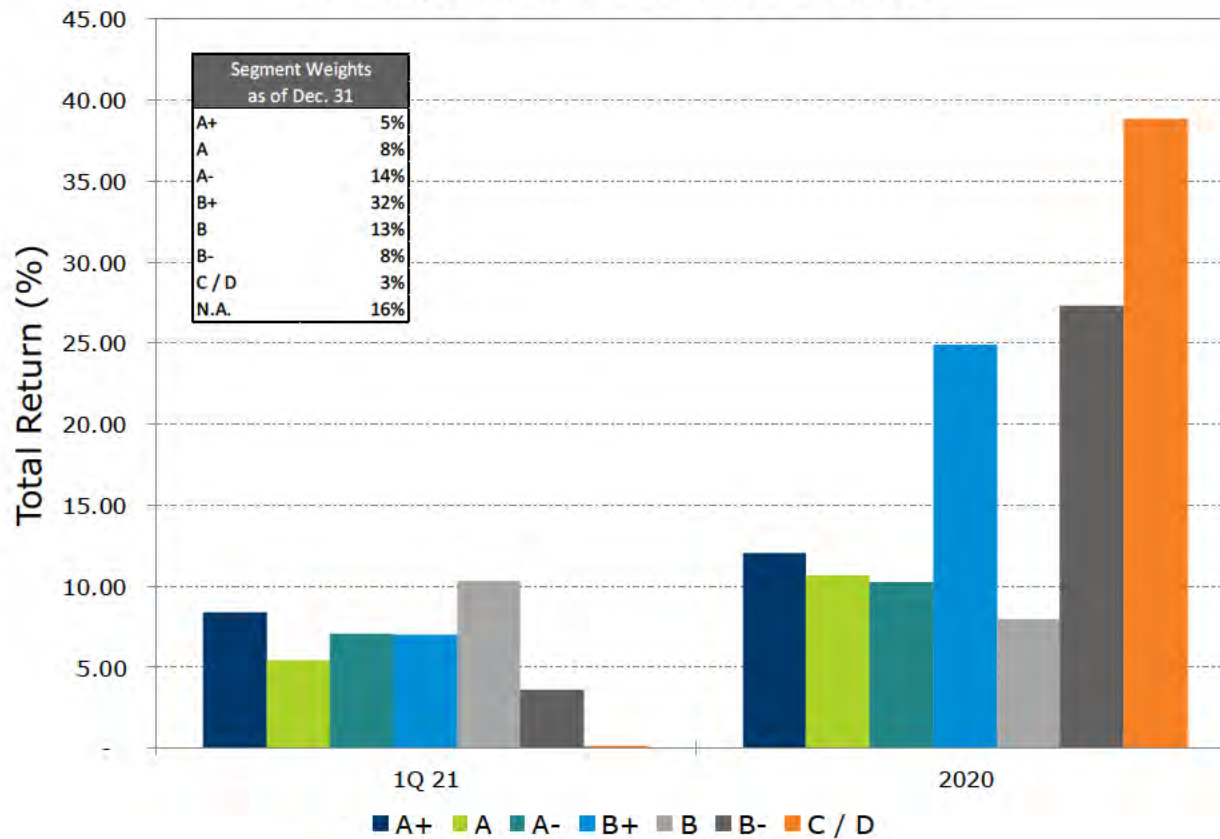
Data Sources: Bloomberg

QUARTERLY MARKET REVIEW

Returns by Quality Segment

Gains were broad based during the first quarter, while lower quality names excelled during 2020

RETURN BY S&P QUALITY RATING

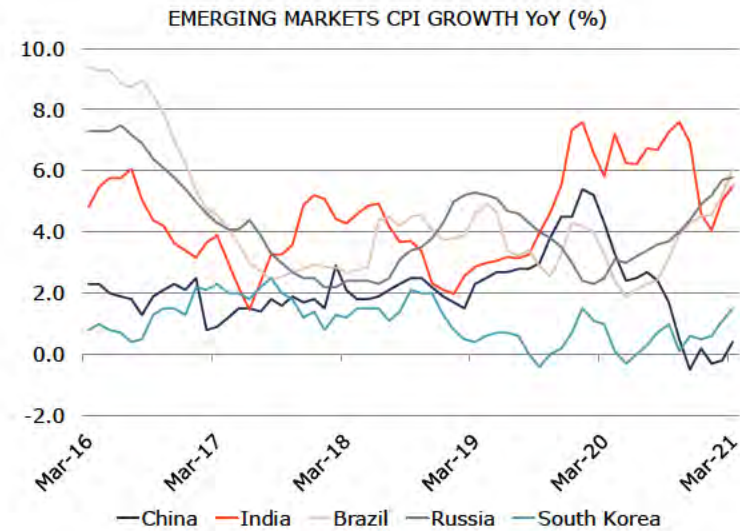
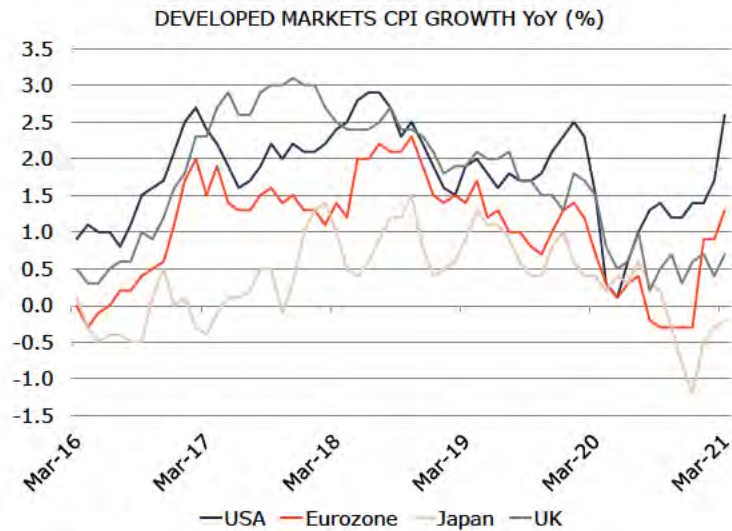
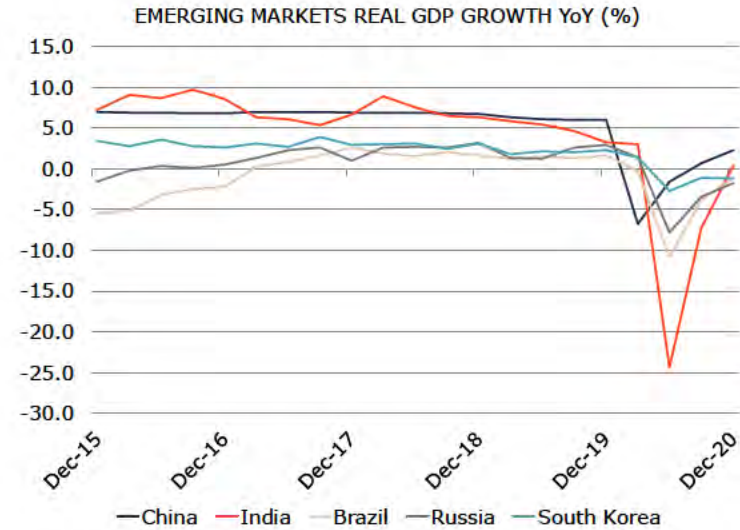
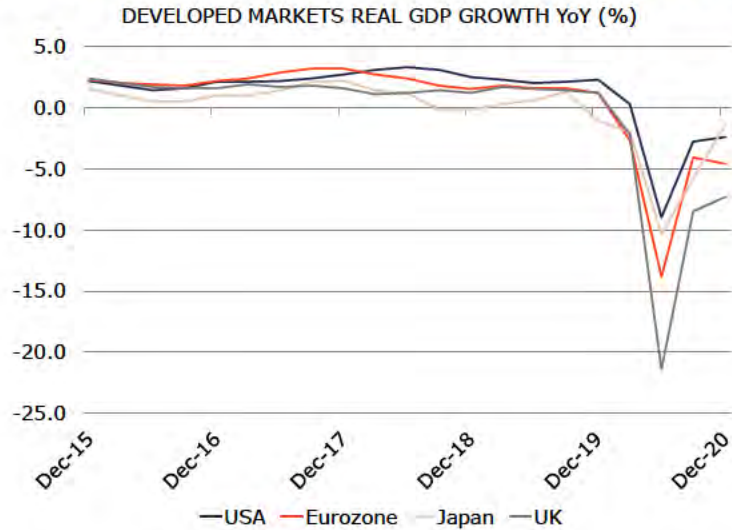


Data Sources: Wilshire Atlas

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QUARTERLY MARKET REVIEW

Non-U.S. Growth and Inflation



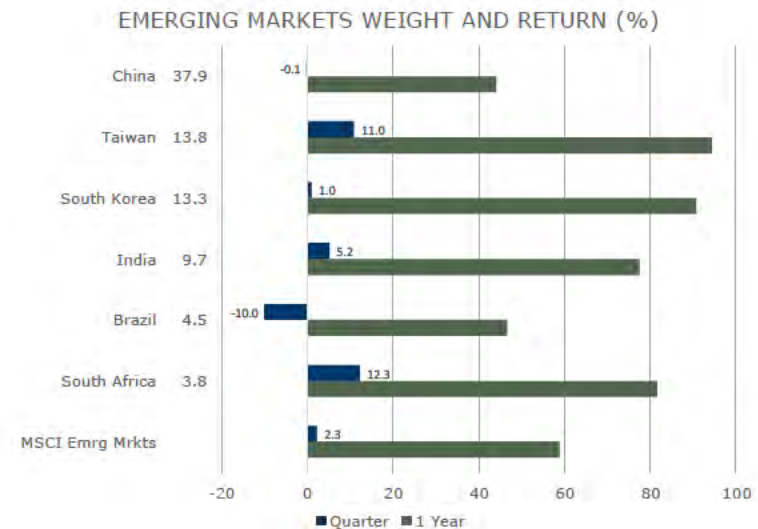
Data Sources: Bloomberg

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QUARTERLY MARKET REVIEW

Non-U.S. Equity Market

AS OF 3/31/2021	QTR	YTD	1 YR	3 YR	5 YR	10 YR
MSCI ACWI ex-US (\$G)	3.6	3.6	50.0	7.0	10.3	5.4
MSCI EAFE (\$G)	3.6	3.6	45.2	6.5	9.4	6.0
MSCI Emerging Markets (\$G)	2.3	2.3	58.9	6.9	12.5	4.0
MSCI Frontier Markets (\$G)	-6.0	-6.0	34.0	-4.0	2.8	1.8
MSCI ACWI ex-US Growth (\$G)	0.0	0.0	49.8	10.7	12.4	7.1
MSCI ACWI ex-US Value (\$G)	7.3	7.3	51.7	3.2	8.1	3.9
MSCI ACWI ex-US Small (\$G)	5.6	5.6	70.4	7.0	10.8	6.7
MSCI ACWI Minimum Volatility	1.9	1.9	25.1	8.5	9.0	9.8
MSCI EAFE Minimum Volatility	-0.5	-0.5	19.5	3.4	5.6	7.0
FTSE RAFI Developed ex-US	8.6	8.6	54.5	4.7	9.0	4.6
MSCI EAFE LC (G)	7.7	7.7	37.1	7.6	9.3	8.0
MSCI Emerging Markets LC (G)	4.0	4.0	53.5	9.7	13.3	7.3



Data Sources: Bloomberg

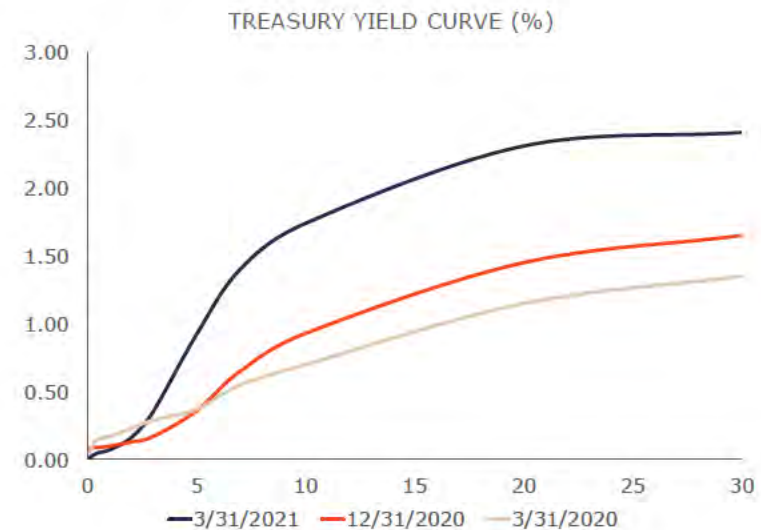
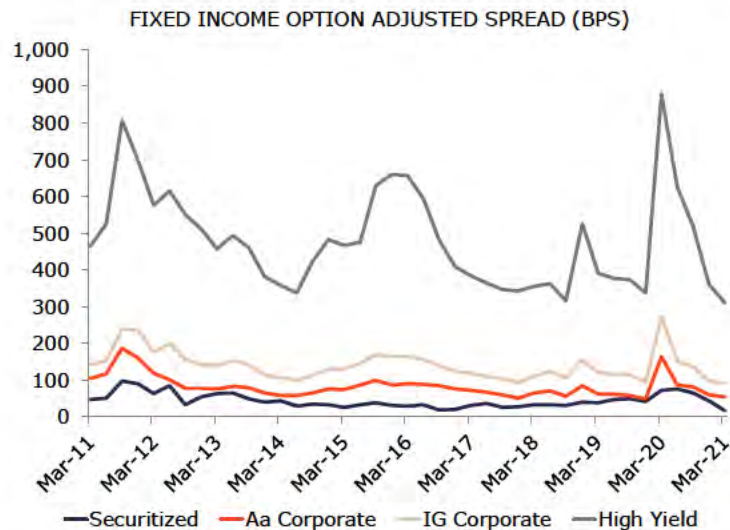
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QUARTERLY MARKET REVIEW

U.S. Fixed Income

AS OF 3/31/2021	YTW	DUR.	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Barclays Aggregate	1.6	6.4	-3.4	-3.4	0.7	4.7	3.1	3.4
Bloomberg Barclays Treasury	1.0	6.8	-4.3	-4.3	-4.4	4.1	2.2	2.9
Bloomberg Barclays Gov't-Rel.	1.5	6.0	-2.9	-2.9	2.4	4.4	3.1	3.3
Bloomberg Barclays Securitized	1.8	4.2	-1.2	-1.2	0.3	3.9	2.5	2.9
Bloomberg Barclays Corporate	2.3	8.5	-4.6	-4.6	8.7	6.2	4.9	5.0
Bloomberg Barclays LT Gov't/Credit	3.0	16.3	-10.4	-10.4	-2.1	7.1	5.5	7.0
Bloomberg Barclays LT Treasury	2.3	18.6	-13.5	-13.5	-15.8	5.9	3.1	6.3
Bloomberg Barclays LT Gov't-Rel.	3.4	13.5	-7.4	-7.4	5.2	6.1	5.3	6.7
Bloomberg Barclays LT Corporate	3.5	15.1	-8.5	-8.5	9.2	7.7	6.9	7.3
Bloomberg Barclays U.S. TIPS *	1.6	8.1	-1.5	-1.5	7.5	5.7	3.9	3.4
Bloomberg Barclays High Yield	4.2	3.9	0.8	0.8	23.7	6.8	8.1	6.5
Treasury Bills	0.0	0.3	0.0	0.0	0.1	1.5	1.2	0.7

* Yield and Duration statistics are for a proxy index based on similar maturity, the Bloomberg Barclays U.S. Treasury 7-10 Year Index

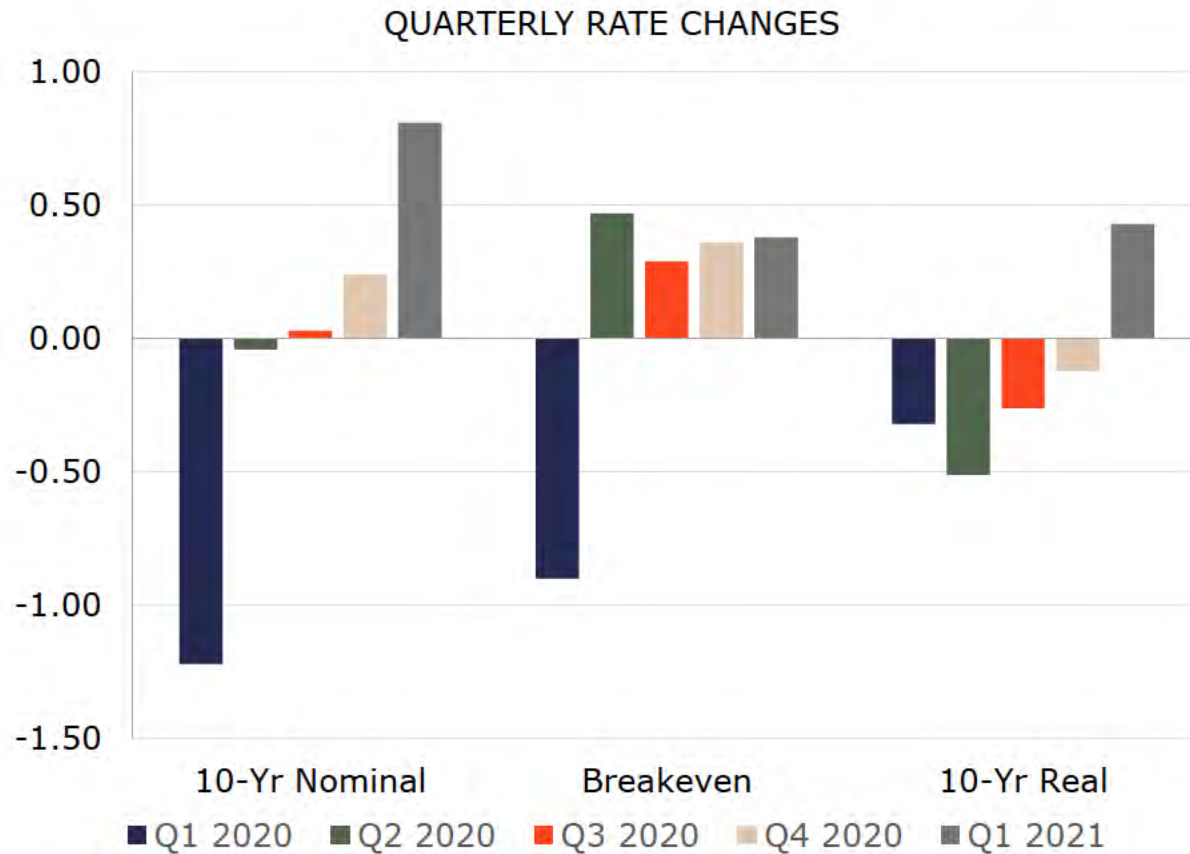


Data Sources: Bloomberg

QUARTERLY MARKET REVIEW

Rate Change Attribution

After dropping in four consecutive quarters, Real Yields up nearly 50 bps in Q1



Data Source: Bloomberg

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QUARTERLY MARKET REVIEW

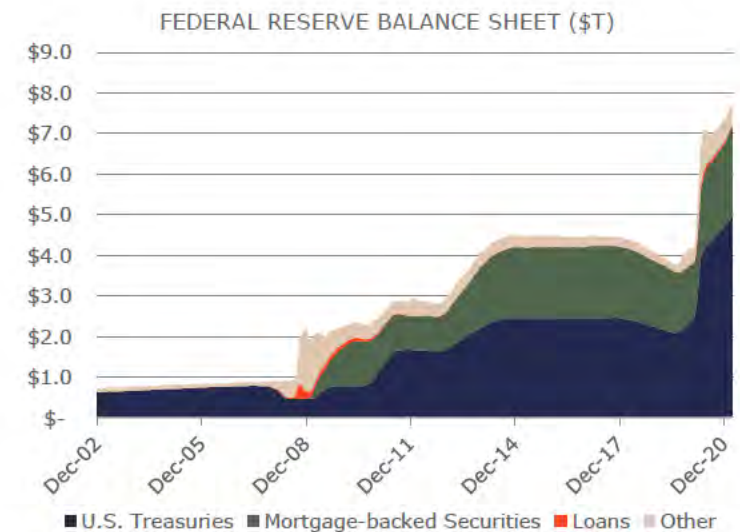
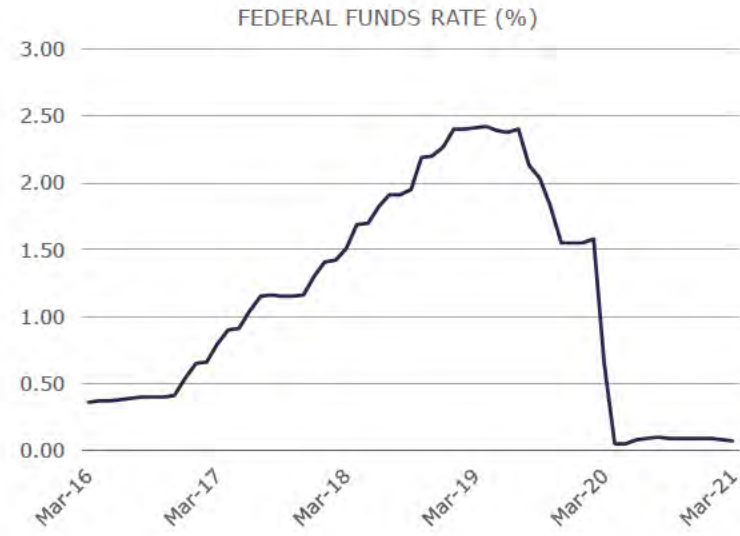
Federal Reserve

- **Current expectation for the Fed-funds rate is to remain near zero through 2023**
- **Federal Reserve has added nearly \$4 trillion in assets to their balance sheet during the past year**
- **QE4 is now larger than the 3 phases of quantitative easing – combined – following the global financial crisis**

	Announced	Closed	Amount (bil)
QE1	11/25/2008	3/31/2010	\$1,403
QE2	11/3/2010	6/29/2012	\$568
QE3	9/13/2012	10/29/2014	\$1,674
QE4	3/23/2020		\$3,809

Data Sources: Bloomberg

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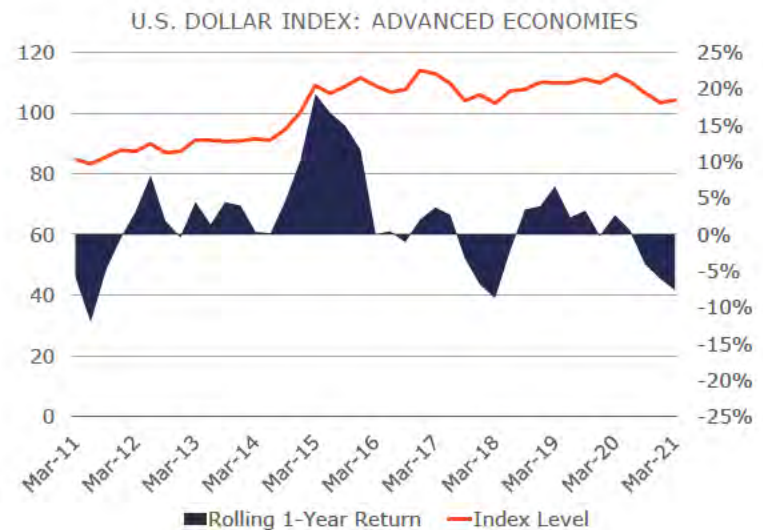
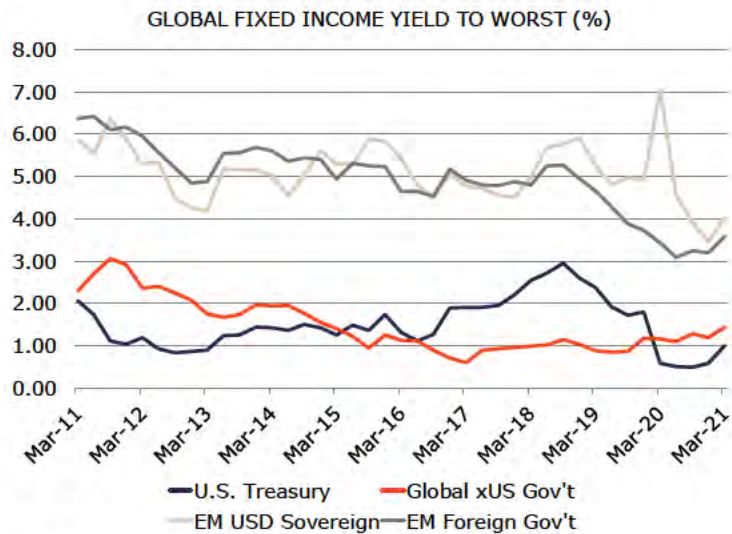


QUARTERLY MARKET REVIEW

Non-U.S. Fixed Income

AS OF 3/31/2021	QTR	YTD	1 YR	3 YR	5 YR	10 YR
DEVELOPED MARKETS						
Blmbrg Brclys Global Aggregate xUS	-5.3	-5.3	7.2	1.1	2.1	1.3
Blmbrg Brclys Global Aggregate xUS *	-1.9	-1.9	1.5	3.9	3.3	4.2
Blmbrg Brclys Global Inflation Linked xUS	-4.6	-4.6	14.9	2.0	4.0	3.4
Blmbrg Brclys Global Inflation Linked xUS *	-3.3	-3.3	5.6	4.4	5.5	5.8
EMERGING MARKETS (HARD CURRENCY)						
Blmbrg Brclys EM USD Aggregate	-3.5	-3.5	13.6	4.8	5.2	5.5
EMERGING MARKETS (FOREIGN CURRENCY)						
Blmbrg Brclys EM Local Currency Gov't	-3.7	-3.7	9.7	1.4	3.6	2.0
Blmbrg Brclys EM Local Currency Gov't *	-2.0	-2.0	0.5	3.7	3.2	3.3
Euro vs. Dollar	-4.0	-4.0	6.3	-1.6	0.6	-1.9
Yen vs. Dollar	-6.7	-6.7	-2.9	-1.4	0.3	-2.8
Pound vs. Dollar	0.8	0.8	11.0	-0.6	-0.8	-1.5

* Returns are reported in terms of local market investors, which removes currency effects.

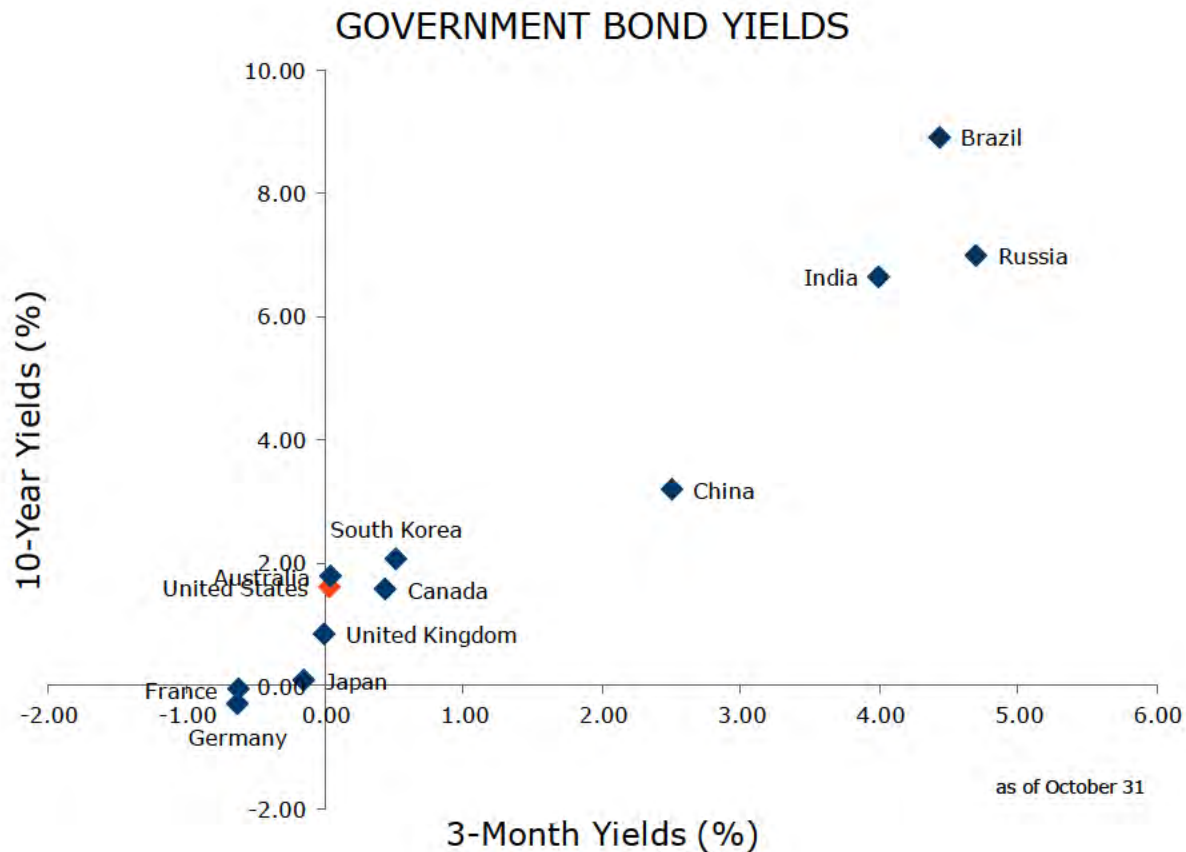


Data Sources: Bloomberg

QUARTERLY MARKET REVIEW

Global Interest Rates

Negative rates found in Germany and France; low but positive rates, and at similar levels, in the U.S. and Australia while the U.K. approaches zero



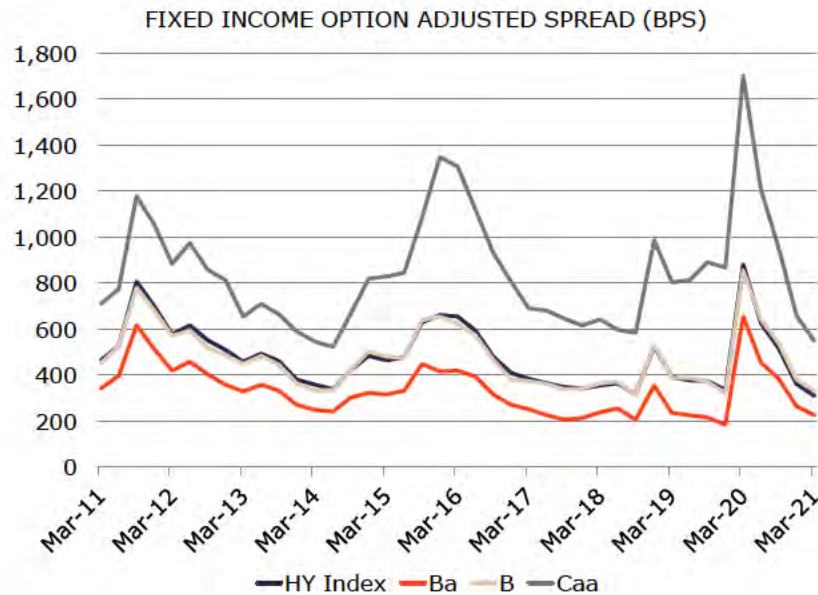
Data Sources: Bloomberg

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QUARTERLY MARKET REVIEW

High Yield Bond Market

AS OF 3/31/2021		YTW	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Barclays High Yield		4.2	0.8	0.8	23.7	6.8	8.1	6.5
S&P LSTA Leveraged Loan		3.7	1.0	1.0	15.3	4.1	5.0	3.9
HIGH YIELD QUALITY DISTRIBUTION		WEIGHT						
Ba U.S. High Yield	53.2%	3.4	-0.1	-0.1	22.4	8.0	7.6	6.9
B U.S. High Yield	33.5%	4.5	1.2	1.2	21.6	6.4	7.6	6.1
Caa U.S. High Yield	12.8%	6.5	3.6	3.6	33.3	3.6	9.3	6.2
Ca to D U.S. High Yield	0.5%	17.2	14.6	14.6	67.3	4.2	18.2	-3.3
Non-Rated U.S. High Yield	0.0%	0.0	0.0	0.0	6.1	0.1	3.8	2.8



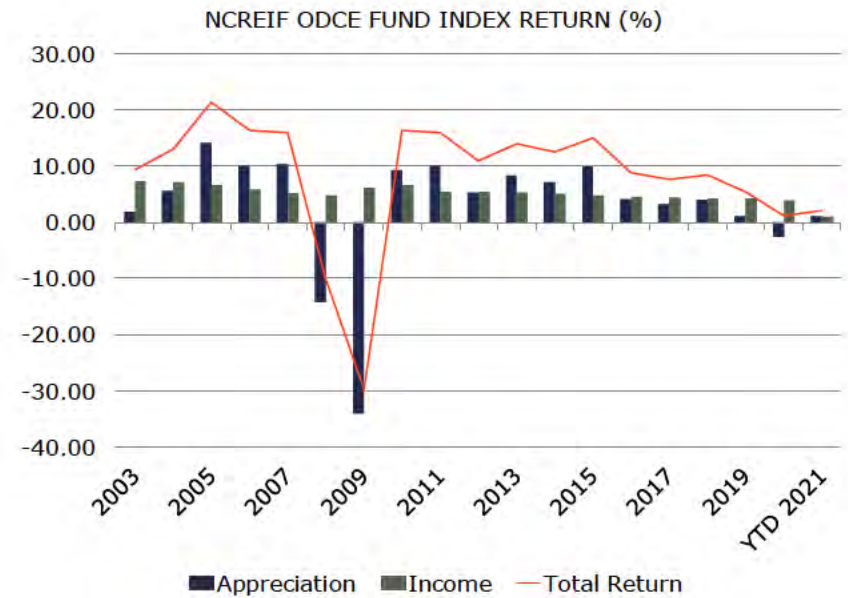
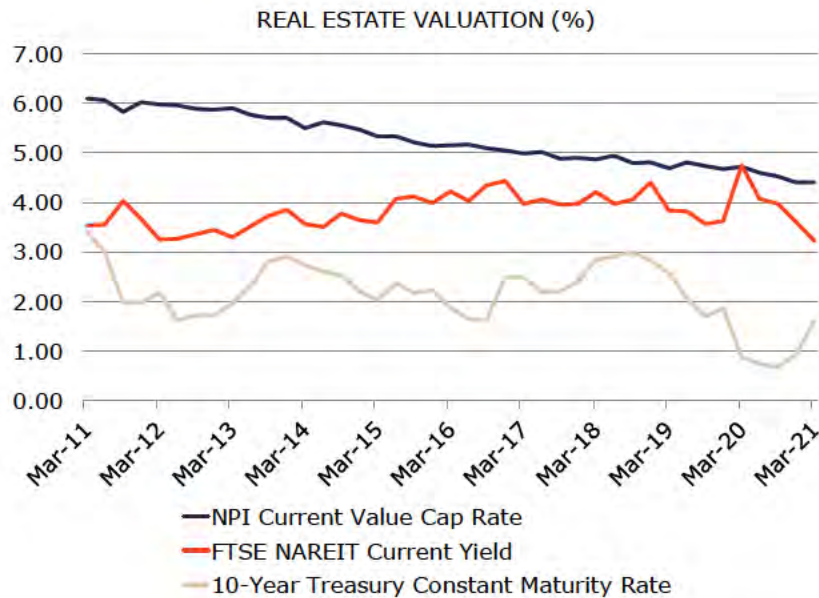
Data Sources: Bloomberg

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QUARTERLY MARKET REVIEW

Real Assets

AS OF 3/31/2021	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Barclays U.S. TIPS	-1.5	-1.5	7.5	5.7	3.9	3.4
Bloomberg Commodity Index	6.9	6.9	35.0	-0.2	2.3	-6.3
Bloomberg Gold Index	-9.8	-9.8	4.4	7.4	5.5	0.9
Wilshire Global RESI Index	6.6	6.6	34.1	6.6	4.8	7.3
NCREIF ODCE Fund Index	2.1	2.1	2.3	4.9	6.2	9.7
NCREIF Timberland Index	0.8	0.8	1.5	1.8	2.6	4.6
Alerian Misstream Energy	20.9	20.9	74.5	4.2	4.8	n.a.



Data Sources: Bloomberg, National Council of Real Estate Investment Fiduciaries



TOTAL FUND

Wilshire Consulting

Asset Allocation Summary

Total Fund

Periods Ended March 31, 2021

Actual Allocation



Current Policy

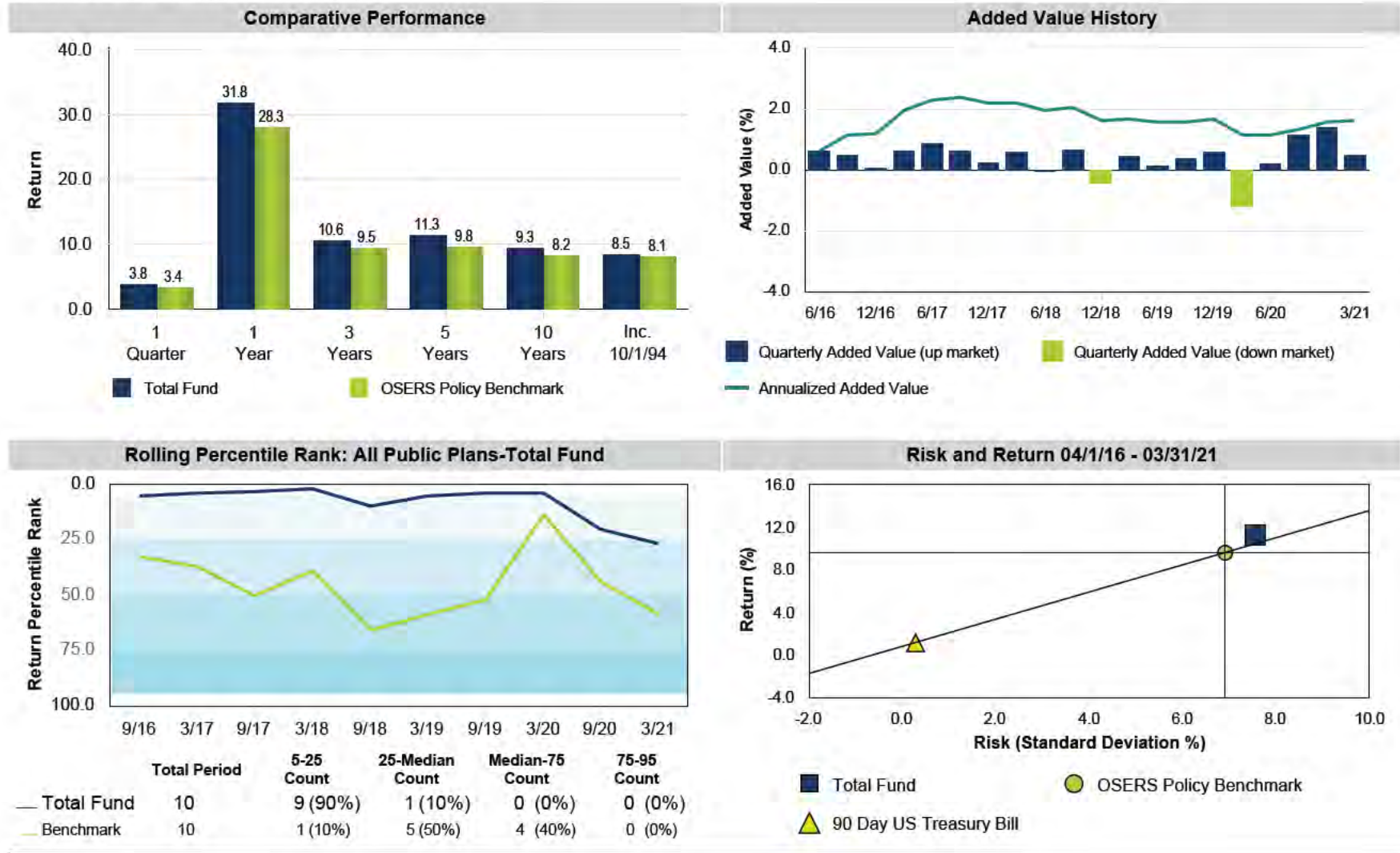


\$16,986,805,823

Composite Performance Summary

Total Fund

Periods Ended March 31, 2021



Plan Sponsor Peer Group Analysis

Total Fund vs All Public Plans-Total Fund
 Periods Ended March 31, 2021

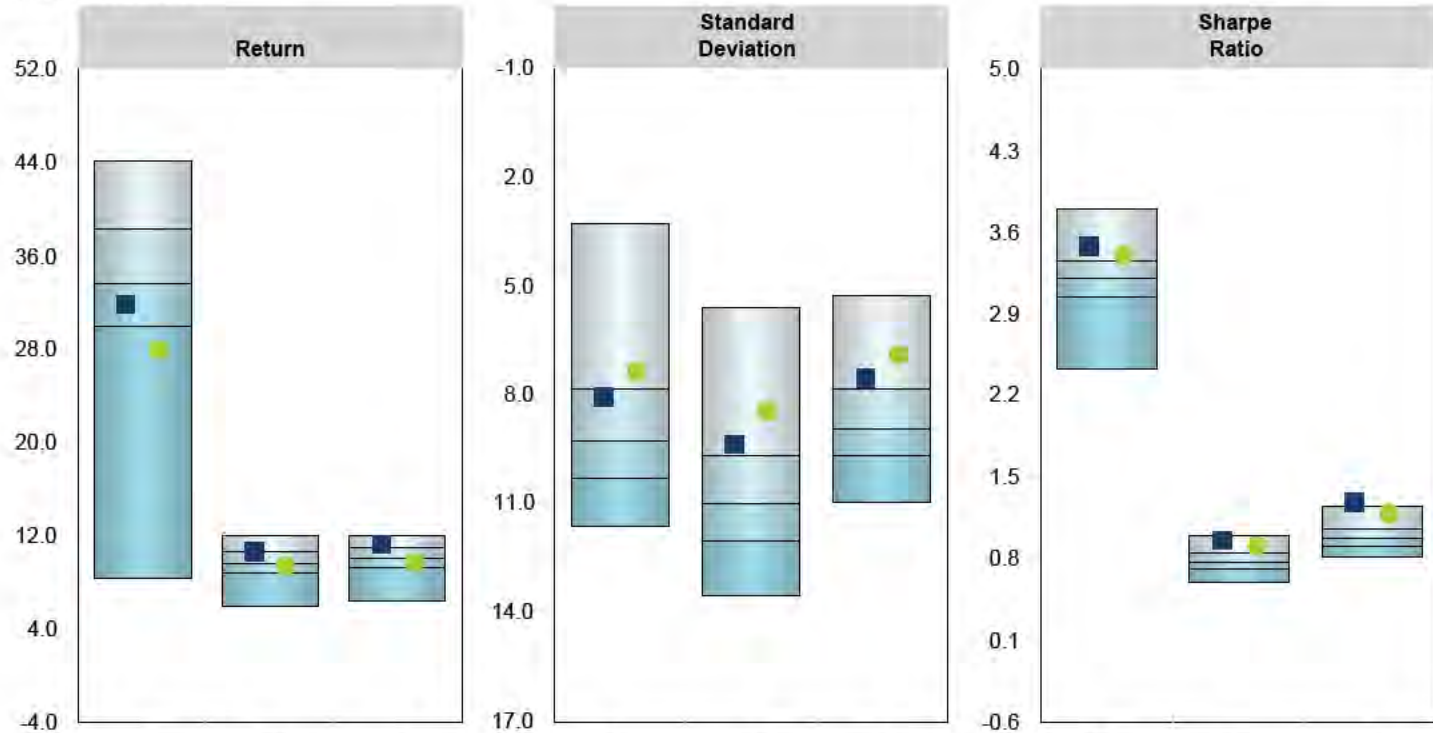


	QTD	1 Year	3 Years	5 Years	10 Years
■ Total Fund	3.85 (22)	31.85 (63)	10.59 (27)	11.34 (13)	9.33 (9)
■ OSERS Policy Benchmark	3.38 (38)	28.33 (80)	9.48 (55)	9.78 (60)	8.22 (45)
5th Percentile	4.73	44.19	12.14	12.02	9.61
1st Quartile	3.72	38.24	10.65	10.92	8.79
Median	3.10	33.59	9.61	10.06	8.09
3rd Quartile	2.32	30.06	8.80	9.27	7.58
95th Percentile	-0.10	8.31	5.99	6.53	5.47
Population	477	475	448	430	379

Parentheses contain percentile rankings.
 Calculation based on monthly periodicity.
 Gross of Fees

Plan Sponsor Peer Group Analysis - Multi Statistics

Total Fund vs All Public Plans-Total Fund
 Periods Ended March 31, 2021

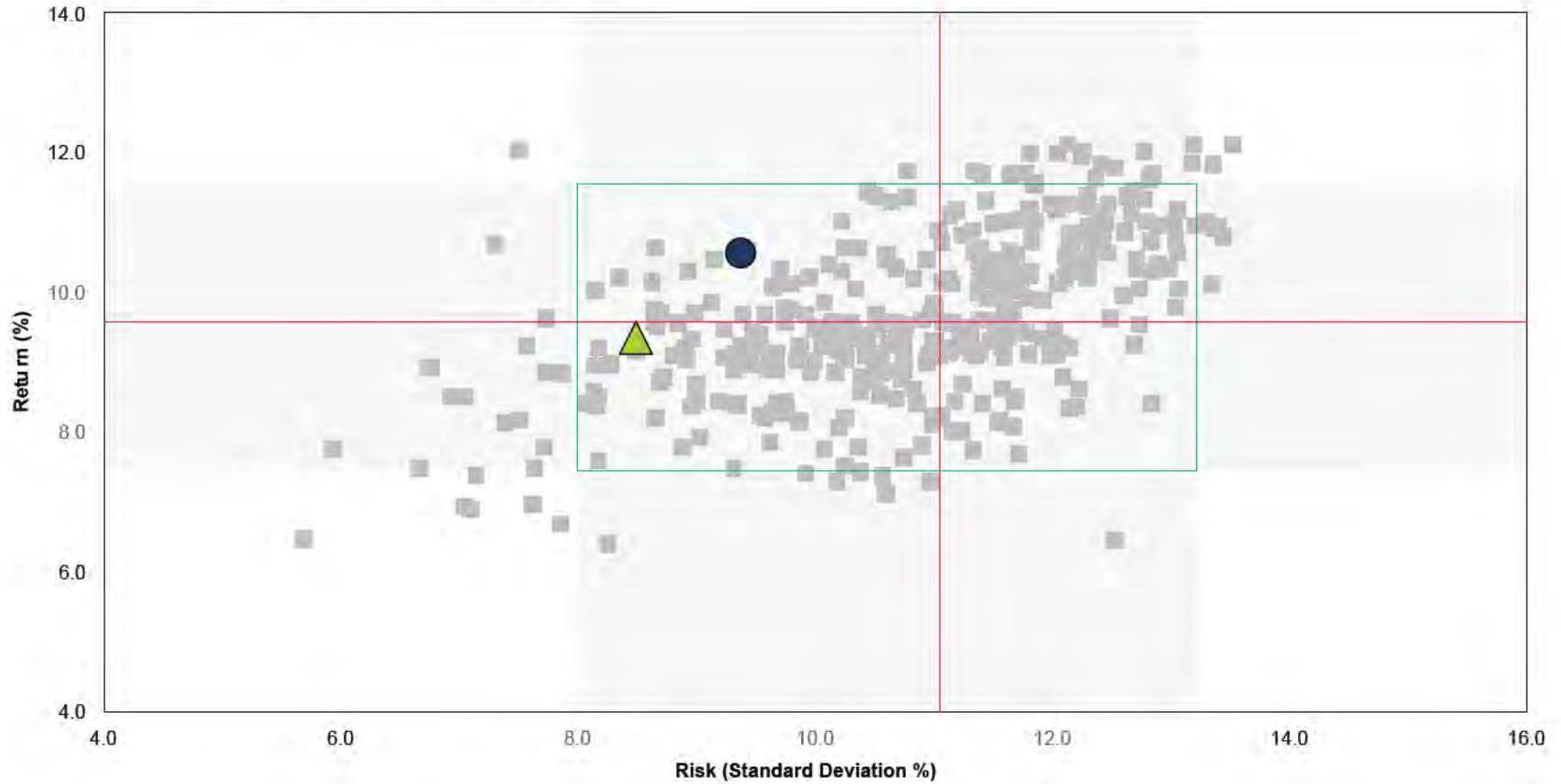


	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
■ Total Fund	31.85 (63)	10.59 (27)	11.34 (13)	8.09 (27)	9.37 (20)	7.57 (19)	3.48 (17)	0.95 (9)	1.29 (5)
● OSERS Policy Benchmark	28.33 (80)	9.48 (55)	9.78 (60)	7.37 (18)	8.49 (12)	6.92 (12)	3.41 (23)	0.92 (13)	1.19 (10)
5th Percentile	44.19	12.14	12.02	3.29	5.63	5.28	3.79	1.00	1.26
1st Quartile	38.24	10.65	10.92	7.89	9.67	7.88	3.36	0.85	1.06
Median	33.59	9.61	10.06	9.29	11.05	8.96	3.21	0.77	0.98
3rd Quartile	30.06	8.80	9.27	10.33	12.06	9.69	3.06	0.71	0.92
95th Percentile	8.31	5.99	6.53	11.62	13.53	10.96	2.43	0.60	0.82

Parentheses contain percentile rankings.
 Calculation based on monthly periodicity.
 Gross of Fees

Plan Sponsor Scattergram

Total Fund vs All Public Plans-Total Fund
 Periods Ended April 1, 2018 To March 31, 2021



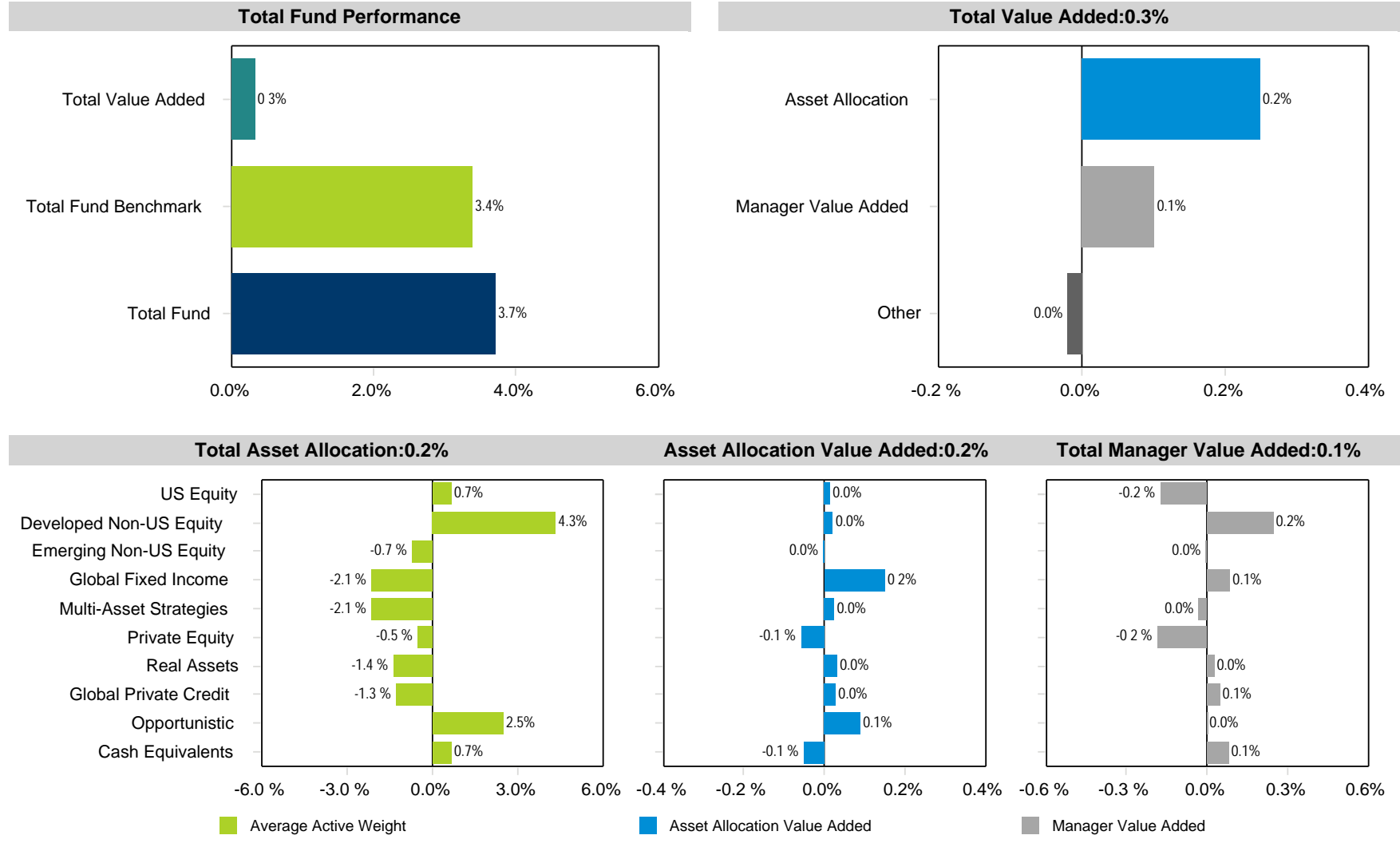
	Return	Standard Deviation
● Total Fund	10.59	9.37
▲ OSERS Policy Benchmark	9.48	8.49
— Median	9.61	11.05

Calculation based on monthly periodicity.
 Gross of Fees

Total Fund Attribution

Total Fund

Periods Ended 1 Quarter Ending March 31, 2021



Wilshire Consulting

Asset Class Performance

Total Fund

Periods Ended March 31, 2021

	QTD	YTD	Fiscal YTD	1 Year	Annualized					Inception Date
					3 Years	5 Years	10 Years	20 Years	Since Inception	
Total Fund	3.7	3.7	20.2	31.2	9.9	10.7	8.6	6.8	8.0	Oct-94
<i>OSERS Policy BM</i>	3.4	3.4	17.8	28.3	9.5	9.8	8.2	6.8	8.1	
Value Added	0.3	0.3	2.3	2.9	0.5	0.9	0.4	-0.0	-0.1	
Global Equities	5.1	5.1	32.4	57.9	12.4	14.0	9.9		8.4	Jul-02
<i>Custom Gbl Equities BM</i>	5.1	5.1	31.1	56.2	11.8	13.3	9.6		8.1	
Value Added	0.1	0.1	1.3	1.8	0.6	0.7	0.4		0.4	
US Equity	5.7	5.7	31.3	60.0	16.3	16.2	13.3	8.5	10.3	Oct-94
<i>Russell 3000 Index</i>	6.3	6.3	33.2	62.5	17.1	16.6	13.8	8.9	10.6	
Value Added	-0.7	-0.7	-1.9	-2.5	-0.8	-0.4	-0.4	-0.3	-0.4	
Developed Non-US Equity	5.4	5.4	31.8	51.7	8.0	10.9	7.1		7.1	Jul-20
<i>MSCI World ex-U.S. Index (Net)</i>	4.0	4.0	26.5	45.9	6.3	8.9	5.2		6.6	
Value Added	1.4	1.4	5.3	5.8	1.7	2.0	1.9		0.5	
Emerging Markets Equity	2.2	2.2	40.8	70.6	10.4	14.6	4.6	11.6	7.7	Jul-97
<i>MSCI Emerging Markets Index (Net)</i>	2.3	2.3	34.1	58.4	6.5	12.1	3.7	10.0		
Value Added	-0.1	-0.1	6.6	12.3	4.0	2.5	0.9	1.6		
Global Fixed Income	-2.9	-2.9	1.4	7.0	5.7	4.5	4.3	5.4	6.0	Oct-94
<i>Bloomberg U.S. Aggregate</i>	-3.4	-3.4	-2.1	0.7	4.7	3.1	3.4	4.5	5.4	
Value Added	0.5	0.5	3.5	6.3	1.1	1.4	0.9	0.9	0.6	
Multi-Asset Strategies	0.6	0.6	12.0	22.2	5.0	5.6	4.2		4.0	Jun-08
<i>Custom MAS BM</i>	2.0	2.0	15.5	24.7	6.4	6.6	4.2		3.6	
Value Added	-1.5	-1.5	-3.5	-2.5	-1.4	-1.0	0.0		0.4	
Global Private Credit	4.1	4.1	12.2						12.2	Jul-20
<i>3 Mo. LIBOR + 4.5%</i>	1.2	1.2	3.6						3.6	
Value Added	2.9	2.9	8.6						8.6	
Global Private Equity	11.5	11.5	34.7	24.5	17.6	17.6	16.5	7.4	12.9	Oct-94
<i>Custom Gbl Private Equity BM</i>	13.3	13.3	35.9	23.8	15.9	15.0	14.6	10.1	12.8	
Value Added	-1.8	-1.8	-1.2	0.7	1.7	2.6	1.9	-2.8	0.0	
Global Real Assets	1.4	1.4	4.1	3.1	6.9	7.5	9.5	6.2	7.3	Sep-94
<i>Custom Gbl Real Assets BM</i>	1.1	1.1	0.9	1.6	4.9	5.9	9.0	8.4	9.2	
Value Added	0.2	0.2	3.2	1.5	2.0	1.6	0.5	-2.2	-1.9	
Opportunistic & Tactical	7.1	7.1	17.9	10.2	6.1	9.8			6.7	Jun-13
<i>Opportunistic & Tactical BM</i>	-2.8	-2.8	-0.6	8.2	3.4	6.1			6.1	
Value Added	10.0	10.0	18.5	1.9	2.7	3.7			0.6	
Cash Equivalents*	2.2	2.2	1.6	40.3	2.5	1.4	1.0		1.7	Jul-02
<i>FTSE 30 Day Treasury Bill</i>	0.0	0.0	0.1	0.1	1.4	1.1	0.6		1.2	
Value Added	2.2	2.2	1.5	40.2	1.2	0.3	0.5		0.5	
Short-Term Cash	0.0	0.0	0.0	0.1	1.5	1.2	0.7	1.7	3.9	Mar-84
<i>FTSE 30 Day Treasury Bill</i>	0.0	0.0	0.1	0.1	1.4	1.1	0.6	1.3	3.2	
Value Added	-0.0	-0.0	-0.0	-0.0	0.1	0.1	0.1	0.4	0.7	

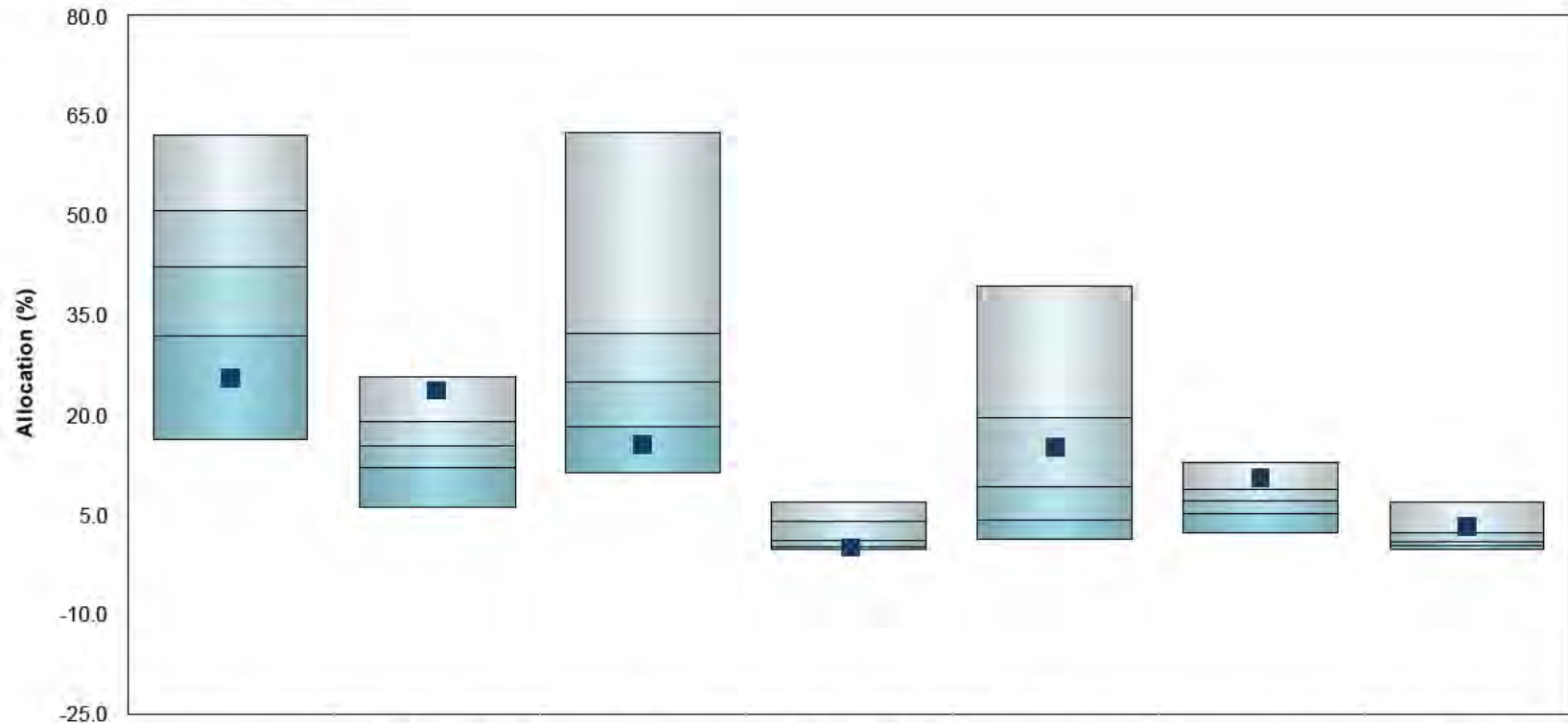
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*Cash Equivalents includes Russell Enhanced Allocation Overlay

Plan Sponsor TF Asset Allocation

Total Fund vs All Public Plans-Total Fund

Periods Ended March 31, 2021



	US Equity	Global ex-US Equity	US Fixed	Global ex-US Fixed	Alternatives	Total Real Estate	Cash & Equivalents
■ Total Fund	25.75	23.80	15.32	0.46	16.34	10.56	3.46
5th Percentile	62.08	25.93	62.57	7.15	39.46	12.98	6.96
1st Quartile	50.99	19.22	32.45	4.25	19.69	8.96	2.23
Median	42.59	15.44	25.17	1.35	9.48	7.36	1.09
3rd Quartile	31.98	12.21	18.29	0.25	4.45	5.11	0.49
95th Percentile	16.57	6.20	11.60	0.02	1.42	2.38	0.06

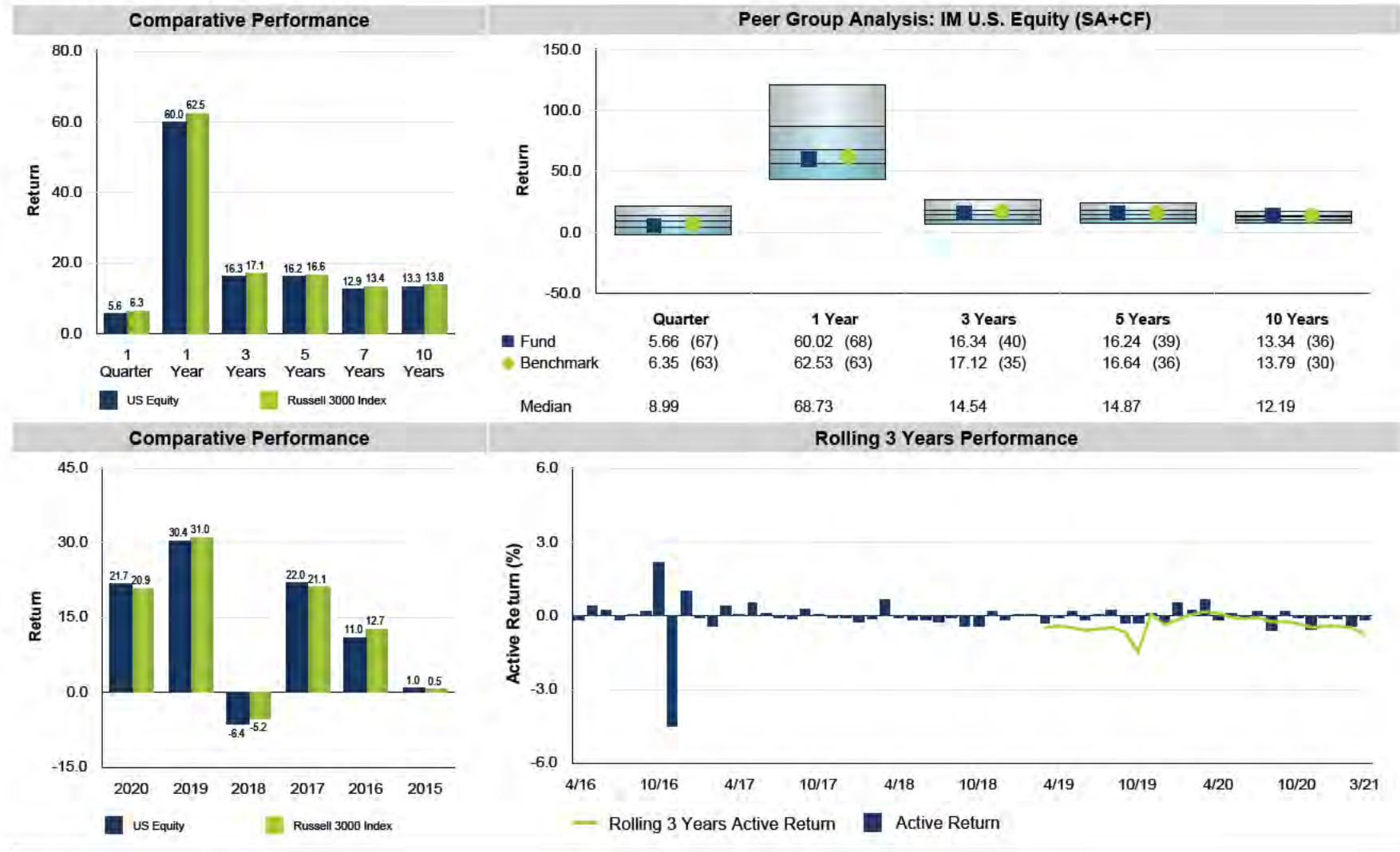


US EQUITY



Wilshire Consulting Performance Summary

US Equity
Periods Ended March 31, 2021

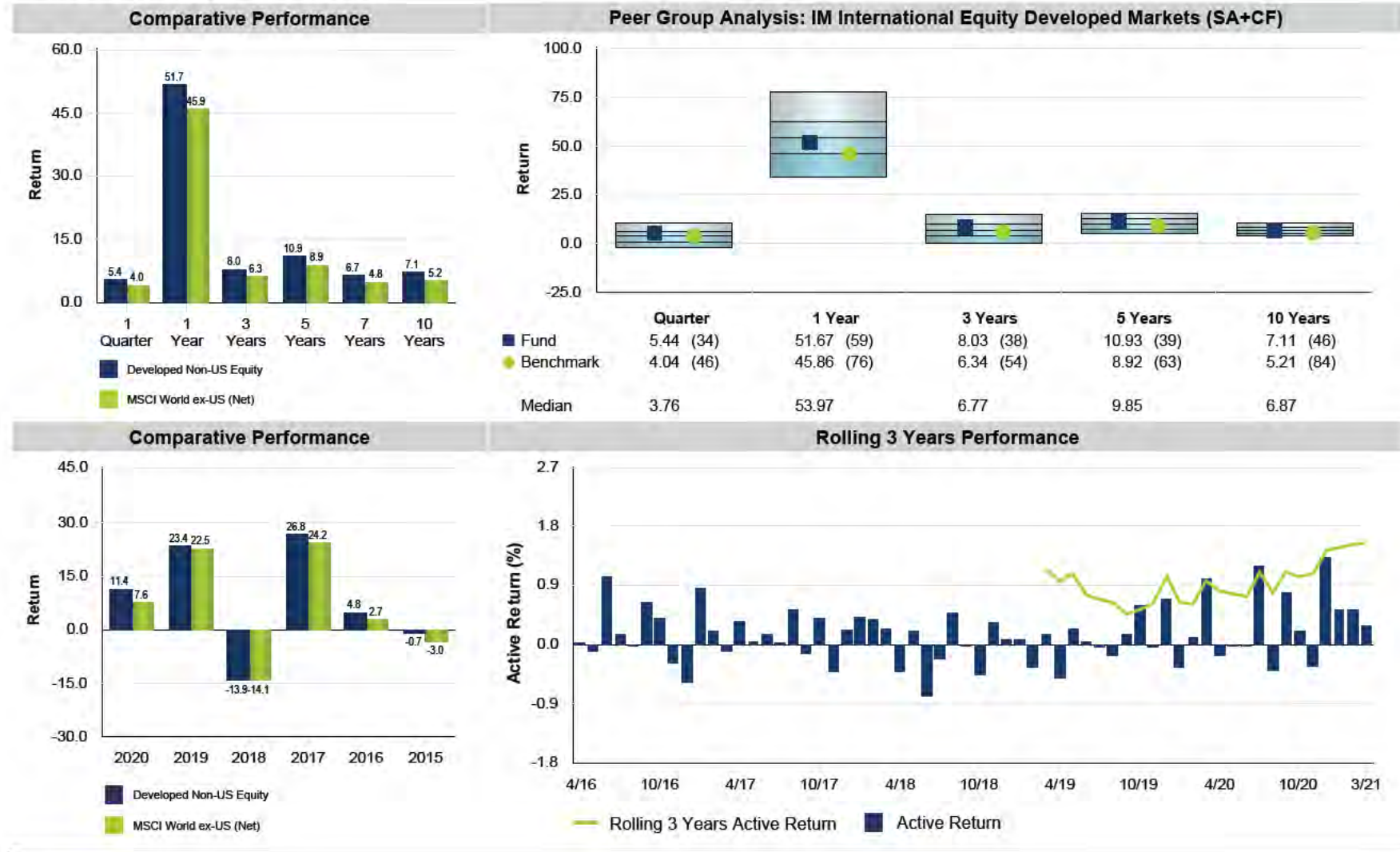




DEVELOPED NON-US EQUITY

Performance Summary

Developed Non-US Equity
 Periods Ended March 31, 2021

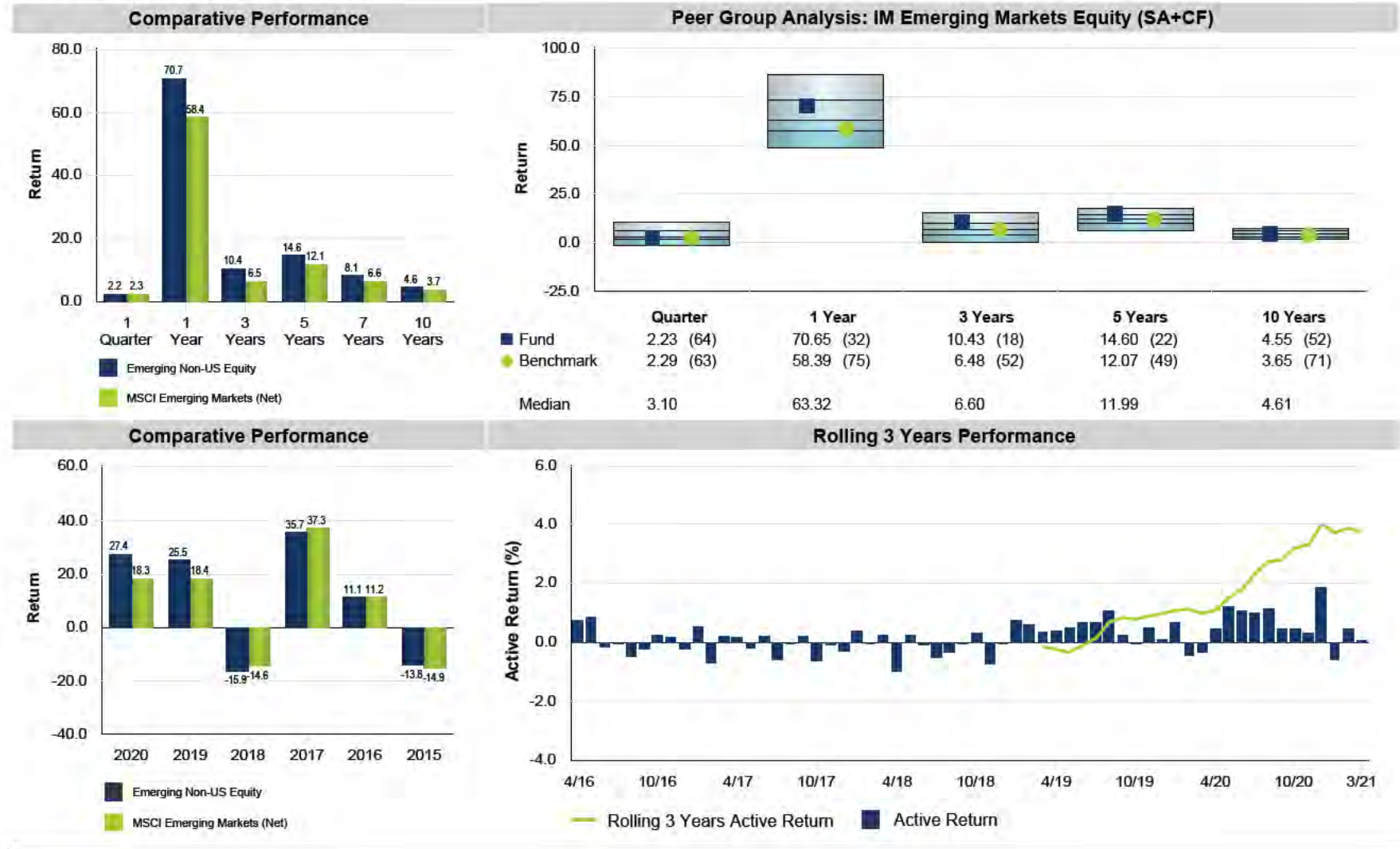




EMERGING MARKETS EQUITY

Performance Summary

Emerging Markets Non-US Equity
 Periods Ended March 31, 2021



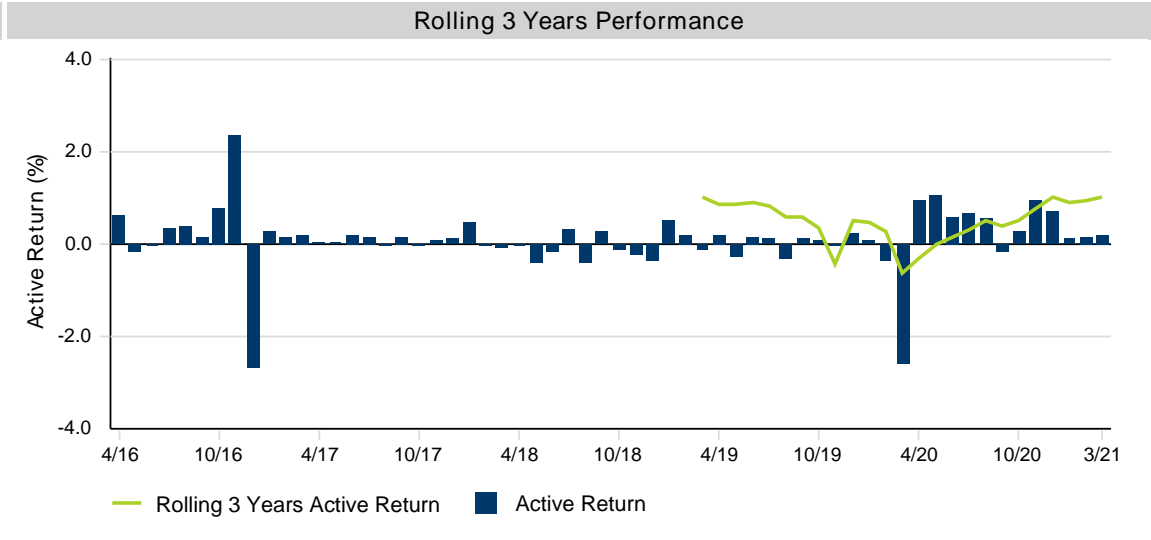
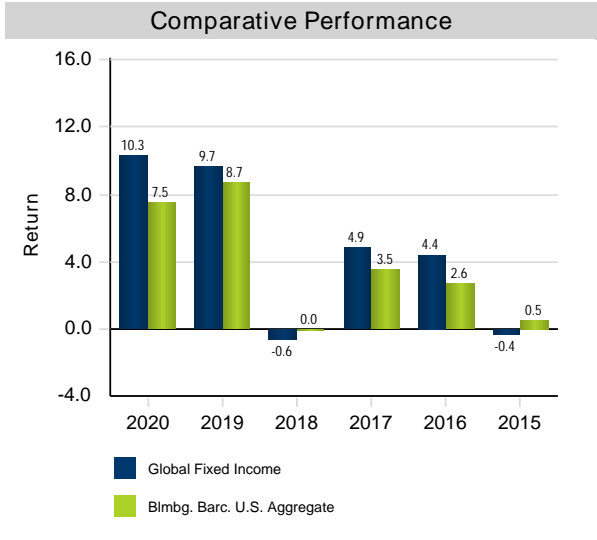
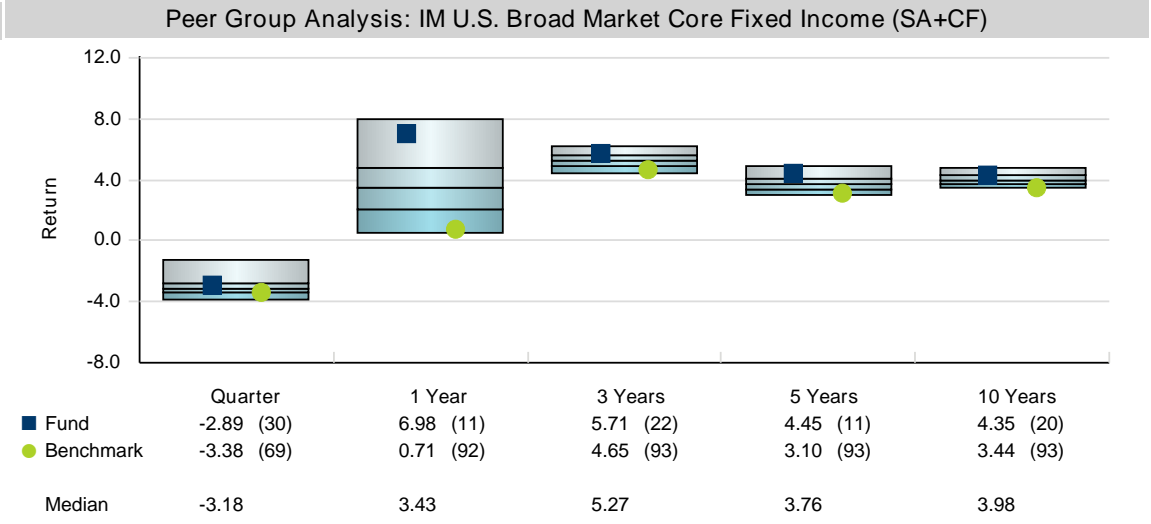
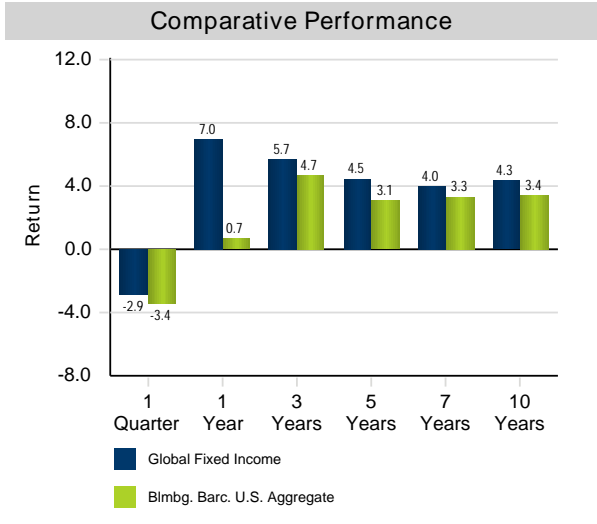


GLOBAL FIXED INCOME



Wilshire Consulting Performance Summary

Global Fixed Income
Periods Ended March 31, 2021





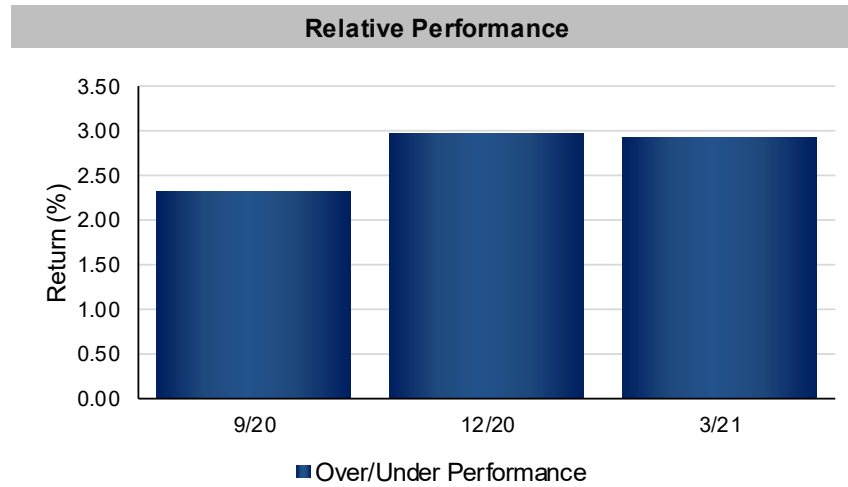
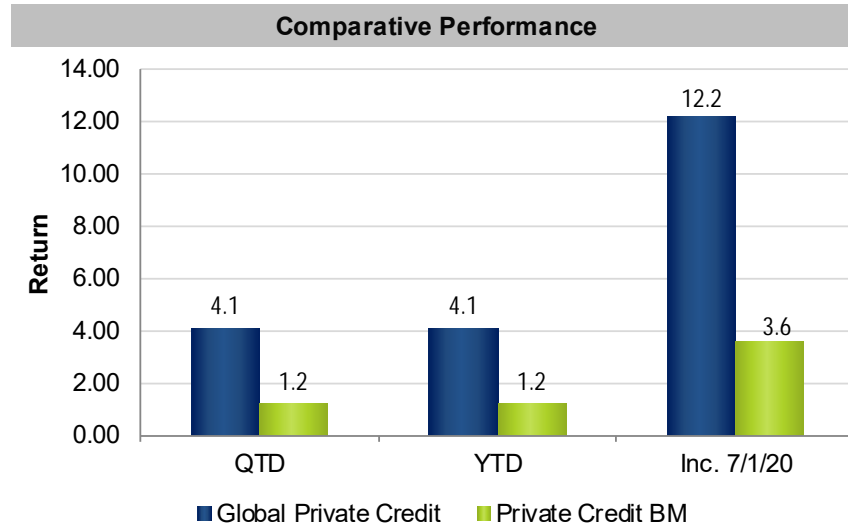
GLOBAL PRIVATE CREDIT

Wilshire Consulting

Performance Summary

Global Private Credit

Periods Ended March 31, 2021





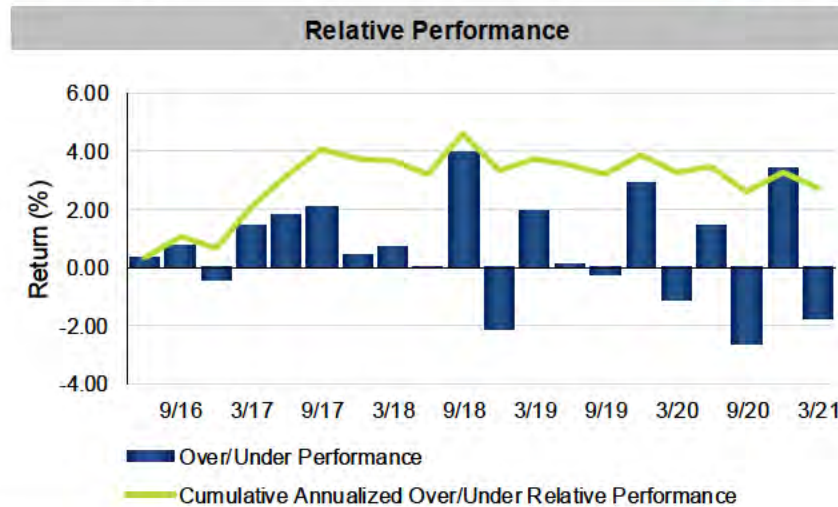
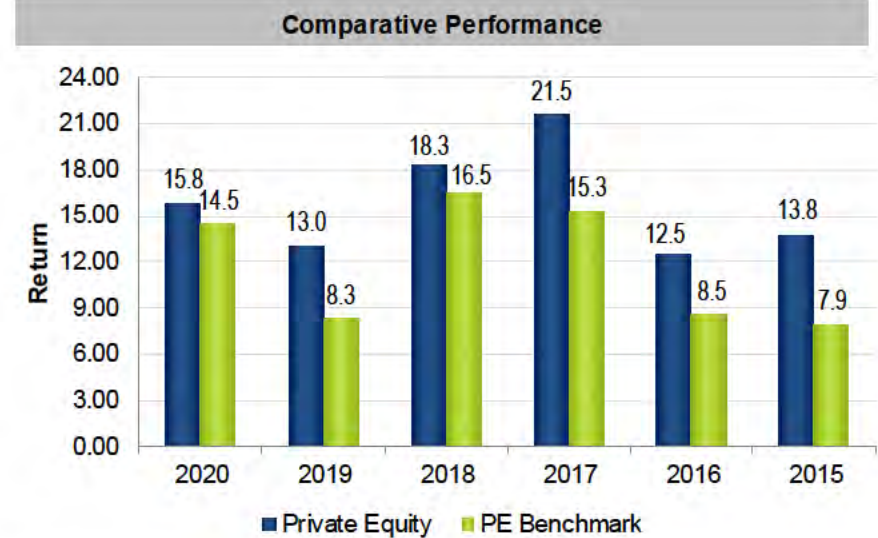
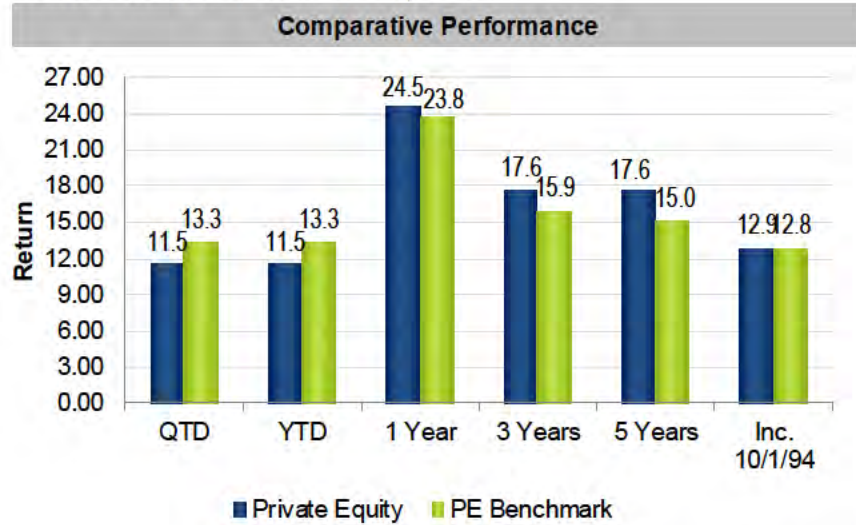
GLOBAL PRIVATE EQUITY

Wilshire Consulting

Performance Summary

Global Private Equity

Periods Ended March 31, 2021





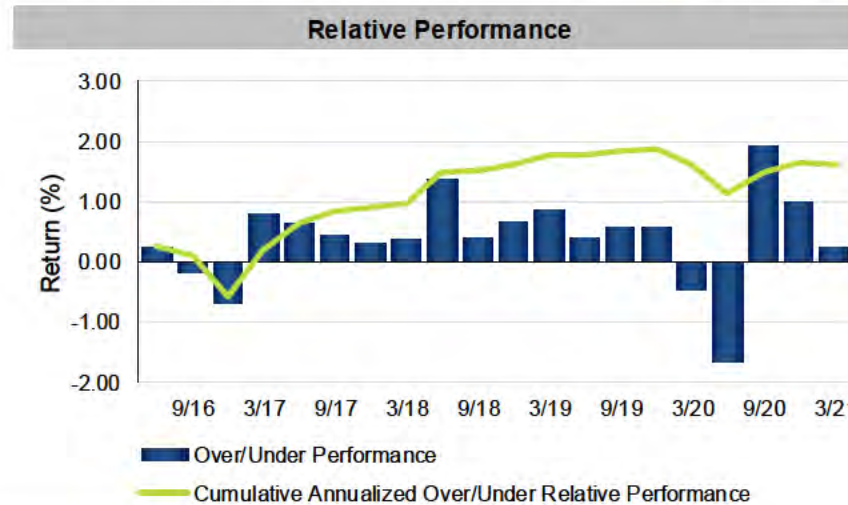
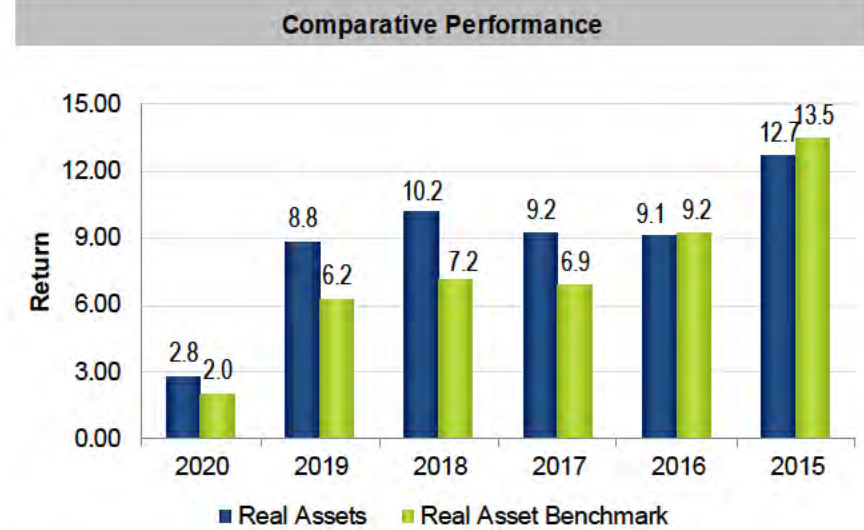
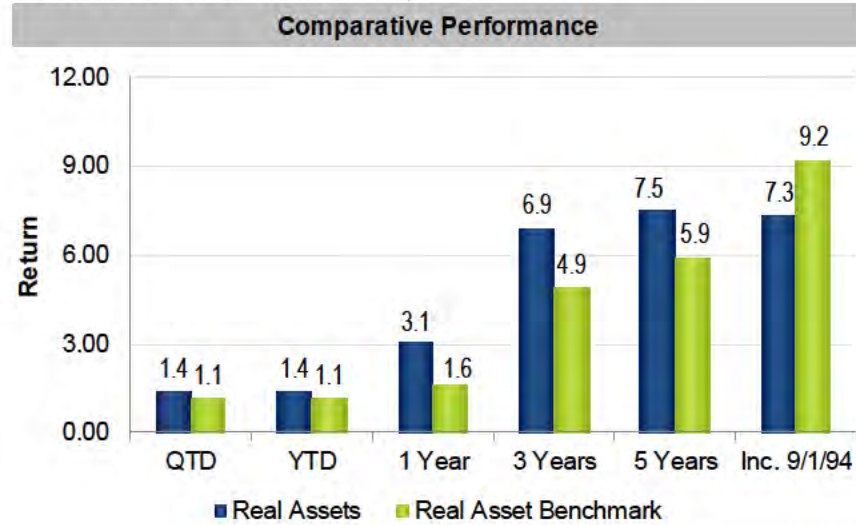
GLOBAL REAL ASSETS

Wilshire Consulting

Performance Summary

Global Real Assets

Periods Ended March 31, 2021





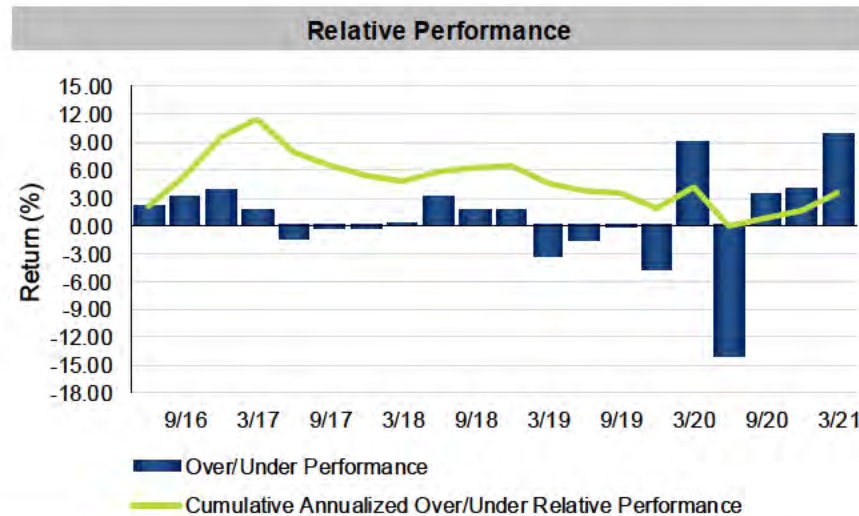
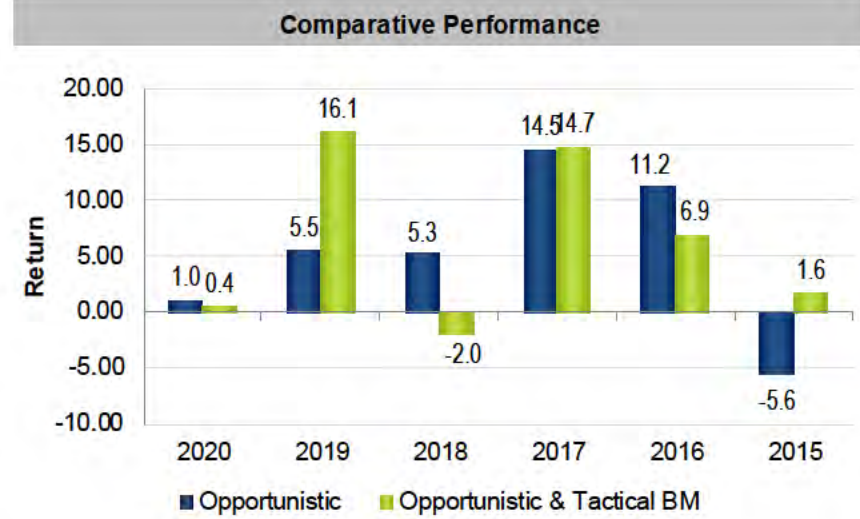
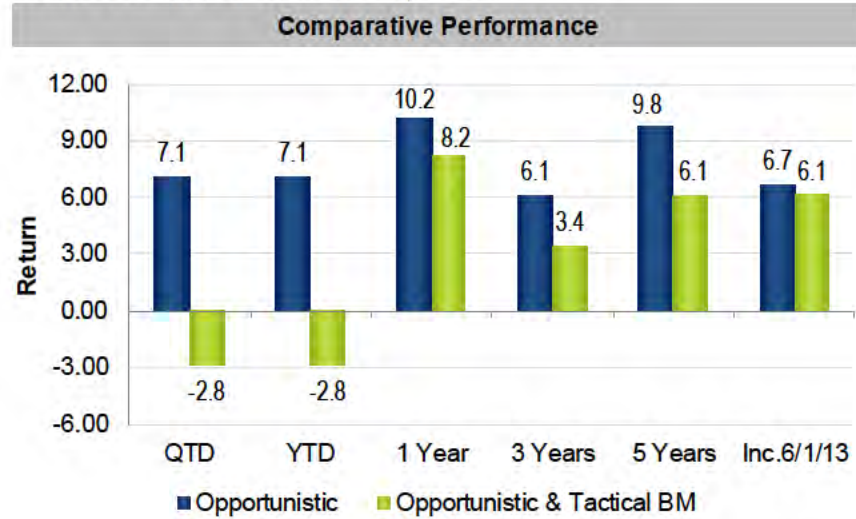
OPPORTUNISTIC & TACTICAL

Wilshire Consulting

Performance Summary

Opportunistic & Tactical

Periods Ended March 31, 2021





MULTI-ASSET STRATEGIES

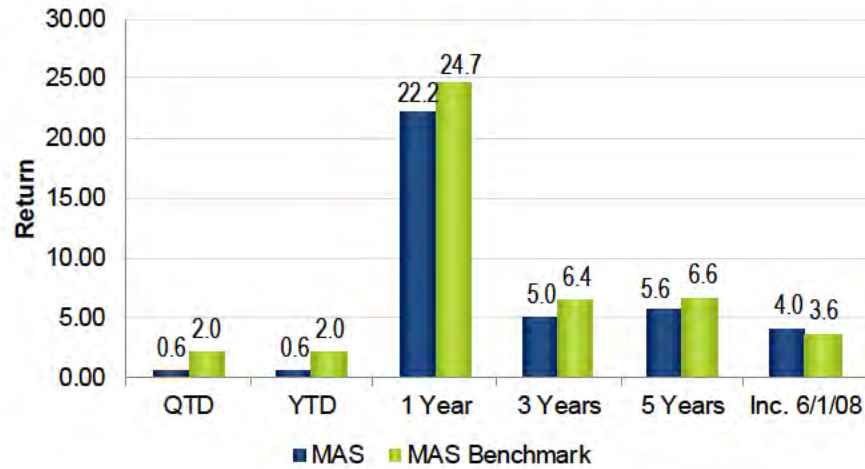
Wilshire Consulting

Performance Summary

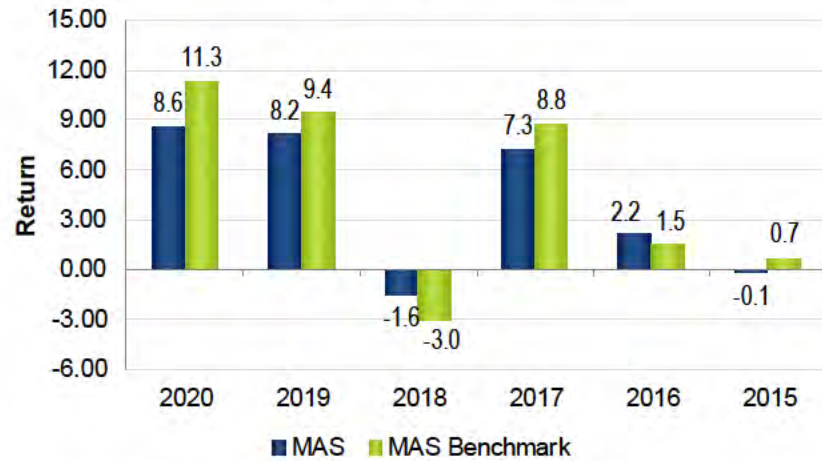
Multi-Asset Strategies

Periods Ended March 31, 2021

Comparative Performance



Comparative Performance



Relative Performance



Ohio SERS Investment Report

Monthly Report to the Board

For the period ending:
March 31, 2021

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

Meeting Date: May 2021

Serving the People Who Serve Our Schools[®]





Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Investment Agenda

Annual Overlay Program Review

Wilshire Quarterly Performance Report (March 31, 2021)

Quarterly Investment Report (March 31, 2021)

Draft of FY2022 Annual Investment Plan

Draft of FY2022 Investment Department Incentive Program (possible vote)



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Economic and Financial Market Outlook



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

- US economy continued to recover in Q1. The advance estimate of Q1 growth rate is 6.4%. Blue Chip consensus raised the 2021 growth rate expectation to 6.3% from 5.7% in March supported by stimulus and rapid vaccination rollout. (Source: *Bureau of Economic Analysis and April Blue Chip Indicators*)
- US labor market regained momentum, adding 916,000 jobs in March. The unemployment rate decreased to 6.0%. (Sources: *Bureau of Labor Statistics and Department of Labor*)
- US headline inflation was 2.6% in March, 0.9% higher than January mostly due to an increased energy price which recovered from lows along the economic recovery. Over the last 12 months, the energy index climbed 13.2%, and the food index was up 3.5%. Core inflation, excluding food and energy, was 1.6%. Blue Chip consensus projected 2.5% headline inflation in 2021. (Source: *Bureau of Labor Statistics and April Blue Chip Indicators*)
- The 10-year Treasury nominal yield rose to 1.74% in March and declined slightly during April. Blue Chip consensus expected it to be around 1.7% in 2021. The yield curve has steepened significantly since mid-2020. The 10-year real yield was (0.86%). (Source: <https://www.treasury.gov> and *April Blue Chip Indicators*)
- The housing price continued to rise. The S&P Case-Shiller 20-City home price index posted an annual gain of 11.9% in February, up from 11.1% in January.
- The Consumer Sentiment Index, released by Thomson Reuters and University of Michigan, was 101 in February 2020, falling to 71.8 in April 2020. Consumer sentiment began to recover and it reached 84.9 in March 2021, slightly lower than the historical average. The US Economic Surprise index was down from the previous month but stayed positive at 28.1. The Leading Economic Index (LEI) issued by the Conference Board continued its recovery, reaching 111.6 in March.
- The US manufacturing PMI was strong at 64.7, a 3.9% increase from February. JPMorgan Global Manufacturing PMI increased to 56.0 in March. (Source: *Institute for Supply Management, Markit*).
- Equity markets were mixed in March. US markets and non-US developed markets were up 3.58% and 2.55%, respectively while emerging markets were down 1.51%. As the equity markets recovered and generated strong returns, the market valuation is stretched by major indicators.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was down 1.25% for March.

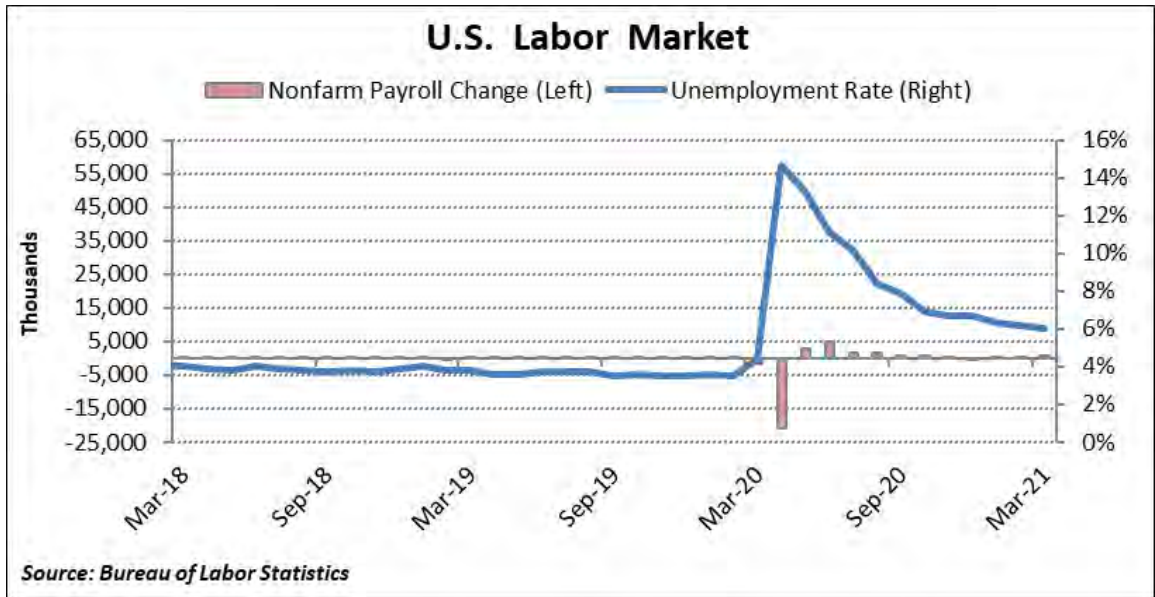
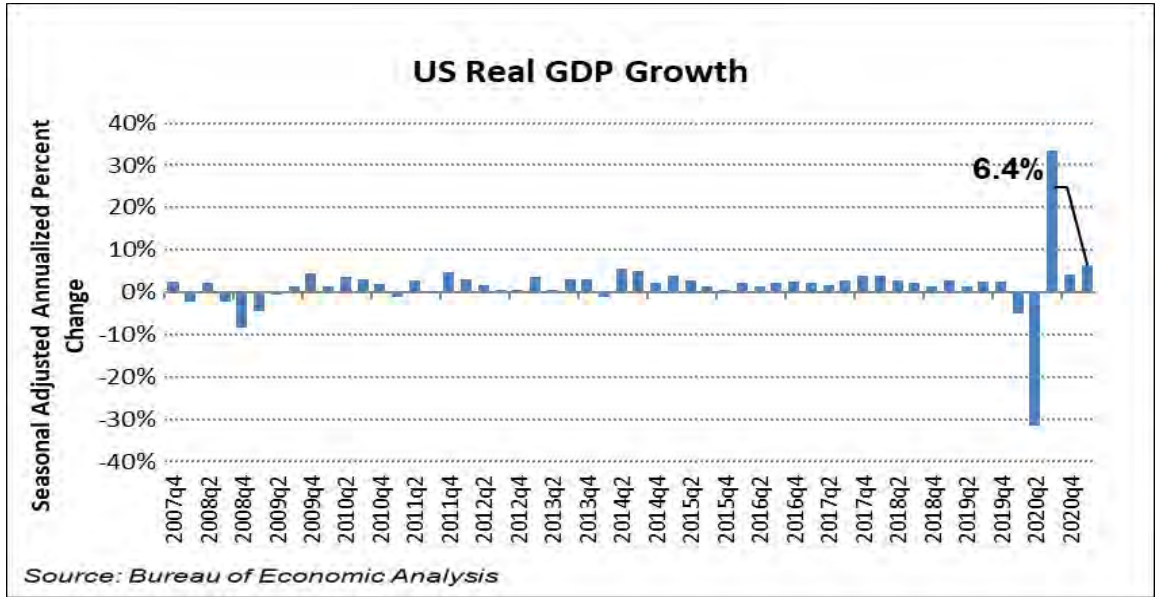
Notes: Acronym – PMI – Purchasing-Managers' Index



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

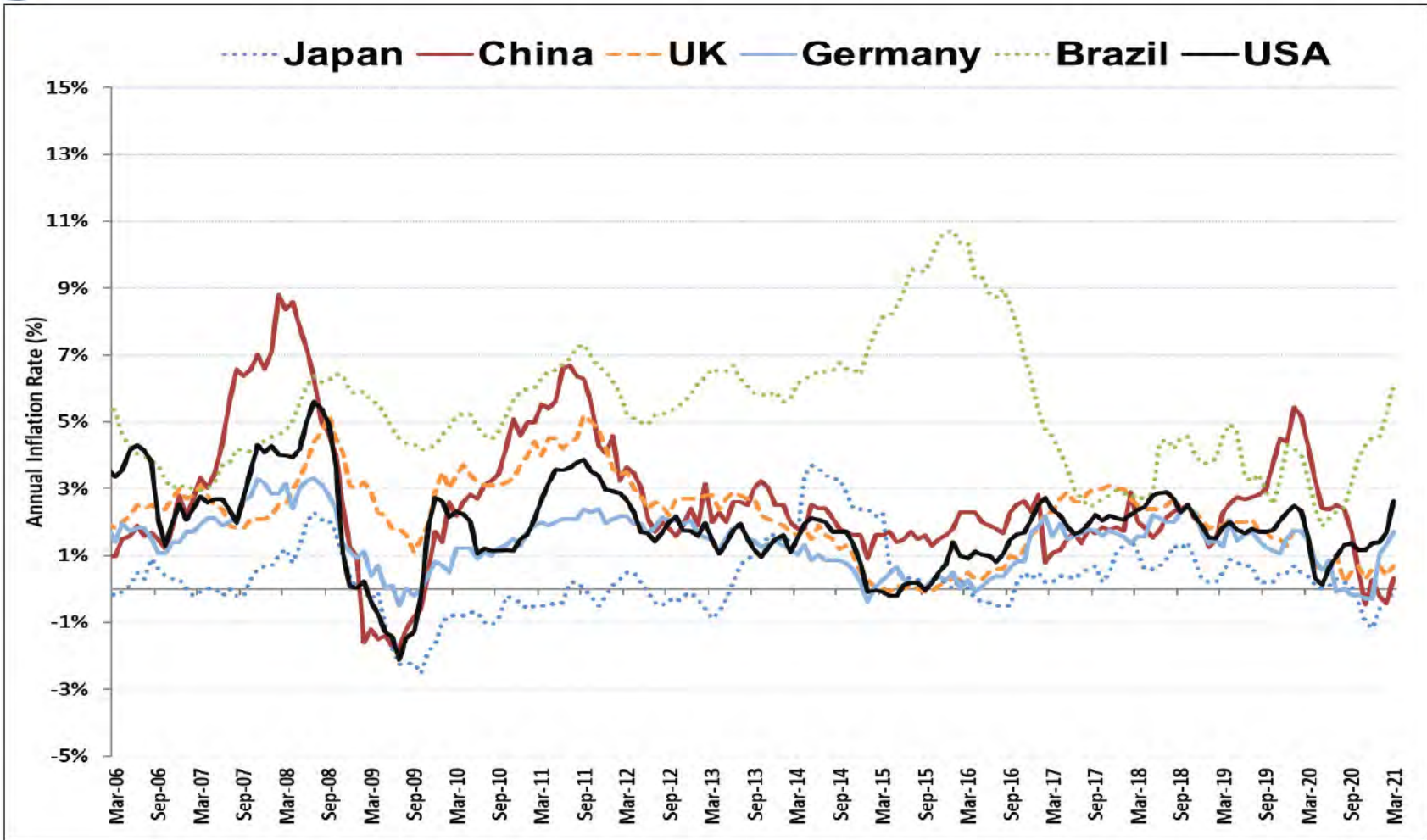
ECONOMY US Real GDP Growth and Labor Market





Ohio SERS Investment Report
ECONOMY Headline Inflation

Quarter Ending: 03/31/2021



	Japan	China	UK	Germany	Brazil	USA
Mar-21	-0.1	0.3	0.7	1.7	6.1	2.6

Sources: www.ons.gov.uk, www.oecd.org, www.inflation.eu, and www.tradingeconomics.com



Ohio SERS Investment Report
ECONOMY US Government Debt

Quarter Ending: 03/31/2021



Source: <https://fred.stlouisfed.org>

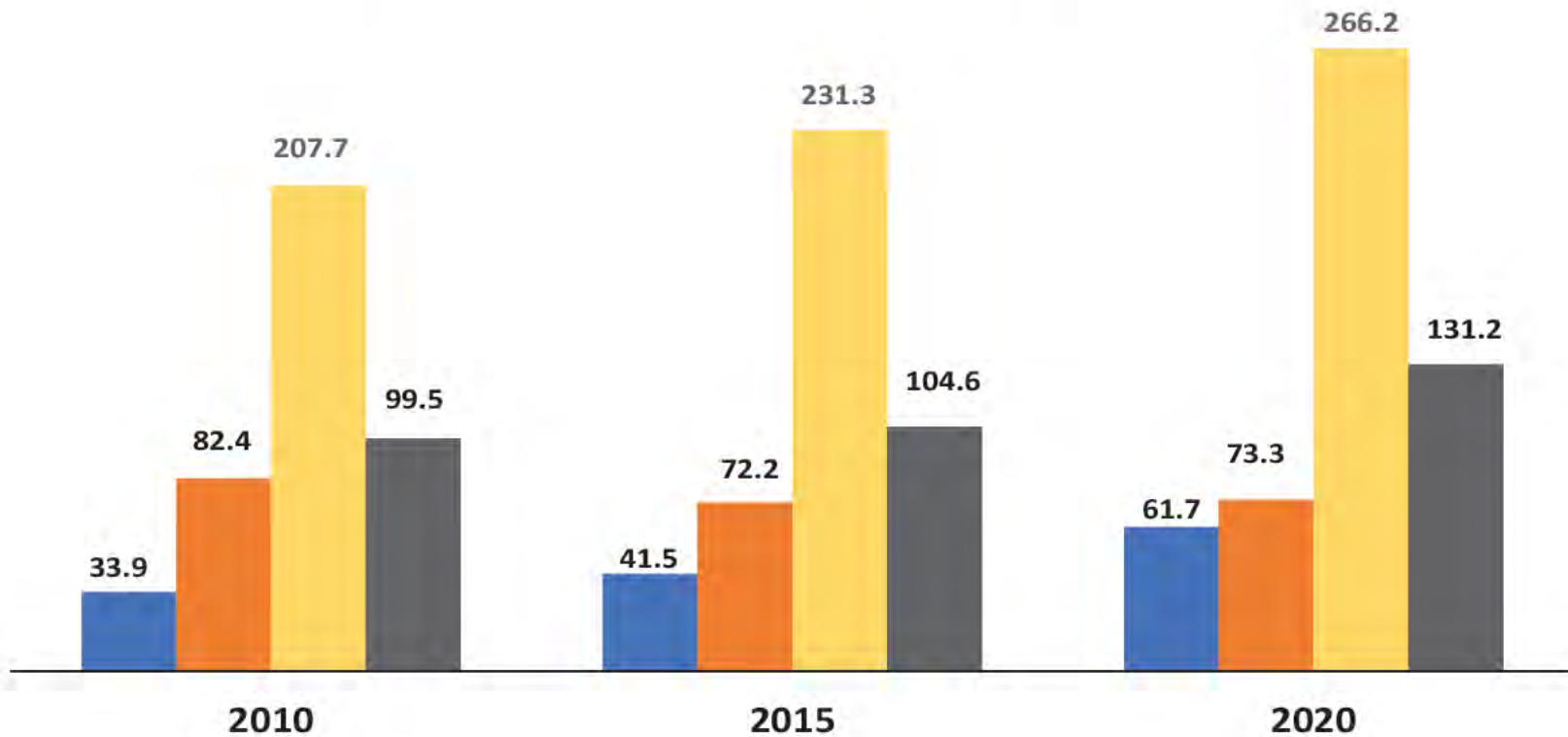


Ohio SERS Investment Report
ECONOMY Government Debt

Quarter Ending: 03/31/2021

Government Gross Debt (Percent of GDP)

■ China ■ Germany ■ Japan ■ USA



Source: www.imf.org, IMF data – October 2020



Ohio SERS Investment Report

ECONOMY US & Global Manufacturing Activities

Quarter Ending: 03/31/2021

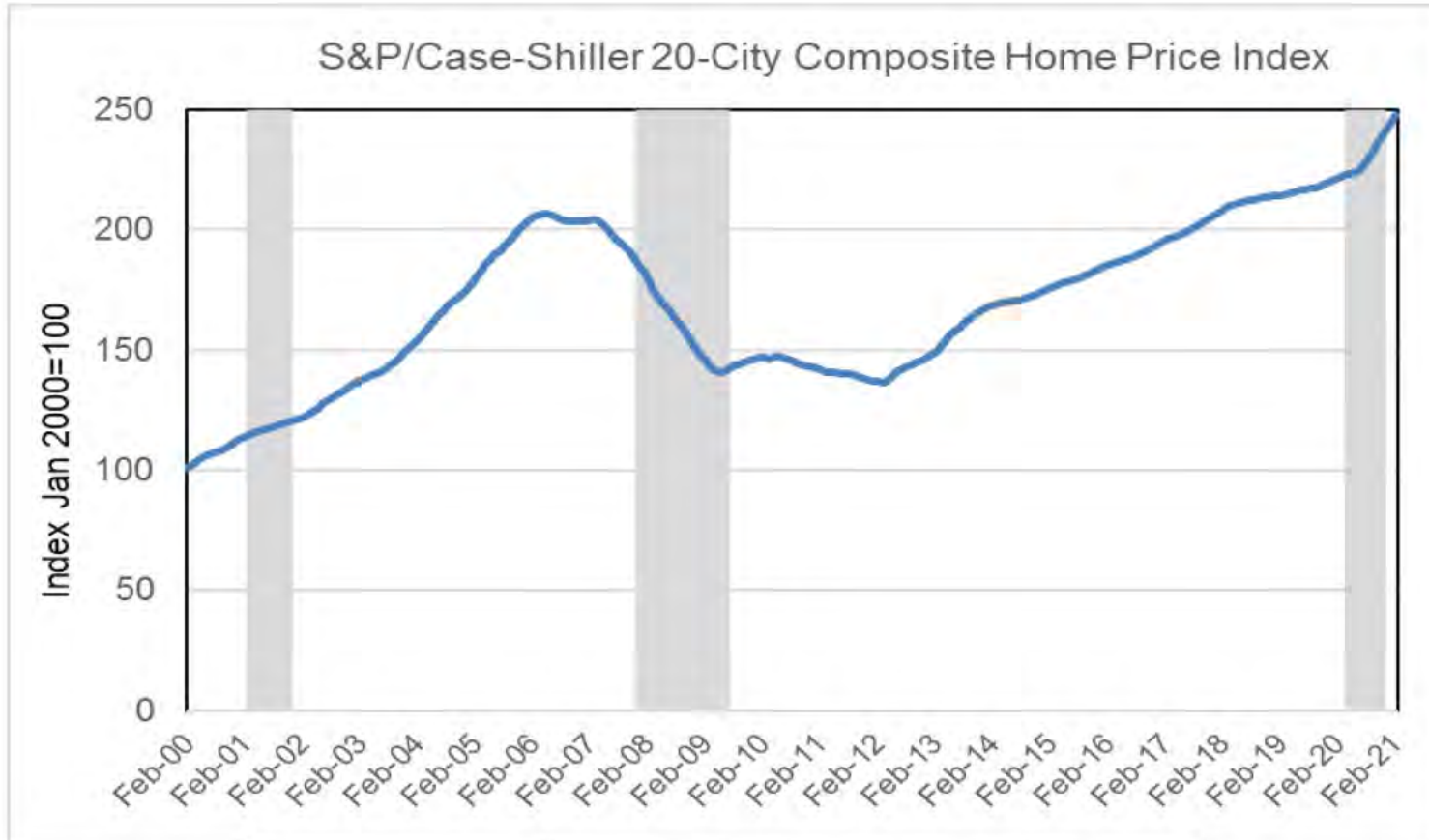


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™
Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



Ohio SERS Investment Report
ECONOMY US Housing Market

Quarter Ending: 03/31/2021



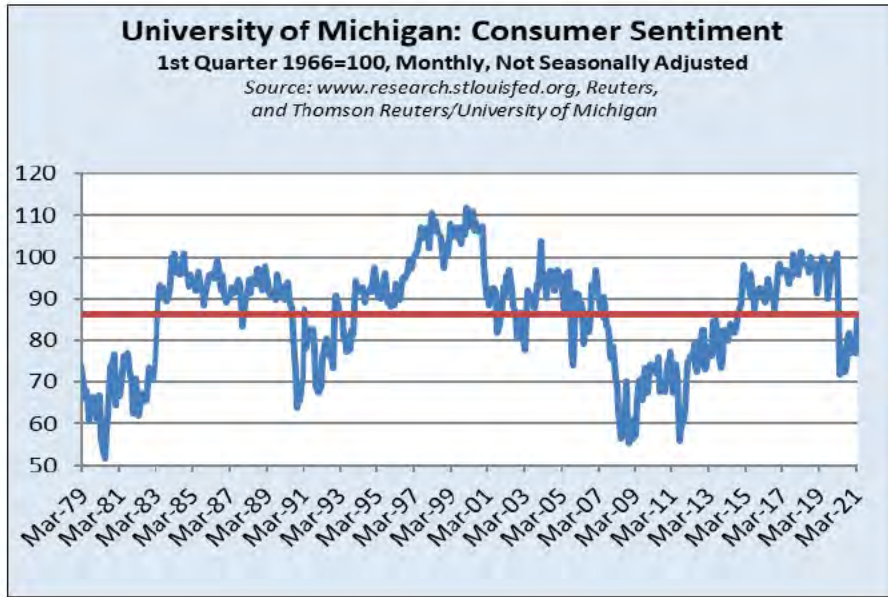
Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-16	188.78
Jul-17	200.06
Jul-18	212.04
Jul-19	216.09
Jul-20	225.61
Feb-21	247.98

Source: www.research.stlouisfed.org



Ohio SERS Investment Report **ECONOMY**

Consumer Sentiment

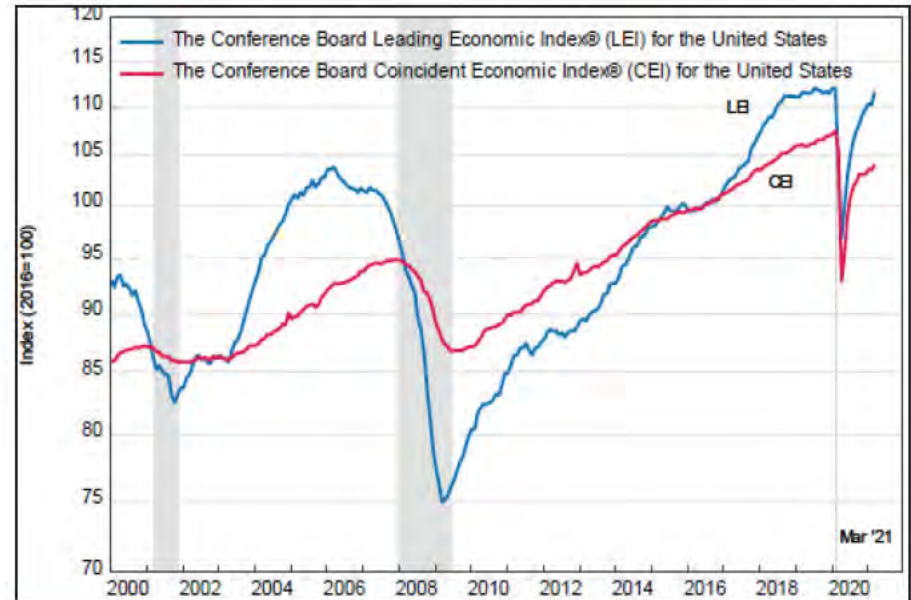


Index of Consumer Sentiment				
Feb-21	Mar-21	Mar-20	M-M Change	Y-Y Change
76.8	84.9	89.1	10.5%	-4.7%

Sources: Thomson Reuters / University of Michigan;

Quarter Ending: 03/31/2021

The Leading Economic Index (LEI) and Coincident Economic Index (CEI) for the United States



Index	Jan-21	Feb-21	Mar-21	Month -Month Percent Change	6-Month Percent Change
LEI	110.3	110.2 r	111.6 p	1.3	3.8
CEI	103.5 r	103.4 r	104.0 p	0.6	1.7

p Preliminary; r Revised; Indexes equal 100 in 2016

Sources: The Conference Board and advisorperspectives.com



Ohio SERS Investment Report
ECONOMY

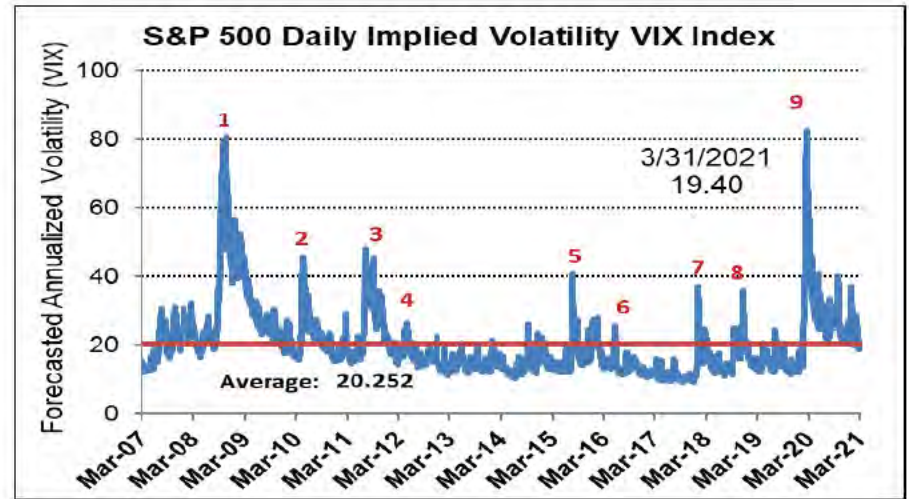
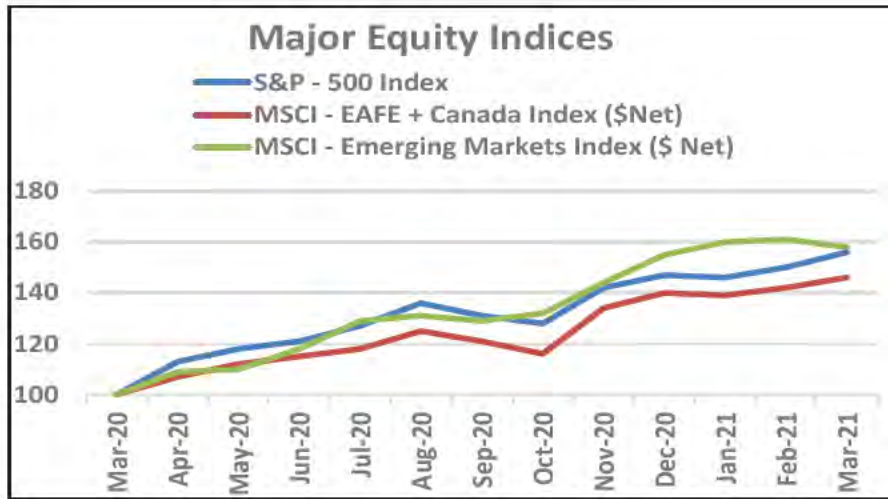
Quarter Ending: 03/31/2021





Ohio SERS Investment Report
MARKETS Equity

Quarter Ending: 03/31/2021



	Return as of 3/31/2021	
	1 Year	FYTD
S&P 500	56.35	29.71
MSCI - EAFE + Canada Index (\$Net)	45.86	26.46
MSCI - Emerging Markets Index (\$Net)	58.39	34.13

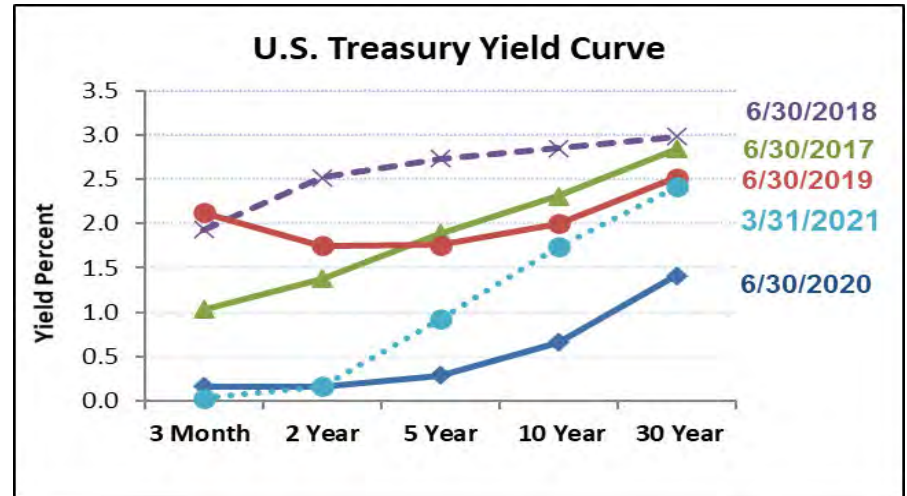
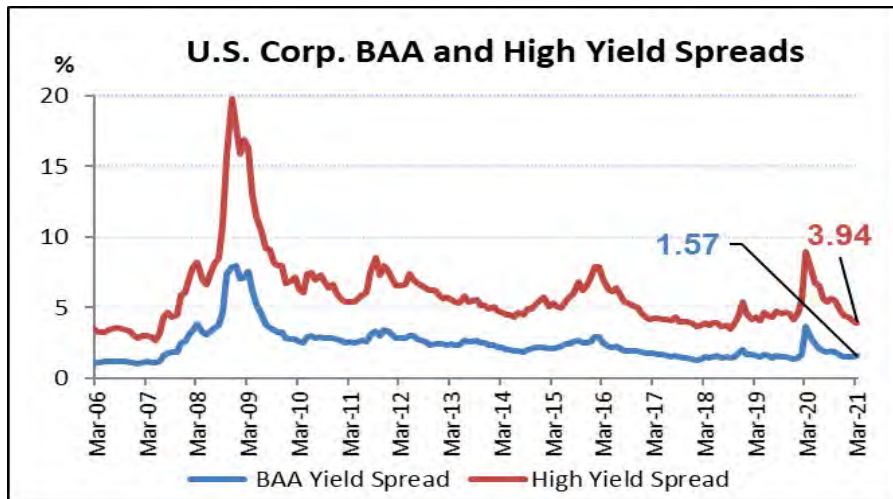
- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%

Sources: www.research.stlouisfed.org, and Wilshire Compass



Ohio SERS Investment Report
MARKETS Fixed Income

Quarter Ending: 03/31/2021



Sources: Wilshire Compass, ThomsonReuters, and Bloomberg



Ohio SERS Investment Report
MARKETS Foreign Exchange

Quarter Ending: 03/31/2021



Date	Trade Weighted Broad U.S. Dollar Index January 1997=100
June-16	112.15
June-17	111.97
June-18	113.27
June-19	114.56
June-20	120.86
March-21	114.13

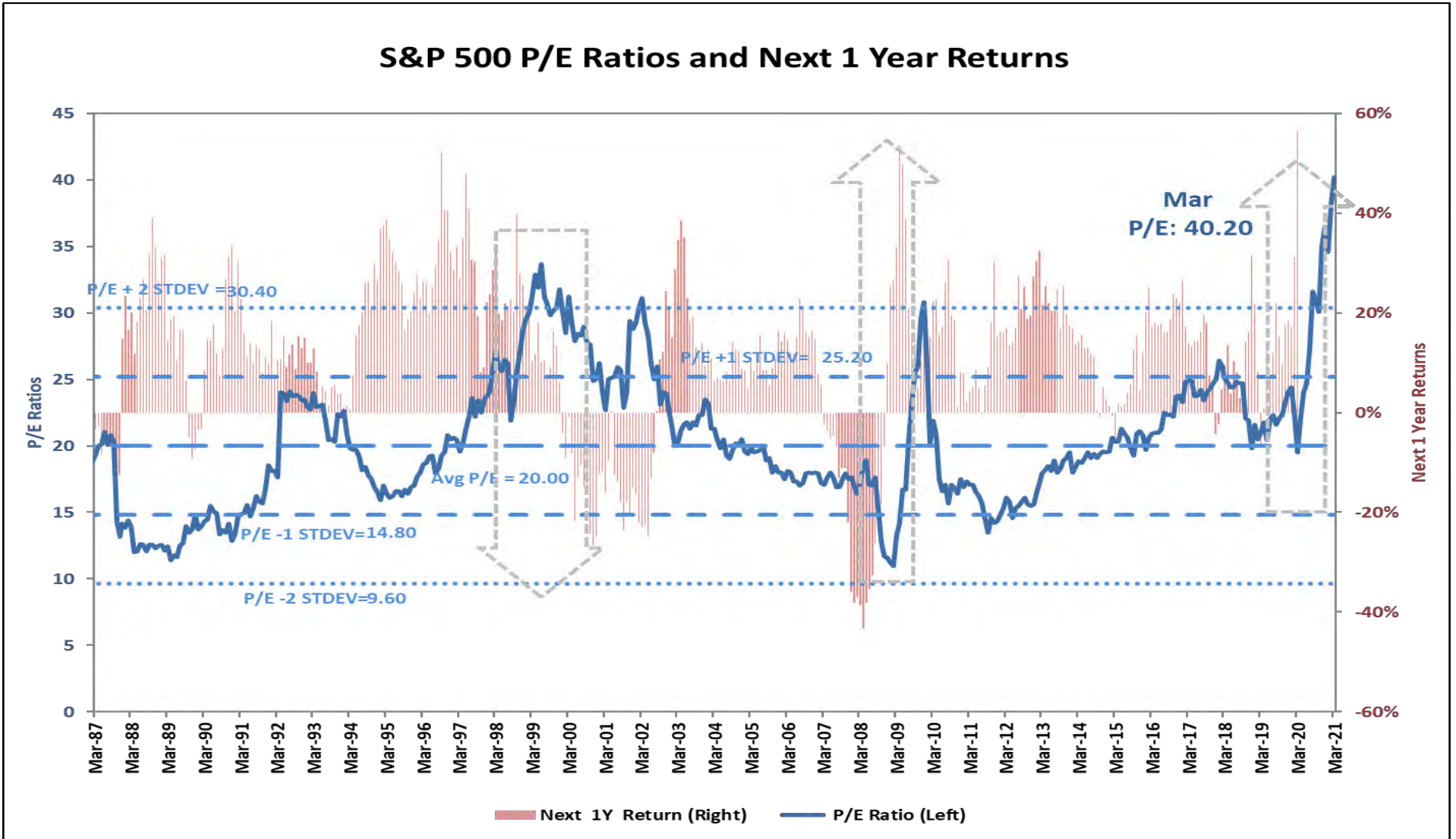
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-16	1.10
June-17	1.14
June-18	1.17
June-19	1.14
June-20	1.12
March-21	1.17

Source: www.research.stlouisfed.org



Ohio SERS Investment Report
VALUATION US Equity

Quarter Ending: 03/31/2021



Source: Wilshire Compass



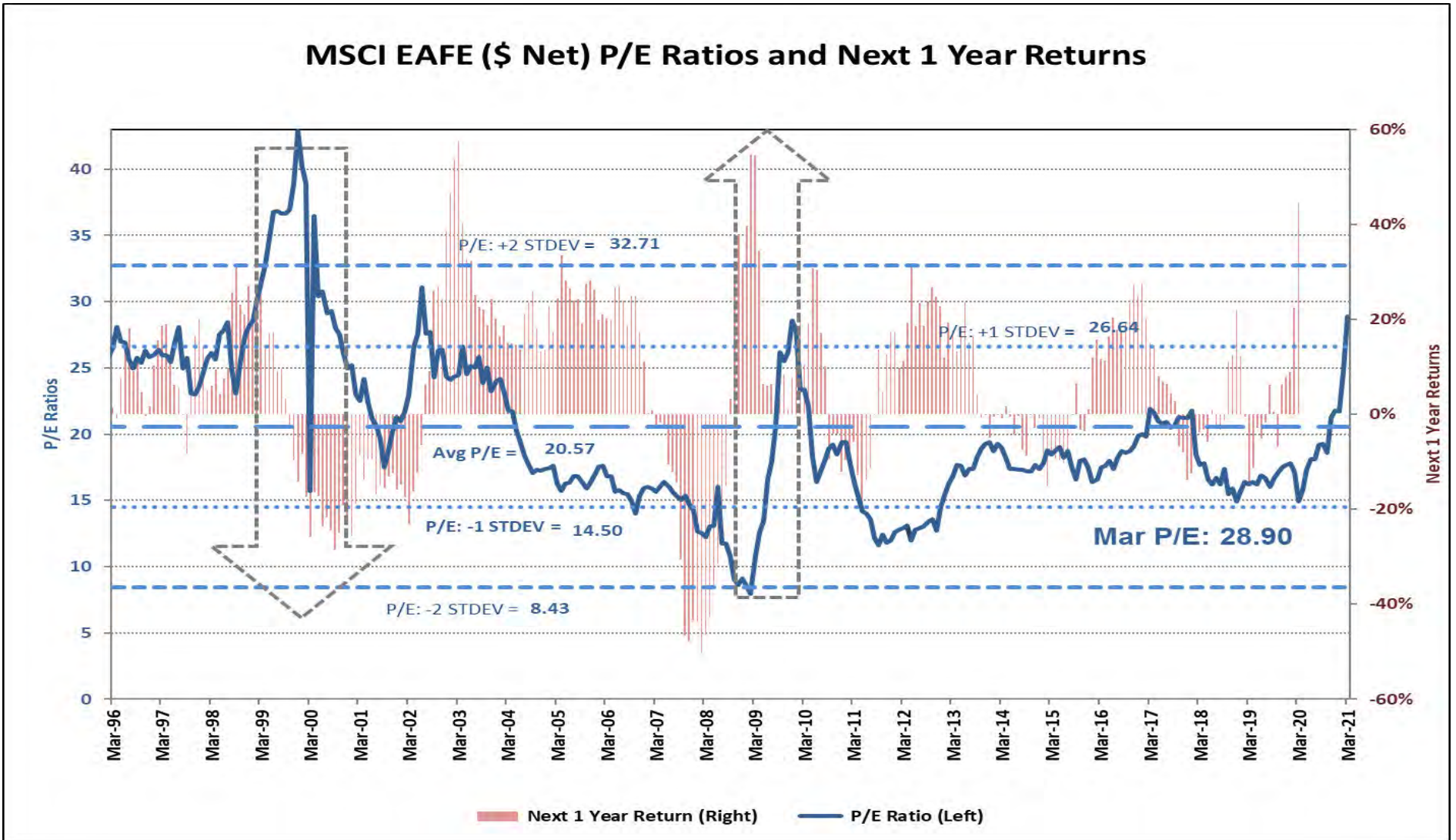
Ohio SERS Investment Report

VALUATION

Non-US Developed Market Equity

Quarter Ending: 03/31/2021

MSCI EAFE (\$ Net) P/E Ratios and Next 1 Year Returns



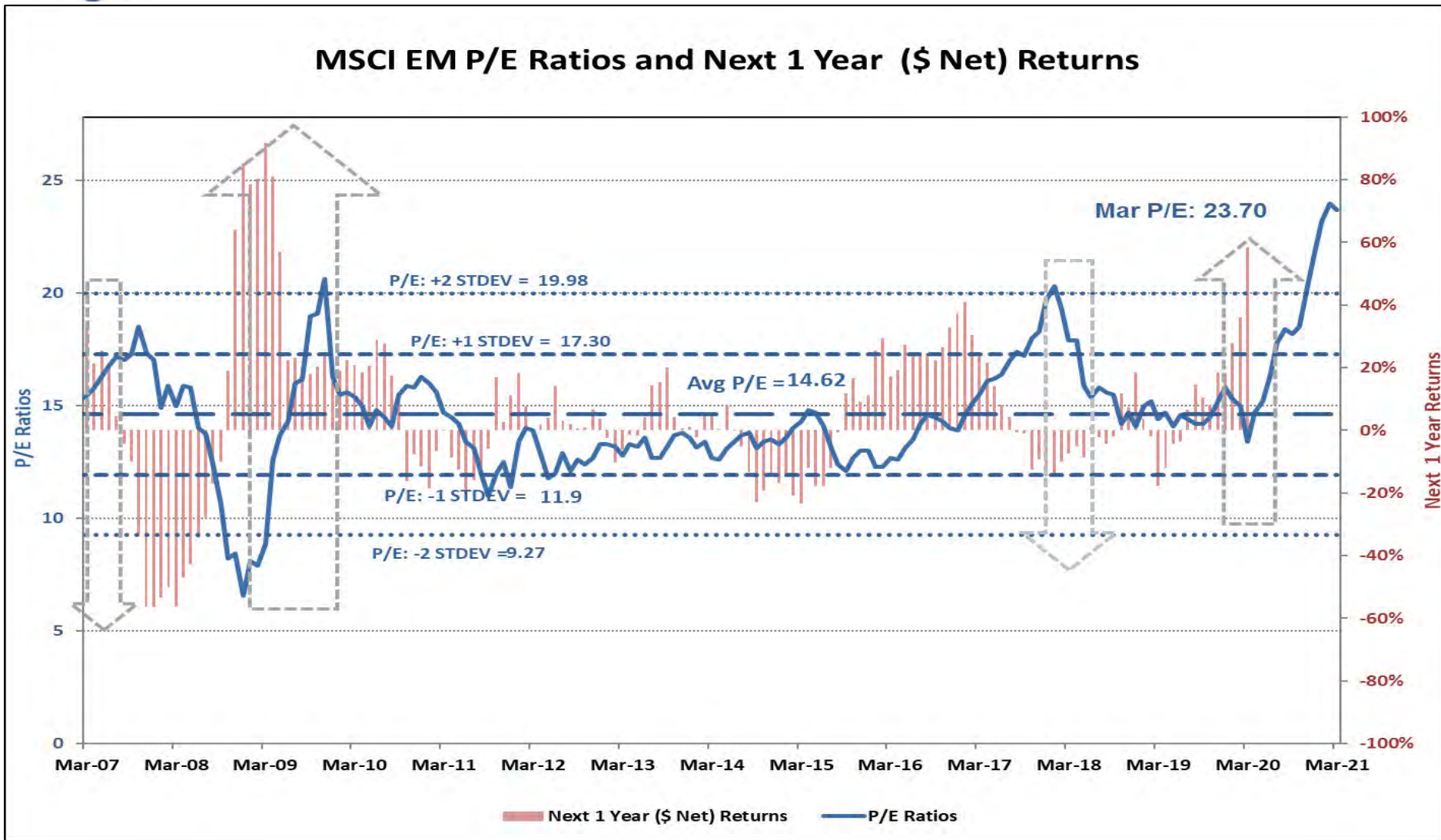
Source: Wilshire Compass



Ohio SERS Investment Report

VALUATION Emerging Market Equity

Quarter Ending: 03/31/2021

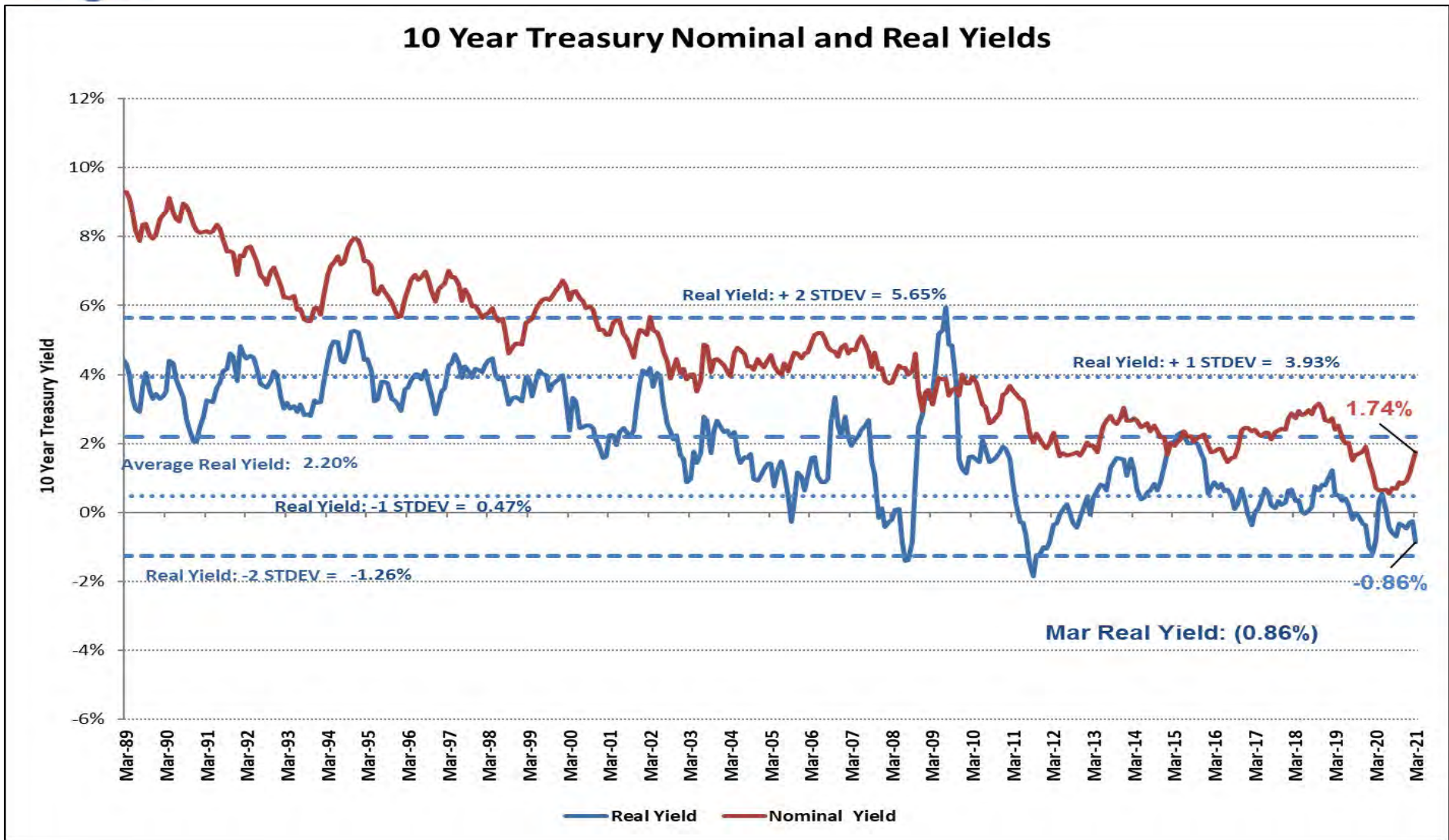


Source: Wilshire Compass



Ohio SERS Investment Report
VALUATION US Treasury Bonds

Quarter Ending: 03/31/2021



Sources: Wilshire Compass and U.S. Bureau of Labor Statistics



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

SERS' Investment Portfolios Review



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Total Fund: Asset Allocation & Valuation

Asset Class	Market Value \$	Actual	Target	Range
Global Equities	8,415,752,763	49.5%	45.0%	35% - 55%
<i>US Equity</i>	4,373,576,157	25.7%	24.8%	19.25% - 30.25%
<i>Non-US Equity Developed Market</i>	3,023,086,875	17.8%	13.5%	10.50% - 16.50%
<i>Non-US Equity Emerging Market</i>	1,019,089,730	6.0%	6.8%	5.25% - 8.25%
Global Private Equity	1,833,944,426	10.8%	11.0%	8% - 16%
Global Fixed Income	2,679,913,221	15.8%	19.0%	12% - 26%
Multi-Asset Strategies	283,491,060	1.7%	4.0%	0% - 0%
Global Private Credit	312,749,735	1.8%	3.0%	3% - 7%
Global Real Assets	2,441,776,125	14.4%	16.0%	14% - 20%
Opportunistic & Tactical	432,278,320	2.5%	0.0%	0% - 5%
Cash Equivalents	586,900,172	3.5%	2.0%	0% - 5%
<i>Short-Term</i>	557,292,308	3.3%	2.0%	
<i>Russell EA Overlay</i>	-946,268	0.0%	0.0%	
<i>Direct Rebalance Overlay</i>	0	0.0%	0.0%	
<i>Currency Overlay</i>	30,554,132	0.2%	0.0%	
Total Fund	16,986,805,823	100.0%	100.0%	

Source: BNY Mellon GRS

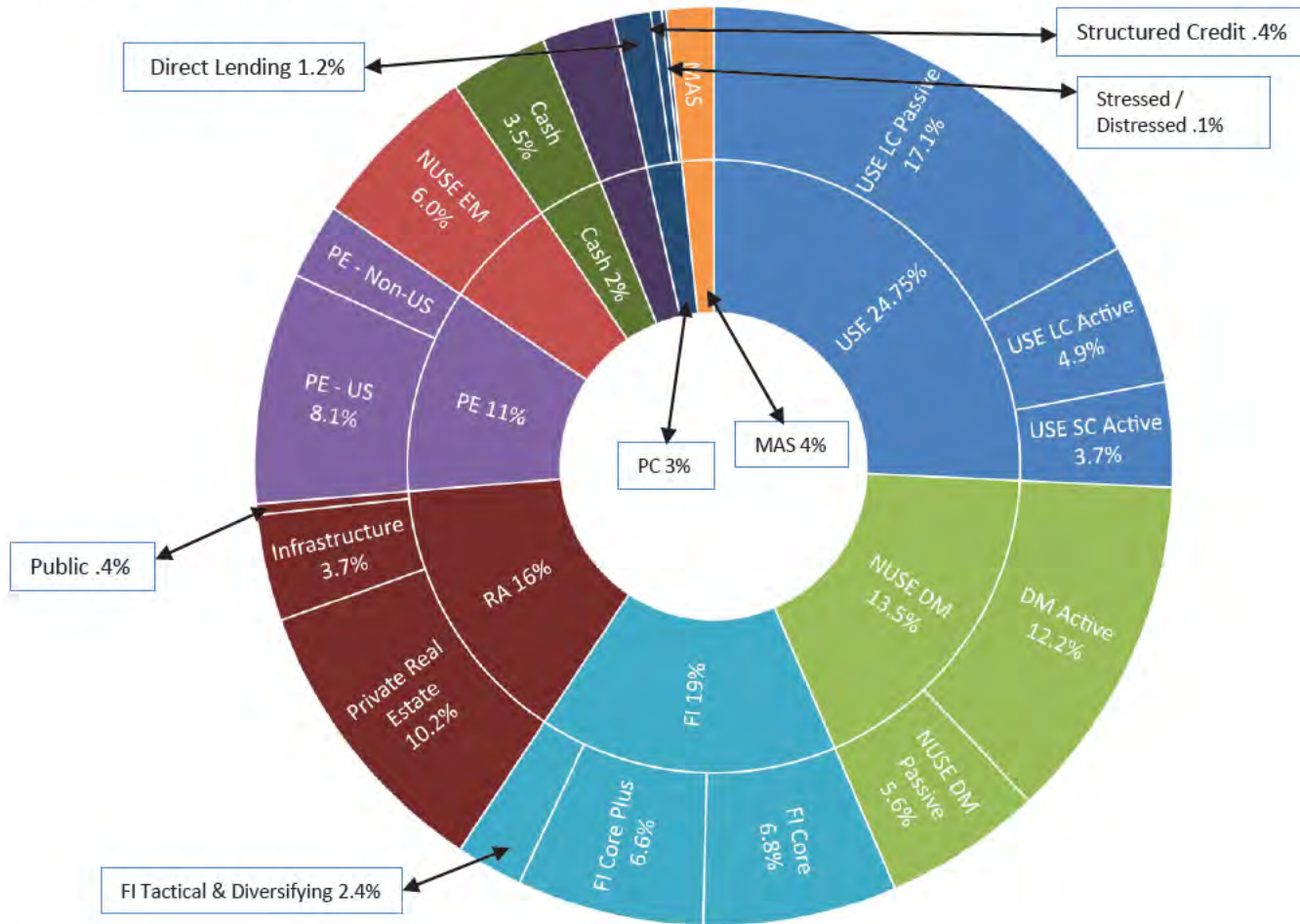




Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Total Fund: Portfolio Structure



Inner ring – Policy Portfolio
Outer ring – Actual Portfolio



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

CHANGE IN NET ASSETS

	<i>vs. One Year Ago, since 4/1/2020</i>	<i>vs. Three Years Ago, since 4/01/2018</i>
Beginning Market Value	13,452,605,596	14,286,651,401
Gain/Loss	4,194,705,270	4,533,765,371
Expenses	(66,505,043)	(188,360,949)
Net Transfer	(594,000,000)	(1,645,250,000)
End of Period Market Value	16,986,805,823	16,986,805,823

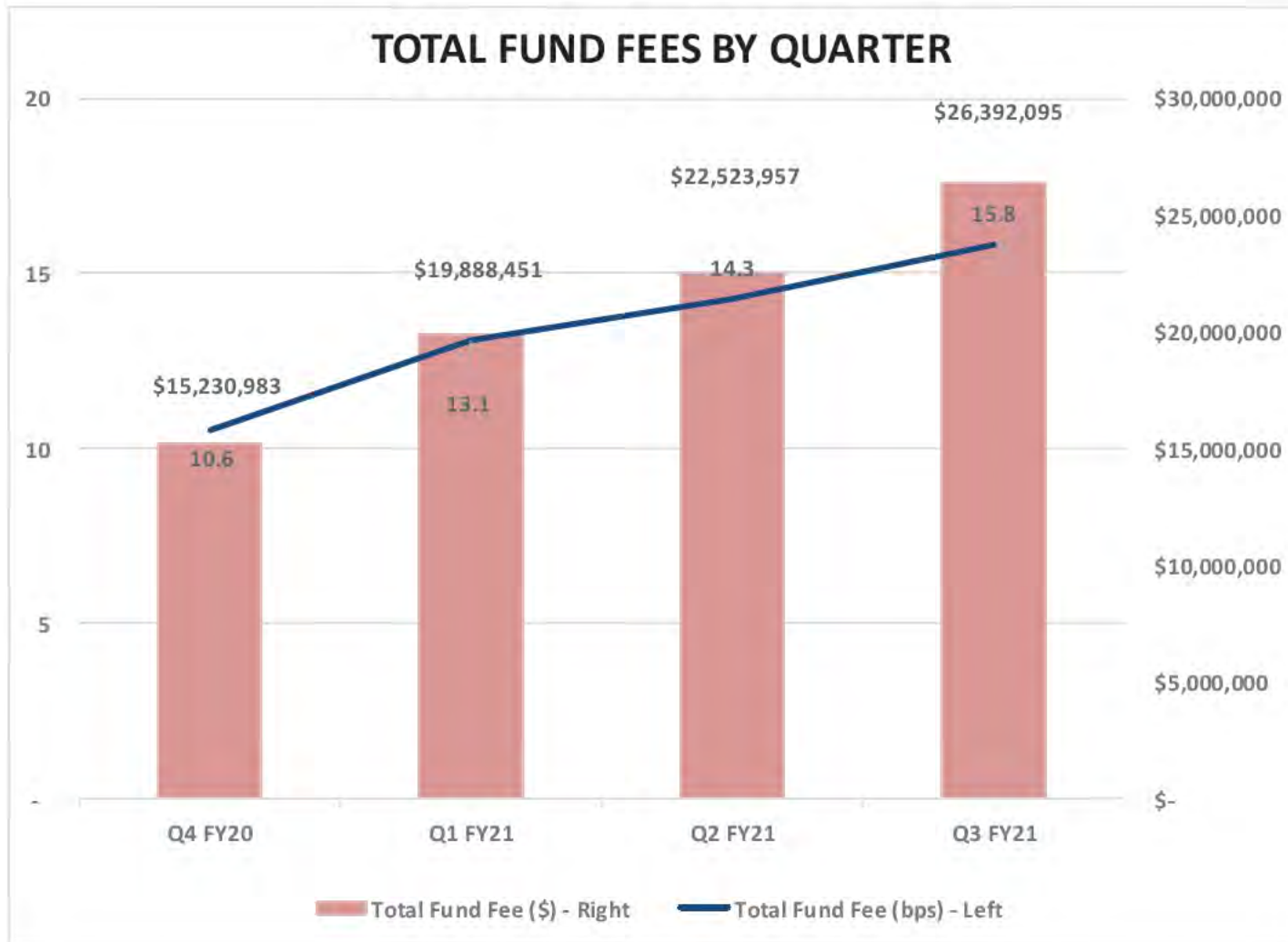
****Origins of the Net Transfer***

<i>Dividends/Interest</i>	<i>169,209,189</i>
<i>Net Distributions</i>	<i>424,790,811</i>
<i>Cash on Hand</i>	<i>Not Required</i>



Ohio SERS Investment Report

Quarter Ending: 03/31/2021





Ohio SERS Investment Report

Quarter Ending: 03/31/2021

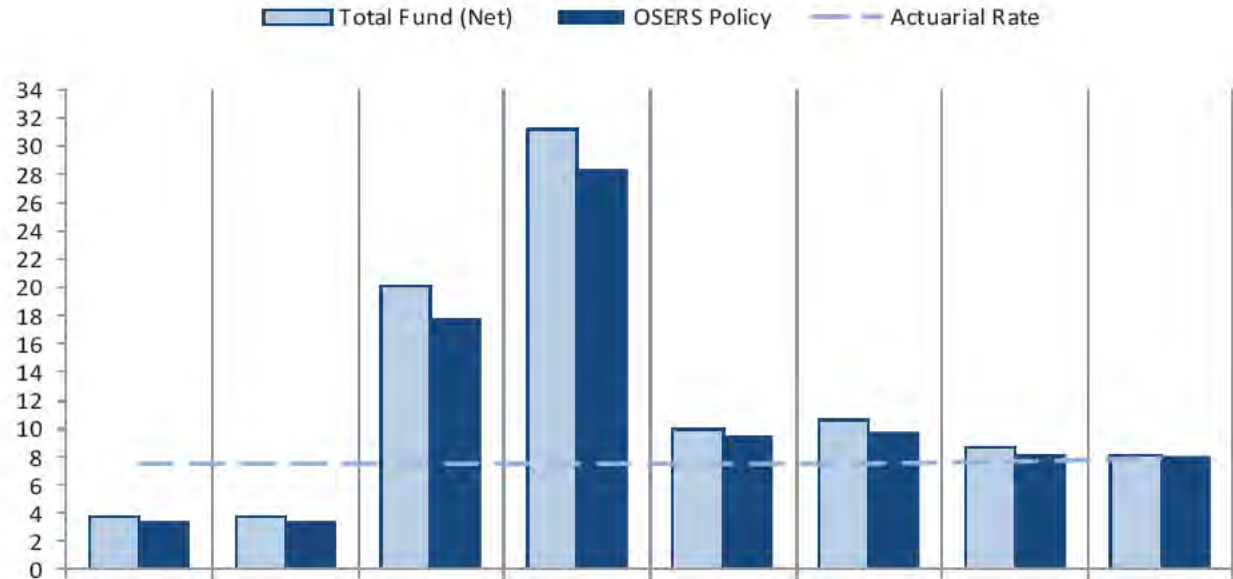
Total Fund Performance

Current Benchmark:

- 24.75% Russell 3000
- 13.50% MSCI World Ex US Index
(net dividends)
- 6.75% MSCI Emerging Markets Index
(net dividends)
- 11.00% Burgiss All Private Equity
benchmark (1q lag) (BAPE)
- 19.00% Bloomberg Barclays
Aggregate Bond
- 16.00% NCREIF Property (1q lag)
- 4.00% HFRI Fund of Funds
Composite plus 1%
- 3.00% LIBOR + 4.5%
- 2.00% Citigroup 30 Day US T-Bill

Actuarial Rate

(7.5% adopted 4/21/16)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	3.85	3.85	20.61	31.85	10.59	11.34	9.33	8.54
Total Fund (Net)	3.71	3.71	20.17	31.21	9.94	10.66	8.63	8.02
OSERS Policy	3.38	3.38	17.84	28.33	9.48	9.78	8.22	8.11
Value Added (Net of Fee)	0.33	0.33	2.33	2.88	0.46	0.88	0.41	(0.09)

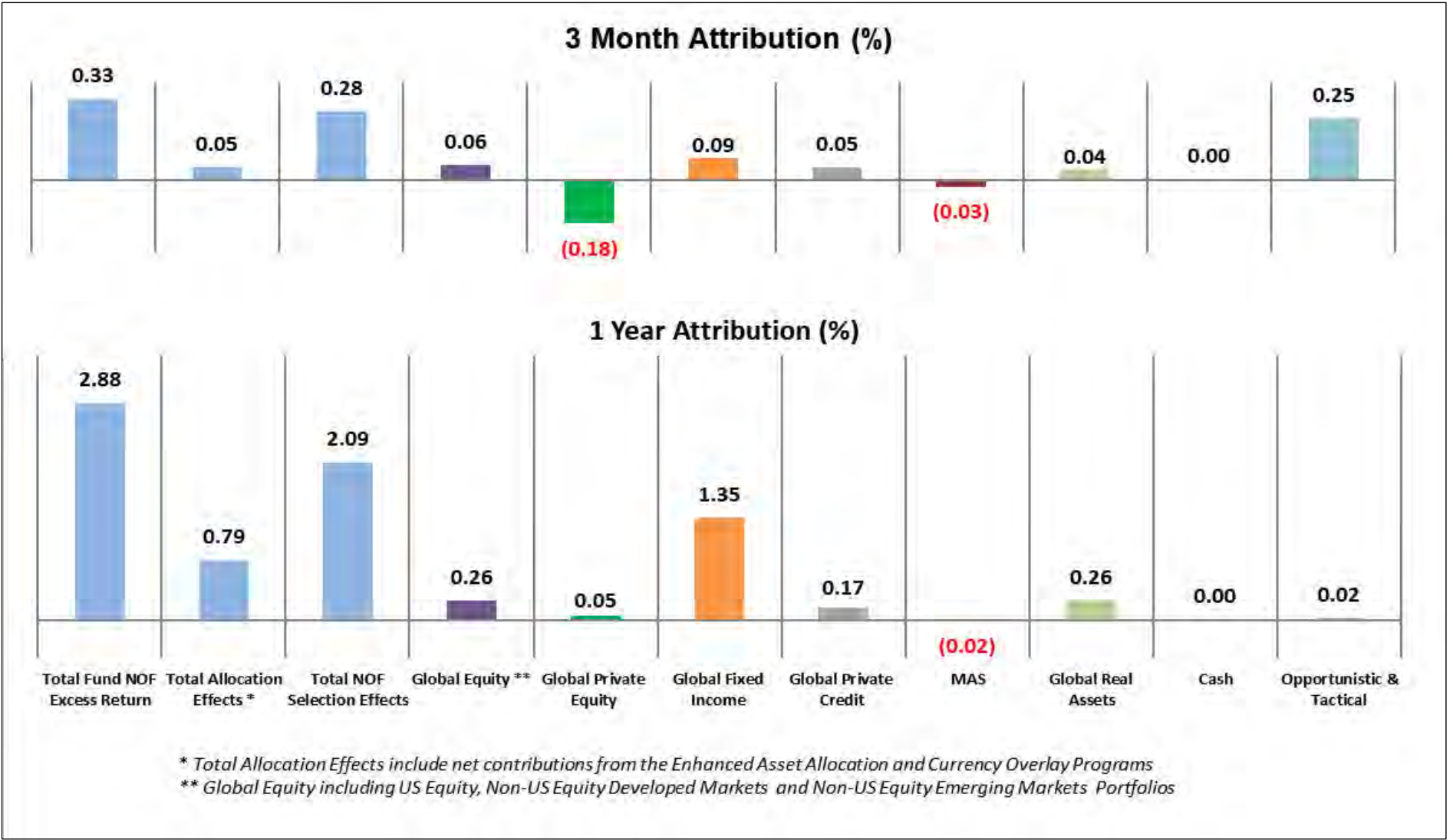
Source: BNY Mellon GRS

*ITD is Inception date 10/1/1994 (26 years and 6 months)



Ohio SERS Investment Report

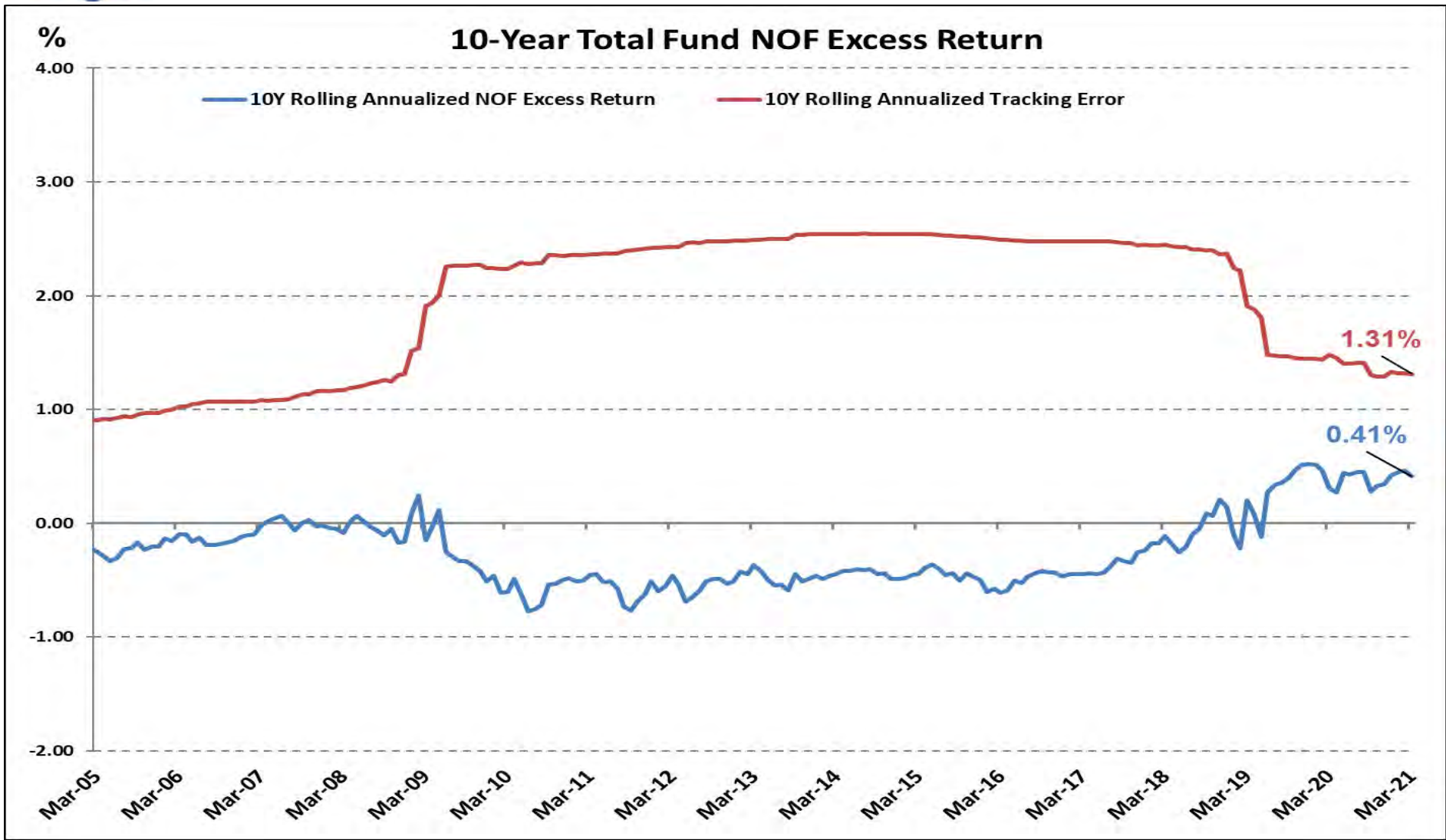
Quarter Ending: 03/31/2021





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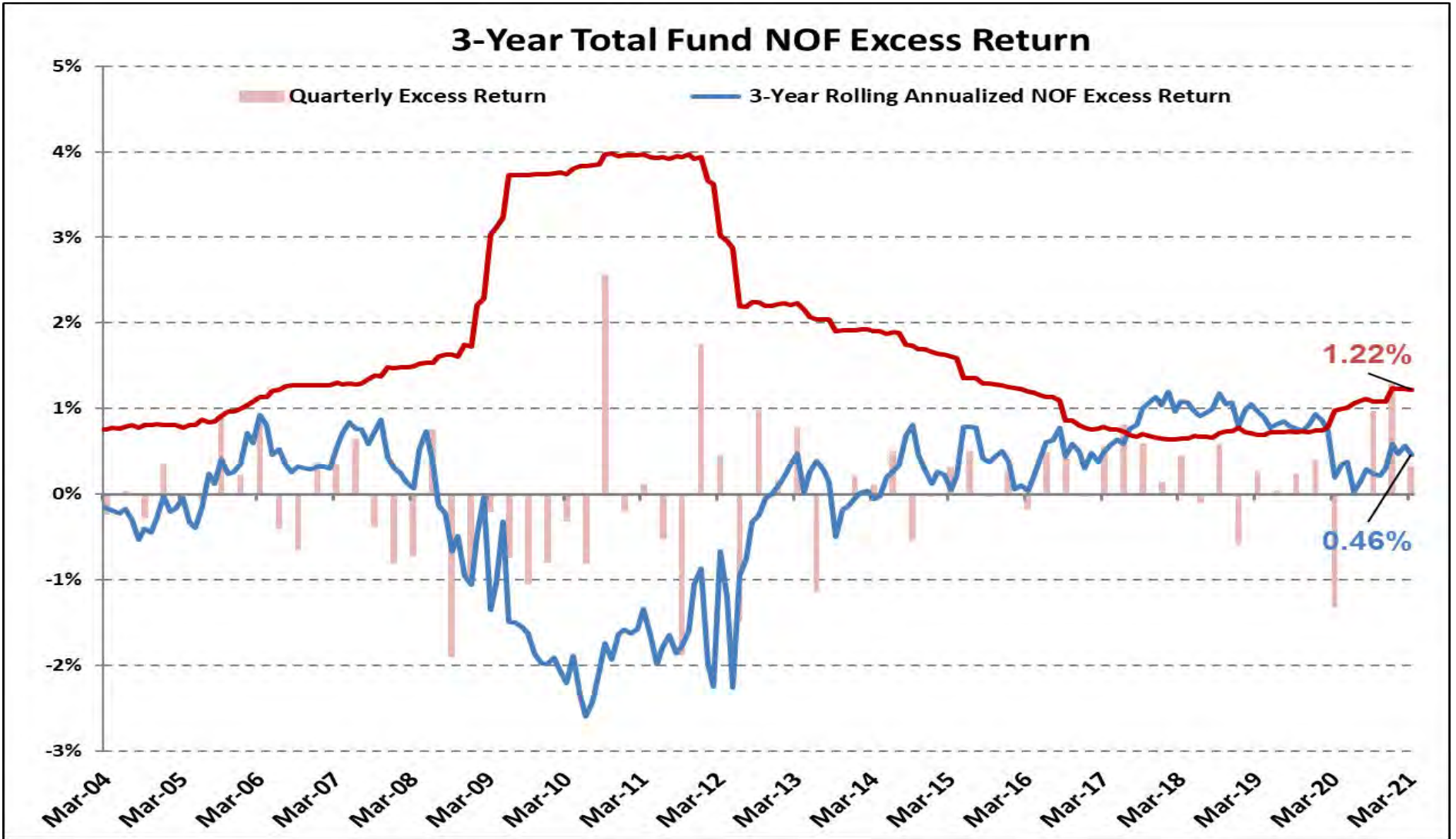
Quarter Ending: 03/31/2021





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Quarter Ending: 03/31/2021

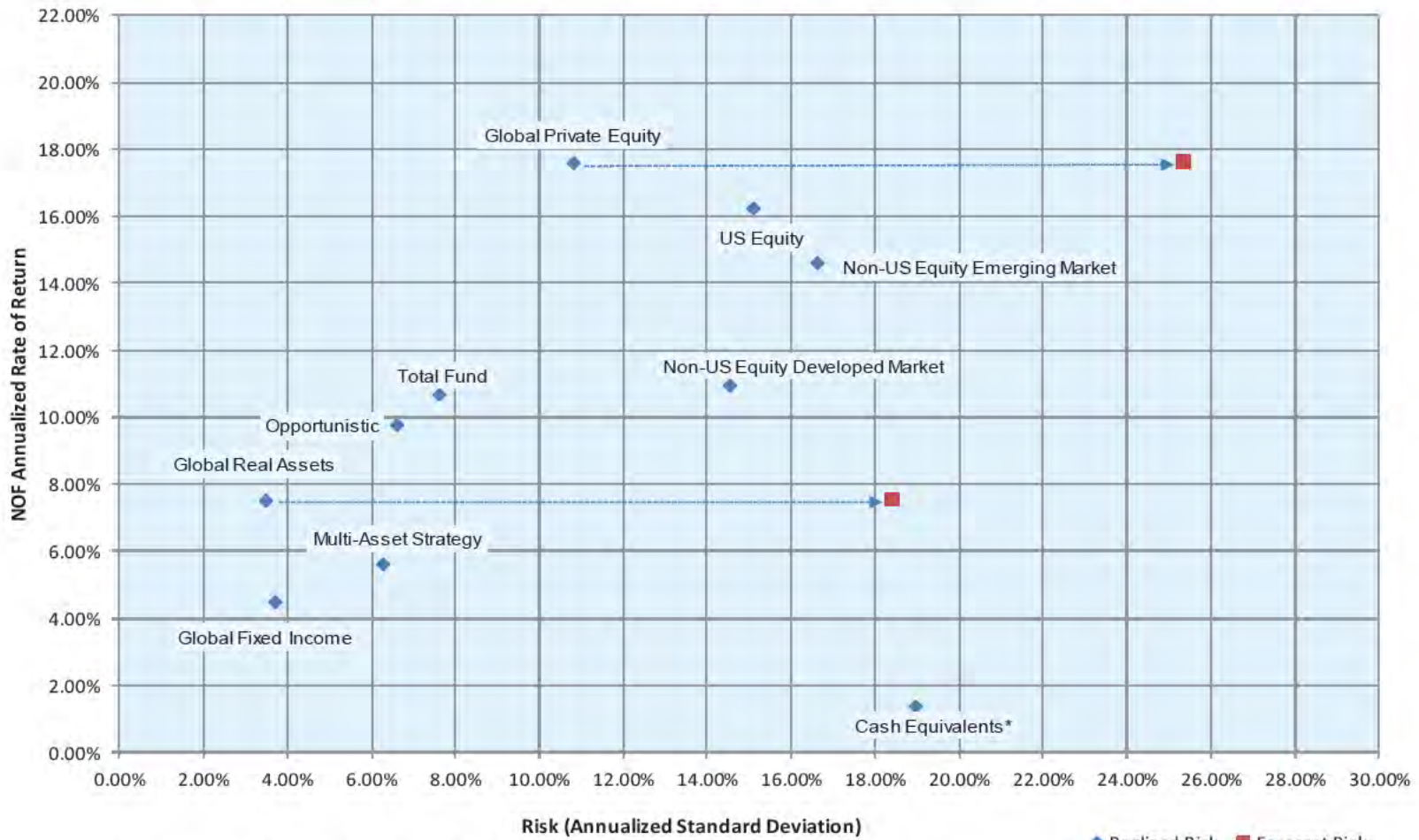




Ohio SERS Investment Report

Quarter Ending: 03/31/2021

5 Year Risk and Return



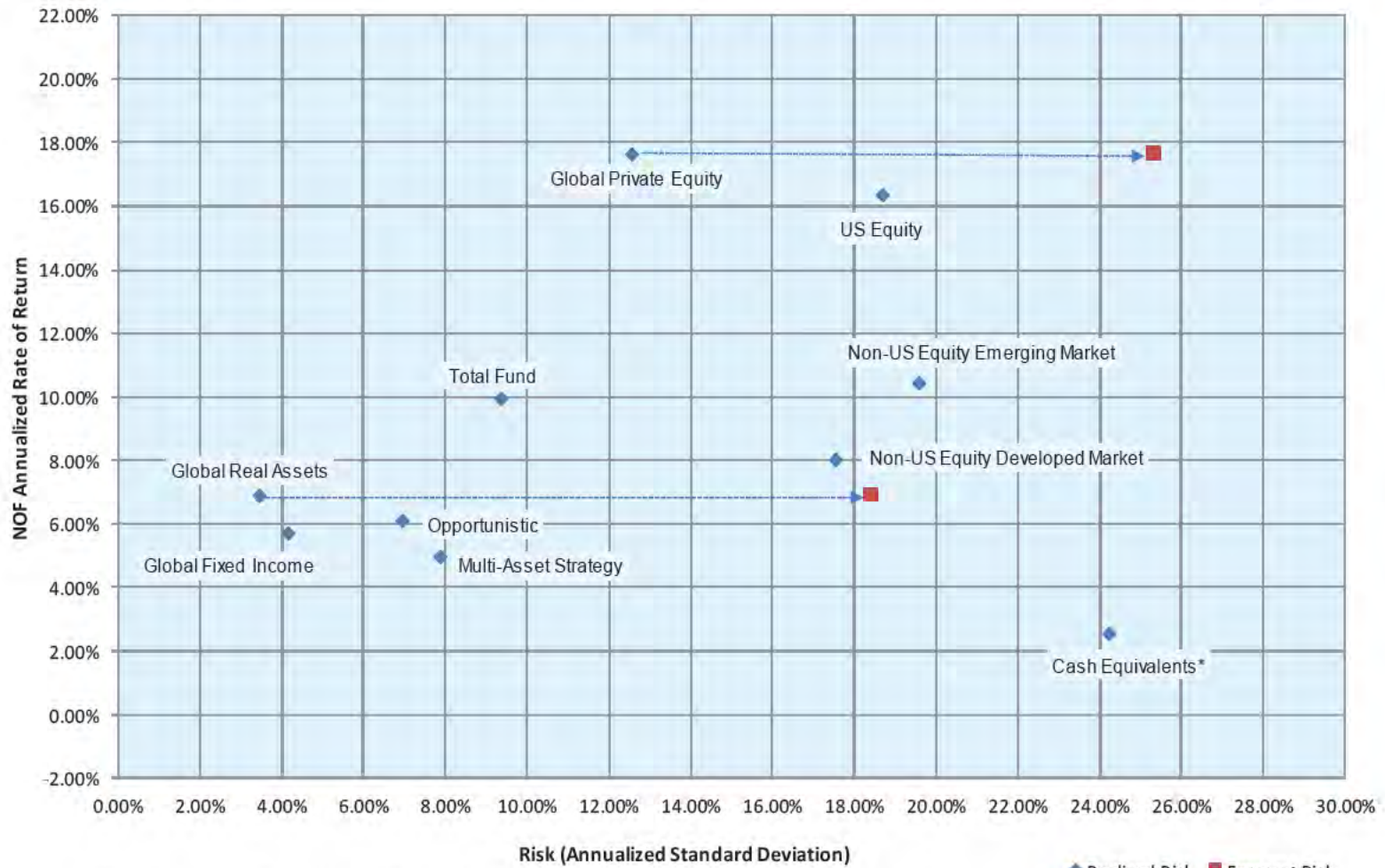
*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

3 Year Risk and Return



*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay

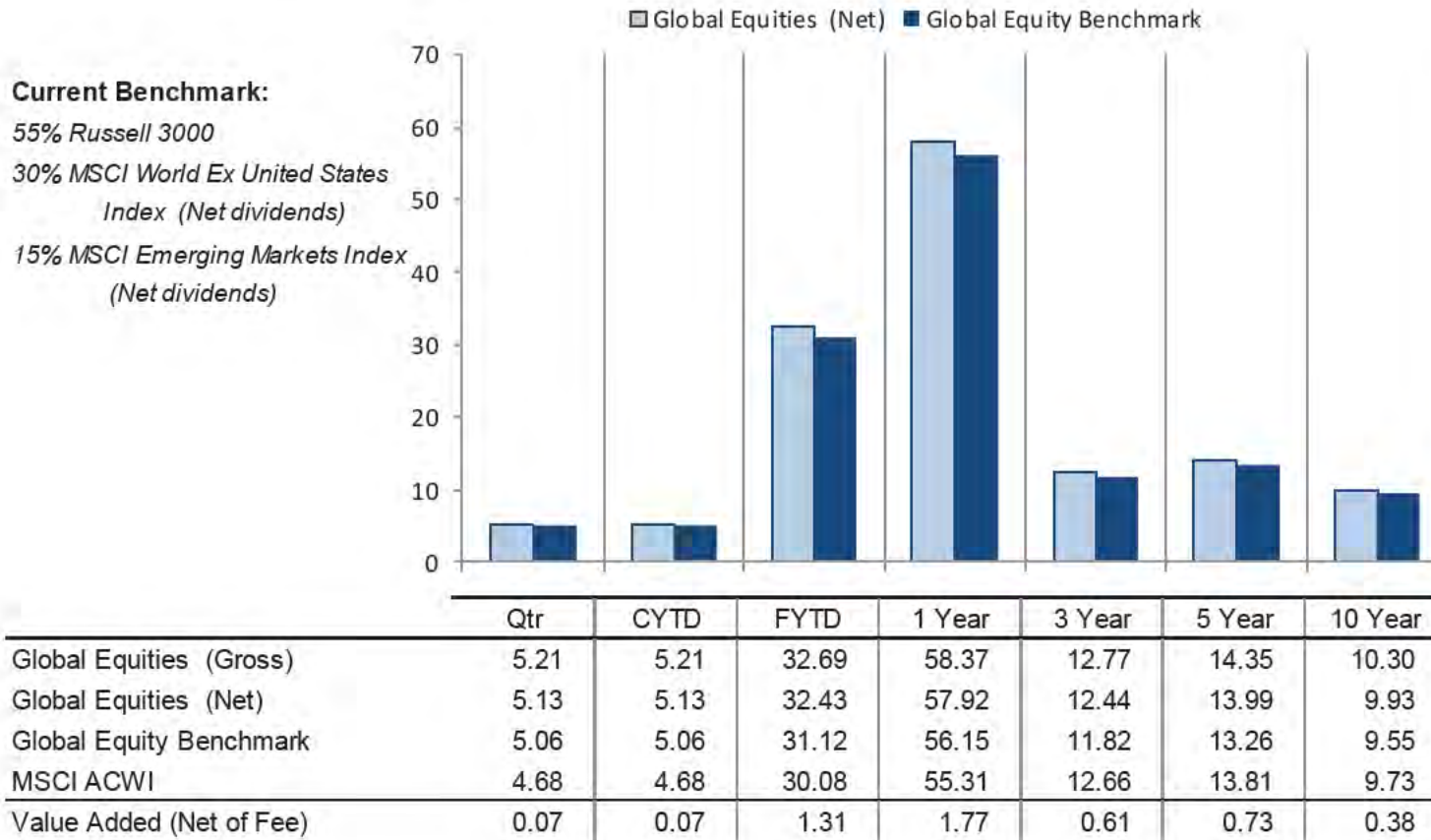
◆ Realized Risk ■ Forecast Risk



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Global Equities Performance



Source: BNY Mellon GRS



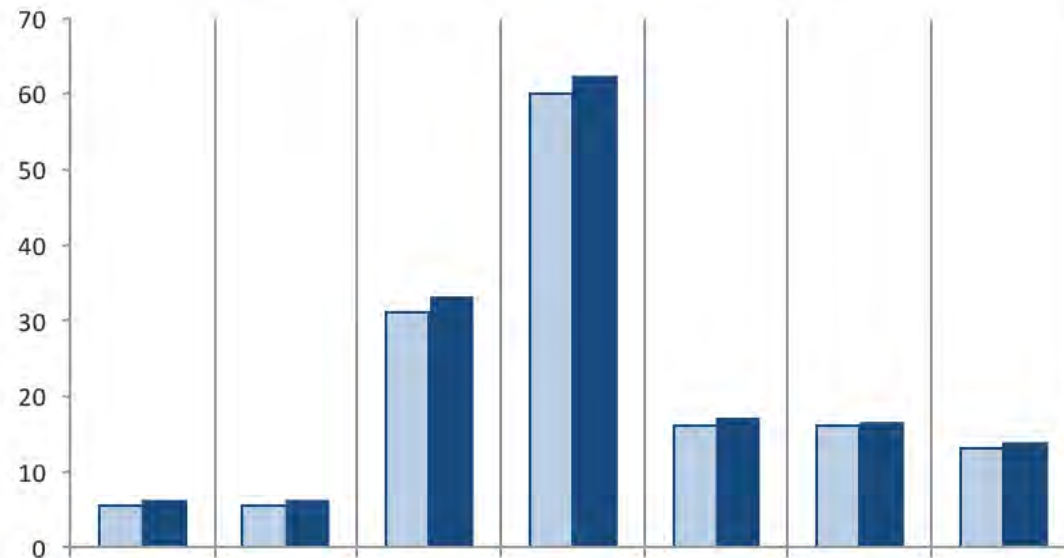
Ohio SERS Investment Report

Quarter Ending: 03/31/2021

US Equity Performance

Current Benchmark:
Russell 3000

□ US Equity Portfolio (Net) ■ US Equity Policy Benchmark



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
US Equity Portfolio (Gross)	5.70	5.70	31.46	60.31	16.57	16.50	13.65
US Equity Portfolio (Net)	5.66	5.66	31.32	60.02	16.34	16.24	13.34
US Equity Policy Benchmark	6.35	6.35	33.19	62.53	17.12	16.64	13.79
Value Added (Net of Fee)	(0.69)	(0.69)	(1.86)	(2.51)	(0.78)	(0.39)	(0.45)

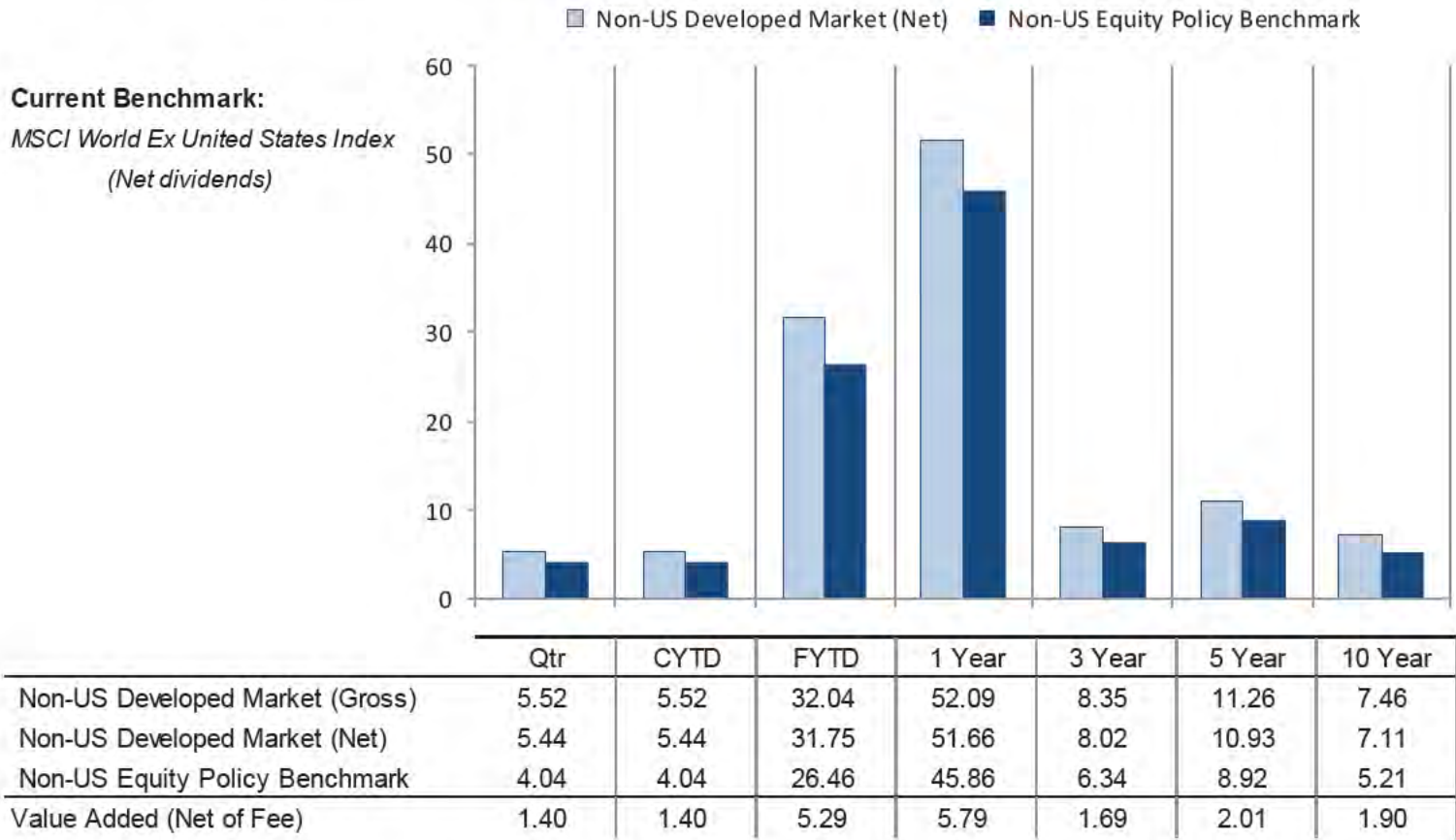
Source: BNY Mellon GRS



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Non-US Equity Developed Market Performance



Source: BNY Mellon GRS

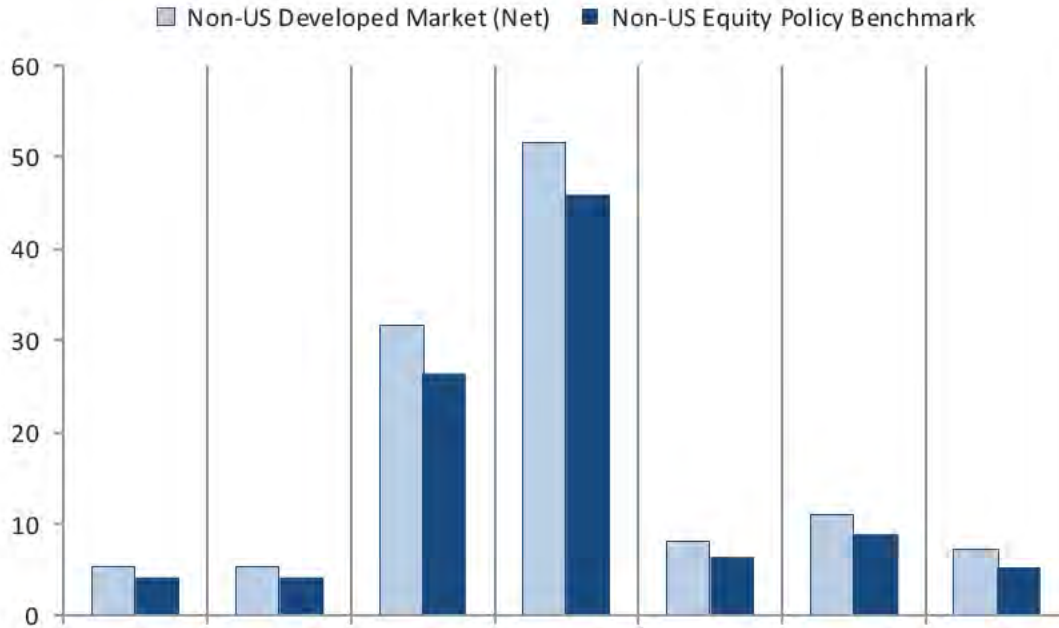


Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Non-US Equity Emerging Market Performance

Current Benchmark:
MSCI Emerging Markets Index
 (Net dividends)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Non-US Emerging Market (Gross)	2.42	2.42	41.56	71.89	11.30	15.50	5.32
Non-US Emerging Market (Net)	2.22	2.22	40.78	70.64	10.43	14.60	4.55
Non-US Equity Policy Benchmark	2.29	2.29	34.13	58.39	6.48	12.07	3.65
Value Added (Net of Fee)	(0.06)	(0.06)	6.64	12.26	3.95	2.53	0.90

Source: BNY Mellon GRS



Ohio SERS Investment Report

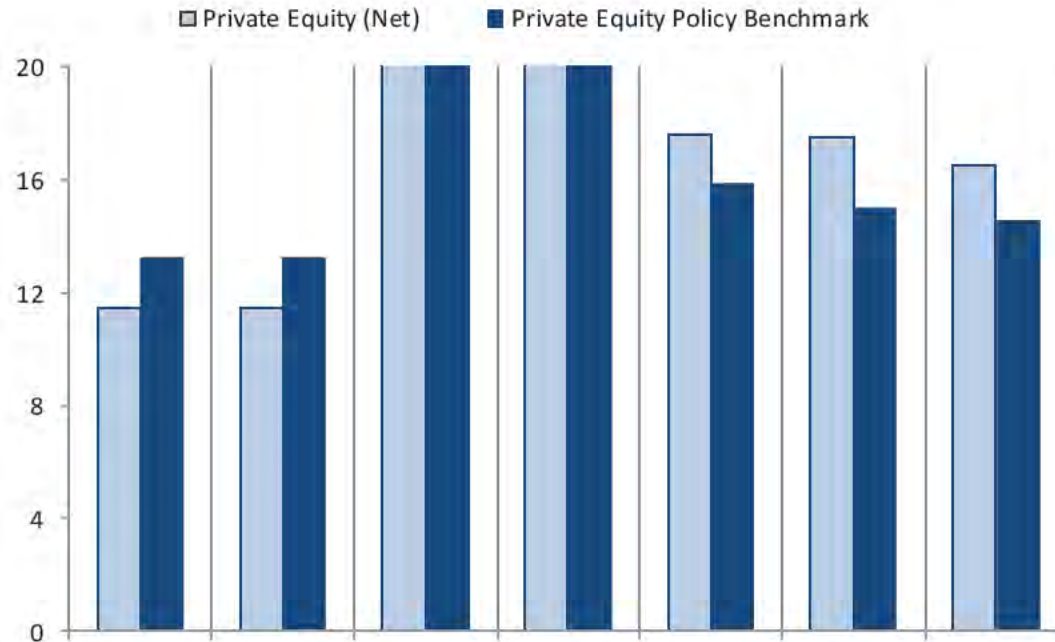
Quarter Ending: 03/31/2021

Global Private Equity Performance

Results as of: 03/31/2021

Current Benchmark:

Burgiss All Private Equity Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	11.83	11.83	36.01	26.08	19.23	19.15	18.20
Private Equity (Net)	11.46	11.46	34.69	24.53	17.62	17.57	16.55
Private Equity Policy Benchmark	13.26	13.26	35.89	23.79	15.89	15.00	14.60
Value Added (Net of Fee)	(1.80)	(1.80)	(1.20)	0.74	1.73	2.57	1.95

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Private Equity performance is reported one quarter in arrears.



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Public vs Private Equity - Performance (Net)

	3 Year	5 Year	10 Year
US Equity	16.34	16.24	13.34
Non-US Equity Developed Marke	8.02	10.93	7.11
Non-US Equity Emerging Market	10.43	14.60	4.55
Global Equity	12.44	13.99	9.93
Private Equity	17.62	17.57	16.55

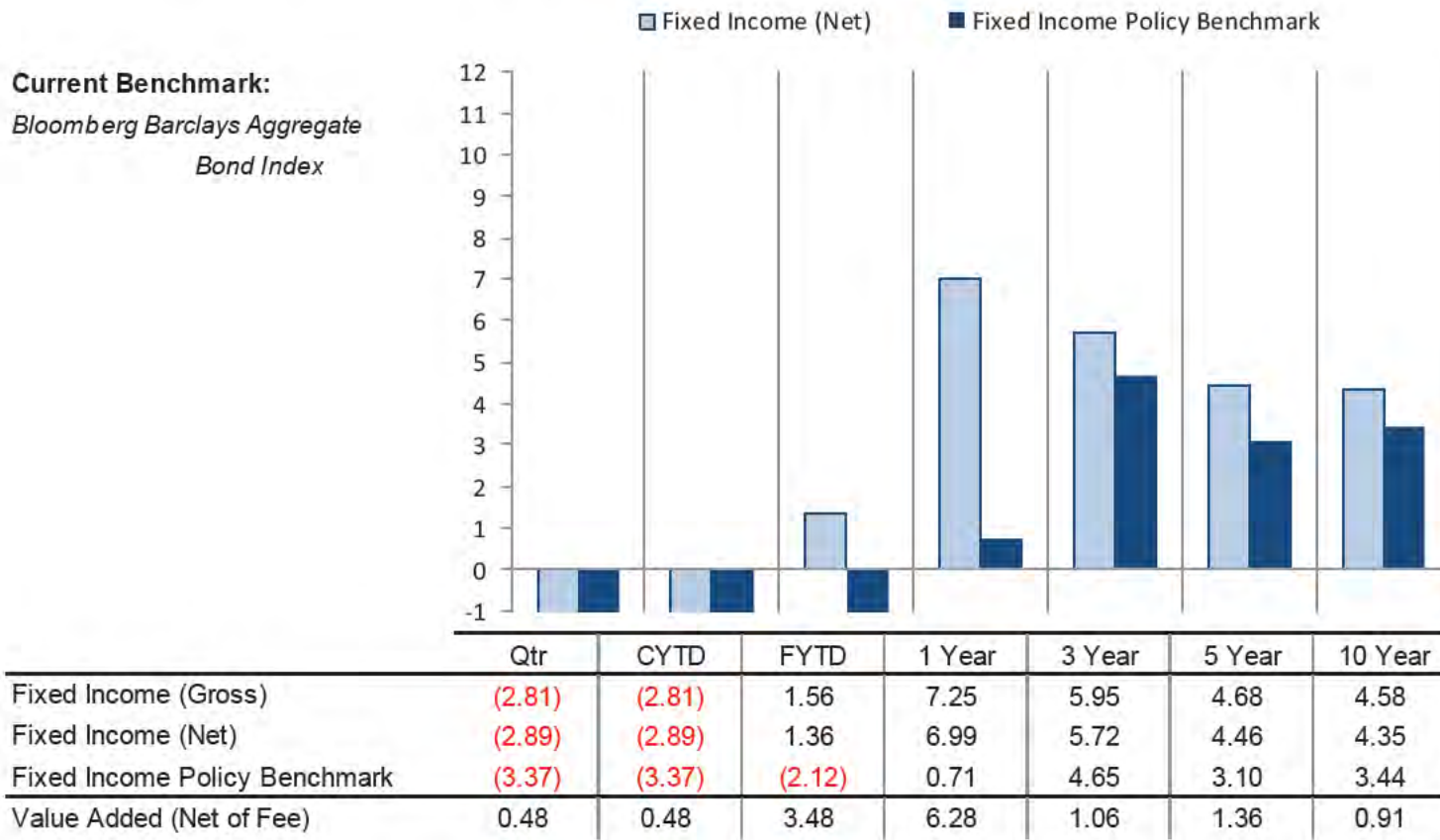
* Private Equity returns are lagged one quarter



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Global Fixed Income Performance



Source: BNY Mellon GRS



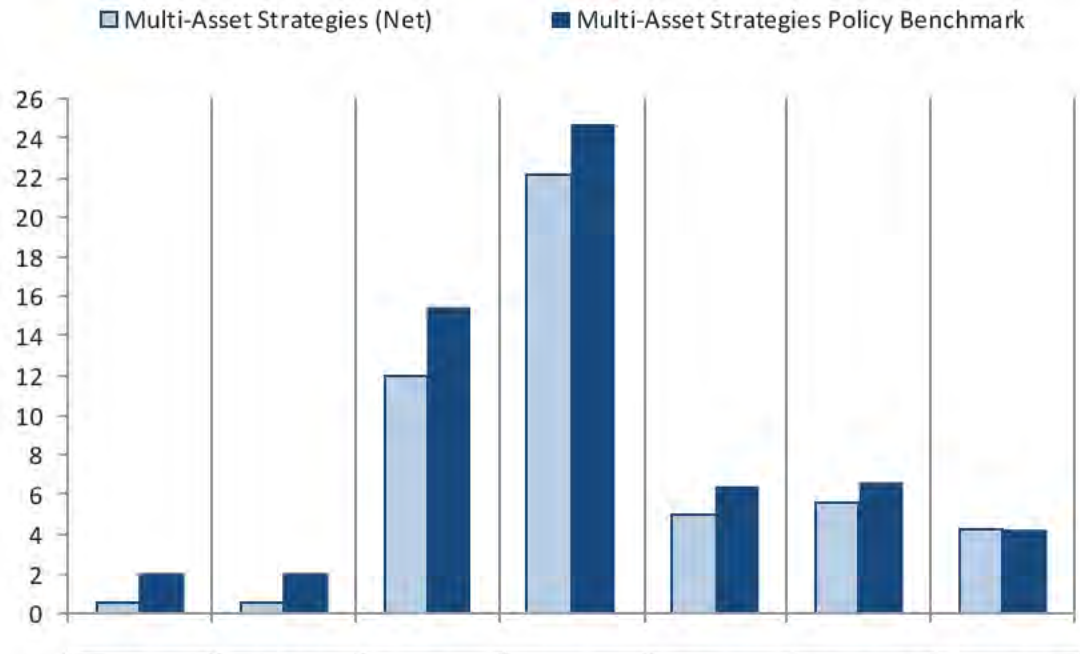
Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Multi-Asset Strategies Performance

Current Benchmark:

*HFRI Fund of Funds Composite
plus 1%*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Multi-Asset Strategies (Gross)	0.71	0.71	12.57	23.14	6.15	6.91	5.68
Multi-Asset Strategies (Net)	0.55	0.55	12.02	22.17	4.97	5.60	4.23
Multi-Asset Strategies Policy Benchmark			15.47	24.72	6.40	6.60	4.19
Value Added (Net of Fee)	(1.49)	(1.49)	(3.45)	(2.55)	(1.43)	(1.00)	0.04

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



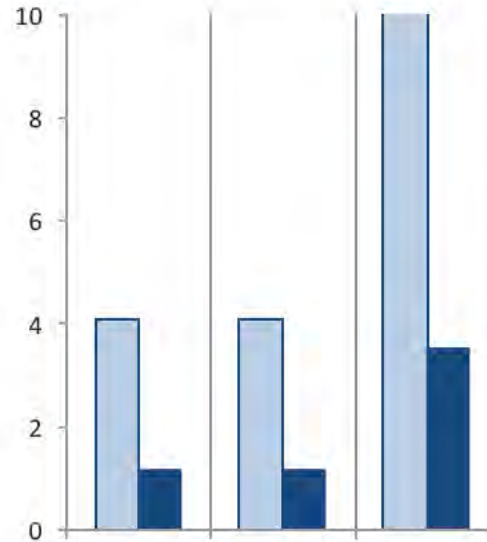
Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Global Private Credit

Current Benchmark:
3 Month LIBOR plus 4.5%

■ Global Private Credit (Net)
■ Global Private Credit Policy Benchmark



	Qtr	CYTD	FYTD
Global Private Credit (Gross)	4.60	4.60	13.34
Global Private Credit (Net)	4.09	4.09	12.16
Global Private Credit Policy Benchmark	1.16	1.16	3.56
Value Added (Net of Fee)	2.93	2.93	8.61

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



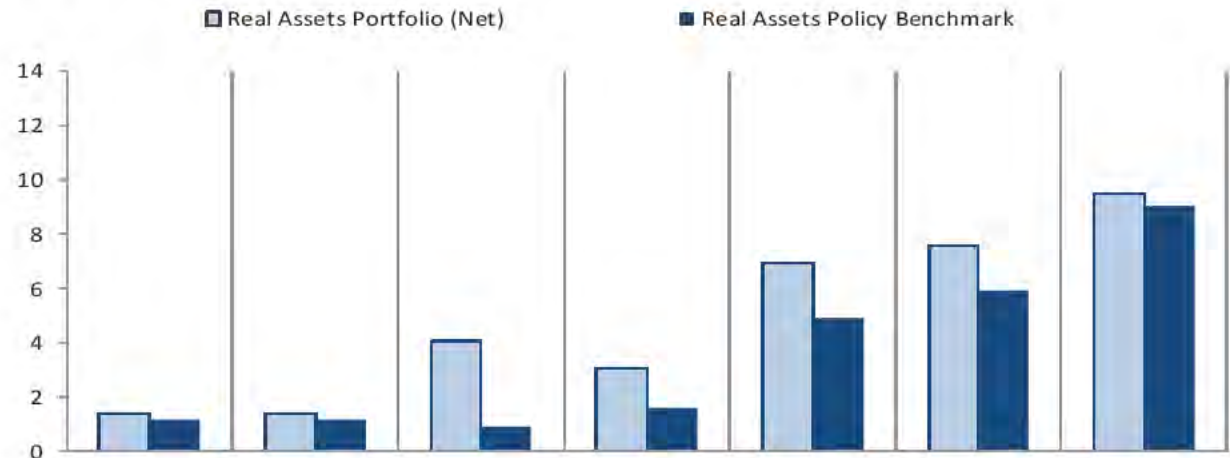
Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Global Real Assets Performance

Results as of: 03/31/2021

Current Benchmark:
NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	1.59	1.59	4.54	3.61	7.78	8.52	10.58
Real Assets Portfolio (Net)	1.38	1.38	4.08	3.09	6.90	7.53	9.47
Real Assets Policy Benchmark	1.15	1.15	0.88	1.60	4.89	5.91	9.00
Real Assets Value Added (NOF)	0.24	0.24	3.20	1.49	2.02	1.62	0.47
Real Assets Core (Net)	1.73	1.73	1.44	2.54	6.26	7.20	9.89
Real Assets Policy Benchmark	1.15	1.15	0.88	1.60	4.89	5.91	9.00
Real Assets Core Value Added (NOF)	0.58	0.58	0.56	0.94	1.37	1.29	0.89
Real Assets Non-Core (Net)	(0.25)	(0.25)	(0.15)	0.66	5.45	6.21	8.87
Real Assets Policy Benchmark	1.15	1.15	0.88	1.60	4.89	5.91	9.00
Real Assets Non-Core Value Added (NOF)	(1.40)	(1.40)	(1.03)	(0.94)	0.56	0.30	(0.13)
Real Assets Infrastructure (Net)	0.49	0.49	12.00	2.44	10.38	n/a	n/a
Real Assets Policy Benchmark	1.15	1.15	0.88	1.60	4.89	n/a	n/a
Real Assets Infrastructure Value Added (NOF)	(0.66)	(0.66)	11.12	0.84	5.49	n/a	n/a

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

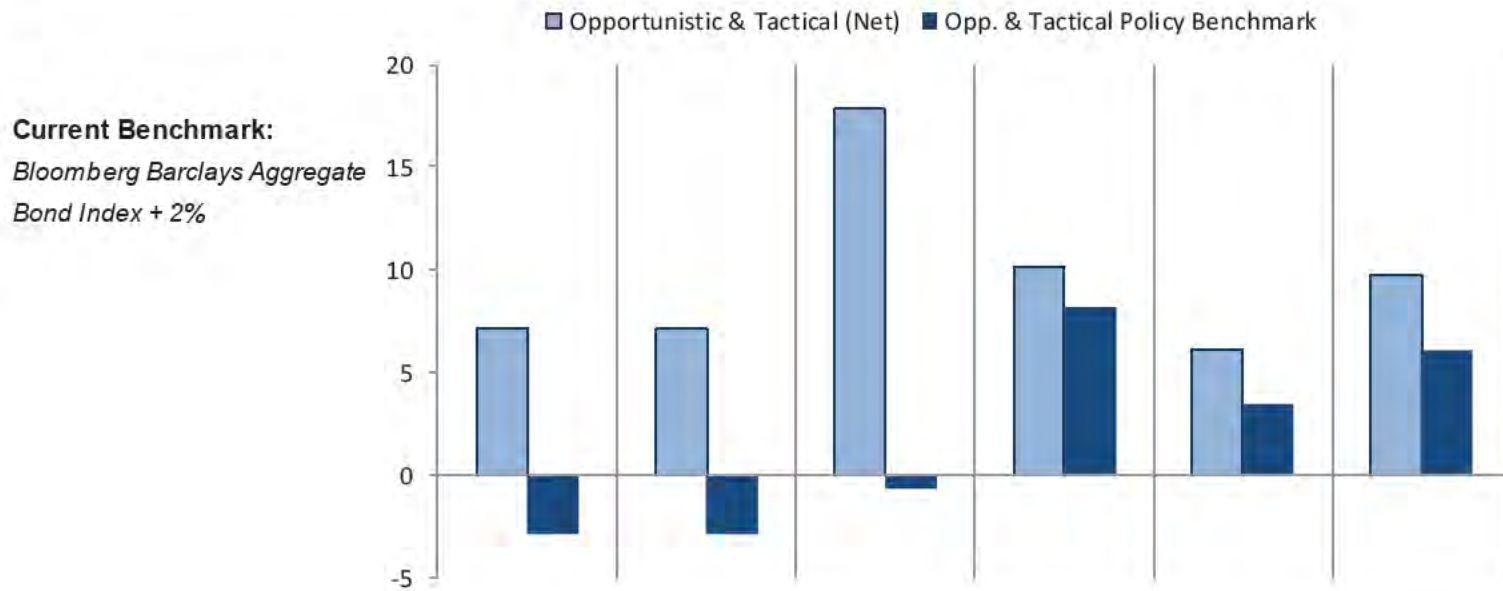
Global Real Assets performance is reported one quarter in arrears.



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Opportunistic & Tactical Performance



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year
Opportunistic & Tactical (Gross)	7.57	7.57	18.90	11.58	7.72	11.26
Opportunistic & Tactical (Net)	7.11	7.11	17.88	10.16	6.11	9.76
Opp. & Tactical Policy Benchmark	(2.85)	(2.85)	(0.63)	8.22	3.43	6.10
Value Added (Net of Fee)	9.96	9.96	18.51	1.94	2.68	3.66

Source: BNY Mellon GRS



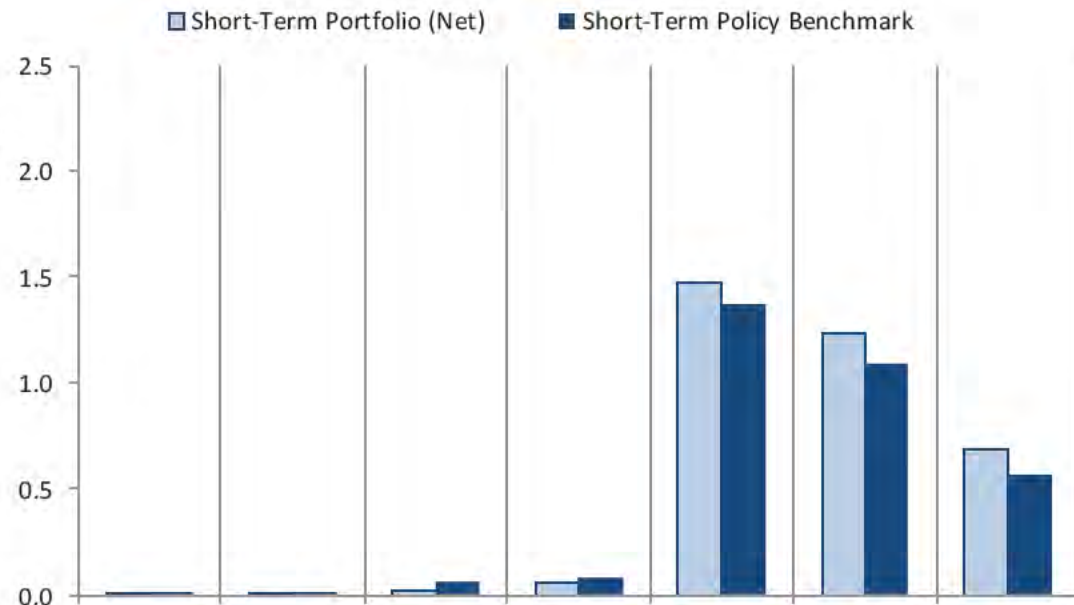
Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Short-Term Performance

Current Benchmark:

Citigroup 30 Day Treasury Bill Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.01	0.01	0.02	0.06	1.48	1.23	0.69
Short-Term Portfolio (Net)	0.01	0.01	0.02	0.06	1.48	1.23	0.69
Short-Term Policy Benchmark	0.01	0.01	0.06	0.08	1.37	1.09	0.56
Value Added (Net of Fee)	(0.01)	(0.01)	(0.04)	(0.02)	0.10	0.15	0.14

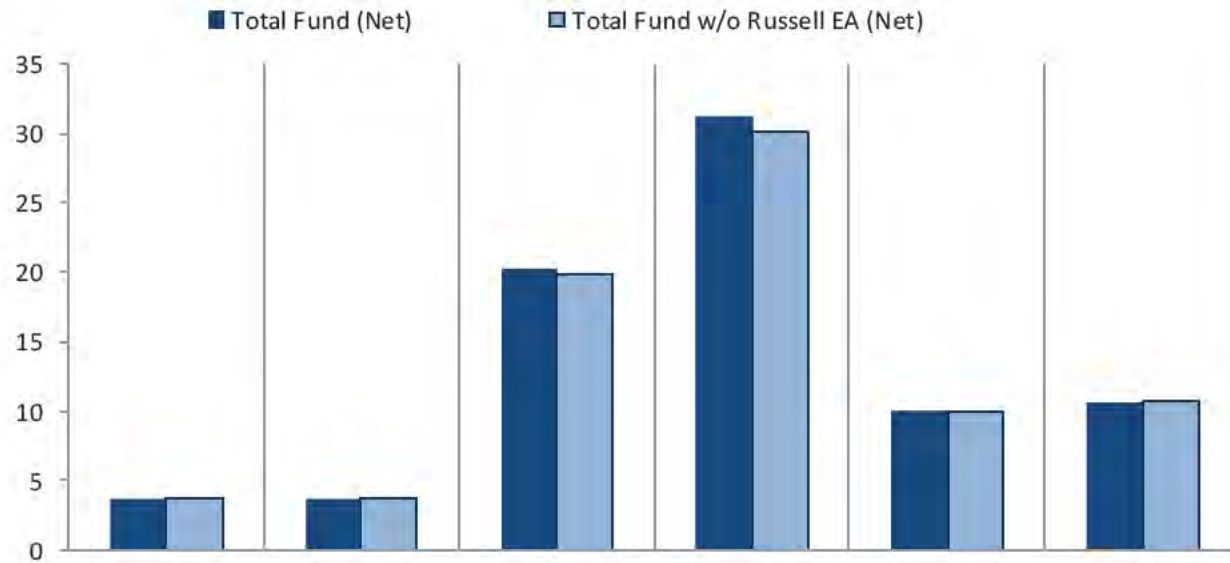
Source: BNY Mellon GRS



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Russell EA Overlay Performance



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	3.85	3.85	20.61	31.85	10.59	11.34
Total Fund w/o Russell EA (Gross)	3.83	3.83	20.23	30.63	10.52	11.28
Total Fund (Net)	3.71	3.71	20.17	31.21	9.94	10.66
Total Fund w/o Russell EA (Net)	3.69	3.69	19.81	30.02	9.89	10.61
Russell EA Overlay Impact (Net of Fee)	0.02	0.02	0.36	1.19	0.06	0.04

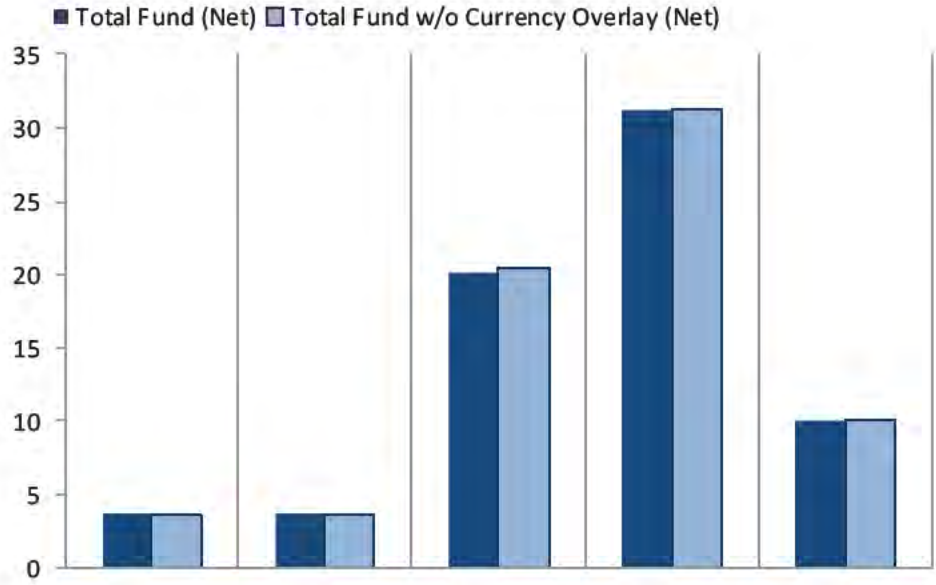
Source: BNY Mellon GRS



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Currency Overlay Performance



	Qtr	CYTD	FYTD	1 Year	3 Year
Total Fund (Gross)	3.85	3.85	20.61	31.85	10.59
Total Fund w/o Currency Overlay (Gross)	3.79	3.79	20.90	32.41	10.63
Total Fund (Net)	3.71	3.71	20.17	31.21	9.94
Total Fund w/o Currency Overlay (Net)	3.65	3.65	20.45	31.21	10.00
Currency Overlay Impact (Net of Fee)	0.06	0.06	(0.28)	0.00	(0.06)

Source: BNY Mellon GRS



Ohio SERS Investment Report

Quarter Ending: 03/31/2021

Proposed Investment Agenda – Next Meeting

Draft of FY2022 Annual Investment Plan (possible vote)
Investment Report (period ending April 30, 2021)



 **2022** | **ANNUAL INVESTMENT PLAN**
For the Year Ended June 30, 2022



School Employees Retirement System of Ohio
300 E. Broad St., Suite 100, Columbus, Ohio, 43215
Toll-Free 800-878-5853 | www.ohsers.org



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
ANNUAL INVESTMENT PLAN
For the year ended June 30, 2022

Prepared by SERS Investment Staff
300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
www.ohsers.org
Serving the People Who Serve Our Schools®

TABLE OF CONTENTS

Executive Summary	2
Global Economic Outlook	5
Portfolio Strategies	
Global Equities.....	8
Global Private Equity	12
Global Fixed Income	15
Private Credit	17
Global Real Assets	19
Cash Equivalents	21
Opportunistic & Tactical	22
Overlay Program.....	24
Investment Risk Management and Analytics	25
Investment Operations.....	27
Investment Implementation Guidelines	
Global Equities.....	29
Global Private Equity	32
Global Fixed Income	35
Private Credit	38
Global Real Assets	41
Cash Equivalents	44
Opportunistic and Tactical	46
Overlay Program.....	47
References	
Sources.....	50
Glossary.....	52

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Executive Summary

EXECUTIVE SUMMARY

The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer prepare and present to the Board for its approval an Annual Investment Plan (Plan). The following document outlines the recommended Plan for Fiscal Year (FY) 2022.

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, last year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2022. Implementation Guidelines for each asset class portfolio are included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits. **This Plan is meant to be a living document subject to adjustment during the year.** If circumstances change or opportunities arise during the year, items will be discussed with the Board which may lead to intra-year changes to the Plan or Strategy Statements.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The general objectives of the Investment Department for FY2021 were as follows:

- *Our major strategic goals remain unchanged. The focus will continue to be on value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.*

Changes made to the structure of the Fixed Income portfolio and increased allocations to credit and high yield, post-pandemic, in 2020 helped improve performance relative to the benchmark, and reverse underperformance in FY2020. For FYTD, March 2021 Fixed Income returns were positive compared to a negative return for the benchmark and exceeded the benchmark by 3.48%. Underweighting the Fixed Income allocation relative to policy target as interest rates rose from the March 2020 lows also contributed to excess returns at the Total Fund level. Overweighting Global Equities also contributed to excess returns relative to the Total Fund benchmark. For FYTD March 2021, the Total Fund net return was 20.17% which exceeded the benchmark by 2.33%.

- *Implement the new asset allocation framework and targets approved by the Board in FY2020.*

Staff has approved new commitments of \$650 million to Private Credit managers to ramp up the allocation to the interim target of 3% for this new asset class approved in FY2020. Currently, the Private Credit allocation has increased to 1.84% and is expected to move closer to the target as capital commitments are called and invested. MAS allocation has been reduced to 1.6% and will be further reduced to 0% by end of fiscal 2021 as approved in the new Asset Allocation plan. MAS managers with strong performance have been retained in the Fixed Income and Opportunistic asset classes and have contributed to performance in these portfolios. The US Equity and Non-US equity allocations, which was 50%/50%, was consolidated into a Global Exposure with allocation targets and ranges for US Equity, Non-US Developed markets, and Emerging Markets. This will provide a better alignment with current market weights of these segments in the Global Index and flexibility for staff to manage tactical allocations.

- *Conduct a search for a General Investment Consultant as the current agreement will expire June 30, 2021.*

The Board approved extending the existing General Investment Consultant's agreement for a five-year term through June 30, 2026.

- *Continue to research and invest in opportunities arising from the economic impact of the COVID-19 pandemic.*

Staff approved commitments to new stressed/distressed credit opportunities to take advantage of market dislocations due to the COVID-19 pandemic.

- *Explore and implement a leverage strategy of the Total Fund not exceeding 5% consistent with the Statement of Investment Policy and Leverage Policy.*

Staff did not believe it prudent to implement this strategy during the heightened market volatility in 2020 due to the COVID induced shut down. Since the upward trend in interest rates is expected to continue as the economy picks up, this strategy may be on hold until favorable conditions emerge.

- *Continue to develop and engage the Investment team.*

EXECUTIVE SUMMARY

Staff was able to function at a high level remotely since March 2020, with daily calls, strategy meetings and holding Investment Committee meetings to approve new transactions. Team function and cohesion appear to have been sustained through this period. Following the retirement of the Senior Investment Officer of Real Assets, a recruitment was conducted and a candidate selected to fill this role as of June 2021. Steve Price was promoted to Assistant Director since that role fell vacant with the aforesaid retirement.

FY2022 OBJECTIVES

- Our major strategic goals remain unchanged. The focus will continue to be on value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.
- Continue to implement the asset allocation framework and targets approved by the Board in FY2020, specifically, increase allocations to Private Credit, Private Equity and Real Assets on a selective basis.
- Research new strategies in renewable energy, infrastructure, and commodities and implement on a selective basis.
- Re-engage the investment team as they return to the office to maintain strong investment culture and team work.

CONCLUSION

Capital markets have rebounded from the lows of March 2020 and reached new heights helped by the massive federal stimulus, low rates, and economic activity picking up after successful roll out of vaccinations. When markets are richly valued prospective returns are diminished. As of March 31, 2021, SERS' Total Fund has net returns of 10.6% over five years and 8.6% over ten years exceeding the actuarial rate of 7.5%. Future returns will most likely be lower than these figures. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs.

Staff appreciates the support and guidance received from the Board in FY2021 and looks forward to working with the Board in FY2022 for another successful year.

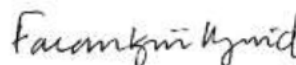
ACKNOWLEDGEMENTS

SERS is very fortunate to have an experienced and deep Investment Staff. The following individuals contributed to this report.

- Economic Outlook – Farouki Majeed and Hai Yen Le
- Global Equities – Judi Masri and Dustin Matthiessen
- Global Private Equity – Steve Price and Phil Sisson
- Global Fixed Income – Jason Naber
- Global Private Credit – Adam Messerschmitt
- Global Real Assets – Michael Browning
- Cash Equivalents & Securities Lending – Jason Naber
- Opportunistic and Tactical – Farouki Majeed, Phil Sisson, Michael Browning, Dustin Matthiessen and Adam Messerschmitt
- Overlay Program – Farouki Majeed, Jason Naber and Judi Masri
- Investment Risk Management and Analytics – Hai Yen Le and Michael Browning
- Investment Operations – Terri Martin and Katie Swank

We would appreciate the opportunity to review the Annual Investment Plan with you at the June 2021 Board meeting. If you have any questions or comments before then, please let me know.

Respectfully submitted,



Farouki A. Majeed
Chief Investment Officer



**Global Economic
Outlook**

GLOBAL ECONOMIC OUTLOOK

The global economy continues to recover from the severe recession caused by the COVID-19 pandemic in 2020. Although the world GDP shrank 3.3% and the US economy declined 3.5% in 2020, the economic recovery is gaining momentum in the US since Q3 2020. The global economic recovery has been aided by accommodative monetary policy of the Federal Reserve (Fed) and other central banks, as well as by massive fiscal stimulus in the US and other major economies.

In response to the pandemic induced recession, the Fed reduced rates to zero and injected liquidity by purchasing Treasury bonds and other securities. The Fed has continued its easy monetary policy to support the recovery. The US Government also stepped in with several fiscal stimulus packages totaling \$5 trillion as of March 2021 in order to protect payrolls, expand unemployment benefits and provide funds to small businesses, education, and public health entities impacted by COVID-19 measures. The US government has also effectively conducted the COVID-19 vaccination rollout. As of May 2, 2021, according to the CDC, 31.6% of the US population was fully vaccinated and 44.3% of the US population received at least one vaccine dose. The US economy recovered 33.4% in Q3 and 4.3% in Q4, 2020. The recovery accelerated again in 2021 with a growth rate of 6.4% in Q1, and an expected rate of 8.7% for Q2, according to the Blue Chip consensus. The US labor market has improved significantly since March 2020; the unemployment rate decreased from 14.7% in April 2020 to 6.0% in March 2021.

Equity markets bounced back from the lows and finished 2020 with gains. For 2020, US equity markets gained 20.89% and non-US equity markets returned 10.65%. The credit market has also significantly improved. Credit spreads have narrowed to a level lower than their historical averages. The yield curve has steepened significantly as the US 10-year yield increased from 0.6% in June 2020 to 1.74% in March 2021 while the short-term rate has remained close to 0%. US consumer sentiment improved from the lows to 84.9 in March 2021 but remained below its historical average. While fiscal spending undertaken by the US government fuels the short-run growth, it will lead to a spike in deficits and add to the already high level of US Federal debt, likely causing inflation acceleration and devaluation of the US dollar.

Economic forecasts from the Blue Chip Consensus (US) and the International Monetary Fund (IMF) are presented below:

US Economy:

The Blue Chip consensus expects the US economic recovery to accelerate further in the second half of 2021, and slow in 2022. Growth rates are expected to be 6.3% for 2021 and 4.3% for 2022.

According to the Blue Chip Economic forecasts, labor markets are expected to improve significantly in 2021 and 2022 as the unemployment rate is expected to decline to 5.4% in 2021 and continue to fall in 2022 to 4.2%, a level close to the natural unemployment rate (Table 1). Inflation is expected to increase to 2.5% in 2021 then decline to 2.2% in 2022. The yield on 10-year US Treasuries is expected to rise to 1.7% in 2021 and increase further to 2.0% in 2022. US corporations are expected to earn profits of \$14.2 trillion in 2021 and \$5.4 trillion in 2022.

Table 1

Period	Unemployment Rate	Inflation Rate CPI	T-Bill 3-Mo.	T-Note 10-Yr.	Corporate Profits (Cur. \$)
2017	4.3	2.1	0.9	2.3	4.5
2018	3.9	2.4	2.0	2.9	6.1
2019	3.7	1.8	2.1	2.1	0.3
2020	8.1	1.2	0.4	0.9	-6.6
2021 Consensus Forecast	5.4	2.5	0.1	1.7	14.2
2022 Consensus Forecast	4.2	2.2	0.2	2.0	5.4

Source: Blue Chip Economic Indicators, April 2021

GLOBAL ECONOMIC OUTLOOK

Global Economy:

The global GDP is projected by the IMF to recover strongly in 2021 with a growth rate of 6.0% (Table 2). For 2021, emerging and developing economies are expected to grow faster than advanced economies as the former's growth rate is expected at 6.7% while the latter's is expected at 5.1%. The US growth rate is projected to be 6.4%, significantly more favorable than 4.4% in the Euro-area. For 2022, global growth is expected to slow down yet remain at a healthy level of 4.4%. The US and Euro-area are expected to grow 3.5% and 3.6%, respectively. The emerging and developing economies are expected to maintain their growth advantage with a 5.1% growth rate.

Table 2

Annual GDP Growth	2020 (estimated)	2021 (projected)	2022 (projected)
World	-3.3	6.0	4.4
US	-3.5	6.4	3.5
Advanced Economies (including US)	-4.7	5.1	3.6
Emerging and Developing Economies	-2.2	6.7	5.0

Source: International Monetary Fund World Economic Outlook, April 2021



Portfolio Strategy

PORTFOLIO STRATEGY - Global Equities

INVESTMENT STRATEGY

SERS invests in equity securities to earn a premium over government treasury bonds, which is compensation for assuming the relatively higher risk inherent in public equity securities. Global equities add diversification, liquidity and inflation protection to the SERS portfolio.

SERS' Statement of Investment Policy sets the Global Equities target allocation as follows:

	Total Fund Target	Permissible Range
Global Equities	45%	35% - 55%

The performance objectives of the Global Equity portfolio are as follows:

- Global Equities: Exceed the return on the combined US Equity and Non-US Equity composite benchmark composed of 55% Russell 3000 Index, 30% MSCI World ex-USA Net Total Return Index (USD) and 15% MSCI Emerging Markets Net Total Return Index (USD), net of manager fees. The target excess return is 28 basis points over three-year rolling periods.
- US Equities: Exceed the return on the Russell 3000 Index, net of manager fees. The target excess return is 10 basis points over three-year rolling periods.
- Non-US Developed Market Equities: Exceed the return of the MSCI World ex-USA Net Total Return Index (USD), net of manager fees. The target excess return is 50 basis points over three-year rolling periods.
- Non-US Emerging Market Equities: Exceed the return of the MSCI Emerging Market Net Total Return Index (USD), net of manager fees. The target excess return is 50 basis points over three-year rolling periods.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Monitor the portfolio for possible performance enhancement given FY2020 portfolio changes of US active large cap terminations and Non-US equity active manager additions. Compare SERS active managers to peers and conduct any manager searches, if appropriate.*

After performing well last FY and into fall 2020, the US Equity portfolio began underperforming as small cap and value stocks soared in November 2020. US Equities underperformed by 1.86% FYTD through March 2021. This underperformance was caused by active managers in the large cap and small cap sectors. This was a difficult period for active management as the markets rallied strongly powered by the technology and growth sectors, which then shifted sharply to favor value stocks. Staff continues to review the portfolio structure and manager exposures particularly in large cap to improve performance. The index exposure in the large cap sector has continued to increase with corresponding reduction in active management. While the current year was negative for small cap performance, longer term the small cap composite has outperformed its benchmark.

The Non-US Equity Developed Market portfolio has outperformed by 5.29% FYTD through March 2021. Staff added a new 130/30 long/short strategy in November to enhance active performance. The two managers added in late 2019 have contributed to the excess performance. Finally, Non-US small cap growth managers are being reviewed for a possible addition to the portfolio.

The Non-US Equity Emerging Market portfolio has outperformed by 6.64% FYTD through March 2021. Due diligence is currently being conducted on a China A-Share strategy, which would be the first dedicated country specific strategy within the public market portfolio.

- *Ensure the global equity portfolio has appropriate risk and return characteristics given the current equity market decline and volatility pickup.*

Global Equity risk has declined so far this FY with a 0.98 active risk as of February 2021. The Emerging Market portfolio has the most risk, followed by Non-US Developed markets. This is due to a combination of riskier Non-US markets, currency fluctuations and utilizing more active management in Non-US markets. US equity risk is kept in check by employing mostly passive management. The US portfolio is 66.5% passive

PORTFOLIO STRATEGY - Global Equities

whereas Developed Equities are 31.2% passive and Emerging Markets are 100% active.

The US Equity portfolio's overall beta of 0.97 shows its defensive nature. SERS' US large cap active managers only have a beta of 0.81. This low active beta has been a big headwind in the market rally this year as for every \$1.00 in US Equity benchmark increase, our active managers only increase \$0.81. Staff has not redeemed from these defensive active managers as their valuations are cheap.

The Non-US Equity Developed portfolio has a beta of 1.0 and the Non-US Equity Emerging Market portfolio has a beta of 1.03. Both of these portfolios have performed well in the current up-trending market.

- *Regularly evaluate and rebalance the Global Equity Portfolio to ensure that country exposure, management mix, capitalization weight, and style orientation are appropriate and make recommendations as necessary.*

In US Equities, large-cap growth equities worked well until November when small-cap value equities became favored. Staff redeemed \$95 million from growth equities while contributing \$85 million to value equities during the first quarter of 2021 to move the portfolio away from its growth bias. The US equity portfolio growth tilt lowered from 6.57% in December 2020 down to 1.22% overweight in March 2021 on a mandate level due to these portfolio changes.

In Non-US Equity Developed Markets, \$25 million was added to growth equities in July. Similar to US Equities, the growth factor performed well until November. Staff redeemed \$60 million in growth equities in 2021 so far while adding \$55 million to value equities. Hence, value equities increased by 2.5% in our Developed Market large cap portfolio due to contributions directed by Staff.

In Non-US Equity Emerging Markets, \$100 million was added during the first seven months of the FY while emerging market returns rose. Emerging returns fell 1.5% in March, so Staff redeemed \$75 million in early April.

- *Review IMAs and Investment Guidelines on the review schedule and make necessary adjustments as needed.*

One US equity and one Non-US emerging market manager IMA were fully renegotiated during the current fiscal year.

CURRENT MARKET CONDITIONS AND OUTLOOK

Cumulative Periods through March 31, 2021	Annualized Returns (in percent)				
	FYTD	1 Year	3 Year	5 Year	10 Year
Russell - 3000 Index	33.19	62.53	17.12	16.64	13.79
Russell - 3000 Growth Index	28.38	64.31	22.39	20.88	16.35
Russell - 3000 Value Index	38.26	58.38	10.99	11.87	10.91
Russell - 1000 Index	31.82	60.59	17.31	16.66	13.97
Russell - 2000 Index	55.36	94.85	14.76	16.35	11.68
MSCI - AC World Index (\$Net)	29.68	54.60	12.05	13.21	9.14
MSCI - AC World Ex-USA Index (\$Net)	28.67	49.41	6.51	9.76	4.93
MSCI - World Ex USA Index (\$Net)	26.46	45.86	6.34	8.92	5.21
MSCI - Emerging Markets Index (\$Net)	34.13	58.39	6.48	12.07	3.65

Source: Wilshire Compass

Fiscal years begin July 1 and end on June 30

Global equity markets experienced strong returns since the March 2020 market decline prompted by the coronavirus-related economic shutdown. Developed market governments, led by the US, implemented quick fiscal stimulus that sent markets rallying. Global markets continued to rise through March 31, 2021. The US market is the top performer amongst world equities again for the last year, keeping its lead over all time periods. However, the US market leadership gap has closed significantly. In fact, Non-US Developed and Emerging

PORTFOLIO STRATEGY - Global Equities

markets posted higher returns during the last quarter of 2020 than the US. With US Democrats in full power and the US suffering from COVID-19 resurgence over winter, a new government stimulus bill was passed, which sent US markets to all-time highs. A more detailed summary of the FYTD follows for US and Non-US markets.

Strong US market returns were helped by broad government stimulus passed to offset COVID-19 pandemic effects. Large-cap growth equities, led by technology, topped the market through early Fall 2020 just like most of the last decade. With COVID-19 vaccine announcements in November 2020, US small-cap value equities posted the strongest returns. As markets saw the end of COVID nearing, interest rates also began climbing. Rising interest rates hurt technology stocks and helped bank and value cyclical stocks. This led to value beating growth FYTD by almost 10% and US small cap, represented by the Russell 2000 Index, beating large capitalization stocks by 23.5%. Consumer discretionary and energy were the top two performing sectors in the US over the last year with a 96.88% and 82.89% return, respectively.

Non-US Equity Developed Markets posted a 26.46% return FYTD, but longer-term returns are only in the mid-single digits. Helped by currency effects and a resurgence of value equities, Developed Markets posted a 15.85% return for the 4th quarter of 2020 outperforming the US by 1.17%. Consumer discretionary and materials were the top two performing sectors in Developed Markets ex US over the last year with a 69.42% and 68.84% return, respectively.

Non-US Equity Emerging Markets posted a 34.13% return FYTD, topping both US and Developed Market equity returns. Emerging markets still significantly trail US equity over three-, five- and ten-year periods. Asian emerging markets, which controlled COVID-19 well, performed the best FYTD. Top performers were Taiwan with a 90.70% gross return and South Korea with a 90.56% gross return. China A-Shares returned 49.92% FYTD.

The global equity market outlook is positive as vaccine measures are initiated around the globe, allowing recoveries from lock-down. The IMF expects Global GDP to grow 6% this year while US GDP is expected to grow 6.4% in 2021. US companies are expected to post near 20% earnings increases from a very low base last year due to COVID-19. Spurred by low rates from global monetary and fiscal stimulus, investors have turned to equities for return. First quarter 2021 had a record global equity inflow of \$334 billion, easily beating the previous high of \$142 billion in the first quarter of 2013. Markets could decline as global valuations are stretched or if vaccines do not curb COVID-19, but positives outweigh the negatives in 2021 for equities.

PORTFOLIO STRUCTURE

At the end of March, Global Equity was overweight the 45% target allocation by 4.84% as follows:

- The US portfolio was 3.02% underweight relative to its 55% Global Equity target allocation,
- The Non-US Developed Market portfolio was overweight by 1.83% relative to its 30% Global Equity target allocation and
- The Non-US Emerging portfolio was overweight by 1.19% relative to its 15% Global Equity target allocation.

Global Equities will likely remain overweight for the next FY as equities are expected to outperform fixed income and cash. Redemptions will occur for pension benefits and for alternative capital calls as these asset classes ramp up allocations. FYTD, \$295 million in Global Equity redemptions have occurred.

Even though \$140 million was contributed to value equity mandates during the first quarter of 2021, Global Equities still has a growth style bias. Staff plans to add to value equity exposures gradually if value continues outperforming. We also remain overweight to small capitalization stocks, which is expected to continue as small caps are outperforming. The US portfolio is currently 66.5% passively allocated, which is expected to gradually increase through the next FY if active management continues to underperform passive. In Non-US, we are 31.23% passive in Developed markets and 100% active in Emerging markets as active management is more successful in Non-US Equities.

FY2022 OBJECTIVES

Staff will focus on the following objectives during FY2022:

PORTFOLIO STRATEGY - Global Equities

- Monitor the portfolio for possible performance enhancement. Compare SERS active managers to peers and conduct any manager searches, if appropriate.
- Complete the Non-US Equity Developed Market Small Cap and Emerging Market Dedicated China A-Share searches. Research and identify other new and innovative investment opportunities with managers who offer compelling return expectations.
- Ensure the global equity portfolio has appropriate risk and return characteristics given the continued Global Equity rally.
- Regularly evaluate and rebalance the Global Equity Portfolio to ensure that country exposure, management mix, capitalization weight, and style orientation are appropriate and make recommendations as necessary.
- Review IMAs and Investment Guidelines on the review schedule and make necessary adjustments as needed.

PORTFOLIO STRATEGY – Global Private Equity

INVESTMENT STRATEGY

SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

SERS' Statement of Investment Policy sets the Private Equity target allocation as follows:

	Target	Permissible Range
Global Private Equity	12%	8% - 16%

The performance objective for private equity is to provide returns in excess of the Burgiss All Private Equity Benchmark.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Manage the private equity portfolio and fiscal year commitments to reflect the increased investment allocation of 12% of the Total Fund. Seeking to achieve a target of 11% of the Total Fund by the end of fiscal year 2021 and 12% by the end of fiscal year 2022, subject to identifying opportunities that meet SERS' investment criteria.*

Staff has been actively working toward this goal and to date nearly \$200 million has been committed to four private equity opportunities. Staff is continuing due diligence on a fifth opportunity and anticipates bringing a recommendation before the Investment Committee in May 2021. Should this fifth investment opportunity be approved, total private equity commitments will increase to \$250 million for the fiscal year. \$250 million is on the upper limit of the typical private equity annual pacing of \$150 million to \$250 million per fiscal year.

- *Review the private equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.*

To date three commitments have been made to private equity funds with an average management fee of 2%. Additionally, one commitment has been made to a co-investment that has no management fees or carried interest. Together the average management fees on all approved commitments is 1.5%. These private equity commitments are diversified by investment strategy, sector focus and geography.

- *Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the private equity co-investment guidelines.*

Staff reviewed several co-investment opportunities throughout the fiscal year. One opportunity met SERS criteria and was funded in January 2021. The private equity portfolio has a total of five co-investments totaling approximately \$54 million. The co-investments are in various stages of their life cycle and are generating an IRR of 21% and a 1.7x multiple of invested capital.

- *Research and identify new managers who offer compelling opportunities and return expectations that may replace current managers who no longer meet SERS' investment criteria.*

Staff reviewed over 100 investment offerings during the fiscal year 2021. One opportunity met the investment criteria and SERS committed \$50 million to this new manager in December 2020.

PORTFOLIO COMPOSITION

	Commitments as of March 31, 2021	Target Range
Buyout	83%	75%
Venture Capital	2%	0%
Special Situations	15%	25%
Domestic	75%	75%
International	25%	25%

PORTFOLIO STRATEGY – Global Private Equity

CURRENT MARKET CONDITIONS AND OUTLOOK

Despite an economic slowdown triggered by a global pandemic, private equity emerged from 2020 relatively unscathed. Private equity investment activity fell sharply in April and May, however, the environment changed dramatically in the second half of the year as market conditions improved and private equity investors put large amounts of capital to work. The resulting annual totals for private equity demonstrate that firms continued to invest, exit companies, raise capital and generate solid returns while at the same time navigating the challenges of a high valuation environment that has raised the bar for investors looking to create value. Fund-raising totals may be the only indicator that point to the underlying volatility present in the industry throughout the year. Although returns are still attractive, they continue to come under pressure as the industry matures and competition intensifies. Taking a closer look at the data we see that after falling off in the first half of the year, the private equity industry raced to the finish line completing over \$590 billion in transactions in 2020. Overall, the year observed an 8% increase in transactions from the prior year. Highlighting the level of the second half of the year activity, \$410 billion of the \$590 billion total was completed in the third and fourth quarters. Nevertheless, the total volume of deals completed fell to approximately 3,100 in 2020 representing a 24% decrease from the 4,100 transactions completed in 2019. The rise in dollar volume combined with the decrease in transactions highlights the ever increasing transactions sizes in the marketplace with the average deal size coming in at approximately \$776 million. This is also reflective of another growing trend in the marketplace that has larger firms seeking out bigger transactions so that they can move the needle in their large and mega sized funds. The increase in deal flow is a direct result of the abundance of low-cost debt financing and the estimated \$2.9 trillion of dry powder available across all fund types and all geographies at the end of 2020. The intense competition for assets has led to growth in purchase price multiples and made it very difficult for private equity firms to find and purchase companies. Purchase price multiples have risen from 8.5 times earnings in 2010 to an average of 11.5 times earnings in 2020. Nevertheless, the same factors that complicated deal making paved the way for an excellent exit market for private equity funds in 2020. Exit activity in 2020 followed a similar pattern as many sellers sat on the sidelines in the first half of the year and then picked up their activity levels in the second half. The result was that just over 1,000 exits were completed in 2020 for a total value of \$427 billion. This was on balance with 2019 and in line with the five-year average. The first half of the year slowdown in activity also affected the fundraising market as private equity funds raised a total of \$989 billion in 2020, down from a record high \$1.1 trillion in 2019. Buyout funds once again led the way closing on over \$300 billion of new commitments, however, this total was aided by the number of large and mega buyout funds raised during the year. The level of investment activity at increased purchase valuations and steady uplift in dry powder once again underscores the importance of identifying and backing high quality private equity managers that remain disciplined in their process, due diligence and selection criteria throughout investment cycles.

Nonetheless, as illustrated in the below table, private equity continues to generate solid performance over all periods.

Annualized Returns (in percent) for Periods Ended March 31, 2021				
Fund Type	1-Year	3-Years	5-Years	10-Years
SERS Private Equity	24.53	17.62	17.57	16.55
Burgiss Benchmark	23.79	15.89	15.00	14.60

Source: Burgiss All Private Equity Index

After successfully navigating the events of 2020, the outlook for private equity in 2021 is positive. In the near term, the industry could be influenced by a wide range of factors that may include the economic effects of exiting a global pandemic, increased valuations, and global trade implications. Although it is too early to tell what impact these issues may have on the private equity market. In general, it is expected that fundraising and exit activity will accelerate in 2021 as sellers seek to take advantage of increased valuations and investor appetite for private equity continues to rise. As mentioned earlier, the increased price expectations for sellers has resulted in the average private equity firm paying a higher price to acquire new portfolio companies. However, private equity firms with finely tuned strategies and repeatable value-creation models will prosper. Top quartile private equity managers find ways to overcome problems, generate returns for their limited partners and earn the capability to raise additional funds.

With this in mind, the outlook for the SERS private equity portfolio is favorable. Current market conditions reflect positively on the style of investing employed by the general partners that make up the core of the SERS private

PORTFOLIO STRATEGY – Global Private Equity

equity portfolio. Quality investments can be identified in the current market; however, finding these companies requires patience, discipline and the ability to fully understand the operations of the target company. The full impact of the pandemic on private equity still remains to be seen. However, navigating through the pandemic required firms to pay close attention to portfolio operations and in some cases reassess their approach to value creation. Top private equity firms understand and displayed their ability to create and maintain value in portfolio companies under difficult conditions in 2020, generating an opportunity for investors to more easily separate the top private equity firms from the rest of the pack. SERS' private equity portfolio is comprised primarily of general partners who have demonstrated their ability to identify, create value and exit companies in all market environments. In an effort to ensure the portfolio is properly positioned for future uncertainty, our goals for the fiscal year include: continuing to identify and invest with operationally focused managers who primarily target the middle market and avoid the competition in the large and mega space; increasing exposure to attractive investments that meet our criteria and offer lower costs through co-investments; and ensuring that we stay on top of market trends and opportunities by continuing to research and seek out managers offering investment strategies that deliver private equity like returns with differentiated and unique strategies. Additionally, as the Total Fund moves into what many believe will be a low return environment, we will seek to increase the allocation level of private equity to its new target of 12% in an effort to obtain the benefit of this higher returning asset class to the Total Fund level. This will however take time as private equity is a long-term asset class where manager selection is critical and additional capital takes more time to deploy.

FY2022 OBJECTIVES

Staff will focus on the following objectives during FY2022:

- Manage the private equity portfolio and fiscal year commitments to reflect the increased investment allocation of 12% of the Total Fund by the end of fiscal year 2022, subject to identifying opportunities that meet SERS' investment criteria.
- Review the private equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the private equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the private equity portfolio. Current areas of interest under consideration include China and Asia focused private equity, niche venture capital, GP led secondaries and investments managed by emerging and minority managers.

PORTFOLIO STRATEGY - Global Fixed Income

INVESTMENT STRATEGY

SERS invests in fixed income assets for the primary purpose of risk diversification and decreasing the overall risk of the investment plan. Fixed income assets may include sovereign debt securities, global corporates, securitized securities, private placements, convertibles, derivatives and currency.

SERS' Statement of Investment Policy sets the Fixed Income target allocation as follows:

	Target	Permissible Range
Global Fixed Income	19%	12% – 26%

The performance objective for the fixed income portfolio is to exceed the Bloomberg Barclays Capital US Aggregate Bond Index, net of manager fees, by 50 basis points over rolling three-year periods.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Implement the new fixed income guidelines pertaining to the new Tactical and Diversifying sector ensuring the selected strategies are optimally weighted relative to the expected risk and return objectives.*

The Tactical and Diversifying sector was funded in July 2020 and currently holds three fixed income-oriented alternative strategies, two COVID-related opportunistic strategies as well as the emerging market debt and opportunistic high yield mandates. The sector's weight was 15% of the Fixed Income portfolio at the end of March. The sector has been a strong contributor to portfolio FYTD performance while also bringing down absolute portfolio risk through diversification.

- *Ensure the Fixed Income portfolio has appropriate risk and return characteristics given the new Tactical and Diversifying sector manager changes and expected negative economic impacts from coronavirus.*

Since implementation at the beginning of the fiscal year, the Tactical and Diversifying sector has significantly improved the return/risk and the information ratios of the Fixed Income portfolio. The quick recovery in asset prices post the 2020 lockdown has been a strong tailwind for these out-of-benchmark exposures. Overall, Staff continues to closely monitor the portfolio risk and return and expects to reduce exposure to the Tactical and Diversifying sectors as markets continue to recover in 2021.

- *Review IMAs and Investment Guidelines to make necessary adjustments.*

One amendment was made to a side letter agreement for a Tactical and Diversifying strategy. Additionally, in 2020 JPM began including China in the GBI-EM benchmark and Staff opened a new China account allowing the portfolio to trade Chinese bonds in the emerging market debt strategy.

CURRENT MARKET CONDITIONS AND OUTLOOK

The Bloomberg Barclays Capital US Aggregate Bond Index returned -2.12% for FY2021 through March 2021. The negative performance has been primarily driven by US Treasuries (UST), which was the poorest performing sector with a return of -4.88%. Negative performance in UST has been driven by rising interest rates and inflation expectations as the US economy continues to reopen in 2021. The benchmark 10-year US Treasury yield has risen from 0.65% in July 2020 to 1.74% at the end of March and is expected to be around 2.0% by the end of 2021. While high yield and emerging market debt were hit hardest in FY2020, they have seen the strongest FY2021 returns at 12.29% and 3.25%, respectively. High yield spreads have recovered to pre-pandemic lows and emerging markets stand to benefit from a weaker dollar and continued vaccine rollout in the second half of 2021. Investment grade corporates recovered quickly after March 2020 and returned 9.89% by December 31, 2021, but have since given back some of those gains with a fiscal year-to-date return of -0.23%. Residential mortgages returned -0.75% during the same period.

We have entered a period of positive macro data momentum as encouraging vaccine rollout allows for a meaningful pickup in growth in the second half of 2021. However, there are still large output and labor market gaps and limited prospects of seeing interest rate hikes in the coming year. With the exception of COVID-related

PORTFOLIO STRATEGY - Global Fixed Income

sectors like airlines, hotels, and leisure, credit spreads have normalized and returned to pre-pandemic levels and default rates are expected to continue falling while recovery rates rise throughout 2021. Returns in fixed income are expected to be low to negative over the next several years due to a rising rate environment and slow long-term growth.

PORTFOLIO STRUCTURE

The fixed income portfolio is currently weighted 43% core, 42% core plus and 15% to Tactical and Diversifying strategies. The portfolio continues to be underweight government assets and overweight credit sectors to earn more yield than the benchmark. Fixed income strategies that produce more income historically produce more return over the long-term, but short-term performance usually suffers as risk elevates and US Treasuries are favored as safe-haven assets. Given market expectations of rising interest rates, the portfolio has a short duration position.

Several new strategies were introduced to the portfolio at the beginning of the fiscal year when long/short credit, emerging market macro and fixed income arbitrage strategies were transferred from the MAS portfolio. Additionally, the portfolio made allocations to two opportunistic drawdown strategies, one focused on structured credit and the other corporate and emerging market debt. Along with the existing emerging market debt and opportunistic high yield strategies, these exposures constitute the Tactical and Diversifying sector that was created at the beginning of the fiscal year. This sector has had the desired effect of increasing performance and diversifying the sources of portfolio return relative to the Bloomberg Barclays US Aggregate Index. Staff will continue to monitor both markets and valuations and expects to be selectively overweight to certain fixed income sectors in fiscal year 2022.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- Ensure the fixed income portfolio has appropriate risk and return characteristics given credit spreads have already recovered to pre-pandemic levels and interest rates are expected to continue rising.
- Tactically manage the allocations to core, core plus and Tactical and Diversifying sectors to enhance risk and return. Continue to research other potential new and innovative investment opportunities.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

PORTFOLIO STRATEGY – Global Private Credit

INVESTMENT STRATEGY

SERS invests in private credit to provide risk adjusted returns in excess of those offered by publicly traded fixed income securities and to generate a consistent stream of income.

SERS' Statement of Investment Policy sets the Global Private Credit target allocation as follows:

	Target	Permissible Range
Global Private Credit	3%	1% - 7%

The target allocation for Global Private Credit during the ramp-up period is set at 3% with a range of 1% - 7% for fiscal year 2022 and will increase to the policy target allocation of 5% with a range of 3% - 7% for fiscal year 2023.. The performance objective for global private credit is to produce net of fee returns in excess of the 3-month LIBOR + 4.5%.

In 2017, the Alternative Reference Rates Committee selected the Secured Overnight Financing Rate (SOFR) as the rate to replace USD LIBOR. It is expected that after December 31, 2021, market participants will no longer utilize the USD LIBOR as the reference rate in loan documentation. In addition, it is expected that the USD LIBOR tenors will no longer be published after June 30, 2023. Staff is monitoring the transition and may need to change the Global Private Credit benchmark from the 3-month LIBOR to the replacement benchmark, which is expected to be a form of the SOFR, at some point during the fiscal year. Once it is determined that a benchmark replacement is required due to the discontinuation of LIBOR, Staff will notify the Board that a change is needed.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Increase the private credit allocation toward 5% of the Total Fund by making new investments that fit the SERS' investment policy. Target an allocation to private credit of 3% of the Total Fund by the end of fiscal year 2021 and 5% of the Total Fund by the end of fiscal year 2022, subject to identifying opportunities that fit SERS' investment criteria.*

Staff has made progress toward the fiscal year 2021 interim target allocation of 3%. To date, Staff has executed \$683 million in new capital commitments and total unfunded capital commitments has increased to \$870 million. An additional \$400 million in new capital commitments has been approved by the Investment Committee but are pending the execution of legal documents. If the full amount of capital commitments is executed, the total amount of unfunded capital commitments will increase to nearly \$1.3 billion. While Staff has made substantial progress toward ramping the portfolio, it will take time for the capital commitments to be called by the funds since most private credit managers draw investor capital evenly over a three or four-year period. Staff expects the ramp-up period to be longer than anticipated due to the time it takes for investor capital to be called in comparison to the original two-year ramp-up period for the portfolio. Therefore, Staff will extend the interim target allocation of 3% to the end of fiscal year 2022 and will increase the target allocation to 5% in fiscal year 2023. Staff continues to review investment opportunities that can be implemented within the private credit portfolio to reach the 5% target allocation.

- *Build the private credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the new target allocation.*

Staff has executed \$583 million in capital commitments to investments that fall within the Direct Lending subasset class in order to bring that portion of the private credit portfolio closer to its target of 80%. The pending deals in the pipeline also fit within the Direct Lending subasset class. As the portfolio is ramped toward the target allocation and capital is called in the coming years, the subasset classes will fall within the ranges stated in the implementation guidelines. In addition, Staff has executed investments that are diversified across industries, geographies, and contain various types of private credit instruments. Most of the new investments have been made within the Direct Lending subasset class, which is primarily comprised of investments that are senior in the capital structure of a company, contain a contractual income component, are structured with robust covenants to protect investors, and have priority over a company's

PORTFOLIO STRATEGY – Global Private Credit

cash flows or other assets in the event of a default. In addition, Staff has primarily invested in fund vehicles that do not have fund level leverage to further control risk within the private credit portfolio.

- *Make new investments that serve a primary purpose of the private credit allocation to generate consistent income for the Total Fund.*

All of the investments that have been executed or considered for the private credit portfolio include an income component, which is expected to comprise the largest part of the investment return. Most of the underlying investments within private credit funds include a contractual cash payment that is distributed to investors in the form of income on a quarterly basis. Staff also executed the first private credit co-investment, which includes a contractual cash income payment that SERS will receive.

CURRENT MARKET CONDITIONS AND OUTLOOK

The private credit market continued to grow in 2020 and reached \$887 billion in assets under management as of June 2020. A total of \$110 billion was raised within private credit funds during 2020, which was a decrease from \$152 billion in 2019 and the first year-over-year decrease in capital raised since 2016. Similarly, the number of funds raising capital also decreased from 189 to 111 during 2020. Direct lending fundraising decreased the most out of the private credit strategies primarily due to the slowdown in private equity activity, while distressed and special situations strategies increased in size given the opportunity set brought about by the global pandemic. Private credit funds experienced markdowns early in 2020 in reaction to the volatility displayed in the public markets in anticipation of potential distress. However, as governments deployed stimulus into the economy and the economic outlook improved, valuations of private credit assets began to increase back toward par value. The tumultuous environment of 2020 tested the ability of private credit managers to navigate through a period of great uncertainty, but also provided a robust pipeline of lending opportunities. Despite the challenges that direct lending managers and their portfolio companies faced, the strategy continued to provide investors with an attractive yield close to 9%, which reflects a strong premium over the US High Yield market of 4.2% and the US 10-year Treasury of 0.9%. During the height of the market disruption brought about by the global pandemic, global leveraged loan yields quickly increased to 13.1% and lending within the syndicated bank loan market slowed, providing an opportunity for private credit managers to fill a lending void. Consequently, there was an increase in competition amongst private credit managers for larger deals valued at above \$1 billion, leading to larger fund raises that could deploy capital in that part of the market. Given the influx of debt financing needs, many private credit managers experienced an increase in spreads, tighter loan covenants, and equity cushions, creating a more lender-friendly environment.

The outlook for the private credit market is positive with considerable growth expected through 2025. The low interest rate environment is expected to persist in the coming years and investors are hunting for higher yielding investments that private credit funds can offer. Historically, the US private credit market has been the focal point for fundraising activity, but other markets like Europe and Asia continue to increase in size. The impacts from the global pandemic are expected to be felt by middle market companies for some time, which will continue to provide lending opportunities for private credit managers.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- Increase the private credit allocation toward 3% of the Total Fund by making new investments that fit the SERS' investment policy, subject to identifying opportunities that fit SERS' investment criteria.
- Build the private credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the new target allocation.
- Make new investments that serve a primary purpose of the private credit allocation to generate consistent income for the Total Fund, while considering different strategies that add further diversification to the portfolio, such as venture debt, specialty finance, emerging markets, or other niche categories.
- Monitor the USD LIBOR transition to SOFR and implement the replacement benchmark at the appropriate time.

PORTFOLIO STRATEGY - Global Real Assets

INVESTMENT STRATEGY

The role of SERS' global real assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

SERS' Statement of Investment Policy sets the Global Real Assets target allocation as follows:

	Target	Permissible Range
Global Real Assets	17%	14% - 20%

The performance objective for global real assets is to produce net of fee returns in excess of the NCREIF Property Index ("NPI"), one quarter in arrears, over a market cycle, with the income component of the return comprising a significant portion of the total return.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Formulate and implement a two-year plan to achieve and maintain a 17% allocation to Real Assets.*

The Real Assets portfolio ended 2020 with a Total Fund allocation of 14.7%. As of March 2021, the Real Assets portfolio has \$674 million of outstanding capital commitments. Staff made new commitments totaling \$475 million during 2020 to help increase the portfolio allocation and achieve the FY 2021 16% interim target. The majority of the new commitments will be called during FY2022. Staff continues to make new commitments during 2021 to help achieve a 17% allocation by FY2022.

- *Target demographic-driven real estate investments such as data centers, life science, and medical office versus GDP-driven sectors such as office. These sectors are anticipated to have higher rent growth and more durable income. This would maintain the overweight to the specialty property types within Real Assets.*

The Real Assets portfolio had a 10.1% allocation to the specialty property types at the end of 2020. Staff made a new commitment of \$100 million during 2020 to an existing manager to increase our exposure to the demographic-driven real estate investments. Staff expects the new \$100 million commitment to be called during FY 2022. Staff will continue to evaluate specialty property type managers in FY 2022.

- *Evaluate specific opportunities arising from the impacts of coronavirus and economic slowdown, including opportunistic strategies involving real estate recapitalizations.*

Staff committed \$100 million to a fund that is focused on capitalizing on opportunities arising from the pandemic in 2020. The commitment was made to an existing manager who will focus opportunistically providing rescue capital on stressed assets. As of March 2021, the manager has called 10% of SERS commitment.

- *As the infrastructure portfolio has been built out and is at its target allocation, switch focus to actively soliciting co-investment opportunities with existing infrastructure managers.*

Staff reviewed several co-investment opportunities during 2020 but did not make a new commitment. Staff will continue to review opportunities to expand our co-investment program in 2021.

CURRENT MARKET CONDITIONS AND OUTLOOK

Returns for real estate properties were impacted by the pandemic in 2020. SERS' Real Assets portfolio returned 2.76% net of fees in 2020 versus a benchmark NPI return of 2.00% gross of fees, producing an excess return of 0.76%. The income return gross of fees during 2020 was 3.01%.

In general, 2020 was a challenging year for real estate. Real estate returns are typically driven by demographics, economic growth, interest rates, and property type fundamentals. However, COVID drastically changed the real estate markets. Large job losses and local restrictions impacted each property type differently

PORTFOLIO STRATEGY - Global Real Assets

during 2020. COVID's impact on apartments in 2020 mostly depends on where the assets were located. Urban apartments struggled during the year as renters moved away from city centers and into suburban apartments with more space and amenities. The 4.5% vacancy level of multifamily properties was slightly higher than the previous year, but rent growth declined by about 4.8%.

Additionally, the shift to work from home has changed the way businesses and employees use offices. Office vacancy rates increased to about 15% and the future remains uncertain as more companies can provide employees the ability to work from home. Rental collections for office remained strong during the pandemic because of the long-term leases in place before the pandemic began.

Retail was severely impacted by the lockdowns during the pandemic. The best performing areas of retail were grocery anchored centers while restaurants and department stores lost foot traffic and were forced to temporarily shut down.

Industrial was the biggest winner during the pandemic as more consumers chose to place orders online and have items delivered. As e-commerce sales continue to grow, the demand for industrial warehouses will continue to support the future returns. Vacancy for industrial properties increased only slightly to 4.6%.

Valuations for properties declined in 2020 even though comparable transaction volumes were lower. SERS is currently overweight in the industrial and multifamily sectors and underweight in office and retail. For diversification, SERS' portfolio also has properties that are not in the benchmark, such as self-storage, single-family rentals, and senior housing.

The coronavirus has significantly impacted the outlook for 2021 real estate returns. Returns for Real Assets will mostly be driven by income in 2021 and total returns for the benchmark are expected to be approximately 4% per an industry consensus forecast. Infrastructure ended 2020 with an allocation of 26.3% of the Real Assets portfolio with the expectation for a higher allocation in FY2022 as capital commitments are called by managers. SERS' exposure to telecommunications, renewables, social, and healthcare are more defensive assets with contracted cash flows. In contrast, the transportation and energy assets in the portfolio are more exposed to economic cycles. Although coronavirus has impacted the transportation assets during 2020, those assets should see a strong recovery as the vaccine becomes broadly available and people begin to travel again.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- Formulate and implement a one-year plan to achieve and maintain a 17% allocation to Real Assets.
- Tactically manage real estate and infrastructure allocations to improve portfolio structure and returns without increasing risk.
- Evaluate new investment strategies for the Real Assets portfolio such as energy transition, secondaries, co-investment funds, and ESG focused funds.
- As the Real Assets portfolio has been built out, switch focus to actively soliciting co-investment opportunities with existing managers.

PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

INVESTMENT STRATEGY

SERS invests in cash equivalents for the purpose of earning market returns on cash held for benefits and expenses and to provide short-term cash needed to fund other asset classes. Cash equivalents are fixed income assets with maturities of less than 270 days and may include US government, asset-backed, corporate and high quality money market-type securities.

SERS' Statement of Investment Policy sets the cash equivalent target allocation as follows:

	Target	Permissible Range
Cash Equivalents	2%	0% – 5%

The performance objective for cash equivalents is to exceed the return on 30-day US Treasury Bills.

The securities lending program is designed to be a low risk, intrinsic value focused strategy that generates additional income for the plan by temporarily lending equity and fixed income securities. All loans are collateralized with cash at 102-105% of security market value and reinvested in government money markets and repurchase agreements. Loans to approved borrowers are limited to 25% of the average monthly market value of the loan from the prior year. Fixed income security loans require a ten basis point minimum spread at loan initiation. The program is implemented through a third-party lending agent and collateral reinvestment manager.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Research and monitor commercial paper credits and money market funds.*

Staff utilized the Fidelity and Federated Hermes money market complexes for investing the daily short-term cash. Fidelity and Federated offer competitive yields relative to money market competitors and has higher liquidity than the commercial paper market. The commercial paper market has never quite recovered from '08 financial crisis and Staff has not purchased a commercial paper credit in several years. Going forward, Staff does not anticipate making commercial paper purchases given the limited number of issuers and tenors available.

- *Evaluate opportunities to improve the cash management system and maintain liquidity requirements.*

After only investing in Fidelity's government money market fund since March 2020, a portion of the short-term cash was invested in Federated's institutional prime money market fund in December 2020. Federated's prime money market fund offers same day liquidity with a higher yield. Staff continues to keep the majority of cash in the Fidelity government money market fund due to the floating net asset value declining and low incremental yield earned in the prime money market fund.

CURRENT MARKET CONDITIONS AND OUTLOOK

Yields on money market funds tend to follow short-term rates set by the Federal Reserve on a lagged basis. With the Fed expected to keep rates on hold until at least 2023, money market yields will continue to be low in fiscal year 2022. These low yields will continue to suppress the income earned on both the cash equivalents and securities lending reinvestment portfolios.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- Research and monitor money market funds.
- Evaluate opportunities to improve the cash management process and maintain liquidity needs for the portfolio.
- Monitor the securities lending program for opportunities to generate incremental income and ensure that it is operating within the program implementation guidelines.

PORTFOLIO STRATEGY – Opportunistic & Tactical

INVESTMENT STRATEGY

SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg Barclays US Aggregate Bond Index + 2% for investments that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities. Such investments may involve capitalizing on short-term market dislocations or other unique situations or innovative strategies including tactical allocation.

SERS' Statement of Investment Policy sets the Opportunistic investments target allocation as follows:

	Target	Permissible Range
Opportunistic Investments	0%	0% – 5%

The performance objective for opportunistic investments is to exceed the return of the Bloomberg Barclays US Aggregate Bond Index + 2%.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Search for possible opportunistic investments for the Fund that are expected to exceed the Bloomberg Barclays US Aggregate Bond Index + 2%, with an emphasis on high yielding investments. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Investments that pass initial screening will undergo detailed due diligence prior to staff recommendation.*

Two new commitments have been made as of March 2021, totaling \$125 million. The first commitment is to a fund focused on investing in structured products. The next commitment is to a distressed debt fund that will invest in both stressed trading and debt for control situations, with an emphasis on companies based in the United States and Europe.

In addition to the new commitments, there are new opportunities in the deal pipeline, including several that could lead to investment recommendations to the SERS investment committee in the coming months.

- *Actively manage the liquid portion of the portfolio to improve the risk and return profile.*

Staff continues to closely monitor and manage the liquid portion of the portfolio. Two legacy funds from the SERS multi asset strategy portfolio have moved to the opportunistic portfolio this year with the opportunistic team now responsible for the oversight of these investments. Staff is evaluating several additional multi-asset strategy funds that could move to the opportunistic portfolio prior to fiscal year end.

CURRENT MARKET CONDITIONS AND OUTLOOK

The opportunistic portfolio consists of funds that seek to take advantage of market dislocations or which do not fit within the risk and return objectives of other asset classes. The return objective of the portfolio is to outperform the Bloomberg Barclays US Aggregate Bond Index + 2%. Several themes have arisen in the portfolio including financial deleveraging, distressed assets, structured credit, financial restructuring, and long/short multi strategy funds.

In addition to the opportunities discussed above, staff continues to evaluate new strategies that can take advantage of rapidly changing market conditions. For example, the outlook for inflation has changed in the last year due to government stimulus. As a result, staff is researching strategies that could act as a hedge in an inflationary environment.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- *Search for possible opportunistic investments for the Fund that are expected to exceed the Bloomberg Barclays US Aggregate Bond Index + 2%, with an emphasis on high yielding investments. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk*

PORTFOLIO STRATEGY – Opportunistic & Tactical

adjusted returns. Specific investments under consideration include strategies that focus on climate sustainability as well as commodity-focused strategies that can serve as an inflation hedge. Investments that pass initial screening will undergo detailed due diligence prior to staff recommendation.

- Actively manage the liquid portion of the portfolio to improve the risk and return profile.

PORTFOLIO STRATEGY – Overlay Program

INVESTMENT STRATEGY

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying assets and currency exchange rates to enhance the Total Fund portfolio's efficiency. The overlay program includes tactical asset allocation and active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through active allocations (long/short) across stocks and bonds thereby exploiting short-term macro market dislocations. The active currency strategies aim to add value and risk diversification to the Total Fund, as well as help manage currency risk by utilizing short-term inefficiency in the foreign exchange markets and low correlation of the strategies to the major asset classes such as US equity and fixed income.

The program is fully tactical; exposures to any overlay strategies in this program are not required by the Statement of Investment Policy.

The overlay program is targeted to add 10 to 20 bps excess return to the Total Fund's performance on a three to five year horizon. Tracking errors of the tactical rebalancing strategy and the currency program are expected in the ranges of 5 to 15 bps and 5 to 8%, respectively.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy to the Total Fund's performance.*

SERS Tactical Asset Allocation manager, Russell, initiated long equity trades in late February 2020 and added to this position in early March 2020, shorting fixed income. This trade suffered a loss as equity markets continued to trade down through much of March 2020. The trade then began to rebound throughout the second and third quarters of 2020 and was reversed in August 2020 at a gain. FYTD since inception, the program has netted a \$46.76 million gain. The program has added 5bps to Total Fund return over the last five years.

AlphaEngine (AE) was approved by the March 2021 Investment Committee as an additional Tactical Asset Allocation manager. AE is complementary to Russell as:

1. AE has positions on constantly versus just several times annually.
2. AE will place both long and short equity trades versus long only.
3. AE will have additional exposures of commodities and precious metals along with equity and fixed income.

AE is expected to be implemented with a \$500 million notional exposure at a 1% risk target later this Spring.

- *Actively monitor the Active Currency Strategies to improve the program's risk and return characteristics.*

During the Spring of 2020, Staff increased currency manager PE Global's target volatility from 3% to 6%, while simultaneously cutting their notional exposure from \$900 million to \$450 million. Gold was also added to PE's currency investment selections. After these changes were approved, PE began experiencing losses as their safe-haven currency overweights declined in value during 2020's risk-on market. The Staff guideline changes exacerbated the losses due to increasing the risk allowed in the mandate. FYTD since inception, the program has netted a \$39 million loss from PE's underperformance FYTD and from prior terminated manager losses. The program has subtracted 8bps from Total Fund return over the last five years.

FY2022 OBJECTIVES

Staff will focus on the following objectives in FY2022:

- Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy to the Total Fund's performance.
- Actively monitor the Active Currency Strategies to improve the program's risk and return characteristics.

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Investment Risk Management and Analytics is responsible for the provision and communication of diligent, thorough, timely and forward-looking investment risk analytics and other investment analytics to the Board and Investment Staff.

The equity market was extremely volatile in 2020. In March, the average daily S&P 500 Implied Volatility (VIX) reached 82.6%, its all-time high level, concurrent with the market though related to the COVID-19 pandemic. The volatility index fell significantly in April 2020 and further declined to 30.4% by the end of June 2020 as the equity market recovered from the lows. Market volatility spiked again for a brief period in late October and early November 2020, then oscillated in the range of 20% to 26% for the rest of 2020 and the first quarter of 2021 while markets recovered, recouping all losses and generating new gains.

The total risk of the Total Fund is expected to be 15.64% based on December 2020 holdings. The active risk is projected to be 1.31%, below the 3% limit stated in the Statement of Investment Policy.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION:

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Provide risk forecasts and analyses of the Total Fund and asset class portfolios.*

Staff utilized the risk system to generate risk analyses of the Total Fund and asset classes. The risk analyses based on SERS' investment holdings provide forecasted volatility of returns of portfolios. The analyses also provide portfolio risk decomposition by strategies, as well as by factors.

- *Report risk of the Total Fund to the Board on a quarterly basis*

Staff reported volatility of the Total Fund's returns, providing both total risk and active risk decomposition analysis by asset classes and by major risk factor groups. The total risk decomposition by asset classes focused on their role in the Total Fund. The total risk decomposition by factors focused on cross factor exposures, especially equity factors among the asset class portfolios as the equity factors are the largest risk driver of the Total Fund. The active risk decomposition showed risk contribution from the investment implementation, which is comprised of active allocation among the asset classes and active selection of strategies and securities.

- *Communicate asset class portfolio's risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.*

Staff discussed the risk profile of asset class portfolios with each asset class team. The discussion was focused on i) trend and level of forecast risks, ii) the portfolio's risk structure in terms of manager line-up and factor tilts and iii) the portfolio's sensitivity to market movements. The discussions assisted each asset class team in balancing their portfolio risks and minimizing unintended risk tilts.

- *Provide return attribution analysis of the Total Fund and asset classes of the Fund to the Investment Strategy Team.*

Staff reported monthly return attribution analysis of the Total Fund, analyzing effects of active weights on alpha generation of each asset class. The analyses were presented to the Investment Strategy Team. Staff also delivered to the Investment Strategy Team attribution reports of each asset class portfolio analyzing the contribution of each account within an asset class.

- *Implement a new risk system should SERS select a new provider, ensure a smooth and efficient transition, and develop report packages tailored to fit the Investment Strategy Team's needs for return attribution analysis of the Total Fund and asset classes of the Fund.*

As the service contract with the existing service provider was extended for a year until June 2021, Staff continued to work with the finalists of the 2020 search in order to evaluate their capacity in data management; risk modelling especially for private credit and private real estate; and report customization. Over the course of the year, one provider showed significant improvements in all areas listed above, thus

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

proved to be a better fit to SERS. The subscription negotiation is in process at the time this report was written.

- *Perform other portfolio and market analyses and research as needed.*

Staff conducted analyses of the Total Fund liquidity and leverage. Staff also conducted portfolio and market analyses as needed or upon request.

FY2022 OBJECTIVES:

Staff will focus on the following objectives in FY2022:

- Provide risk forecast and analyses of the Total Fund and asset class portfolios.
- Report risk of the Total Fund to the Board and Investment Committee on a quarterly basis.
- Communicate asset class portfolio's risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.
- Provide return attribution analysis of the Total Fund and asset classes of the Fund to the Investment Strategy Team.
- Perform other portfolio and market analyses and research as needed.

Investment Operations

The Investment Operations area is responsible for managing administrative activities for the Investment department, assisting the CIO and investment officers, and providing reports and information to Staff and the Board. The objectives for FY2022 remain consistent with those of FY2021 as these three broad categories reflect the primary duties of Investment Operations.

REVIEW OF FY2021 OBJECTIVES AND IMPLEMENTATION

The FY2021 Annual Investment Plan objectives and related activities are as follows:

- *Coordinate, assist and participate in organizational initiatives including Policies, Procedures and Practices; fiscal budget; Subject Matter Experts (SMEs); and Corporate Emergency Preparedness Project (CEPP).*

Investment Operations assisted with the annual review and revisions to the Investment Department Policies, Procedures and Practices and participated in the system-wide Information Governance Project. Staff prepared and analyzed the fiscal budget for executive approval as well as participated in and provided feedback in relation to SME and CEPP activities.

- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports and taking minutes.*

Operations attended all Investment Committee, Strategy Team and Board meetings. Agendas and documents were prepared and distributed and minutes were taken and distributed in a timely manner. Staff assisted with processing documents associated with hiring, terminating and redeeming of managers.

- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, new manager searches as needed and aiding with special projects for Staff.*

Operations coordinated revisions to and produced the FY2021 Annual Investment Plan and the amended Statement of Investment Policy, onboarding of new Investment staff, and new manager searches throughout the fiscal year.

FY2022 OBJECTIVES:

Staff will focus on the following objectives in FY2022:

- *Coordinate, assist and participate in organizational initiatives including Policies, Procedures and Practices; Information Governance Project, fiscal budget; Subject Matter Experts (SMEs); and Corporate Emergency Preparedness Project (CEPP).*
- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports and taking minutes.*
- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for new Investment managers as needed, and aiding with special projects for Staff.*



**Implementation
Guidelines**

IMPLEMENTATION GUIDELINES - Global Equities

I. ROLE

The role of Global Equities is to earn the equity risk premium over US Treasury bonds by investing in common stock of publicly-listed companies.

II. ASSET ALLOCATION

	Total Fund Target	Range	
		Minimum	Maximum
Global Equity	45%	35%	55%

The US Equity, Non-US Equity Developed Market and Non-US Equity Emerging Market sub-asset classes have the following targets and ranges within Global Equities above:

	Global Equity Target	Range	
		Minimum	Maximum
US Equity (USE)	55%	50%	60%
Non-US Equity Developed Market	30%	25%	35%
Non-US Equity Emerging Market	15%	10%	20%

III. BENCHMARK:

The Global Equity benchmark is a composite benchmark comprised of:

US Equity Portfolio	55%	Russell 3000 Index
Non-US Equity Developed Market	30%	MSCI World ex-USA Net Total Return Index (USD)
Non-US Equity Emerging Market	15%	MSCI Emerging Markets Net Total Return Index (USD)

IV. PERFORMANCE OBJECTIVE

The annualized return objective, net of management fees, is as follows:

	Excess Return Target (over 3-year rolling periods)
US Equity Portfolio	1020 basis points over USE benchmark
Non-US Developed Market Equity Portfolio	50 basis points over combined the Non-USE 66.67% developed and 33.33% emerging market benchmark
Non-US Emerging Market Equity Portfolio	50 basis points over the Non-USE emerging market benchmark
Global Equity Portfolio	2833.5 basis points over Global Equity composite benchmark in Section III. Benchmark above

V. PORTFOLIO DESIGN AND CONSTRUCTION:

The USE and Non-USE ~~developed and emerging market~~ portfolios are constructed using a multi-manager line-up and a combination of active and passive strategies to deliver risk-adjusted performance relative to their respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees.

VI. PERMISSIBLE INVESTMENTS

Security Type	US Equity Portfolio	Non-US Equity Portfolio
Common Stock	Y	Y
Stock Treated as Common Stock	Y	Y
Cash / Treasuries	Y	Y
Preferred Stock	Y	Y

IMPLEMENTATION GUIDELINES - Global Equities

Convertible Rights	Y	Y
Warrants	Y	Y
Depository Receipts	Y	Y
REITS	Y	Y
Rule 144a Issues	Y	Y
Private Placement	Y	Y
IPOs	Y	Y
Commingled Funds	Y	Y
Exchange Traded Funds	Y	Y
Futures	Y	Y
Options	Y	Y
Currency Forwards	N	Y
Currency Futures	N	Y
Currency Options	N	Y
Country Funds	N	Y

VII. RISK MANAGEMENT

Active Risk Target	
US Equity Portfolio	Tracking Error of 1.0% with a range of 0.0% to 1.5%
Non-US Equity <u>Developed Market</u> Portfolio	Tracking Error of <u>1.5%2.5%</u> within a range of 0.0% to <u>3.0%4.0%</u>
Non-US Equity <u>Emerging Market</u> Portfolio	Tracking Error of 2.5% within a range of 0.0% to 4.0%

US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
US Equity Allocation	Russell 3000 Index	55%	50% - 60%
Portfolio Structure			
Capitalization			
Large Cap Equity	Russell 1000 Index	Neutral to BM	+/- 5%
Large Cap Active	Manager Specific	<u>20%</u>	<u>0%15% - 25%</u>
Large Cap Passive	Russell 1000 Index	<u>80%</u>	<u>75% - 100%85%</u>
Small Cap Equity	Russell 2000 Index	Neutral to BM	+/- 10%
Small Cap Active	Manager Specific	100%	n/a
Style			
Growth	Manager Specific	Neutral to BM	+/- 5%
Value	Manager Specific	Neutral to BM	+/- 5%
Portfolio Risk/Return Characteristics			
<u>Total Expected Excess Return</u>	<u>Russell 3000 Index</u>	<u>0.20%</u>	
<u>Total Expected Tracking Error</u>	<u>Russell 3000 Index</u>	<u>1.00%</u>	<u>0.00% - 1.50%</u>

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the US equity benchmark.

IMPLEMENTATION GUIDELINES - Global Equities

Non-US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
Non-US Equity Developed Markets	MSCI World ex-USA Net Total Return Index (USD)	30%	25 - 35%
Non-US Equity Emerging Markets	MSCI Emerging Markets Net Total Return Index (USD)	15%	10 – 20%
Broad Market Exposure			
ACW ex-US + Developed Markets Active	Manager Specific	70%	60% - 80%
Developed Markets Passive	MSCI World ex US Index (\$net)	30%	20% - 40%
Emerging Markets Active	MSCI Emerging Markets Index (\$net)	100%	+/- 10%
Portfolio Structure			
Capitalization			
Large Cap Equity	Manager Specific	BM Weight	+/- 10%
Small to Mid-Cap Equity	Manager Specific	BM Weight	+/- 10%
Small Cap Equity	Manager Specific	BM Weight	+/- 10%
Micro Cap Equity	Manager Specific	BM Weight	+/- 5%
Style			
Growth	Manager Specific	Neutral to BM	+/- 10%
Value	Manager Specific	Neutral to BM	+/- 10%
Portfolio Risk/Return Characteristics			
Total Expected Excess Return	MSCI All Country World ex US Index (\$net)	0.50%	NA
Total Expected Tracking Error	MSCI All Country World ex US Index (\$net)	2.50%	0.00%—4.00%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the Non-US developed and emerging market equity benchmarks.

IMPLEMENTATION GUIDELINES – Global Private Equity

I. ROLE

SERS invests in private equity to provide returns in excess of those provided by publicly-traded equities to compensate for private equity's liquidity and concentration risk.

II. ASSET ALLOCATION

The private equity target asset allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized an 11% 12% allocation target to private equity with a range of 8% - 16%.

III. BENCHMARK

Private equity performance is benchmarked to the Burgiss All Private Equity benchmark.

IV. PERFORMANCE OBJECTIVE

The performance objective for private equity is to provide net returns in excess of the Burgiss All Private Equity Benchmark. Over time periods of five years and longer Private Equity net returns are expected to exceed SERS Global Equity portfolio by 2%. SERS Global Equity portfolio over time periods five years and longer.

V. PORTFOLIO DESIGN AND CONSTRUCTION

Capital allocation among the various market segments is a critical driver for the long-term success of the private equity portfolio. Capital allocation risk is controlled in a portfolio structure incorporating long-term sub asset target allocations.

Long-term sub-asset target exposure is detailed below:

	Target	Range	
		Minimum	Maximum
Buyout			
Small/Middle	60%	50%	70%
Large/Mega	15%	5%	25%
Total Buyout	75%	55%	95%
Venture Capital	0%	0%	10%
Special Situations	25%	5%	35%
Total	100%		
Domestic	75%	55%	85%
International	25%	15%	45%
Total	100%		
Primary Commitments	100%	80%	100%
Fund of Funds	0%	0%	15%
Co-Investments	0%	0%	10%
Total	100%		

The portfolio is tilted toward buyout investments and does not have a target allocation to venture capital due to higher risk and manager selection issues. Within buyouts, the preference is for small and middle market managers with a significant value creation approach and de-emphasizes larger firms with a financial engineering approach.

IMPLEMENTATION GUIDELINES – Global Private Equity

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Discretionary Managers investing in Private Equity Partnerships	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Buyouts	Y
Venture Capital	Y
Special Situations (secondary interests, distressed debt or equity, mezzanine, co-investments, energy, etc.)	Y

Buyout

Net Expected Return 10-15%, Moderate Risk

Capital is typically invested in more established companies, those further along the business life cycle having relatively predictable cash flows and the ability to raise capital along the entire capital structure, including secured and unsecured debt. Buyouts are targeted to represent 75% of the private equity portfolio.

Venture Capital

Net Expected Return: 15-25%, High Risk

Venture capital equity is targeted at companies in the earliest phases of a business life cycle. Companies may be classified as seed, early, middle and late stage and are characterized by their inability to access public equity and other forms of capital such as secured and unsecured debt. These companies have uncertain revenues and a need for cash to build their businesses and are subject to high failure rates. Venture capital is targeted to represent 0% of the portfolio.

Special Situations

Net Expected Return: 10-20%, Moderate Risk

Many private equity opportunities have characteristics of buyout or venture capital but have enough differences as to require separate classification. These investments include energy, distressed debt, mezzanine, opportunity and secondary funds. Special situations is targeted to represent 25% of the portfolio.

Co-Investments

Net Expected Return: 15-20%, Moderate Risk

Co-Investments are direct investments in a single asset of a multi-asset fund, made alongside the Fund's investment in the asset. Typically, co-investments are offered on more attractive economic terms and shorter time frames than those of the Fund. Co-Investments are targeted to represent up to 10% of the portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private equity is industry diversification as well as extensive due diligence of prospective investments. Monitoring is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with private equity investments and the method of control.

Liquidity Risk

Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.

IMPLEMENTATION GUIDELINES – Global Private Equity

Geographic Risk

Geographic risk is controlled through a long-term international target exposure of 25% by market value.

Vintage Risk

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private equity commitments over time. The investment-pacing model controls the short and long-term private equity commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in our private equity portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 20% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk

Firm risk is the exposure to a private equity general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk

The private equity program accepts the currency risks consistent with the geographic constraints. Private equity partnerships generally do not hedge currency risk and the private equity program will not implement currency hedges.

Industry Risk

Typically, private equity partnerships are permitted to invest in a wide variety of industries. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk

General partners invest capital from private equity partnerships throughout the capital structure of firms. The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction.

IMPLEMENTATION GUIDELINES – Global Fixed Income

I. ROLE

The primary role of diversified fixed income is to reduce the overall risk of the investment plan. Fixed income securities should provide stable income returns through yield oriented assets. Fixed income provides risk reduction through lower correlations to the investment program.

II. ASSET ALLOCATION

The global fixed income allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 19% market value exposure to global fixed income with a range of 12% - 26%.

III. BENCHMARK

Global fixed income performance is benchmarked to the Bloomberg Barclays US Aggregate Bond Index.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the global fixed income portfolio is 50 basis points net of fees above the benchmark over rolling three year periods and is comprised of the following strategies:

Strategy	Expected Excess Return	Tracking Error	Benchmark
Core	20 basis points	N/A	Bloomberg Barclays US Aggregate
Core Plus	60 basis points	N/A	Bloomberg Barclays US Aggregate
Tactical & Diversifying	200 basis points	N/A	Bloomberg Barclays US Aggregate
Total Portfolio	50-60 basis points	0 – 5%4%	Bloomberg Barclays US Aggregate

V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS seeks to obtain broad fixed income market exposure to gain diversification while receiving income. The portfolio is 100% externally managed in active strategies, in broad mandates of core, core plus, and Tactical & Diversifying strategies. Core mandates invest primarily in benchmark type securities. Core sector weightings can deviate from the benchmark, depending on the external manager's market views and strategies. Core plus mandates allow investments in all sectors of the Bloomberg Barclays US Aggregate Bond Index with additional allocations to the extended sectors of high yield, Non-US debt and emerging market debt. The Tactical & Diversifying sector invests in return seeking or diversification enhancing strategies and can provide high excess returns. The sector invests in emerging market debt, high yield, long/short credit and fixed income relative value arbitrage strategies.

Below are the current sector exposure limits:

Strategy	Range	
	Minimum	Maximum
Core	30%	70%
Core Plus	25%	50%
Tactical & Diversifying	5%	20%

IMPLEMENTATION GUIDELINES – Global Fixed Income

VI. PERMISSIBLE INVESTMENTS

Security Type	Core	Core Plus	Tactical & Diversifying
<u>Governments:</u>			
US Treasuries and Agencies	Y	Y	Y
Sovereigns/Quasi-Sov. in US \$	Y	Y	Y
Sovereigns/Quasi-Sov. in local currency	N	Y	Y
<u>Corporates:</u>			
US Corporates	Y	Y	Y
Non-US Corporates in US \$	Y	Y	Y
Non-US Corporates in local currency	N	Y	Y
High Yield	N	Y	Y
Bank Loans	N	Y	Y
Mortgages	Y	Y	Y
Municipals	Y	Y	Y
<u>Other:</u>			
144 (A)s	Y	Y	Y
Commingled Funds	Y	Y	Y
Currency	N	Y	Y
Derivatives	N	Y	Y
Money Markets	Y	Y	Y
Repurchase Agreements	Y	Y	Y

VII. RISK MANAGEMENT

For strategies held in separate accounts, the following risk factors are controlled through limits specified in each manager's Investment Manager Agreement (IMA) and Investment Guidelines. Duration, sector and credit risk are reviewed on a total portfolio basis quarterly by SERS:

Interest Rate

Controlled by duration band limits around the benchmark duration.

Yield Curve Risk

Controlled by duration band limits around the benchmark duration.

Sector Risk

Riskier sectors like high yield, non-US, non-agency mortgages and CMBS are controlled around set limits with each individual manager. Portfolios are allowed 25% maximum exposure to any one industry.

Credit Risk

Portfolios must maintain a minimum exposure to investment grade securities. In addition, each manager of individual portfolios has an established average weighted credit quality that must be maintained at all times.

Currency Risk

Currency is not hedged at the overall portfolio level. Managers who demonstrate skill are allowed to purchase non-US securities on a hedged or unhedged basis or take direct currency positions without owning securities.

Issuer Risk

Issuer limits are specified in each IMA investment guidelines.

IMPLEMENTATION GUIDELINES – Global Fixed Income

Liquidity Risk

Accounts have a maximum 144(A) limit without registration rights.

Active Risk

Normal tracking error is expected to be 2-4% over any rolling three-year time horizon. During periods of increased volatility, tracking error should not exceed 5% over any rolling three-year time horizon.

IMPLEMENTATION GUIDELINES – Private Credit

I. ROLE

The role of SERS' private credit portfolio is to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent stream of income.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the private credit target allocation at 5%, with a range of 3% to 7%. The target allocation for Global Private Credit during the ramp-up period is set at 3% with an interim range of 1% to 7% for fiscal year 2022 and will increase to the policy target allocation of 5% for fiscal year 2022. The target for Global Private Credit during the ramp-up period is set at 3% for fiscal year 2021 and will increase to the policy target allocation of 5% for fiscal year 2022.

III. BENCHMARK

The private credit benchmark is 3-month LIBOR + 4.5%.

IV. PERFORMANCE OBJECTIVE

The performance objective of the private credit portfolio is to provide net returns in excess of the SERS Global Fixed Income portfolio over time periods five years and longer, with the income component of the return comprising a significant portion of the total return.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The private credit portfolio is designed to gain exposure to various aspects of the private credit market with a focus on consistent income generation. It is expected that a greater portion of the private credit portfolio will be allocated to direct lending investments with higher expected cash yields.

Long-term sub asset target exposure is detailed below:

	Target	Range	
		Minimum	Maximum
Direct Lending	80%	60%	100%
Mezzanine	0%	0%	10%
Stressed/Distressed	10%	0%	15%
Structured Credit/Other	10%	0%	15%
Total	100%		
Domestic	50%	40%	85%
International	50%	15%	60%
Total	100%		
Primary Commitments	100%	80%	100%
Secondaries	0%	0%	10%
Co-Investments	0%	0%	10%
Total	100%		

The portfolio is tilted toward direct lending investments and does not have a target allocation to mezzanine due to the structure of investments typically containing a larger portion of equity and a less guaranteed/predictable cash income component than direct lending.

IMPLEMENTATION GUIDELINES – Private Credit

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Direct Lending	Y
Mezzanine	Y
Stressed/Distressed	Y
Structured Credit and Other (specialty finance, etc.)	Y

Direct Lending

Net Expected Return 6-8%, Moderate Risk

Direct Lending represents loans made directly to small to medium size companies; secured by assets/cash flows/contracts, etc. depending on the type of loan. Direct Lending is targeted to represent 80% of the **global** private credit portfolio.

Mezzanine

Net Expected Return: 8-12%, High Risk

Mezzanine debt is subordinated to senior loans and typically is structured as **an unsecured fixed or** floating rate loan with an equity component. Mezzanine is targeted to represent 0% of the **global** private credit portfolio.

Stressed/Distressed

Net Expected Return: 12-25%, High Risk

Stressed/Distressed debt represents loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. **Stressed/Distressed** is targeted to represent 10% of the **global** private credit portfolio.

Structured Credit & Other

Net Expected Return: 5-20%, Moderate to High Risk

Structured credit includes investments in collateralized loan obligation tranches and other asset backed securities. Other private credit investments include specialty financing, non-performing loans, and other investment types that do not fit within the other categories. Structured Credit & Other is targeted to represent 10% of the **global** private credit portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private credit is extensive due diligence of prospective investments and diversification. The following sections identify the most significant risks of private credit investments and the method of control.

Credit Risk

Credit risk is the primary risk associated with the asset class. Thorough due diligence of investments will be completed to ensure the general partners have sufficient measures in place to monitor and assess the risks involved with underlying investments, **as well as the capabilities to structure loans with adequate covenants to protect the lender.**

Interest Rate Risk

Interest rate risk is inherent within the private credit portfolio since investments are typically structured as floating rate credit instruments and interest rates will fluctuate over time. The risk is managed by the general

IMPLEMENTATION GUIDELINES – Private Credit

partners through the structuring process to ensure appropriate interest rate floors and other measures are in place to manage an acceptable level of interest income.

Liquidity Risk

Private credit investments are illiquid but have shorter holding periods than other private security types, with 3 – 5 years being a typical holding period. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed through the portfolio **design-construction process** by limiting the amount of exposure to more illiquid areas of private credit, such as distressed debt.

Geographic Risk

International exposure refers to non-US investments and is limited to 60% of the portfolio.

Vintage Risk

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private credit commitments over time. The investment-pacing model controls the short and long-term private credit commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in the private credit portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 35% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk

Firm risk is the exposure to a private credit general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk

The private credit program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Industry/Sector Risk

Typically, private credit partnerships are permitted to invest in a wide variety of industries and sectors. Industry/Sector risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk

The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction. Leverage at an individual fund level is managed through the portfolio construction process.

Valuation Risk

The valuation frequency for private credit is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

IMPLEMENTATION GUIDELINES – Global Real Assets

I. ROLE

The role of SERS' global real assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global real assets target allocation at ~~16%~~17%, with a permissible range of 14% to 20%.

III. BENCHMARK

The global real assets benchmark is the NCREIF Property Index (NPI), one quarter in arrears.

IV. PERFORMANCE OBJECTIVE

The performance objective for global real assets is to produce net of fee returns in excess of the benchmark over a market cycle, with the income component of the return comprising a significant portion of the total return.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The global real assets portfolio is designed to achieve the performance objective, to manage risks and to focus on the overall role of global real assets within the Total Fund. SERS' Global Real Assets Implementation Guidelines set the private market, public market and asset type exposures for global real assets, as shown in the table below.

Strategy	Target	Range	
		Minimum	Maximum
Private Core Real Estate	60%	40%	80%
Private Non-Core Real Estate	10% 15%	5%	20% 25%
Private Infrastructure	25% 20%	15% 10%	40% 30%
Public Market Real Assets	5%	0%	10%

Core real estate investments include substantially leased or fully operational institutional quality properties or projects located in developed markets. The revenue streams from core real estate are generally long duration and comprise a majority of the asset's total return. Core real estate strategies are typically implemented through open-end commingled funds.

Non-core real estate investments include value-added and opportunistic strategies in which properties or projects are re-leased, re-developed, or newly constructed, particularly in developing or transitional markets. This strategy has a higher return expectation, but also comes with greater risk due to the uncertainty of cash flows. Non-core real estate strategies are typically implemented through closed-end commingled funds.

Private infrastructure typically involves the movement of goods, people, water and energy (definition provided by JPMorgan Asset Management). The sectors include but are not limited to transportation, communication, social and regulated assets. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed end commingled funds.

IMPLEMENTATION GUIDELINES – Global Real Assets

Public market real assets are securities of companies whose primary source of revenue comes from the operation of tangible assets, including, but not limited to, real estate (REITs), listed infrastructure, natural resources and master limited partnerships. While more liquid in nature, public market real assets exhibit greater volatility than privately-held real assets. Master limited partnerships, or MLPs, are publicly-traded limited partnerships that derive most of the partnership’s cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly-traded company.

VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the global real assets portfolio generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y
Commingled Funds	Y
Joint Ventures	Y
Private Real Estate Equity and Debt	Y
Real Estate Investment Trusts (REITs)	Y
Private Infrastructure Equity and Debt	Y
Public Infrastructure Securities and MLPs	Y
Natural Resources and Commodities	Y

VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the global real assets portfolio. The following sections identify the most significant risks with real asset investments and the method of control.

Real Estate Life Cycle Risk

Life cycle risk refers to the stage of an investment’s life and generally falls into two categories, operating and non-operating. Operating investments are those that are leased or functioning to a level in which the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major releasing. A significant portion of the private market real assets portfolio will be in operating investments in order to achieve global real assets’ role.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%
Current Exposure	95% 94%	5% 6%

Real Estate Property Type Risk

Property type risk refers to the level of exposure of the five property type categories in the private market real estate portfolio relative to the NCREIF Property Index. Property type risk will be managed through portfolio design and the use of diversified commingled funds. At least 80% of the private market real estate portfolio will be invested in the four primary property type categories including apartment, industrial, office and retail.

IMPLEMENTATION GUIDELINES – Global Real Assets

(as of December 31, 2020)	NCREIF Property Index	Private Market Portfolio	Range
Apartment	25% 26%	31% 24%	15% - 40%
Industrial	21% 18%	21% 29%	15% - 40%
Office	35%	25% 26%	15% 20% - 40%
Retail	18% 20%	11% 13%	5% - 25% 10% - 30%
<i>Subtotal</i>	99%	88% 92%	80% - 100%
Hotel/Other	1%	12% 8%	5% - 20%
Total	100%	100%	

Real Estate Geographic Risk

Geographic risk can be broken down into two segments: US regional exposure and non-US exposure. US regional exposure refers to the level of exposure in the four US regions in the private market real estate portfolio relative to the NCREIF Property Index.

(as of December 31, 2020)	NCREIF Property Index	Private Market Portfolio	Range
West	40%	36% 35%	20% - 50%
East	31% 32%	36%	20% - 50%
Midwest	8%	7% 8%	5% - 20%
South	21% 20%	21%	10% - 30%
Total	100%	100%	

Global Real Assets Geographic Risk

Non-US exposure refers to the level of exposure of non-US investments in the total global real assets portfolio. Non-US exposure will be limited to ~~30%~~20% of the private market portfolio.

Liquidity Risk

Private market real asset investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or more. Liquidity risk will be managed through target allocations to private and public market real assets as well as through portfolio design.

Leverage Risk

Private market real asset investments typically are acquired with a combination of equity capital and mortgage financing. The amount of leverage per asset or pool of assets depends on debt availability, property type and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external real asset managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market real assets portfolio is 50% of the gross asset value of the private market real assets portfolio. Leverage risk will be managed through target allocations and portfolio design.

Currency Risk

The global real assets program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Valuation Risk

The valuation frequency for private market real assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

Manager Concentration Risk

A single manager utilizing core strategies shall not constitute more than 25% of the net assets of the global real assets program. For non-core strategies, a single fund commitment shall not constitute more than 7% of the net assets of the global real assets program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 20% of the net assets of the global real assets program.

IMPLEMENTATION GUIDELINES – Cash & Securities Lending

I. ROLE

Short-term cash should provide liquidity for funding investment capital calls and operational expenses. Cash should be invested in conservative, low risk securities/funds to preserve capital for future expenditures and investments.

II. ASSET ALLOCATION

The cash allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 2% exposure to cash with a range of 0% - 5%.

III. BENCHMARK

The short-term cash benchmark is the Citigroup 30-day Treasury Bill Index.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the short-term portfolio is five basis points net of fees over the benchmark.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The cash portfolio is designed with preservation of capital in mind. ~~The officer compares daily treasury, commercial paper and money market offerings for new purchases. The~~ cash balance ~~is kept as small as possible to allow for~~ one to three months of expenditures ~~is usually maintained~~. ~~A higher allocation to cash may also be used to preserve capital in volatile markets.~~ The average weighted maturity of the portfolio will not exceed 20 days.

Risk is constantly assessed before investment purchases are made in the portfolio. Only top tier commercial paper is purchased. Money market holdings are also reviewed on a regular basis along with choosing a top tier money market provider with a deep credit analyst team and whose short-term investments are important to the organization.

~~The securities lending program is designed to be a low risk, intrinsic value focused strategy that can generate additional income for the system. The program is implemented through a third-party lending agent and collateral reinvestment manager. Separately, additional securities lending income is earned by the commingled passive global equity accounts.~~

VI. PERMISSIBLE INVESTMENTS

Security Type	
US Treasury Bills	Y
Commercial Paper rated A-1/P-1 or higher	Y
Money Market Funds rated at least A-1/P-1	Y
Unrated Market Funds comparable to an A-1/P-1 equivalent ster fund	Y

VII. RISK MANAGEMENT

Liquidity Risk

The weighted average maturity shall not exceed 20 days. All money market funds must provide daily liquidity.

Credit Risk

A commercial paper issuer must be on the approved credit list or approved by the Chief Investment Officer before purchasing. Market and issuer news are reviewed daily by the Senior Investment Officer – Global Fixed Income. Money market funds must regularly send a holdings report to SERS, where it is reviewed on a regular basis.

IMPLEMENTATION GUIDELINES – Cash & Securities Lending

Issuer Risk

Single issuer commercial paper investments are limited to \$20 million. Related entity commercial paper investments are limited to the lower of 30% of the short-term account or \$40 million. Overnight commercial paper issuer maturities are limited to \$50 million.

Securities Lending Risk

All loans will be collateralized with cash at 102% for US securities and 105% for non-US securities and marked-to-market daily. Collateral will be reinvested in government money market funds and/or repurchase agreements. Loans on fixed income securities will be subject to a ten-basis point minimum spread requirement at loan initiation. Loans to approved borrowers will be limited to 25% of the average monthly market value on loan for the prior calendar year.

IMPLEMENTATION GUIDELINES – Opportunistic and Tactical

I. ROLE

The role of SERS' opportunistic portfolio is to earn a return above the Bloomberg Barclays US Aggregate Bond Index + 2% by investing in assets and strategies that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the opportunistic target allocation at 0%, with a range of 0% to 5%.

III. BENCHMARK

The opportunistic benchmark is the Bloomberg Barclays US Aggregate Bond Index + 2%.

IV. PERFORMANCE OBJECTIVE

The performance objective of the opportunistic portfolio is to earn a net of fee return in excess of the Bloomberg Barclays US Aggregate Bond Index + 2% , with a meaningful component of the total return coming from current income.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The opportunistic portfolio may consist of a wide variety of investment types, structures and strategies targeting cash yield as well as price appreciation. Investment strategies include separate accounts, commingled funds, ETFs, co-investments and derivatives.

VI. PERMISSIBLE INVESTMENTS

Permissible investments include, but are not limited to, common stock, preferred stock, debt securities, currencies, commodities, etc.

VII. RISK MANAGEMENT

Leverage Risk

Leverage will be prudent for the given strategy and consistent with the fund's offering memorandum.

Liquidity Risk

Liquidity will be monitored regularly to ensure the portfolio can be traded or rebalanced within a reasonable timeframe. Liquidity risk will be managed through target allocations to private and public market assets as well as through portfolio design.

Currency Risk

The opportunistic portfolio does not directly hedge foreign currency risk and relies upon its external managers to determine if such hedges are appropriate.

IMPLEMENTATION GUIDELINES – Overlay Program

I. ROLE

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying asset exposures and currency exchange rates to enhance the Total Fund portfolio's efficiency. The overlay program includes i) tactical asset allocation rebalance, and ii) active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through long and short positions based on short-term relative attractiveness of assets.

The active currency strategies aim to add value to the Total Fund on a risk-adjusted basis by employing long and short positions in various currency pairs based on relative attractiveness of the currencies. The strategies are expected to have low correlation to the major asset classes such as US equity and fixed income.

II. ASSET ALLOCATION

The target allocation of the tactical asset allocation and currency program is 0% since long and short positions net out.

The tactical asset allocation program's notional exposure limit is +/-7% of the Total Fund to each of the following assets: US fixed income, US equity and Non-US equity. Since the tactical asset allocation positions are employed for short periods, the notional exposures are not subject to the policy asset allocation ranges set forth in the Statement of Investment Policy; however, the active risk contribution by the overlay program as a whole is subjected to the overall guideline on active risk for the management of the Total Fund specified in the Risk Management Policy.

The notional value of the active currency program is capped at 50% of the Non-US equity portfolio's value.

III. BENCHMARK

The benchmark for the tactical asset allocation and currency overlay program is 0% since net exposure is 0%.

IV. PERFORMANCE OBJECTIVE

The overlay program is expected to add 5 to 10 bps of excess return to the Total Fund's performance on a three to five year horizon.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The mandates are unfunded. The overlay strategies buy (long) or sell (short) futures or forwards contracts to get exposures to desired markets in order to exploit shifts in relative valuation of assets and currencies.

The tactical rebalancing strategy's net exposures, sum of long and short positions, are valued at zero on the initiating position time. Active currency strategies can go either net long or net short US dollar. Both tactical rebalancing and active currency aggregate portfolios are constructed to have no dependency on any single risk factor.

VI. PERMISSIBLE INVESTMENTS

Tactical asset allocation: equity, ~~futures and~~ fixed income, ~~commodity and precious metals~~ futures ~~and options on futures~~.

Currency overlay: currency forwards, currency futures, gold forwards, gold futures, and limited currency options.

IMPLEMENTATION GUIDELINES – Overlay Program

VII. RISK MANAGEMENT

Counter-party risk management:

- Futures and exchange traded options are traded at exchanges thus having default risk only to the clearinghouse while having no credit risk to trade counterparties.
- Forward contracts and over-the-counter options entail default risk of the counterparties. Counterparty risk of these contracts is managed through ISDA (International Swaps and Derivatives Association) and EMIR (European Market Infrastructure Regulation) umbrella agreements with managers.

Volatility management:

- The tactical asset allocation program's tracking error range is 5 to 15 bps.
- All active currency strategies have targeted tracking error equal to or less than 8%; the aggregate active currency program's tracking error is expected to be in the range of 5 to 8%.



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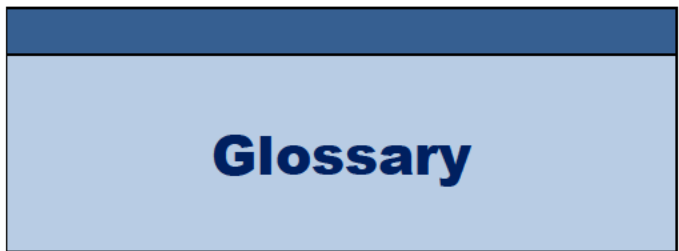
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Glossary

Active Risk – see Tracking Error.

Alpha – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a return in excess of the index return.

Alternative Reference Rates Committee (ARCC) – The ARCC was established by the Federal Reserve to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption of the replacement rate.

Asset Allocation – the practice of allocating a certain percentage of a portfolio between different types of investment assets, such as stocks, bonds, real estate, cash, etc. By diversifying among asset classes it is expected to create a favorable risk/reward ratio for the portfolio.

Bloomberg Barclays US Aggregate Bond Index – a market capitalization weighted US bond index published by Bloomberg LLC. Most US traded investment grade bonds are represented in the index. The Bloomberg Barclays US Aggregate Bond Index is SERS' global fixed income policy benchmark.

Basis Point – one hundredth of one percent. For example, an addition of 40 basis points to a yield of 7.50 percent would increase the yield to 7.90 percent. Basis points are normally used when quoting yields or returns, alpha, or fees paid to investment managers.

Benchmark – a measurement or standard that serves as a point of reference by which portfolio performance is measured. Benchmarks must meet standard criteria.

Burgiss All Private Equity (BAPE) – BAPE is comprised of data from more than 5,000 private equity funds contributed by limited partners that are Burgiss clients and use Burgiss' web-based institutional portfolio management platform Private i. The benchmark data is sourced from Burgiss' limited partner clients and includes complete transactional and valuation history between the limited partner and their fund investments. Burgiss publishes a detailed breakdown of the dataset every quarter allowing for increased transparency.

Citigroup 30-day T-Bill Index – an index that measures the rate of return for 30-day US Treasury Bills, which are considered representative of the performance of short-term money market instruments. The Citigroup 30-day T-Bill index is SERS' policy benchmark for Cash Equivalents.

Co-investment – a direct investment in a single asset of a multi-asset Fund, made alongside the Fund's investment in the asset; typically involves terms that are more attractive and with shorter time frames than those of the Fund.

Derivatives (Derivative Instruments) – financial instruments (securities or contracts) whose values are derived from underlying financial assets, indices or other instruments. Derivative performance is based on the performance of assets, interest rates, currency exchange rates and various domestic and foreign indices underlying the instruments. The common forms of derivatives are forward, futures, swap and options contracts.

Diversification – the method of reducing risk by distributing investment assets among a variety of investment securities which have different risk/ reward ratios.

Due Diligence – an investigation or audit of a potential or existing investment.

Equity Investment – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

Fixed Income Investment – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. May also be referred to as "debt" or "bonds."

Fund – fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., hedge fund, private equity fund, or real estate fund).

Global Equities – reflects the consolidation of what had been treated by SERS as US Equity and Non-US Equity asset classes; includes equities of US and non-US origin, equities of various capitalizations (e.g., large cap, small cap, mid cap, etc.), equities from developed, emerging and frontier markets, growth and value equities and passive and active strategies. Investments in Global Equities strategies are made in accordance with established investment guidelines, and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

Guidelines – refers to an Investment Manager’s “Investment Guidelines,” established between the Investment Manager and Staff as part in an investment management agreement. Guidelines may be general or specific.

Hedge Fund – a private investment partnership or an offshore investment corporation in which the general partner has made a substantial personal investment and whose offering memorandum allows for the Fund to take both long and short positions, using leverage and derivatives and invest in many markets. Hedge funds often use strategies involving program trading, selling short, swaps and arbitrage.

HFRI Fund of Funds Composite Index – published by Hedge Fund Research, Inc., the HFRI Fund of Funds Composite Index is an equally weighted index of funds of hedge funds, offshore and onshore. Funds in the index must have at least \$50 million under management or must have been trading actively for at least 12 months.

Investment Committee – a committee comprised of the Chief investment Officer and Investment Officers from SERS’ Investment Department who possess the Ohio State Retirement System Investment Officer (SRSIO) license, with clearly defined structure, rules and procedures for reviewing and approving investments in a timely and prudent fashion.

Investment Consultant – any consultant hired by the Board or by Staff to advise or assist with the Investment Program in accordance with the Statement of Investment Policy. Board investment consultants must be approved by the Board. Staff investment consultants shall be approved by the Executive Director.

Investment Manager – a manager or potential manager of SERS assets, both public market and private market. Includes, but is not limited to managers of equity, fixed income, private equity, real estate, hedge funds, commodities and cash.

Investment Staff – members of the investment department of SERS, including the Chief Investment Officer, Investment Officers and other department personnel.

Leverage – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company’s balance sheet in the form of the debt/equity ratio.

LIBOR – London Interbank Offered Rate, the interest rate that is commonly used as the benchmark reference rate for lenders. The 3-month LIBOR is the reference rate utilized by Staff.

Long a futures contract or a forward contract – buying exposure to the underlying assets of the contract without actually owing those assets. When the underlying assets deliver a positive return, the long position gains; when the underlying assets deliver a negative return, the reverse is true.

Morgan Stanley Capital International – All Country World Free ex-USA Index (\$Net) – an equity index representing 44 developed and emerging countries. “Free” indicates the index reflects actual investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. “Net” indicates that dividends are reinvested after the deduction of withholding taxes applicable to non-resident institutional investors. The MSCI-ACWI ex-USA Index, net of dividends reinvested is SERS’ policy benchmark for Non-US Equities.

Multi-Asset Strategies (MAS) – active investment strategies that aim to generate absolute returns with managed volatility, using all types of investable securities (equities, bonds, commodities, currencies, derivatives, etc.). These strategies typically apply non-traditional portfolio management techniques including, but not restricted to shorting securities, leverage, arbitrage and creating synthetic exposures using financial

instruments. In addition, funds in this portfolio may tactically allocate across asset classes and/or geographical regions depending upon the relative attractiveness of the respective asset classes. Generally, multi-asset strategies have low to medium correlation with global equities and much lower volatility.

NCREIF Property Index (NPI) – a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The NCREIF Property Index is a component of SERS' Global Real Estate Policy Benchmark.

Opportunistic and Tactical Investments – global opportunistic investments are tactical or non-traditional investment opportunities that may be short-term or may not fit within the generally accepted risk/return parameters of specific asset classes or strategy groupings. Such opportunities may involve capitalizing on short-term market dislocations or other such unique situations. Tactical investments may include strategies with dynamic allocations to single assets or across multiple asset types or other innovative approaches.

Options contract - a form of financial derivatives. In an options contract, two parties (buyer and seller) agree that the buyer, who pays an option premium to the seller, has the right to exercise an option whether or not to buy or sell a particular asset at a specified price at a specified future date.

Portfolio – a collection of investments owned, managed, or overseen by an individual or investment manager, a board or an organization. Portfolio can mean a manager account or subset thereof (e.g., Goldman Sachs Core Plus account), an asset class (e.g., US Equity), or the entire fund (e.g., SERS' Total Fund).

Rebalancing – adjusting asset class or portfolio allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

Russell 3000 Index – a market-value weighted equity index published by the Frank Russell Company. The index measures the performance of the 3,000 largest US companies in terms of market capitalization. The Russell 3000 Index is SERS' Domestic Equity Policy Benchmark.

Secondaries – pre-existing investor capital commitments to private funds that are purchased in the secondary market.

Secured Overnight Financing Rate (SOFR) – SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. There is a considerable volume of transactions executed that utilize SOFR and the rate is published on each business day.

Securities Lending – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer to support the firm's trading activities. Loaned securities are collateralized with cash at 102-105% of the loan exposure. The lender retains the entitlement to all the benefits of the loaned security, including dividends and interest, except the right to vote proxies. The lender has a right to recall the loan at any time.

Short a futures contract or forward contract – selling exposure to the underlying assets of the contract without transferring the ownership of those assets to the buyers. When the underlying assets deliver a positive return, the short position experiences losses; when the underlying assets deliver a negative return, the reverse is true.

Style – style refers to an investment product, strategy or style offered by an Investment Management Firm and reflects how the assets are invested. For example, value versus growth; core versus value added; quantitative versus fundamental; etc.

Total Fund – refers to SERS' total investment assets.

Tracking Error – standard deviation of the excess return of the portfolio relative to the Benchmark measured over rolling three year periods.

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**School Employees
Retirement System**

Memo

To: Retirement Board
From: Joe Bell
cc: Richard Stensrud
Date: May 7, 2021
Re: Investment Department Incentive Plan for Fiscal Year 2022

Ohio Administrative Code section 3309-1-05 requires the Board to annually approve SERS' Investment Department Incentive Plan. Attached to this memo please find a redlined Plan for fiscal year 2022.

The Incentive Plan Committee is recommending minor date changes for FY2022's Plan, as well as updating the new actuarial assumed rate of return of 7.0%.

If the Board is comfortable with the attached Investment Department Incentive Plan, a resolution has been prepared for a vote to approve the fiscal year 2022 Plan.

INVESTMENT DEPARTMENT INCENTIVE PLAN FISCAL YEAR 2022

_____ moved and _____ seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2022 which replaces the Fiscal Year 2021 Investment Department Incentive Plan approved May 21, 2020.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

School Employees Retirement System of Ohio



Investment Department Incentive Plan for Fiscal Year 202~~1~~⁴

Amended May 2~~0~~¹, 202~~1~~⁰

TABLE OF CONTENTS

<u>Section</u>	<u>Topic</u>	<u>Page</u>
1	Purpose of Plan	1
2	Plan Objectives	1
3	Performance Period	1
4	Eligibility	1
5	Incentive Compensation Criteria	1
6	Incentive Compensation Opportunity	2
7	Performance Goals	3
8	Incentive Compensation Calculation	3
9	Incentive Compensation Adjustment	5
10	Plan Administration	5
Exhibit A	History	8

School Employees Retirement System of Ohio
Investment Department Incentive Plan

May 2021¹⁰

Section 1: Plan Purpose

The purpose of the Incentive Plan (“Plan”) is to provide a compensation package that allows SERS to recruit and retain talent in the Investment Department that is necessary to maximize investment returns.

Section 2: Plan Objectives

The objectives of the Plan are to:

- a. Reinforce a performance philosophy.
- b. Attract and retain high quality talent.

Section 3: Performance Period

The performance period for purposes of the Plan will coincide with SERS’ fiscal year, i.e. July 1 through June 30 of each year.

Section 4: Eligibility

There are five tiers of participation within the Plan and those tiers cover the following job classifications:

Table 1. Eligibility by Job Title

TIER	JOB TITLES
I	Chief Investment Officer
II	Assistant Director
III	Senior Investment Officer Investment Officer
IV	Associate Investment Officer Senior Investment Analyst
V	Investment Analyst

In order to be eligible to receive incentive compensation, a participant must meet performance expectations (including goals and competencies) on the most recent SERS annual performance evaluation, and the fund must meet certain performance standards. A participant who fails to achieve an overall rating of “Expected Performance” on the annual performance evaluation will be ineligible for incentive compensation for the corresponding year of the evaluation, as will a participant who is no longer in good standing at SERS at the time the incentive compensation is paid.

Section 5: Incentive Compensation Criteria

Incentive compensation will be earned if the Investment Department achieves positive net of fees investment returns in excess of the Board-approved benchmark on the overall fund or specific asset classes.

School Employees Retirement System of Ohio Investment Department Incentive Plan

May 2021¹⁰

The incentive compensation amount will be calculated on the number, level, and salaries of eligible participants in the Plan as of July 1 of the fiscal year in which the incentive is earned. The Chief Risk Officer verifies the abovementioned information with Human Resources. The Chief Audit Officer reviews the calculations before incentive compensation earnings are approved by the Executive Director.

Fund Performance

Fund performance reflects the planned total fund or asset class goal. Individual incentive compensation may be earned upon achievement of positive excess returns.

For purposes of the Plan, the fund performance goal is positive excess returns relative to the Board-approved benchmark. If the total fund performance or specific asset class performance net of fees is above its respective benchmark that portion of incentive compensation will be earned and conversely, if the total fund performance or specific asset class performance is equal to or below its respective benchmark, that portion of incentive compensation will not be earned.

For purposes of this Plan, the maximum performance goal is 50 basis points over the Board-approved benchmark.

Section 6: Incentive Compensation Opportunity

Distribution under the Plan to eligible participants is determined by performance goals as outlined in Section 7. For purposes of this Plan, the maximum performance goal is 50 basis points over the Board-approved benchmark. Incentive compensation is managed within the range of opportunity noted below.

Based on level of performance, a participant has the opportunity to earn incentive compensation as follows:

Table 2: Opportunity by Level (% applied to Base Salary)

TIER	JOB TITLE	Maximum distribution (50 ps or greater)
I	Chief Investment Officer	90%
II	Assistant Director	60%
III	Senior Investment Officer Investment Officer	60%
IV	Associate Investment Officer Senior Investment Analyst	30%
V	Investment Analyst	10%

Except as provided in Section 10, incentive compensation is calculated based on the salary in effect on July 1 of the fiscal year in which the incentive is earned. Compensation for performance between 1 bps and 50 bps above the benchmark is based on defined performance goals and is prorated on a linear basis according to the schedule in Attachment 1.

School Employees Retirement System of Ohio Investment Department Incentive Plan

May 2021¹⁰

Section 7: Performance Goals

The incentive compensation is based on a combination of individual and department performance goals in reference to the Board-approved benchmark. Portfolio performance is calculated by SERS' third-party performance and analytics consultant based on SERS' annual returns net of investment manager fees and certified by Investment Accounting Division within SERS' Finance Department. Two primary performance measures noted below are defined as critical to the success of the Investment Department.

Individual Goals

Portfolio Performance

Portfolio performance is based on results relative to the Board-approved performance benchmark for each asset class. Performance goals for each asset class are calculated based on annual returns net of investment manager fees for that particular asset class as described in the previous paragraph. The Board-approved benchmarks are stated in the current Statement of Investment Policy (SIP).

Department Goals

Total Fund

The performance benchmark for the total fund is a weighted average of the performance benchmarks and the policy allocation of each asset class as stated in the SIP.

Section 8: Incentive Compensation Calculation

In determining the appropriate percent applied to an individual's base salary, the calculation by the Chief Risk Officer includes the achievement of both individual and department goals as described in Section 7. The performance goals are weighted as follows:

Table 3. Performance Goal Weights

TIER	JOB TITLE	INDIVIDUAL GOALS	DEPARTMENT GOALS
		Portfolio Performance	Overall Fund
I	Chief Investment Officer	30%	70%
II	Assistant Director	60%	40%
III	Senior Investment Officer Investment Officer	70%	30%
IV	Associate Investment Officer Senior Investment Analyst	70%	30%
V	Investment Analyst	75%	25%

**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2021¹⁰

The portfolio performance portion of the incentive compensation for the Chief Investment Officer and the Investment Officer – Risk Management and Analytics is based on aggregate performance in each asset class and strategy on an equally weighted basis. If an incentive eligible employee covers two asset classes, his/her portfolio performance is weighted 50%/50% for both asset classes.

Multiple Year Results

Incentive compensation for portfolio performance and overall fund performance considers both current year results and results over multiple years. During year one of an individual’s participation in the Plan, incentive compensation is based solely on the performance for the first year. In year two of participation in the Plan, 50% of the incentive compensation is based on performance for the current year and 50% on the performance for the two-year period. In years three and beyond, 25% of the incentive compensation is based on performance for the current year and 75% on the performance for the three-year period or on a rolling three year period. When employees become eligible for the Plan, their compensation will be calculated as described above, based on their years of participation in the Plan.

Table 4. Plan Year Weights

Plan Year Weighting	Employee’s Year of Participation		
	Year 1	Year 2	Year 3 /Subsequent Years
Current Year	100%	50%	25%
Second Year		50%	
Third Year/Subsequent Years			75%
Total Weighting	100%	100%	100%

Asset Class Assignments

If an incentive-eligible employee transfers to a different asset class at the beginning of the fiscal year, he/she is phased into the new asset class performance cycle over a 3-year period, based on the following table:

Table 5. Asset Class Weights by Plan Year

	Returns	Weights
Current Year	1-Year	100% current asset class
	3-Year	33% current asset class, 67% previous asset class
Second Year	1-Year	100% current asset class
	3-Year	67% current asset class, 33% previous asset class
Third Year/Subsequent Years	1-Year	100% current asset class
	3-Year	100% current asset class

If an incentive-eligible employee transfers from one asset class to another mid-year, performance is calculated on a pro-rata basis for the number of whole months worked in each asset class.

**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2021~~0~~

Section 9: Incentive Compensation Adjustment

If the total fund’s total return (net of fees) in the current fiscal year is negative (less than 0%) then the total incentive compensation will be calculated according the foregoing methodology and the total payout will be reduced as follows:

Table 6. Incentive Compensation Adjustments

Total Fund 1-Year Returns	Incentive Adjustment
0%	0%
-.01% to -2%	-10%
-2.01% to -4%	-15%
-4.01% to -6%	-20%
-6.01% to -8%	-25%
-8.01% to -10%	-35%
-10.01% or lower	-50%

Additionally, if the five-year annualized return of the total fund (net of fees) is less than the actuarial assumed rate of return (currently 7.05%), the total incentive compensation for each incentive-eligible employee will be reduced by 10%. For example, if the total fund one-year net return is negative 5%, and the five-year annualized return of the total fund is less than the actuarial assumed rate of return, then the incentive compensation for each incentive eligible employee will be reduced by a total of 30%.

Section 10: Plan Administration

The Board of Trustees of SERS adopts, modifies, and monitors the Plan, and delegates to the Executive Director the administration of the Plan. The Executive Director shall have the right to interpret the plan and may administer the plan through the Incentive Plan Committee, which is a staff committee comprised of the Executive Director, Deputy Executive Director, General Counsel, Chief Risk Officer, Director of Human Resources and the Chief Investment Officer.

Calculation of Performance

An independent third party calculates annual, two-, three- and five-year Portfolio Performance and Overall Fund results.

Termination of Employment

In order to be compensated under this Plan, a participant must be employed and considered an active employee on the date the incentive compensation is paid. If a participant terminates from SERS for any reason other than death, disability, or normal retirement prior to the date of the incentive payment, that employee is ineligible to receive compensation under the Plan. If a participant terminates from SERS for reasons of death, permanent or total disability, or normal retirement, then pro-rata compensation is payable for the period of time the participant was employed based on the number of whole months worked during the performance period divided by 12. The pro-rata compensation is paid at the same time all other payments are made under

School Employees Retirement System of Ohio Investment Department Incentive Plan

May 2021¹⁰

the Plan. The target compensation payment date is September following the end of the performance period.

New Hires, Promotions and Salary Adjustments

If an employee is hired or promoted into an incentive-eligible job during the first nine months of the performance period, he or she is eligible for a pro-rata payment based on the number of whole months he or she worked during the performance period.

If, during the first nine months of the performance period, a current incentive-eligible employee's base salary is adjusted and/or incentive level changes, he or she is eligible for a pro-rata payment based on the number of whole months worked at each salary and/or incentive level during the performance period.

Other Adjustments

If an incentive-eligible employee is away from work for an extended period of time such that he or she is not able to contribute to the management of the fund during the performance period, adjustments to that employee's incentive compensation may be made to reflect the period of time away. These situations will be considered on a case-by-case basis and handled at the discretion of the Incentive Plan Committee.

Plan Amendment, Suspension, or Termination

The Board shall review the Plan annually. The Plan may be amended, suspended or terminated at any time by the Board without advance notice. Further, nothing in the Plan shall confer on the participant the right to continued employment or affect SERS' right to terminate a participant's employment at any time and for any reason.

Deferral of Compensation

The Board may from time to time adopt a resolution or take other action to amend or otherwise modify this Plan to approve and provide for a deferral of payment of all or any part of any compensation earned under the Plan (a "Deferral").

Regardless of whether expressly so stated in the resolution or other action of the Board approving the Deferral (the "Deferral Action"), unless a different form of deferred compensation agreement is adopted, every Deferral shall be structured, administered and paid in a manner consistent with the provisions of Treas. Reg. § 1.409A-1(b)(4) concerning short-term deferrals and Code section 457, including specifically,

- a. the action shall specify a date of payment of the Deferrals that satisfies the requirements of the applicable two and one-half (2 ½) month period specified in Treas. Reg. § 1.409A-1(b)(4) (the "Payment Date");
- b. the action shall state:
 - (i) the period of substantial services to be performed and/or the business condition(s) to be satisfied prior to any payment of a Deferral, however, if satisfaction of such a business condition is not required prior to deferral, the period of services required shall be at least

**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2021~~0~~

as long as reasonably required under then applicable statutory, regulatory or other requirements or guidance so as to constitute a substantial risk of forfeiture; and

- (ii) the requirement that the person eligible for payment of the Deferral must be in the employment of SERS as of the Payment Date in order to be eligible to receive the Deferral payment.

Dispute Resolution

The Executive Director, in consultation with the Board, resolves all disputes, and such resolution is final.

School Employees Retirement System of Ohio
Investment Department Incentive Plan

May 2021¹⁰

Exhibit A HISTORY

Action	Approval Period
Adopted by the Retirement Board on March 15, 2001	July 1, 2001 through June 30, 2002
Amended by the Retirement Board on June 25, 2004	July 1, 2004 through June 30, 2005
Amended by the Retirement Board on October 20, 2005	July 1, 2005 through June 30, 2006
Amended by the Retirement Board on May 19, 2006	July 1, 2006 through June 30, 2007
Unchanged by the Retirement Board on May 17, 2007	July 1, 2007 through June 30, 2008
Amended by the Retirement Board on May 22, 2008	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on March 19, 2009	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on July 23, 2009	July 1, 2009 through June 30, 2010
Amended by the Retirement Board on May 19, 2010	July 1, 2010 through June 30, 2011
Amended by the Retirement Board on June 16, 2011	July 1, 2011 through June 30, 2012
Amended by the Retirement Board on May 14, 2012	July 1, 2012 through June 30, 2013
Amended by the Retirement Board on May 16, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on Nov. 21, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on May 15, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on September 18, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on May 22, 2015	July 1, 2015 through June 30, 2016
Amended by the Retirement Board on June 16, 2016	July 1, 2016 through June 30, 2017
Amended by the Retirement Board on May 18, 2017	July 1, 2017 through June 30, 2018
Amended by the Retirement Board on May 24, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on December 20, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on May 16, 2019	July 1, 2019 through June 30, 2020
Amended by the Retirement Board on May 21, 2020	July 1, 2020 through June 30, 2021
<u>Amended by the Retirement Board on May 20, 2021</u>	<u>July 1, 2021 through June 30, 2022</u>

School Employees Retirement System of Ohio
Investment Department Incentive Plan

May 2021¹⁰

ATTACHMENT 1

0 to 50 Basis Points

WE DO NOT PAY OUT ON NEGATIVE RETURNS TO THE BENCHMARK

Chief Investment Officer			Assistant Director Sr. Investment Officer Investment Officer			Assoc. Investment Officer Sr. Investment Analyst			Investment Analyst		
Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent
0.00	0.018	0.0%	0.00	0.012	0.0%	0.00	0.006	0.0%	0.00	0.002	0.0%
0.01	0.018	1.8%	0.01	0.012	1.2%	0.01	0.006	0.6%	0.01	0.002	0.2%
0.02	0.018	3.6%	0.02	0.012	2.4%	0.02	0.006	1.2%	0.02	0.002	0.4%
0.03	0.018	5.4%	0.03	0.012	3.6%	0.03	0.006	1.8%	0.03	0.002	0.6%
0.04	0.018	7.2%	0.04	0.012	4.8%	0.04	0.006	2.4%	0.04	0.002	0.8%
0.05	0.018	9.0%	0.05	0.012	6.0%	0.05	0.006	3.0%	0.05	0.002	1.0%
0.06	0.018	10.8%	0.06	0.012	7.2%	0.06	0.006	3.6%	0.06	0.002	1.2%
0.07	0.018	12.6%	0.07	0.012	8.4%	0.07	0.006	4.2%	0.07	0.002	1.4%
0.08	0.018	14.4%	0.08	0.012	9.6%	0.08	0.006	4.8%	0.08	0.002	1.6%
0.09	0.018	16.2%	0.09	0.012	10.8%	0.09	0.006	5.4%	0.09	0.002	1.8%
0.10	0.018	18.0%	0.10	0.012	12.0%	0.10	0.006	6.0%	0.10	0.002	2.0%
0.11	0.018	19.8%	0.11	0.012	13.2%	0.11	0.006	6.6%	0.11	0.002	2.2%
0.12	0.018	21.6%	0.12	0.012	14.4%	0.12	0.006	7.2%	0.12	0.002	2.4%
0.13	0.018	23.4%	0.13	0.012	15.6%	0.13	0.006	7.8%	0.13	0.002	2.6%
0.14	0.018	25.2%	0.14	0.012	16.8%	0.14	0.006	8.4%	0.14	0.002	2.8%
0.15	0.018	27.0%	0.15	0.012	18.0%	0.15	0.006	9.0%	0.15	0.002	3.0%
0.16	0.018	28.8%	0.16	0.012	19.2%	0.16	0.006	9.6%	0.16	0.002	3.2%
0.17	0.018	30.6%	0.17	0.012	20.4%	0.17	0.006	10.2%	0.17	0.002	3.4%
0.18	0.018	32.4%	0.18	0.012	21.6%	0.18	0.006	10.8%	0.18	0.002	3.6%
0.19	0.018	34.2%	0.19	0.012	22.8%	0.19	0.006	11.4%	0.19	0.002	3.8%
0.20	0.018	36.0%	0.20	0.012	24.0%	0.20	0.006	12.0%	0.20	0.002	4.0%
0.21	0.018	37.8%	0.21	0.012	25.2%	0.21	0.006	12.6%	0.21	0.002	4.2%
0.22	0.018	39.6%	0.22	0.012	26.4%	0.22	0.006	13.2%	0.22	0.002	4.4%
0.23	0.018	41.4%	0.23	0.012	27.6%	0.23	0.006	13.8%	0.23	0.002	4.6%
0.24	0.018	43.2%	0.24	0.012	28.8%	0.24	0.006	14.4%	0.24	0.002	4.8%
0.25	0.018	45.0%	0.25	0.012	30.0%	0.25	0.006	15.0%	0.25	0.002	5.0%
0.26	0.018	46.8%	0.26	0.012	31.2%	0.26	0.006	15.6%	0.26	0.002	5.2%
0.27	0.018	48.6%	0.27	0.012	32.4%	0.27	0.006	16.2%	0.27	0.002	5.4%
0.28	0.018	50.4%	0.28	0.012	33.6%	0.28	0.006	16.8%	0.28	0.002	5.6%
0.29	0.018	52.2%	0.29	0.012	34.8%	0.29	0.006	17.4%	0.29	0.002	5.8%
0.30	0.018	54.0%	0.30	0.012	36.0%	0.30	0.006	18.0%	0.30	0.002	6.0%
0.31	0.018	55.8%	0.31	0.012	37.2%	0.31	0.006	18.6%	0.31	0.002	6.2%
0.32	0.018	57.6%	0.32	0.012	38.4%	0.32	0.006	19.2%	0.32	0.002	6.4%
0.33	0.018	59.4%	0.33	0.012	39.6%	0.33	0.006	19.8%	0.33	0.002	6.6%
0.34	0.018	61.2%	0.34	0.012	40.8%	0.34	0.006	20.4%	0.34	0.002	6.8%
0.35	0.018	63.0%	0.35	0.012	42.0%	0.35	0.006	21.0%	0.35	0.002	7.0%
0.36	0.018	64.8%	0.36	0.012	43.2%	0.36	0.006	21.6%	0.36	0.002	7.2%
0.37	0.018	66.6%	0.37	0.012	44.4%	0.37	0.006	22.2%	0.37	0.002	7.4%
0.38	0.018	68.4%	0.38	0.012	45.6%	0.38	0.006	22.8%	0.38	0.002	7.6%
0.39	0.018	70.2%	0.39	0.012	46.8%	0.39	0.006	23.4%	0.39	0.002	7.8%
0.40	0.018	72.0%	0.40	0.012	48.0%	0.40	0.006	24.0%	0.40	0.002	8.0%
0.41	0.018	73.8%	0.41	0.012	49.2%	0.41	0.006	24.6%	0.41	0.002	8.2%
0.42	0.018	75.6%	0.42	0.012	50.4%	0.42	0.006	25.2%	0.42	0.002	8.4%
0.43	0.018	77.4%	0.43	0.012	51.6%	0.43	0.006	25.8%	0.43	0.002	8.6%
0.44	0.018	79.2%	0.44	0.012	52.8%	0.44	0.006	26.4%	0.44	0.002	8.8%
0.45	0.018	81.0%	0.45	0.012	54.0%	0.45	0.006	27.0%	0.45	0.002	9.0%
0.46	0.018	82.8%	0.46	0.012	55.2%	0.46	0.006	27.6%	0.46	0.002	9.2%
0.47	0.018	84.6%	0.47	0.012	56.4%	0.47	0.006	28.2%	0.47	0.002	9.4%
0.48	0.018	86.4%	0.48	0.012	57.6%	0.48	0.006	28.8%	0.48	0.002	9.6%
0.49	0.018	88.2%	0.49	0.012	58.8%	0.49	0.006	29.4%	0.49	0.002	9.8%
0.50	0.018	90.0%	0.50	0.012	60.0%	0.50	0.006	30.0%	0.50	0.002	10.0%

**School Employees
Retirement System**

Memo

To: Members of the SERS Board
From: Chris Castle
CC: Richard Stensrud, Karen Roggenkamp
Date: April 19, 2021
Re: New Employer

SouthWest Ohio Computer Association Council of Governments (SWOCA) is a regional council of governments organized under Chapter 167 of the Ohio Revised Code that provides services to schools in southwest Ohio.

SouthWest Ohio Computer Association Council of Governments (SWOCA) has requested SERS' approval as a new employer unit effective July 1, 2021 and by resolution has agreed to abide by all regulations and obligations as an employer under Chapter 3309.

Attached to this memo is a resolution for the Board to accept this new employer.

Resolution for Membership in the School Employees Retirement System of Ohio (SERS)

The Executive Committee of the SouthWest Ohio Computer Association Council of Governments (SWOCA), Butler County, Ohio, met in open session at 1:00 o'clock p.m., on April 8, 2021, at the SouthWest Ohio Computer Association Conference Room with the following members present:

Larry Hook Kerry Borger Amy Wells Kathy Demers
William Derringer Jeff Parker Pat Dubbs

Pat Dubbs moved the adoption of the following resolution:

Whereas, SWOCA has created its own Finance Director position and will terminate the fiscal agent services provided by Butler Tech on June 30, 2021 and,

Whereas, it is necessary for the employees of SWOCA to maintain its current membership in the School Employees Retirement System of Ohio (SERS) under an employer account of SWOCA,

Now, Therefore, Be It Resolved the SouthWest Ohio Computer Association Council of Governments hereby formally accepts and adopts the requirements and obligations set forth by the School Employees Retirement System of Ohio and imposed by Chapter 3309 of the Ohio Revised Code for contributions and benefits of their employees effective July 1, 2021.

Kathy Demers seconded the motion, and the roll being called upon the question of passage of the resolution, the vote resulted as follows:

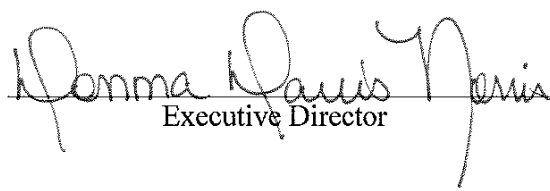
AYE: Pat Dubbs, Kathy Demers, Jeff Parker, William Derringer, Kerry Borger, Amy Wells, and Larry Hook

NAY: None

PASSED: April 8, 2021.

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Executive Committee of the SouthWest Ohio Computer Association Council of Governments, Butler County, Ohio on the 8th day of April, 2021.


Executive Director

NEW EMPLOYER – SouthWest Ohio Computer Association (SWOCA) Council of Governments

Staff discussed with the Retirement Board the request from SouthWest Ohio Computer Association Council of Governments (SWOCA), a council of governments organized under Chapter 167 of the Ohio Revised Code, to accept it as a new employer unit under Chapter 3309 of the Ohio Revised Code effective July 1, 2021. SouthWest Ohio Computer Association Council of Governments (SWOCA), has passed an appropriate resolution agreeing to accept all requirements and obligations imposed by Chapter 3309 of the Ohio Revised Code.

It was moved by _____ and seconded by _____ that the Board accept SouthWest Ohio Computer Association Council of Governments (SWOCA), as an employer in accordance with Chapter 3309 of the Ohio Revised Code, effective July 1, 2021.

Upon roll call, the vote was as follows:

ROLL CALL: YEA NAY ABSTAIN

School Employees Retirement System of Ohio

Summary of administrative operation expenses during the period **April 1, 2021 - April 30, 2021**.

Account	Amount
Salaries & Wages	1,042,403.23
Salaries & Wages - Overtime	2,812.46
Vacation Leave Expense	88,486.49
Sick Leave Expense	28,053.72
Employer Contributions - PERS	154,326.08
Group Life	8,127.10
Long Term Disability	2,288.19
Short Term Disability	2,423.90
Group Health Claims	221,757.41
Group Health - Admin Fees	7,156.66
Prescription Claims	56,951.00
Group Health - Stop Loss	13,072.95
Vision Claims	1,401.70
Vision Admin Fees	166.32
Group Health - Employee Cost	(28,177.66)
Group Health - Wellness Incentive	3,245.00
Group Health - Tobacco Premiums	(880.00)
Medicare Premium - Employer	15,528.68
Tuition	3,502.40
Deferred Compensation Match	4,665.00
Actuarial Services	12,000.00
Audit	3,333.00
Custodial Fees - Investment Accounting	78,999.99
Custodial Banking	15,605.35
Master Recordkeeper Fees	78,333.32
Investment Advisory Fees	54,166.67

Performance/Analytics Fee	37,401.66
Medical Consultant	3,750.00
Special Counsel	43,220.86
Technical	86,458.84
Other Professional Services	18,663.07
Postage	51,818.67
Telecommunications Services	14,959.33
Printing Paper	5,528.06
Communications & Publications	3,712.50
Hardware Maintenance	5,121.27
Software Maintenance	38,756.50
Software Subscriptions	5,589.15
Equipment Repairs & Maintenance	7,475.41
Office Supplies & Expenses	566.23
Miscellaneous Office Supplies	11.97
Records Storage	43.99
Seminars & Conferences	550.00
Travel & Transportation	5,951.83
Subscriptions	3,227.97
Memberships	155.00
Operations Maintenance	1,666.00
Staff Support	5,476.01
Recruiting Expenses	696.36
Interior Landscaping	1,356.37
Vehicle Expense	35.00
Board Member - School Board Reimb.	1,140.89
Reimbursement of Leased Svcs	(25,416.67)
Total Administrative Expenses	2,187,665.23

**School Employees Retirement System of Ohio
REVIEW OF ADMINISTRATIVE EXPENSES
April 2021**

The following are preliminary administrative operation expenses of the School Employees Retirement System of Ohio during the period **April 1, 2021 - April 30, 2021**

Account	Vendor	Amount
Salaries & Wages	ADP, LLC	513,371.90
	ADP, LLC	529,031.33
	Account Totals:	1,042,403.23
Salaries & Wages - Overtime	ADP, LLC	1,537.37
	ADP, LLC	1,275.09
	Account Totals:	2,812.46
Vacation Leave Expense	ADP, LLC	88,486.49
	Account Totals:	88,486.49
Sick Leave Expense	ADP, LLC	28,053.72
	Account Totals:	28,053.72
Employer Contributions - PERS	Ohio Public Emp. Retirement System	77,018.23
	Ohio Public Emp. Retirement System	77,307.85
	Account Totals:	154,326.08
Group Life	American United Life Insurance Company	8,127.10
	Account Totals:	8,127.10
Long Term Disability	American United Life Insurance Company	2,288.19
	Account Totals:	2,288.19
Short Term Disability	American United Life Insurance Company	1,213.53
	American United Life Insurance Company	1,210.37
	Account Totals:	2,423.90
Group Health Claims	Aetna Daily Wires - ESERS	219,510.41
	SaveonSP, LLC	2,247.00
	Account Totals:	221,757.41
Group Health - Admin Fees	Aetna Admin - ESERS	7,156.66
	Account Totals:	7,156.66

Prescription Claims	Express Scripts - ESERS	2,593.55
	Express Scripts - ESERS	9,372.13
	Express Scripts - ESERS	11,613.73
	Express Scripts - ESERS	13,866.44
	Express Scripts - ESERS	19,505.15
	Account Totals:	56,951.00
Group Health - Stop Loss	Sunlife Financial	13,072.95
	Account Totals:	13,072.95
Vision Claims	VSP - (OH)	1,401.70
	Account Totals:	1,401.70
Vision Admin Fees	VSP - (OH)	166.32
	Account Totals:	166.32
Group Health - Employee Cost	Employee Premiums	(13,677.48)
	Employee Premiums	(13,380.18)
	Aetna Admin - ESERS	(1,120.00)
	Account Totals:	(28,177.66)
Group Health - Wellness Incentive	ADP, LLC	3,245.00
	Account Totals:	3,245.00
Group Health - Tobacco Premiums	ADP, LLC	(440.00)
	ADP, LLC	(440.00)
	Account Totals:	(880.00)
Medicare Premium - Employer	ADP, LLC	7,760.06
	ADP, LLC	7,768.62
	Account Totals:	15,528.68
Tuition	Jones, Courtney	3,502.40
	Account Totals:	3,502.40
Deferred Compensation Match	ADP, LLC	2,340.00
	ADP, LLC	2,325.00
	Account Totals:	4,665.00
Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
	Account Totals:	12,000.00

Audit	Expedient	3,333.00
	Account Totals:	3,333.00
Custodial Fees - Investment Accounting	BNY Mellon Asset Servicing	78,999.99
	Account Totals:	78,999.99
Custodial Banking	Huntington National Bank	14,975.91
	Treasurer of State - Warrants	629.44
	Account Totals:	15,605.35
Master Recordkeeper Fees	BNY Mellon Asset Servicing	78,333.32
	Account Totals:	78,333.32
Investment Advisory Fees	Aksia	16,666.67
	Wilshire	37,500.00
	Account Totals:	54,166.67
Performance/Analytics Fee	BNY Mellon Asset Servicing	34,401.66
	Wilshire Associates Incorporated	3,000.00
	Account Totals:	37,401.66
Medical Consultant	Borchers, M.D., Glen G.	3,750.00
	Account Totals:	3,750.00
Special Counsel	Frost Brown Todd, LLC	5,750.00
	Ice Miller LLP	6,639.86
	Ice Miller LLP	30,621.00
	Newhouse,Prophater,Kolman&Hogan LLC	210.00
	Account Totals:	43,220.86
Technical	ComResource	16,502.50
	IBM Corporation	29,500.00
	RoundTower Technologies	3,750.00
	Sagitec Solutions, LLC	36,706.34
	Account Totals:	86,458.84
Other Professional Services	Attorney General	9,584.41
	Contoural, Inc.	2,284.50
	Drake, Carol N.	3,333.33
	Vorys Advisors LLC	3,333.33
	Wickert, Kimberly	127.50
	Account Totals:	18,663.07

Postage	Columbus Courier & Freight LLC	222.41
	Notifi LLC	237.00
	Pitney Bowes Inc.	235.03
	Pitney Bowes Inc.	83.79
	Pitney Bowes Inc.	142.60
	Pitney Bowes Inc.	184.33
	Postmaster	245.00
	Unishippers Association	33.00
	Unishippers Association	33.00
	Unishippers Association	33.00
	Unishippers Association	369.51
	United States Postal Service	50,000.00
	Account Totals:	51,818.67
Telecommunications Services	LUMEN	4,519.47
	Nextel Communications	111.52
	TBG Conferencing	524.94
	Time Warner Cable	6,309.34
	Verizon Wireless	1,665.84
	XO Communications	1,828.22
	Account Totals:	14,959.33
Printing Paper	Millcraft Paper Co.	5,528.06
	Account Totals:	5,528.06
Communications & Publications	Millcraft Paper Co.	3,712.50
	Account Totals:	3,712.50
Hardware Maintenance	Shi International Corp.	5,121.27
	Account Totals:	5,121.27
Software Maintenance	Micro Focus (US) Inc.	3,756.50
	Sagitec Solutions, LLC	35,000.00
	Account Totals:	38,756.50
Software Subscriptions	ADP, LLC	3,345.49
	KLDiscovery	1,275.00
	Wellable LLC	455.00
	Zoom	513.66
	Account Totals:	5,589.15
Equipment Repairs & Maintenance	Canon Financial Services, Inc	1,647.27
	CGI, Inc.	2,186.00
	Digital Print Solutions	576.74
	Ricoh USA, Inc	389.58
	Ricoh USA, Inc	357.05
	Ricoh USA, Inc	535.01
	US Bank Equipment Finance	1,643.76
	Woodhull	140.00
	Account Totals:	7,475.41

Office Supplies & Expenses	Staples Business Advantage	566.23
	Account Totals:	566.23
Miscellaneous Office Supplies	Amazon.com	11.97
	Account Totals:	11.97
Records Storage	Vital Records Holdings, LLC	43.99
	Account Totals:	43.99
Seminars & Conferences	Brammer, Vance	100.00
	Ohio State University	450.00
	Account Totals:	550.00
Travel & Transportation	Buca di Beppo Columbus	403.99
	Catering By Scott	346.25
	Giant Eagle	59.31
	Haller, James	65.08
	Haller, James	352.30
	Haller, James	360.30
	Hills Market	185.44
	King, Matt	418.18
	Moss, Catherine	437.98
	Phillips, Barbra	85.02
	Phillips, Barbra	354.32
	Phillips, Barbra	354.32
	Rosler, James	39.18
	Rosler, James	244.00
	Rosler, James	244.00
	Weglarz, Frank	616.96
	Weglarz, Frank	483.34
	Wilson, Daniel L.	459.30
	Wilson, Daniel L.	442.56
	Account Totals:	5,951.83
Subscriptions	Business First	105.00
	Columbus Dispatch	476.21
	Dow Jones & Company, Inc.	1,873.70
	Economist	445.06
	Ragan Communications, Inc.	299.00
	Shutterstock, Inc.	29.00
	Account Totals:	3,227.97
Memberships	Association of Government Accountants	105.00
	Capital Square Review and Advisory Board	50.00
	Account Totals:	155.00
Operations Maintenance	Amtrec, LLC	1,666.00
	Account Totals:	1,666.00

Staff Support	Amazon.com	100.00
	Certif-A-Gift Company	96.00
	Franklin Services	500.14
	LongHorn Steakhouse Restaurant	25.00
	Matrix Integrated Psychological Services	577.50
	Olive Garden	25.00
	Starbucks	25.00
	ThrivePass	540.00
	Unisan, LLC	433.42
	Valentino, Tracy	213.95
	Employee Reimbursement	1,485.00
	Employee Reimbursement	1,455.00
	Account Totals:	5,476.01
Recruiting Expenses	ADP Screening & Selection Services	696.36
	Account Totals:	696.36
Interior Landscaping	Ambius Inc.	1,356.37
	Account Totals:	1,356.37
Vehicle Expense	BP Oil Company	35.00
	Account Totals:	35.00
Board Member - School Board Reimb.	Ashland City School District	1,140.89
	Account Totals:	1,140.89
Reimbursement of Leased Svcs	OSERS Broad St. LLC	(25,416.67)
	Account Totals:	(25,416.67)
Total Administrative Expenses		2,187,665.23

**FY2021 Administrative Budget
Board Expense to Budget Reporting
Year-to-Date Through April 30, 2021**

Major Category/Sub-Major Category	Line Item	Vendor	FY2021 Budget	YTD Expense	Budgeted Y/N?	Additional Information
PROFESSIONAL SERVICES			\$ 6,764,785	\$ 4,321,956.35		
ACTUARIAL ADVISORS			\$ 390,660	\$ 260,304.00		
	Actuarial	Cavanaugh Macdonald	344,660	260,304.00	Y	Actuarial Consultant
AUDITING			\$ 195,020	\$ 166,872.20		
	Auditing	RSM US LLP	145,020	166,211.00	Y	External Auditor
BANKING FEES			\$ 1,257,223	\$ 842,384.72		
	Custodial Banking		1,106,543	699,582.52	Y	
		Huntington/Fifth Third	450,000	195,693.66	Y	Domestic Custodian
		BNYM	656,543	503,888.86	Y	International Custodian
	Administrative Banking	Huntington National Bank	150,680	142,802.20	Y	Banking Services
INVESTMENT RELATED			\$ 2,818,137	\$ 1,947,265.56		
	Master Recordkeeper		1,151,600	792,887.26	Y	
	Investment Consulting & Advisory Services		825,000	541,666.70		
		Aksia	375,000	166,666.70	Y	Investment Consulting
		Wilshire	450,000	375,000.00	Y	Investment Consulting
	Performance Analytics Services		704,820	612,711.60		
		Barra-One Risk Mgmt Sys	254,000	238,445.00	Y	Investment Risk Analytics
		BNY Mellon GRS	414,820	344,016.60	Y	Investment Performance Analytics
TECHNICAL			\$ 2,063,745	\$ 1,105,129.87		
	Special Counsel		226,000	220,422.59	Y	
	Technical		1,252,300	571,375.04		
		IBM	118,000	118,000.00	Y	Data Warehouse
		Sagitec	583,200	340,898.58	Y	SMART Development Resources
	Other Professional Services		585,445	313,332.24		
		Contoural	100,000	74,370.30	Y	Record Retention Project
OTHER OPERATING EXPENSE			\$ 3,004,049	\$ 1,298,388.70		
COMPUTER SUPPORT SERVICES			\$ 1,808,505	\$ 1,298,388.70		
	Hardware Maintenance		189,771	151,287.92	Y	
	Software Maintenance		972,185	794,219.12		
		Hyland	111,500	107,310.62	Y	ImageNow
		Dell	188,830	195,590.32	Y	Microsoft Enterprise Agreement
		Sagitec	420,000	315,000.00	Y	SMART Silver Support
	Software Subscription		548,572	352,881.66	Y	

May 2021 SERS Board Book - Executive Director's Report

PROJECT ITEMS						
Major Category/Sub-Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Additional Information
PROFESSIONAL SERVICES						
TECHNICAL						
	Technical					
		AWS/Cloud Compute - POC	100,000	-	Y	Consulting Services
		SMART Mobile Application	100,000	-	Y	Consulting Services
	Other Professional Services					
		Pension/HC Sustainability	100,000	-	Y	Consulting Services
SERS						
UNBUDGETED PROJECT ITEMS						
Major Category/Sub-Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Reallocation
PROFESSIONAL SERVICES						
TECHNICAL						
	Technical					
		VOIP Expansion - Needed to provide improved member service/reduce voice mails	-	143.75	N	Travel & Transportation
		SMART Framework Upgrade Consultant	-	37,346.25	N	Technical
COMMUNICATIONS EXPENSE			\$ -	\$ 5,320.00		
TELECOMMUNICATIONS SERVICES			\$ -	\$ 5,320.00		
	Telecommunications Services					
		VOIP Expansion - Needed to provide improved member service/reduce voice mails	-	5,320.00	N	Travel & Transportation
OTHER OPERATING EXPENSE			\$ -	\$ 24,343.64		
COMPUTER SUPPORT SERVICES			\$ -	\$ 24,343.64		
	Hardware <\$5,000					
		VOIP Expansion - Needed to provide improved member service/reduce voice mails	-	13,943.64	N	Travel & Transportation
	Software Subscription	eSignature capabilities to send and sign documents		10,400.00	N	Travel & Transportation

May 2021 SERS Board Book - Executive Director's Report

OSERS BROAD STREET, LLC

UNBUDGETED PROJECT ITEMS						
Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Reallocation
ADMINISTRATIVE SERVICES			\$ -	\$ 54,530.00		
	Hardware <\$5,000					
		Board Room Tech Upgrade - to add virtual capabilities (Zoom) for public and Board members	-	19,794.00	N	Unidentified at this time
		O'Keefe Tech Upgrade - to add virtual capabilities (Zoom) for public and Board members	-	34,736.00	N	Unidentified at this time

MEMORANDUM

To: Christopher Collins, SERS Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: May 5, 2021

Re: Federal Legislative and Regulatory Report

OVERVIEW

Highlights from April: the first joint address to Congress by President Joe Biden; hearings beginning on the 2022 federal budget through the twelve (12) Senate and House Subcommittees; further details released by the Biden administration on the \$1.8 trillion infrastructure plan, called the "American Jobs Plan" and a \$2.2 trillion initiative, the "American Families Plan"; the release of the Decennial Census numbers for each state, showing that Ohio will lose one Congressional seat; the announcement by Rep. Steve Stivers (R-OH) that he will be leaving the U.S. House of Representatives in May; the reintroduction of H.R. 3, the "Elijah E. Cummings Lower Drug Costs Now Act"; discussions on the proposed report language to be included in the House Committee on Appropriations' bill and report; and continued advocacy with House and Senate Legislative Assistants from the Ohio delegation on pension and health care issues.

President Joe Biden addressed a joint session of Congress on April 28. In the socially distanced House chamber, President Biden presented his administration's list of priorities, including the need to fund infrastructure through the American Jobs Plan. He said that the Plan would invest billions in creating jobs and supporting American products. He also asked Congress to pass a bill ensuring the right to unionize and to increase the minimum wage to \$15.00. In his remarks about COVID-19 and the increased effort to vaccinate Americans, he said:

Parents see the smiles on their kids' faces, for those who are able to go back to school because the teachers and school bus drivers and cafeteria workers have been vaccinated.

While the President mentioned his commitment to lowering the cost of prescription drugs, language to address high prescription costs was not included in the American Families Plan. He mentioned that Congress should "give Medicare the power to save hundreds of billions of dollars by negotiating lower drug prescription prices." The costs would be paid for, in part, by corporate and capital gains tax increases. He spoke of the need to address immigration and protect the right to vote. Full text is here: [Remarks by President Biden in Address to a Joint Session of Congress | The White House](#)

Some of the key initiatives in the American Families Plan would:

- ∑ Address teacher shortages, improve preparation, and strengthen pipelines for teachers of color.
- ∑ Create a national comprehensive paid family and medical leave program.
- ∑ Expand summer Electronic Benefit Transfer program to all eligible children nationwide.
- ∑ Expand school meal programs.
- ∑ Launch a healthy foods incentive demonstration to improve the nutrition standards of school meals and support the development of healthy lifestyles throughout the school environment.
- ∑ Extend expanded ACA premiums tax credits in the American Rescue Plan.

A Fact Sheet may be reviewed here: [FACT SHEET: The American Families Plan Will Support Children, Teachers, and Working Families in Rural America | The White House](#)

The House of Representatives is scheduled to be in session for eight (8) days in May, from Tuesday, May 12 through Thursday, May 20. Several Committee hearings are being held on non-session days until May 11. Hearings of interest:

- ∑ **Committee on Energy and Commerce, Subcommittee on Health, held a virtual hearing entitled, "Negotiating a Better Deal: Legislation to Lower the Cost of Prescription Drugs."**

Date: Tuesday, May 4, 2021 - 11:30am

The Memorandum from the Chair included a discussion on Medicare Drug Spending and Beneficiary Costs; H.R. 3, the “Elijah E. Cummings Lower Drug Costs Now Act”, reintroduced by Chairman Frank Pallone (D-NJ), Chairman Richard Neal (D-MA), and Chairman Robert “Bobby” Scott (D-VA) on April 22; H.R. 19, the “Lower Costs, More Cures Act of 2021”, introduced by Ranking Member Cathy McMorris Rodgers (R-WA), which includes several reforms to Medicare Parts B & D and Medicaid; H.R. 153, the “Protecting Consumer Access to Generic Drugs Act of 2021”; H.R. 2815, the “Bolstering Innovative Options to Save Immediately on Medicines Act”, or “BIOSIM Act”; H.R. 2831, the “Prompt Approval of Safe Generic Drugs Act”; H.R. 2846, the “Ensuring Access to Lower-Cost Medicines for Seniors Act”; H.R. 2853, the “Bringing Low-cost Options and Competition while Keeping Incentives for New Generics Act of 2021”, or the “BLOCKING Act of 2021”.

The Memorandum may be read here: [HHRG-117-IF14-20210504-SD002.pdf \(house.gov\)](https://www.house.gov/imo/media/doc/HHRG-117-IF14-20210504-SD002.pdf)

∑ **FY 2022 Budget Request for the Department of Education**

Date: Wednesday, May 5, 2021 - 10:00am

Hearing : Subcommittee on Labor, Health and Human Services, Education, and Related Agencies | House Committee on Appropriations

∑ **Committee on Education and Labor, Subcommittee on HELP**

Date: Wednesday, May 5, 2021 at Noon

Lower Drug Costs Now: Expanding Access to Affordable Health Care

Chairman’s Memorandum may be read here: [DeSaulnier OS 050521.pdf \(house.gov\)](https://www.house.gov/imo/media/doc/DeSaulnier_OS_050521.pdf)

[Full Committee Hearings](#) | [Committee Activity](#) | [House Committee on Education and Labor](#)

The House Committee on Financial Services marked up several bills in late April, including:

- ∑ H.R. 1087, the “Shareholder Political Transparency Act” would require public companies to submit quarterly reports to both the SEC and investors detailing the amount, date, and nature of the company’s expenditures for political activities.
- ∑ H.R. 1187, the “ESG Disclosure Simplification Act” would require companies to disclose certain ESG metrics to shareholders.
- ∑ H.R. 1277, the “Improving Corporate Governance Through Diversity Act” would require public companies to annually disclose the voluntarily, self-identified gender, race, ethnicity and veteran status of their board directors. Senator Robert Menendez (D-NJ) has introduced a companion bill, S.374, which Senator Sherrod Brown (D-OH) has co-sponsored.

The House Committee on Energy and Commerce marked up several bills of interest:

- ∑ H.R. 1215, the “Fraud and Scam Reduction Act”. The bill would establish a Senior Scams Prevention Advocacy Group to educate employees of retailers, financial-service companies, and wire-transfer companies to identify and prevent scams that target older Americans.
- ∑ H.R. 446, the “Protecting Seniors from Emergency Scams Act”. The bill would require the FTC to report on and increase awareness of scams targeting older adults.

Rep. Steve Stivers (R-OH) announced on April 19 that he would be leaving Congress to become the President and CEO of the Ohio Chamber of Commerce in mid-May. Several people have already indicated that they will be running for the seat in District 15. A special election will be held on August 3, which will also be the date for a special election for the vacant seat of former Rep. Marcia Fudge (D-OH), in District 11, who became the Secretary of Housing and Urban Development. Rep. Tim Ryan (D-OH) announced that he will be seeking the Democratic spot for the Senate seat to be vacated by Senator Rob Portman (R-OH) when Portman’s term ends.

The Senate is scheduled to be in session starting on Monday, May 10 and will remain in session until Friday, May 28. On April 5, the Senate Parliamentarian issued a ruling that may allow Senate Democrats to amend the budget resolution setting forth reconciliation procedures under the previous COVID-19 bill. This means that the Democrats could have more opportunities to use reconciliation to pass major pieces of legislation this year with a simple majority vote.

Ohio Senators Rob Portman (R-OH) and Sherrod Brown (D-OH), along with a bipartisan group of Senators reintroduced S. 732, which directs the President and specified federal agencies to take steps to increase transparency and limit the use of waivers of Buy American laws. Rep. Tim Ryan (D-OH) has sponsored a bill in the House, H.R.2810, to ensure that certain Federal infrastructure programs require the use of materials produced in the United States. It was introduced on April 22.

President Biden issued a Proclamation to recognize May as “Older Americans Month” on May 3. In the Proclamation, he said:

During Older Americans Month, we celebrate older Americans and the key role they play in sharing the wisdom and experience that inform today’s decisions and actions, and fostering the connection and engagement that build strong, resilient communities. And, we recognize our responsibility to ensure that every American has the opportunity to age with dignity. The COVID-19 pandemic has imposed tremendous hardships on our Nation’s older Americans. Older adults — particularly those from communities of color — have comprised the majority of deaths from COVID-19, with more than 80 percent of all deaths to date occurring in persons 65 and older. Many older Americans have also suffered extreme social isolation from being separated from friends, family, and community resources throughout the pandemic. In spite of this, older Americans have stepped up to support their families, friends, and neighbors. They are among our essential workers, volunteers, and donors, bolstering their communities and inspiring others to do the same. I am committed to ensuring older adults are central in our country’s recovery efforts.

It may be read here: [A Proclamation on Older Americans Month, 2021 | The White House](#)

On April 30, President Biden issued a Proclamation to recognize “Public Service Recognition Week, 2021”. In the Proclamation, he said:

In the face of unprecedented challenges this past year, America’s dedicated public servants have risen to the moment — bringing strength, healing, and hope to their communities and to our Nation. Our public servants are a living reminder that, here in America, we take care of one another and leave no one behind. As we work to defeat the pandemic and rebuild our economy, it is more important than ever to recognize and reflect upon both our collective loss and our collective resilience. During Public Service Recognition Week, we celebrate and thank our public servants at the local, State, and Federal levels who exemplify dedication to the common good.

It may be read here: [A Proclamation on Public Service Recognition Week, 2021 | The White House](#)

APPROPRIATIONS

On April 9, President Biden announced a \$1.52 trillion discretionary federal fiscal year 2022 budget framework which would increase domestic spending by up to 16% to fund climate change efforts, investments in clean energy and enhance the work of several federal agencies. It also included an over 20% increase in health care spending and a 40% increase for education programs. This was only the discretionary portion of the budget proposal. The non-discretionary budget will be released soon to support the Social Security, Medicare and Medicaid programs.

Budget hearings are being held in the twelve (12) Subcommittees, which occur before the House and Senate Appropriations Committees consider the appropriation bills. The appropriations process must be approved before October 1 to avoid a government shutdown unless Congress agrees to a CR, or continuing resolution, to give them extra time to work out the details.

INFRASTRUCTURE

President Biden’s total \$4 trillion infrastructure package, in two parts, goes beyond traditional infrastructure projects (such as roads and bridges) and includes funding to address climate change, provide funding for child care and education. The proposed \$1.8 trillion package for family infrastructure spending and the \$2.2 trillion for major infrastructure projects, could be passed in the Senate through the budget reconciliation process. The Senate would need 51 Senators to support it.

Senate Minority Leader Mitch McConnell (R-KY) indicated on May 3 that the President’s plan would not have any Republican support. Instead, a small group of Senate Republicans have drafted a counter proposal for a \$568 billion infrastructure package. Part of the Republican package could be paid

for by using some of the \$350 billion that went to state and local governments in a previous bill. States may be able to repurpose any remaining money and use it for infrastructure projects in their states.

SUMMIT ON CLIMATE

The Leaders Summit on Climate was hosted virtually by President Biden on April 22-23 to discuss climate action and its economic benefits, ahead of the U.N. Climate Change Conference (COP26) this November in Glasgow, Scotland. Over forty (40) world leaders were invited.

In advance of the Summit, President Biden announced a “new target for the United States to achieve a 50-52 percent reduction from 2005 levels in economy-wide net greenhouse gas pollution in 2030– building on progress to-date and by positioning American workers and industry to tackle the climate crisis,” according to a release that day. [FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies | The White House](#)

EDUCATION

On April 28, Senator Sherrod Brown (D-OH) introduced S. 1401, a bill to amend the Richard B. Russell National School Lunch Act to improve nutritional and other program requirements relating to purchases of locally produced food. Senator Susan Collins (R-ME) is the sole co-sponsor.

On April 26, the U.S. Department of Agriculture (USDA) announced a new effort funded by the American Rescue Plan to provide adequate nutrition to more than 30 million children over the summer by expanding Pandemic Electronic Benefit Transfer (P-EBT) benefits. “Summer months are difficult for low-income children because they lack access to school meals that fill a nutrition gap during the school year.” The release may be read here: [USDA to Provide Critical Nutrition Assistance to 30M+ Kids Over the Summer | USDA-FNS](#)

Reps. Steve Stivers (R-OH) and Kathleen Rice (D-NY) have not added any cosponsors to H.R. 902, the “Decreasing Employees Burdensome Taxes from Student Loans or DEBT Act of 2021”. With the imminent departure of Rep. Stivers, Rep. Rice may seek a new Republican co-sponsor.

FINANCIAL SERVICES

Rep. Patrick McHenry (R-NC) introduced H.Res. 249, a Resolution, “Expressing the sense of the House of Representatives that the Congress should not impose a financial transaction tax on individuals or market intermediaries in connection with trades executed on the National Market System or alternative trading systems”. The Resolution was referred to the House Committee on Ways and Means. Three Ohio Representatives, Steve Stivers (R-OH), Warren Davidson (R-OH) and Anthony Gonzalez (R-OH) are among the 23 cosponsors.

H.R. 328, the “Wall Street Tax Act”, still has 27 cosponsors, including Rep. Tim Ryan (D-OH) and has not advanced out of Committee. The legislation would create a financial transaction tax on the sale of stocks, bonds, and derivatives at 0.1 percent (10 basis points), which could raise approximately \$777 billion over ten (10) years. A Senate companion bill, S. 817, has been introduced, however, neither Senator Sherrod Brown (D-OH) or Rob Portman (R-OH) have cosponsored the bill.

SERS ADVOCACY ON THE HRA WRAPAROUND PLAN AND EGWPs

In discussions with staff from the offices of Reps. Marcy Kaptur (D-OH) and Tim Ryan (D-OH), the Committee on Appropriations may be interested in following up with the Centers for Medicare and Medicaid Services (CMS) on the report that it was supposed to provide on Limited Wraparound Plans. In the last appropriations bill, the Committee requested that CMS provide a report within 60 days of its plan to ensure that the participants impacted by the expiration of the program would receive benefits equivalent to those offered under the limited wraparound coverage program. The report was to include an analysis of the outcomes of the pilot program and an explanation for CMS’s decision not to extend it. The Committee recommended that the pilot program be made permanent and encouraged CMS to restore it.

Apparently, CMS did not complete the study or provide any report back to the Committee. SERS and I will continue to discuss the best way to proceed on coverage options for under-65 retirees. The request for report language on HRA excepted benefit plans is still under consideration. We are following up with all the Ohio delegation offices to discuss this issue, the various bills that are attempting to address the high cost of prescription drugs and the rebate rule.

In an April call, SERS and a group of plan sponsors, industry organizations and providers, continued to discuss ways to collaborate. The language in the reintroduced bill, H.R. 3, does not include a fix for Employer Group Waiver Plans (EGWPs). We discussed the language in the bill to introduce a manufacturer discount program to replace the coverage gap discount program. The Public Sector HealthCare Roundtable is one of the stakeholders in the working group.

WINDFALL ELIMINATION PROVISION (WEP)

On April 1, Chairman Richard Neal (D-MA) introduced H.R. 2337, a bill to amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision. There are 146 co-sponsors already, including Reps. Beatty, Kaptur and Ryan. Rep. Kevin Brady (R-TX) made an announcement on April 14 that he would not be seeking reelection after this term ends. He was also very interested in resolving the WEP for non-covered workers.

On April 22, Senator Sherrod Brown (D-OH) reintroduced his bill to amend title II of the Social Security Act to repeal the government pension offset (GPO) and windfall elimination provisions (WEP). The bill is S. 1302 and has 26 cosponsors. It has been assigned to the Committee on Finance.

SOCIAL SECURITY ADMINISTRATION (SSA)

The Social Security and Medicare Trustees' financial and actuarial reports are set to be released soon. The last report was issued on April 22, 2020. The upcoming report should provide some details on the impact of the pandemic on both Trust Funds. In last year's report, the SSA said, "The projections and analysis in this year's report do not reflect the potential effects of the COVID-19 pandemic on the Social Security program. Given the uncertainty associated with these impacts, the Trustees believe that it is not possible to adjust their estimates accurately at this time."

Six members of the Ohio delegation have become part of the 138 cosponsors of H.R. 82, the "Social Security Fairness Act of 2021", including Rep. Joyce Beatty (D-OH), Tim Ryan (D-OH), David Joyce (R-OH), Michael Turner (R-OH), Bob Gibbs (R-OH) and Troy Balderson (R-OH), who cosponsored the bill on April 30. The bill repeals provisions that reduce Social Security benefits for individuals who receive other benefits, such as a pension from a state or local government, and eliminates the GPO and the WEP for benefits payable after December 2021.

HHS/MEDICARE AND MEDICAID/CMS

H.R. 1868, which extended a suspension of Medicare sequestration and make other technical changes to Medicare payments and Medicaid eligibility, was signed by President Biden. The bill also took care of the pay-go provisions which would have applied to the American Rescue Plan.

Senator Sherrod Brown (D-OH), along with Senators Tammy Baldwin (D-WI) and Debbie Stabenow (D-MI) introduced the "Medicare at 50 Act", S. 1279, on April 21. The bill would "give people between the ages of 50 and 64 years old the option of buying into Medicare to provide the millions of Americans approaching retirement or forced to retire early due to layoffs or mandatory retirement, who face increasing health care needs and rising costs with an additional, affordable option for their health insurance coverage." [Brown Introduces Medicare at 50 Act \(senate.gov\)](https://www.senate.gov/legislation/brown/medicare-at-50-act)

A bill, S. 1180, the "Choose Medicare Act," was introduced by Senators Chris Murphy (D-CO), Jeff Merkley (D-OR) and Dianne Feinstein (D-CA) and was co-sponsored by nine other Democrats. The bill would provide for the establishment of Medicare part E public health plans, and for other purposes. While the bill would boost federal assistance for ACA plans, it would not extend increased subsidies that were enacted under the American Rescue Plan. Instead, Part E would link the existing subsidies to gold-

level products that have an 80% actuarial value and extend tax credits to families earning up to 600% of the poverty level, rather than 400% FPL. The bill would also enable HHS to be able to negotiate Medicare prescription drug prices. A copy of the text is here: [BON21374 \(senate.gov\)](#)

HEALTH CARE

H.R. 19, the “Lower Costs, More Cures Act” was reintroduced on April 21. Reps. Brad Wenstrup (R-OH) and Bob Latta (R-OH) are the two Ohio co-sponsors. “After experiencing the greatest health and economic crises of our lifetime, people are eager for a modernized health care system, increased choice and transparency, and lower costs. All the provisions in H.R. 19 are bipartisan and are ready to become law as soon as possible, including two that already passed the People’s House last week.” The Dear Colleague letter may be read here: [04.21.21-HR-19-Dear-Colleague-Letter.pdf \(house.gov\)](#)

There are 13 cosponsors to the bill, S. 386, the “Medicare-X Choice Act”, introduced by Senators Tim Kaine (D-VA) and Michael Bennet (D-CO) for a public option health insurance plan that would also allow Medicare to negotiate lower drug prices. The proposal would create a government-run health care plan on the Affordable Care Act exchanges to compete with plans offered by private insurers.

PRESCRIPTION DRUGS

During his address to the joint session of Congress, President Biden asked Congress to pass drug pricing reform this year. After the speech, the Senate Committee on Finance Chairman, Ron Wyden (D-OR), indicated that he would work on finding a vehicle that would garner support from Senate Democrats. In the last session, Senator Wyden worked closely with former Chairman of the Committee, Senator Chuck Grassley (R-IA) on the bipartisan Prescription Drug Pricing Reduction Act (PDPRA), S. 2543. Whether Chairman Wyden will include an expansion of Medicare into the Senate version of the American Families Plan, even if the House adds the provision into its bill, H.R. 3, has not been decided.

The lawsuit filed by the Pharmaceutical Care Management Association (PCMA) against HHS and other federal agencies, in the U.S. District Court for the District of Columbia, is still pending. In a status report, the parties indicated that they are still in discussion. The implementation of the rebate rule has been extended until January 1, 2023 pending review by the Biden Administration and the Court.

The bills introduced by Senator Bernie Sanders (I-VT) to address the high cost of prescription drugs are still pending: S. 908 -A bill to amend title XVIII of the Social Security Act to provide for the negotiation of lower covered part D drug prices on behalf of Medicare beneficiaries and the establishment and application of a formulary by the Secretary of HHS under Medicare part D; **S. 909** -A bill to significantly lower prescription drug prices by ending government-granted monopolies for manufacturers who charge drug prices that are higher than the median prices at which the drugs are available in other countries; and **S. 920** -A bill to amend the Food, Drug, and Cosmetic Act to allow for the importation of affordable and safe drugs by wholesale distributors, pharmacies, and individuals.

The House passed these bills relating to drug exclusivity and biosimilars: To amend the Food, Drug, and Cosmetic Act for the scope of new chemical exclusivity (S. 415); Ensuring Compliance Against Drug Diversion Act of 2021 (H.R. 1899); and Advancing Education on Biosimilars Act of 2021 (S. 164).

RETIREMENT SECURITY

On May 4, Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) introduced H.R. 2954, the “Securing a Strong Retirement Act of 2021”, or SECURE Act 2.0. Chairman Neal said:

Too many workers in this nation reach retirement age without the savings they need. In fact, according to the Center for Retirement Research at Boston College, 50 percent of households are “at risk” of not having enough to maintain their living standards in retirement. The retirement crisis in America is real and will only worsen unless we make saving easier and do more to encourage workers to begin planning for retirement earlier. Last Congress, this Committee had great success in working together to enact the SECURE Act, the most significant retirement legislation to become law in over a decade. Thanks to that legislation, 4 million more Americans now have the opportunity to save at work and an estimated 600,000 to 700,000 new retirement accounts will be formed.

SECURITIES AND EXCHANGE COMMISSION (SEC)

Gary Gensler was confirmed by the Senate as the Chairman of the SEC. Senator Sherrod Brown (D-OH) voted Yes and Senator Rob Portman (R-OH) voted Nay. Chairman Gensler was sworn in on Saturday, April 17, to a five year term. The final vote was 54-45.

The SEC will have a closed meeting on Thursday, May 6. The agenda includes: Institution and settlement of injunctive actions; Institution and settlement of administrative proceedings; Resolution of litigation claims; and Other matters relating to examinations and enforcement proceedings.

Comments on the reopening of the rules for the use of universal proxy cards in all non-exempt solicitations for contested director elections are due within thirty (30) days of the filing in the Federal Register. The reopened comment period permits interested parties to submit comments and updated data on the rule amendments proposed back in 2016 and comments on the questions raised in the reopened release. Under the current rules, shareholders have no practical ability to "split their ticket" unless they attend the annual meetings and vote for a combination of shareholder and/or management nominees. **Comments are due by June 7, 2021.**

CII sent a letter on April 22 to the SEC commenting on the SEC's recent semiannual regulatory agenda and recommending that the agency prioritize the following actions: 1) Investor Rights and Protections; 2) Corporate Disclosure; and 3) Markets Systems & Structure. The 15-page letter may be read here: [April 2021 SEC Reg Flex Letter \(final\).pdf \(cii.org\)](#)

On April 9, the SEC staff updated some of the sections to provide guidance for companies that will be conducting annual shareholder meetings due to COVID-19 concerns. The SEC noted that "sections have been marked with a date tag to identify the changes." [SEC.gov | Staff Guidance for Conducting Shareholder Meetings in Light of COVID-19 Concerns](#)

U.S. CENSUS BUREAU

On April 26, the U.S. Census Bureau delivered the 2020 apportionment results to President Biden. The Bureau noted that the U.S. resident population, which is the total number of people living in the 50 states and the District of Columbia, increased by 22,703,743 or 7.4% from 308,745,538 in 2010.

In the release, the population counts for apportioning the seats in the U.S. House of Representatives are included in "accordance with Title 2 of the U.S. Code, a congressionally defined formula is applied to the apportionment population to distribute the 435 seats in the U.S. House of Representatives among the states." The results determined that:

- Σ Texas will gain two seats in the House of Representatives, five states will gain one seat each (Colorado, Florida, Montana, North Carolina, and Oregon), **seven states will lose one seat each (California, Illinois, Michigan, New York, Ohio, Pennsylvania, and West Virginia)**, and the remaining states' number of seats will not change based on the 2020 Census.

The release may be read here: [2020 Census Apportionment Results Delivered to the President](#)

The Ohio General Assembly is considering whether there needs to be an alternative legislative plan for drawing up the new district maps by September 30. The maps need to be in place by the May 2022 primaries. According to the Bureau, states will still have to wait for more detailed data which has been delayed until September 30 because of the pandemic.

U.S. SUPREME COURT

President Biden signed an Executive Order on April 9 which establishes a Presidential Commission to study whether seats should be added to the Supreme Court. The Commission will be composed of up to 36 members appointed by the President and will issue a report within 180 days on the role and operation of the Court; historical background; and an analysis of the principal arguments in the public debate for and against Supreme Court reform. [Executive Order on the Establishment of the Presidential Commission on the Supreme Court of the United States | The White House](#)

Rep. David Joyce (R-OH) and several of his Ohio Republican colleagues have co-sponsored H.J. Res. 11, a Resolution which would propose an amendment to the Constitution to require the U.S. Supreme Court be composed of nine (9) Justices. Four other Resolutions have been filed to maintain the size of the Supreme Court at nine (9) justices. The Resolutions were introduced to counter the bill, H.R. 2584, introduced on April 15, by several Democrats to expand the size of the Court from nine (9) to thirteen (13) justices. Speaker Nancy Pelosi (D-CA) indicated that she may not bring that bill to the floor.

U.S. TREASURY

After President Biden issued his Executive Order on April 15, Treasury issued sanctions against Russia in a directive that prohibits U.S. financial institutions from participation in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. The directive provides authority for the U.S. government to expand sovereign debt sanctions on Russia as appropriate. A Fact Sheet may be read here: [FACT SHEET: Imposing Costs for Harmful Foreign Activities by the Russian Government | The White House](#)

REPORTS

A report by Goldman Sachs Asset Management (GSAM) was highlighted in an article published in Institutional Investor on May 3. The report “found public pension funds that were in the best financial health at the start of the pandemic took the hardest hit to their funded statuses over the course of the past year but they’ve also benefitted most from the speedy recovery over the past 12 months.”

<https://www.institutionalinvestor.com/article/b1rnm95n2tb93d/The-Pandemic-Hit-Public-Pension-Funds-Hard-But-Now-They-re-Better-Funded-Than-They-ve-Been-in-Years>

OTHER NEWS

On April 22, the House voted (216-208) in favor of the bill, H.R. 51, the “Washington, D.C. Admission Act”, introduced by Delegate Eleanor Holmes Norton (D-DC), to admit Washington, D.C. as a state. While Senate Majority Leader Charles E. Schumer (D-NY) said that the Senate would take up the bill, Republican Senators remain opposed.

The bill introduced by Rep. Bill Pascrell, Jr. (D-NJ), H.R. 1068, the “Carried Interest Fairness Act of 2021,” has 7 cosponsors (none from Ohio) and would close the carried interest loophole.

NCPERS held its spring conference in April and named Senator Sherrod Brown, (D-OH) as the 2020 Policymaker of the Year.

ACTIVITIES:

1. Attended the NCPERS Spring Conference in April.
2. Requested appointments with Ohio delegation staff members, arranged the invitations and participated on Zoom calls. Provided follow up on requests for more information.
3. Reviewed bills, Executive Orders, statements and memoranda related to education, schools, retirement and health care. Provided a Memorandum on the infrastructure proposal.
4. Participated in calls with SERS, Government Relations Network and the Public Sector HealthCare Roundtable.
5. Monitored bills and hearings from the House Committees on Ways & Means, Energy and Commerce, Appropriations, Finance, and others related to public pensions, COVID-19, retirement security, health care, prescription drugs, education and schools, and Social Security.
6. Monitored the U.S. Supreme Court for important retirement, health care and investment cases.
7. Reviewed bills that were introduced or cosponsored by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
8. Reviewed notices or proposed rules from the SEC, DOL, HHS/CMS, and regulatory agencies.
9. Monitored organizations, such as the Social Security Administration, American Benefits Council, AHIP, BMA, AARP and other entities on pension, investment, and/or health-care-related issues.
10. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, Public Sector HealthCare Roundtable, Social Security, and prepared the Federal Legislative Report.

FEDERAL LEGISLATION BOARD REPORT
117th United States Congress
(Prepared by Chris Collins as of May 7, 2021)

H.R. 82

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/04/2021 Referred to the House Committee on Ways and Means.

CAPTION: Social Security Fairness Act of 2021

COMMENT: Repeals the GPO and WEP. 138 co-sponsors; six Ohioans

H.R.328

SPONSOR: Rep. Peter DeFazio (D-OR)

LAST ACTION: House - 01/15/2021 Referred to the House Committee on Ways and Means.

CAPTION: To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

COMMENT: 27 co-sponsors; one Ohioan

H.R. 1319

SPONSOR: Rep. John Yarmuth (D-KY)

LAST ACTIONS: 03/11/2021 Became Public Law No: 117-2.

CAPTION: American Rescue Plan Act of 2021

COMMENT: Provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses.

H.R. 2337

SPONSOR: Rep. Richard Neal (D-MA)

LAST ACTIONS: House - 04/01/2021 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 146 cosponsors; three Ohioans

S. 1302

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 04/22/2021 Read twice and referred to the Committee on Finance.

CAPTION: A bill to amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

COMMENT: 26 cosponsors

H.R. 3

SPONSOR: Rep. Frank Pallone (D-NJ)

LAST ACTIONS: House - 04/27/2021 Referred to the Subcommittee on Oversight and Investigations

CAPTION: Elijah E. Cummings Lower Drug Costs Now Act

COMMENT: 34 cosponsors; two Ohioans

STATE LEGISLATION BOARD REPORT
(Prepared by Chris Collins as of May 7, 2021)

133rd General Assembly

HB308 POST-TRAUMATIC STRESS FUND Tom Patton (R-Strongsville) To provide compensation and benefits to first responders with post-traumatic stress disorder and to study the financial and administrative requirements for that fund.

Current Status: 01/09/2021 SIGNED BY GOVERNOR; eff. 90 days

HB442 OCCUPATIONAL REGULATIONS Bill Roemer (R-Richfield) and Thomas West (D-Canton) Requires pupil services personnel to register with the Department of Education, rather than hold a separate license from the State Board of Education as under prior law. The change applies to school speech language pathologists, audiologists, school nurses, physical therapists, occupational therapists, and social workers, who are licensed by their respective professional boards.

Current Status: 01/07/2021 SIGNED BY GOVERNOR; eff. 90 days

134th General Assembly

HB110 OPERATING BUDGET Scott Oelslager (R- North Canton) To make operating appropriations for the biennium beginning July 1, 2021, and ending June 30, 2023, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 05/06/2021 Senate Health, Senate Primary and Secondary Education, (Eighth Hearing, Ninth Hearing)

HB14 REGARDS STATE RETIREMENT SYSTEM Diane Grendell (R – Chesterland) Regarding state retirement system fiduciary duties, Public Employees Retirement System management fees and employee pay, and creating the Committee on Pension Salaries and Fees.

Current Status: 02/04/2021 Referred to Financial Institutions Committee

**School Employees
Retirement System of Ohio**

Memo

To: Retirement Board
From: Richard Stensrud, Executive Director
CC: Karen Roggenkamp, Deputy Executive Director
Date: May 7, 2021
Re: FY2022 Budget Review

At the meeting in May, you will receive the FY2022 Administrative Budgets for SERS and OSERS Holdings, LLC. At the June meeting, we will request approval of these budgets through separate resolutions: one for SERS' operating and capital budgets for the next fiscal year and one for the transfer of funds to OSERS Holdings, LLC to cover the net operating expenses of OSERS Broad Street, LLC.

As noted in the letter to the Board, found in the front of the budget book, the budget presented reflects an increase of 4.36% over the FY2021 budget and an 8.79% increase over the FY2021 projected expenses.

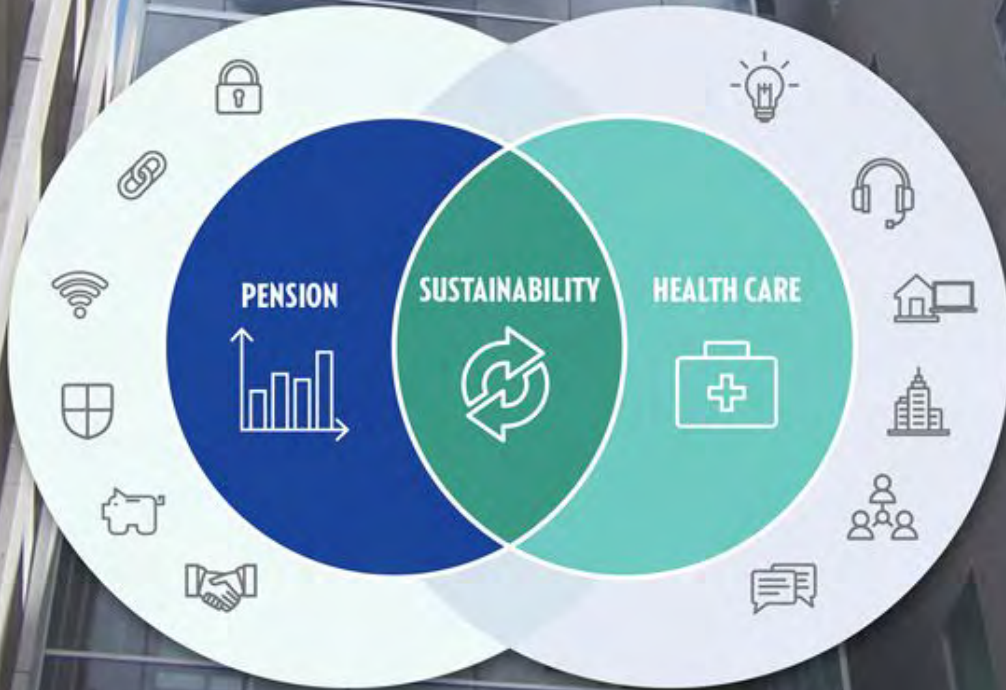
If you have any questions about either resolution, please call me at 614.222.5829.



FY2022

Administrative Budget

WE ARE SERS



A BETTER SERS

School Employees Retirement System of Ohio
Serving the People Who Serve Our Schools®

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

SERS is a public defined benefit pension fund that provides pensions and access to health care coverage for the people who serve our schools.

CORE BELIEFS

We are here to serve.

We are open and honest.

We are professional.

We are dedicated.

We are enthusiastic.

We are high performers.

We are valuable partners.

We are member advocates.

We are innovators.

We are SERS.

SERS AT A GLANCE

9

Members of the Retirement Board with fiduciary responsibility for the oversight of general administration and management of the Retirement System

1,051

Employers

156,579

Active Members

80,851

All Benefit Recipients

\$1,288

Average Monthly Benefit

181

SERS Employees

1937

The year School Employees Retirement System of Ohio was established. SERS is located at 300 East Broad Street, Columbus, Ohio, or online at www.ohsers.org

All statistical information obtained from SERS' 2020 Annual Financial Report publication.





SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

May 7, 2021

Dear Chairman Garside and SERS Retirement Board Members:

We are pleased to present the Retirement Board with the proposed FY 2022 Administrative Budget which supports our approximately 237,000 active members, retirees, and beneficiaries with valuable pension benefit programs and healthcare services.

FY2021 Recap

The Pandemic events during the fiscal year changed several of our priorities and shifted focus toward providing member services and other support in a virtual environment. This also caused category changes in budgeted expenditures. We anticipate closing the year at \$33.2 million or 4.1% below budget. Most of this variance was related to lower professional services (master recordkeeping, investments advisory fees, and technical consulting), lower printing and communications expenses, and reduced employee training/travel due to cancellations or shift to virtual meetings. Although our office environment moved to a hybrid model, we had many successes during FY21.

Administration

- With the Ohio Stay at Home orders, initially our MST Call Center shifted to voice mail and telephone outreach in March and then to an onsite/offsite hybrid model. A project team was put in place and expenses were realigned to prioritize the 1st quarter implementation of voice over IP (VOIP) which helped return to pre-pandemic calls answered and wait times while improving our business continuity options.
- Board meetings and other services moved to all virtual with securing Zoom enterprise licenses. Technology was upgraded in the Board and O'Keefe conference rooms, public participation increased, and counseling sessions will be continued to be offered using Zoom as an option to phone and on-site.
- Healthcare staff obtained Board approval to implement the Medicaid eligibility verification requirement to maintain eligibility for SERS Health Care and transitioned certain Medicare enrollees to Aetna Medicare plan. This process and plan transition directs enrollees to their lowest cost health care option and improves sustainability for the Health Care fund with approximately \$2.0 million in lower expenses and member premium reductions of \$0.4 million.
- Establishment of an Information Governance framework and associated policies as well as launched a pilot program for data classification and migration to the organization's collaborative platform. This project which had been on hold for several years, improves record retention and increases digital storage/retrieval options.
- Engagement and completion of the five-year Actuarial experience study and adoption of revised economic factors.
- Transition to a new domestic investment custodian.

Technology

- As part of our Sagitec contract, upgraded system network infrastructure and Pension Management System (SMART 6.0) to strengthen security and controls and process flows to improve system performance and customer experience.
- Upgraded accounting software and implemented phase two of budget software rollout.



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

Employers and Membership

- Transformed all eSERS training from live to virtual sessions allowing greater participation levels and expanded topics for live webinars.
- Mitigated a shortfall in employer healthcare contributions.
- Continued to conduct member counseling sessions remotely and increased the number of webinars available and members participating.

FY2022 Budget Request

As detailed in the following pages, the proposed FY2022 budget of \$36.1 million reflects a 4.36% increase over the FY2021 budget and an 8.79% increase over the FY2021 projected expenses. The significant drivers of this change are medical and prescription experience costs, budgeted merit vs. no merit in FY 21, investment fees and compensation related to positive portfolio performance, member health care contract consulting, and pre-pandemic training and travel. Additional budget information is as follows:

- Telecommunication platform end-of-life transition and VOIP migration.
- Continuation of the record management project that will assist with ensuring compliance with electronic record retention requirements and improve management of documents enterprise wide.
- Enhancements to the Member Self-Service Portal within the pension management system (SMART) concentrating on options to reduce call volumes and provide additional electronic member tools.
- Analysis of current software environment for cloud compatibility and consideration of options to improve our infrastructure capabilities.
- Acquisition of tools to assist with data analysis and improving efficiencies around review of investment managers and risk.
- Medical and prescription consulting needed to assist in reviewing the Prescription Drug and Medical contracts ending in 2022.
- A tiered two percent performance-based merit increase for staff.

We appreciate your consideration of this budget and look forward to discussions regarding its contents.

Respectfully,

A handwritten signature in black ink that reads "Richard Stensrud".

Richard Stensrud
Executive Director

A handwritten signature in black ink that reads "Tracy L. Valentino".

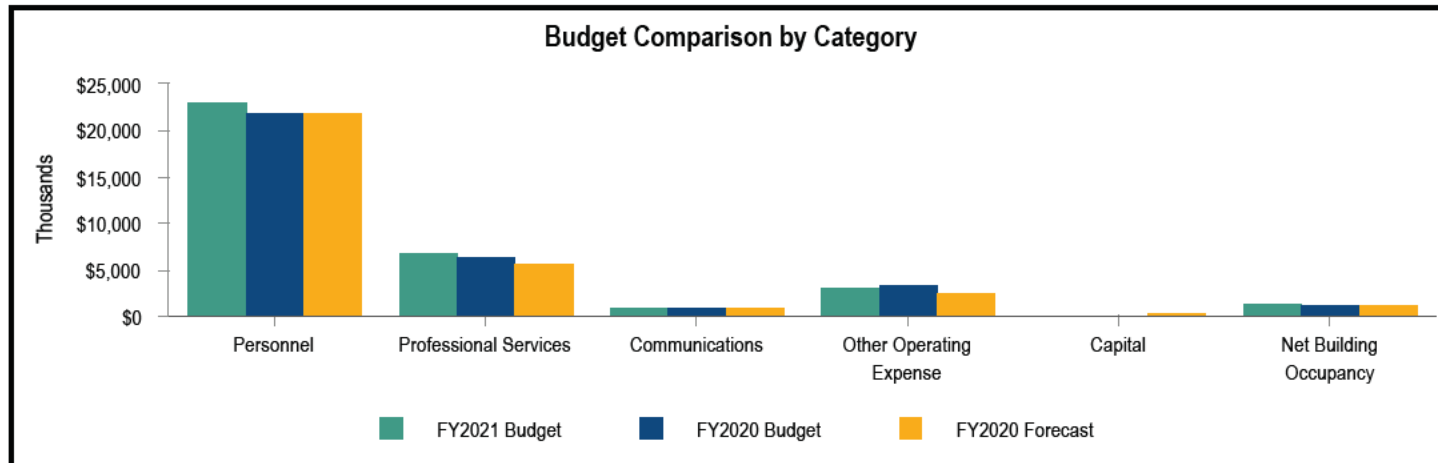
Tracy L. Valentino, CPA
Chief Financial Officer

FY2022 Operating Budget Table of Contents

BUDGET OVERVIEW	2
FY2022 OPERATING BUDGET BY CATEGORY	3
FY2022 BUDGET SUMMARY	4
Three-Year Review FY2020-22 Budget Presentation	5
FY2022 SERS OPERATING BUDGET BY CATEGORY EXCLUDING INVESTMENTS	7
Three-Year Review FY2020-22 SERS Budget Presentation excluding Investments	8
FY2022 INVESTMENT OPERATING BUDGET BY CATEGORY	9
Three-Year Review FY2020-22 Investment Budget Presentation	10
DETAILS BY MAJOR ACCOUNT CATEGORY	
Personnel	11
Professional Services	13
Communications	16
Other Operating	17
ADMINISTRATIVE CAPITAL BUDGET	20
OSERS BROAD STREET, LLC AND OSERS HOLDINGS, LLC	
Building Occupancy Budget	22

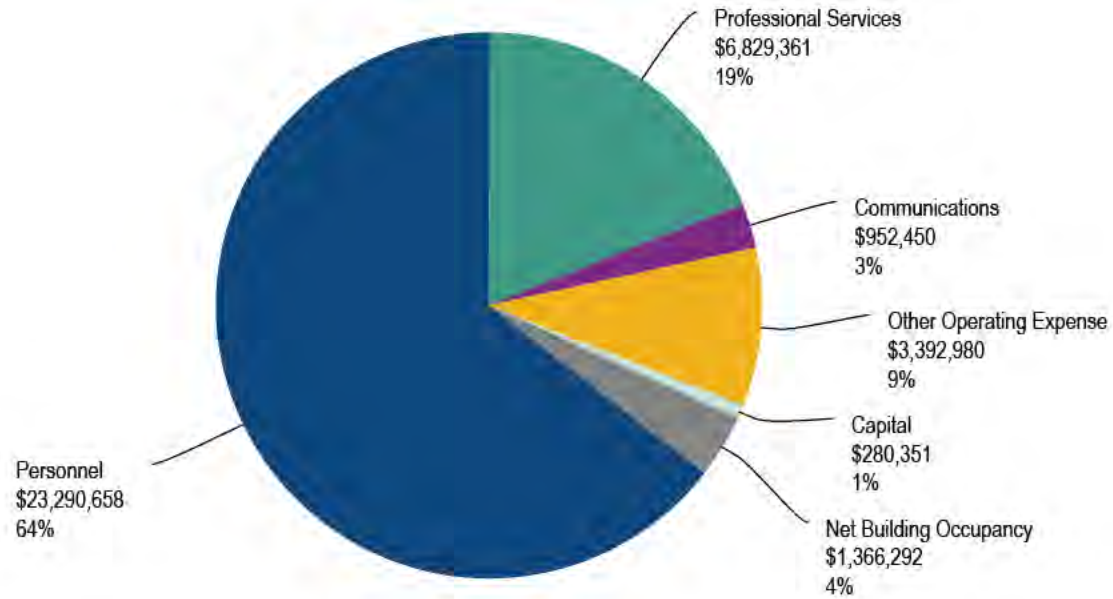
Budget Overview

Category and Description	FY2022 Budget \$	36,112,092
PERSONNEL	\$	23,290,658
A performance-based merit increase of 2%, retirement contributions, Investment Staff professional incentive, and actuarial derived insurance-related staff benefits are included in this category.		
Operational Impact		64.5 %
PROFESSIONAL SERVICES	\$	6,829,361
Investment-related fees are analogous to expected investment performance. Also in this category are infrastructure third-party services, health care medical and pharmacy claims data repository, records retention appraisal, medical/pharmacy pricing advisement, strategic retirement guidance related to pension and health care sustainability, and consulting services across the organization.		
Operational Impact		18.9 %
COMMUNICATIONS	\$	952,450
Member Services, Health Care, and Employer Services will continue to provide the same standard of service to members and retirees. A postage savings occurs in the absence of an election.		
Operational Impact		2.6 %
OTHER OPERATING EXPENSE	\$	3,392,980
This includes annual requisite computer technology-related support for SERS' network, Board and staff training and education, insurance, and mandatory legislative oversight.		
Operational Impact		9.4 %
CAPITAL	\$	280,351
Projects included are virtual storage appliances, information and network security controls, disaster recovery continuity platform, and virtualized technology and networking capabilities.		
Operational Impact		0.8 %
OSERS BROAD STREET, LLC	\$	1,366,292
OSERS Broad Street, LLC will be 100% leased. This budget includes routine maintenance, upkeep and tenant alterations. Remodeling expected for new tenants on the first and fifth floor.		
Operational Impact		3.8 %



FY2022 Operating Budget by Category

\$36,112,092



Budget Category	BUDGET		FORECAST
	FY2022	FY2021	FY2021
Personnel	\$ 23,290,658	\$ 22,024,598	\$ 22,135,826
Professional Services	\$ 6,829,361	\$ 6,393,785	\$ 5,673,262
Communications	\$ 952,450	\$ 1,105,880	\$ 888,886
Other Operating Expense	\$ 3,392,980	\$ 3,224,049	\$ 2,929,440
Capital	\$ 280,351	\$ 490,351	\$ 482,986
Net Building Occupancy	\$ 1,366,292	\$ 1,363,534	\$ 1,083,091
TOTAL OPERATING	\$ 36,112,092	\$ 34,602,197	\$ 33,193,491

FY2022 Budget Summary

Budget Category	FY2022 Budget	FY2021 Approved Budget	FY2021 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 16,861,477	\$ 16,238,847	\$ 16,030,805	3.8
OPERS Retirement Contributions	2,268,381	2,192,546	2,085,237	3.5
Benefits	4,160,800	3,593,205	4,019,784	15.8
PERSONNEL	\$ 23,290,658	\$ 22,024,598	\$ 22,135,826	5.7
Actuarial	344,725	390,660	416,304	(11.8)
Audit Services	224,984	195,020	173,539	15.4
Custodial Banking Fees	1,105,200	835,543	870,555	32.3
Master Recordkeeper	1,010,400	1,151,600	949,553	(12.3)
Investment Consulting	1,543,817	1,666,537	1,469,279	(7.4)
Other Consulting (Information Technology, Human Resources, Legal, Medical)	2,401,815	2,003,745	1,604,418	19.9
Banking Expense	198,420	150,680	189,614	31.7
PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS	\$ 6,829,361	\$ 6,393,785	\$ 5,673,262	6.8
Printing & Postage	730,138	870,860	663,309	(16.2)
Telecommunications	187,722	184,580	225,577	1.7
Member/Employer Education	34,590	50,440	—	(31.4)
COMMUNICATIONS	\$ 952,450	\$ 1,105,880	\$ 888,886	(13.9)
Conferences & Education	252,480	170,105	74,350	48.4
Travel	167,622	224,835	27,335	(25.4)
Computer Support Services	1,948,408	1,808,505	1,933,151	7.7
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	972,470	968,604	850,072	0.4
Ohio Retirement Study Council	52,000	52,000	44,532	—
OTHER OPERATING	\$ 3,392,980	\$ 3,224,049	\$ 2,929,440	5.2
TOTAL OPERATING	\$ 34,465,449	\$ 32,748,312	\$ 31,627,414	5.2
Furniture & Equipment > \$5,000	—	—	—	—
Computer Hardware > \$5,000	227,018	437,018	429,653	(48.1)
Computer Software > \$25,000	53,333	53,333	53,333	—
Vehicles	—	—	—	—
CAPITAL	\$ 280,351	\$ 490,351	\$ 482,986	(42.8)
NET BUILDING OCCUPANCY EXPENSE	\$ 1,366,292	\$ 1,363,534	\$ 1,083,091	0.2
TOTAL OPERATING AND CAPITAL BUDGETS	\$ 36,112,092	\$ 34,602,197	\$ 33,193,491	4.4

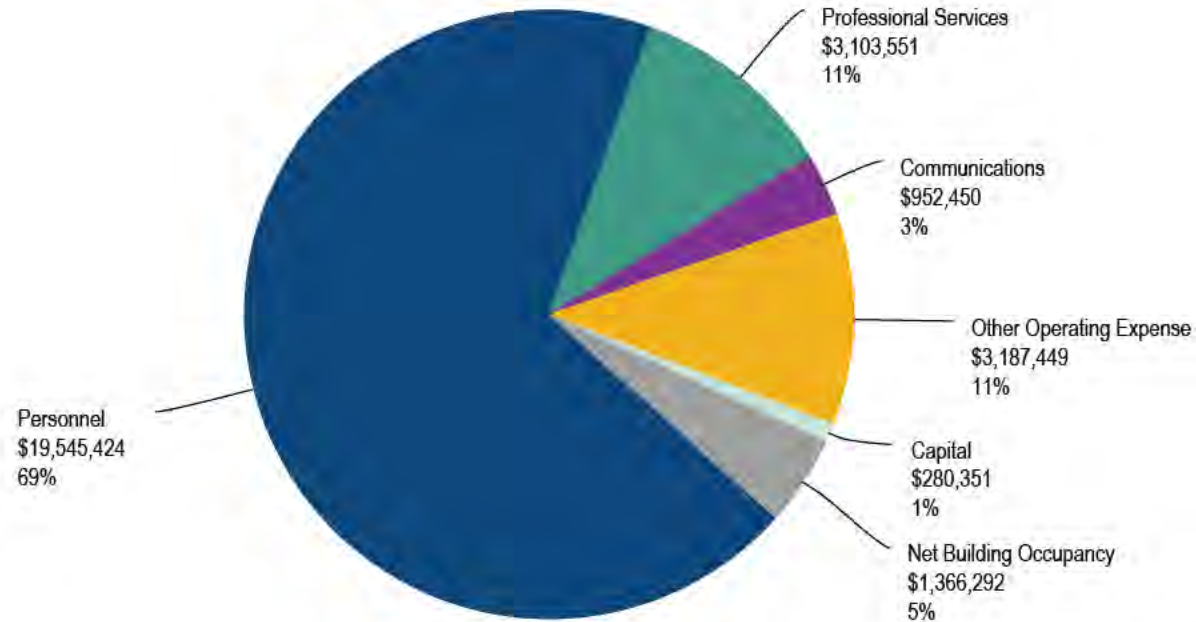
Three-Year Review FY2020 - 22 Budget Presentation

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Description	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 16,052,733	\$ 16,030,805	\$ (21,928)	(0.1)	Salaries & Wages	\$ 16,861,477	\$ 830,672	5.2
2,146,733	2,085,237	(61,496)	(2.9)	OPERS Retirement Contributions	2,268,381	183,144	8.8
3,031,917	4,019,784	987,867	32.6	Benefits	4,160,800	141,016	3.5
21,231,383	22,135,826	904,443	4.3	PERSONNEL	23,290,658	1,154,832	5.2
274,134	416,304	142,170	51.9	Actuarial	344,725	(71,579)	(17.2)
217,402	173,539	(43,863)	(20.2)	Audit Services	224,984	51,445	29.6
1,106,615	1,060,169	(46,446)	(4.2)	Banking Fees	1,303,620	243,451	23.0
2,742,364	2,418,832	(323,532)	(11.8)	Investment Related	2,554,217	135,385	5.6
40,000	42,500	2,500	6.3	Medical	45,000	2,500	5.9
1,859,768	1,561,918	(297,850)	(16.0)	Technical	2,356,815	794,897	50.9
6,240,283	5,673,262	(567,021)	(9.1)	PROFESSIONAL SERVICES	6,829,361	1,156,099	20.4
487,260	587,958	100,698	20.7	Postage	611,738	23,780	4.0
200,061	225,577	25,516	12.8	Telecommunication Services	187,722	(37,855)	(16.8)
23,001	—	(23,001)	(100.0)	Member/Employer Education	34,590	34,590	—
122,684	75,351	(47,333)	(38.6)	Printing & Publication	118,400	43,049	57.1
833,006	888,886	55,880	6.7	COMMUNICATIONS	952,450	63,564	7.2
1,821,004	1,933,151	112,147	6.2	Computer Support Services	1,948,408	15,257	0.8
148,828	126,328	(22,500)	(15.1)	Office Equipment & Supplies	161,689	35,361	28.0
135,285	74,350	(60,935)	(45.0)	Conferences & Education	252,480	178,130	239.6
107,709	27,335	(80,374)	(74.6)	Transportation & Travel	167,622	140,287	513.2
157,689	153,566	(4,123)	(2.6)	Memberships & Subscriptions	172,486	18,920	12.3
354,938	391,771	36,833	10.4	Property & Management Liability Insurance	419,000	27,229	7.0
76,180	55,495	(20,685)	(27.2)	Maintenance	72,610	17,115	30.8
131,368	110,429	(20,939)	(15.9)	Staff Support	134,145	23,716	21.5
13,410	12,483	(927)	(6.9)	School District Reimbursement	12,540	57	0.5
42,200	44,532	2,332	5.5	Mandatory Costs - ORSC	52,000	7,468	16.8
(296,520)	(305,000)	(8,480)	2.9	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	—	—
2,692,091	2,624,440	(67,651)	(2.5)	OTHER OPERATING EXPENSE	3,087,980	463,540	17.7
\$ 30,996,763	\$ 31,322,414	\$ 325,651	1.1	TOTAL DEPARTMENT EXPENSES	\$ 34,160,449	\$ 2,838,035	9.1
—	—	—	—	Furniture & Equipment > \$5,000	—	—	—
436,121	429,653	(6,468)	(1.5)	Computer Hardware > \$5,000	227,018	(202,635)	(47.2)
195,346	53,333	(142,013)	(72.7)	Computer Software > \$25,000	53,333	—	—
—	—	—	—	Vehicles	—	—	—
631,467	482,986	(148,481)	(23.5)	ADMINISTRATIVE CAPITAL	280,351	(202,635)	(42.0)
\$ 31,628,230	\$ 31,805,400	\$ 177,170	0.6	TOTAL ADMINISTRATIVE EXPENSES	\$ 34,440,800	\$ 2,635,400	8.3
1,373,196	1,388,091	14,895	1.1	OSERS BROAD STREET, LLC	1,671,292	283,201	20.4
\$ 33,001,426	\$ 33,193,491	\$ 192,065	0.6	TOTAL OPERATING AND CAPITAL EXPENSES	\$ 36,112,092	\$ 2,918,601	8.8



SERS FY2022 SERS Operating Budget Detail

FY2022 SERS Operating Budget by Category excluding Investments \$28,435,517

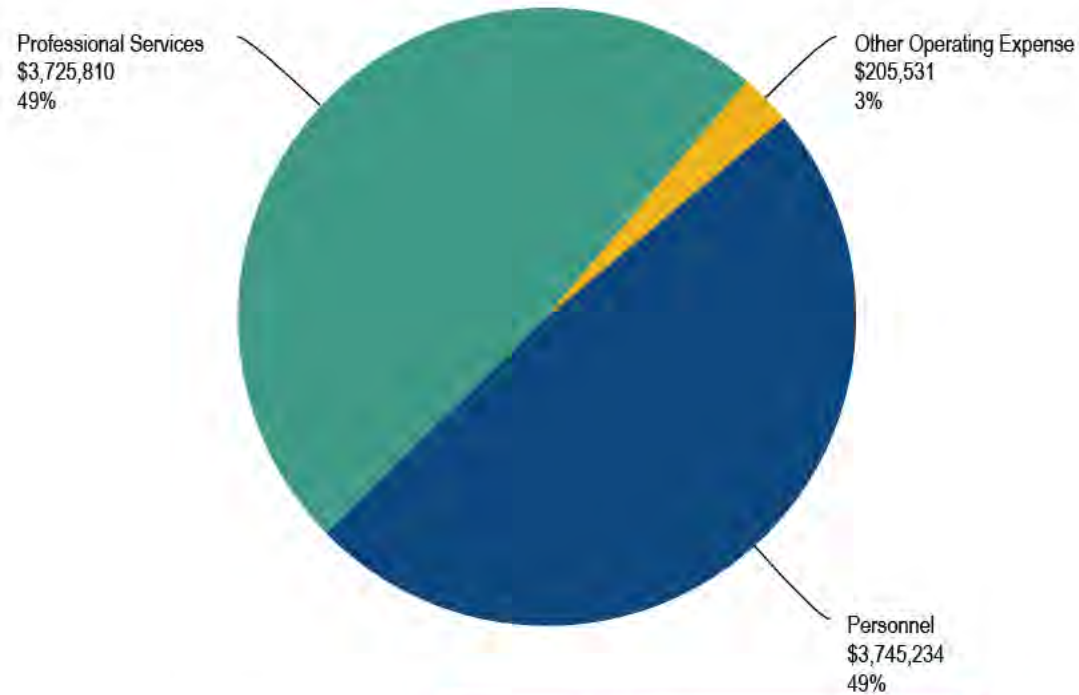


Budget Category	BUDGET		FORECAST
	FY2022	FY2021	FY2021
Personnel	\$ 19,545,424	\$ 18,866,622	\$ 18,733,127
Professional Services	\$ 3,103,551	\$ 2,691,912	\$ 1,624,353
Communications	\$ 952,450	\$ 1,105,880	\$ 888,886
Other Operating Expense	\$ 3,187,449	\$ 3,074,328	\$ 2,831,761
Capital	\$ 280,351	\$ 490,351	\$ 482,986
Net Building Occupancy	\$ 1,366,292	\$ 1,363,534	\$ 1,083,091
TOTAL OPERATING	\$ 28,435,517	\$ 27,592,627	\$ 25,644,204

Three-Year Review FY2020 - 22 SERS Budget Presentation excluding Investments

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Description	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 13,397,609	\$ 13,267,125	\$ (130,484)	(1.0)	Salaries & Wages	\$ 13,898,478	\$ 631,353	4.8
1,822,358	1,758,617	(63,741)	(3.5)	OPERS Retirement Contributions	1,898,732	140,115	8.0
2,738,288	3,707,385	969,097	35.4	Benefits	3,748,214	40,829	1.1
17,958,255	18,733,127	774,872	4.3	PERSONNEL	19,545,424	812,297	4.3
274,134	416,304	142,170	51.9	Actuarial	344,725	(71,579)	(17.2)
217,402	173,539	(43,863)	(20.2)	Audit Services	224,984	51,445	29.6
161,913	150,469	(11,444)	(7.1)	Banking Fees	198,420	47,951	31.9
56,044	(597,482)	(653,526)	(1,166.1)	Investment Related	57,607	655,089	(109.6)
40,000	42,500	2,500	6.3	Medical	45,000	2,500	5.9
1,551,014	1,439,023	(111,991)	(7.2)	Technical	2,232,815	793,792	55.2
2,300,507	1,624,353	(676,154)	(29.4)	PROFESSIONAL SERVICES	3,103,551	1,479,198	91.1
487,260	587,958	100,698	20.7	Postage	611,738	23,780	4.0
200,061	225,577	25,516	12.8	Telecommunication Services	187,722	(37,855)	(16.8)
23,001	—	(23,001)	(100.0)	Member/Employer Education	34,590	34,590	—
122,684	75,351	(47,333)	(38.6)	Printing & Publication	118,400	43,049	57.1
833,006	888,886	55,880	6.7	COMMUNICATIONS	952,450	63,564	7.2
1,821,004	1,933,151	112,147	6.2	Computer Support Services	1,888,408	(44,743)	(2.3)
148,494	125,893	(22,601)	(15.2)	Office Equipment & Supplies	160,989	35,096	27.9
128,617	67,649	(60,968)	(47.4)	Conferences & Education	238,355	170,706	252.3
79,195	(1,705)	(80,900)	(102.2)	Transportation & Travel	107,622	109,327	(6,412.1)
95,127	92,195	(2,932)	(3.1)	Memberships & Subscriptions	101,780	9,585	10.4
354,938	391,771	36,833	10.4	Property & Management Liability Insurance	419,000	27,229	7.0
76,180	55,495	(20,685)	(27.2)	Maintenance	72,610	17,115	30.8
131,236	110,297	(20,939)	(16.0)	Staff Support	134,145	23,848	21.6
13,410	12,483	(927)	(6.9)	School District Reimbursement	12,540	57	0.5
42,200	44,532	2,332	5.5	Mandatory Costs - ORSC	52,000	7,468	16.8
(296,520)	(305,000)	(8,480)	2.9	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	—	—
2,593,881	2,526,761	(67,120)	(2.6)	OTHER OPERATING EXPENSE	2,882,449	355,688	14.1
\$ 23,685,649	\$ 23,773,127	\$ 87,478	0.4	TOTAL DEPARTMENT EXPENSES	\$ 26,483,874	\$ 2,710,747	11.4
—	—	—	—	Furniture & Equipment > \$5,000	—	—	—
436,121	429,653	(6,468)	(1.5)	Computer Hardware > \$5,000	227,018	(202,635)	3,132.9
195,346	53,333	(142,013)	(72.7)	Computer Software > \$25,000	53,333	—	—
—	—	—	—	Vehicles	—	—	—
631,467	482,986	(148,481)	(23.5)	ADMINISTRATIVE CAPITAL	280,351	(202,635)	(42.0)
\$ 24,317,116	\$ 24,256,113	\$ (61,003)	(0.3)	TOTAL ADMINISTRATIVE EXPENSES	\$ 26,764,225	\$ 2,508,112	10.3

FY2022 Investments Operating Budget by Category \$7,676,575



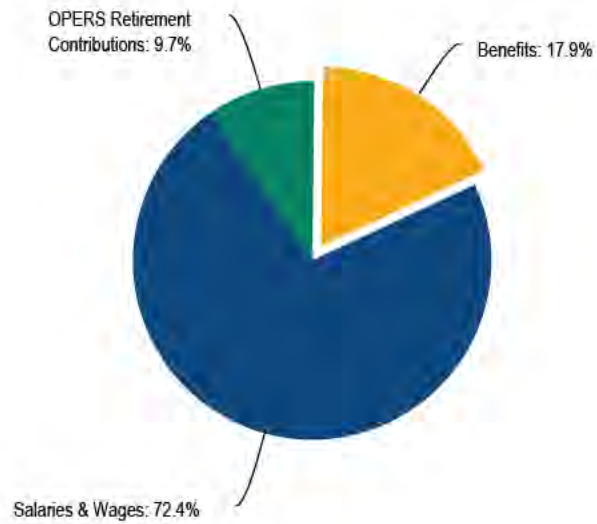
Budget Category	BUDGET		FORECAST
	FY2022	FY2021	FY2021
Personnel	\$ 3,745,234	\$ 3,157,976	\$ 3,402,699
Professional Services	\$ 3,725,810	\$ 3,701,873	\$ 4,048,909
Other Operating Expense	\$ 205,531	\$ 149,721	\$ 97,679
TOTAL OPERATING	\$ 7,676,575	\$ 7,009,570	\$ 7,549,287

Three-Year Review FY2020 - 22 Investments Budget Presentation

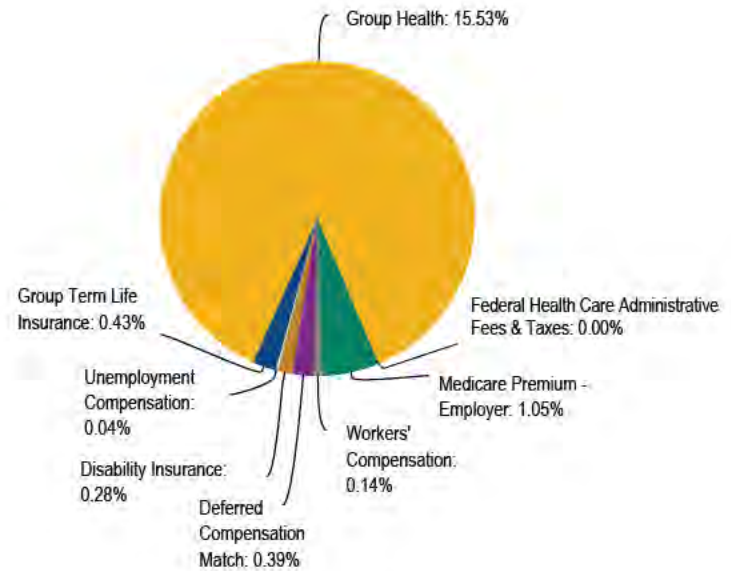
FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Description	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 2,655,124	\$ 2,763,680	\$ 108,556	4.1	Salaries & Wages	\$ 2,962,999	\$ 199,319	7.2
324,375	326,620	2,245	0.7	OPERS Retirement Contributions	369,649	43,029	13.2
293,629	312,399	18,770	6.4	Benefits	412,586	100,187	32.1
3,273,128	3,402,699	129,571	4.0	PERSONNEL	3,745,234	342,535	10.1
—	—	—	—	Actuarial	—	—	—
—	—	—	—	Audit Services	—	—	—
944,702	909,700	(35,002)	(3.7)	Banking Fees	1,105,200	195,500	21.5
2,686,320	3,016,314	329,994	12.3	Investment Related	2,496,610	(519,704)	(17.2)
—	—	—	—	Medical	—	—	—
308,754	122,895	(185,859)	(60.2)	Technical	124,000	1,105	0.9
3,939,776	4,048,909	109,133	2.8	PROFESSIONAL SERVICES	3,725,810	(323,099)	(8.0)
—	—	—	—	Postage	—	—	—
—	—	—	—	Telecommunication Services	—	—	—
—	—	—	—	Member/Employer Education	—	—	—
—	—	—	—	Printing & Publication	—	—	—
—	—	—	—	COMMUNICATIONS	—	—	—
—	—	—	—	Computer Support Services	60,000	60,000	—
334	435	101	30.2	Office Equipment & Supplies	700	265	60.9
6,668	6,701	33	0.5	Conferences & Education	14,125	7,424	110.8
28,514	29,040	526	1.8	Transportation & Travel	60,000	30,960	106.6
62,562	61,371	(1,191)	(1.9)	Memberships & Subscriptions	70,706	9,335	15.2
—	—	—	—	Property & Management Liability Insurance	—	—	—
—	—	—	—	Maintenance	—	—	—
132	132	—	—	Staff Support	—	(132)	—
—	—	—	—	School District Reimbursement	—	—	—
—	—	—	—	Mandatory Costs - ORSC	—	—	—
—	—	—	—	Reimbursement from OSERS Broad Street, LLC, for Leased Services	—	—	—
98,210	97,679	(531)	(0.5)	OTHER OPERATING EXPENSE	205,531	107,852	110.4
\$ 7,311,114	\$ 7,549,287	\$ 238,173	3.3	TOTAL DEPARTMENT EXPENSES	\$ 7,676,575	\$ 127,288	1.7
—	—	—	—	Furniture & Equipment > \$5,000	—	—	—
—	—	—	—	Computer Hardware > \$5,000	—	—	—
—	—	—	—	Computer Software > \$25,000	—	—	—
—	—	—	—	Vehicles	—	—	—
—	—	—	—	ADMINISTRATIVE CAPITAL	—	—	—
\$ 7,311,114	\$ 7,549,287	\$ 238,173	3.3	TOTAL ADMINISTRATIVE EXPENSES	\$ 7,676,575	\$ 127,288	1.7

Personnel FY2022 Budget

Personnel



Benefits



Personnel

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 15,451,376	\$ 15,751,551	\$ 300,175	1.9	Salaries & Wages	\$ 16,099,884	\$ 348,333	2.2
601,357	279,254	(322,103)	(53.6)	Incentive Payout	761,593	482,339	172.7
\$ 16,052,733	\$ 16,030,805	\$ (21,928)	(0.1)	Salaries & Wages	\$ 16,861,477	\$ 830,672	5.2
\$ 2,146,733	\$ 2,085,237	\$ (61,496)	(2.9)	OPERS Retirement Contributions	\$ 2,268,381	\$ 183,144	8.8
4,205	1,500	(2,705)	—	Unemployment Compensation	10,000	8,500	566.7
96,310	98,377	2,067	2.1	Group Term Life Insurance	99,611	1,234	1.3
60,351	60,263	(88)	(0.1)	Disability Insurance	65,010	4,747	7.9
2,615,340	3,651,304	1,035,964	39.6	Group Health	3,617,250	(34,054)	(0.9)
1,110	1,112	2	0.2	Federal Health Care Administrative Fees & Taxes	1,088	(24)	—
224,090	224,901	811	0.4	Medicare Premium - Employer	243,638	18,737	8.3
(30,719)	(79,553)	(48,834)	159.0	Workers' Compensation	33,730	113,283	(142.4)
61,230	61,880	650	1.1	Deferred Compensation Match	90,473	28,593	46.2
\$ 3,031,917	\$ 4,019,784	\$ 987,867	32.6	Benefits	\$ 4,160,800	\$ 141,016	3.5
\$ 21,231,383	\$ 22,135,826	\$ 904,443	4.3	PERSONNEL	\$ 23,290,658	\$ 1,154,832	5.2

SALARIES & WAGES

The **Personnel** budget is based on 181 full-time equivalent personnel. For FY2022, SERS anticipates 179 full-time and 4 part-time staff members. This budget includes a performance-based merit increase of 2%.

Incentive Payouts are payments calculated for Investment staff professionals according to Retirement Board policy, and are based on FY2021 investment portfolio performance.

RETIREMENT CONTRIBUTIONS

OPERS Retirement Contributions are based on the portion of Salaries & Wages and incentive payments subject to OPERS coverage.

BENEFITS

SERS' **Unemployment Compensation** is self-funded. In FY2022, there are no anticipated reductions in staff or on-going unemployment claims.

Salary-based benefits include **Group Term Life Insurance**, **Disability Insurance**, and **Medicare**. The level of benefits remains unchanged for FY2022.

Employee **Group Health** expenses have been budgeted based on rates supplied by SERS' actuary, taking into account the number of covered lives on the plan, national trends, and SERS' experience.

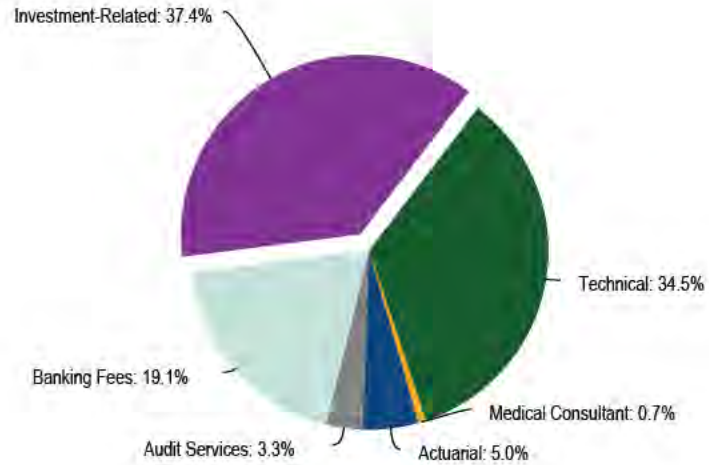
As mandated by the Affordable Care Act, SERS is required to pay **Federal Health Care Administrative Fees & Taxes**.

Workers' Compensation is based on payroll-driven rates.

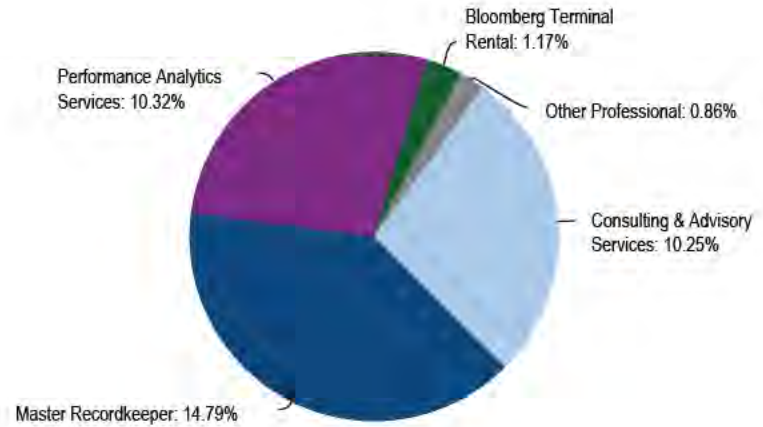
SERS' per-pay match contribution to the Ohio Public Employees **Deferred Compensation Match** program is made on behalf of the SERS' employees who are actively enrolled in the program.

Professional Services FY2022 Budget

Professional Services



Investment-Related



Professional Services

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 274,134	\$ 416,304	\$ 142,170	51.9	Actuarial	\$ 344,725	\$ (71,579)	(17.2)
\$ 217,402	\$ 173,539	\$ (43,863)	(20.2)	Audit Services	\$ 224,984	\$ 51,445	29.6
944,702	870,555	(74,147)	(7.8)	Custodial Banking	1,105,200	234,645	27.0
161,913	189,614	27,701	17.1	Administrative Banking Expense	198,420	8,806	4.6
\$ 1,106,615	\$ 1,060,169	\$ (46,446)	(4.2)	Banking Fees	\$ 1,303,620	\$ 243,451	23.0
1,062,452	949,553	(112,899)	(10.6)	Master Recordkeeper	1,010,400	60,847	6.4
830,172	650,004	(180,168)	(21.7)	Investment Consulting & Advisory Services	700,000	49,996	7.7
680,741	688,266	7,525	1.1	Performance Analytics Services	704,800	16,534	2.4
35,365	36,530	1,165	3.3	Investment-Related Technical Consulting	—	(36,530)	(100.0)
57,385	17,291	(40,094)	(69.9)	Other Professional Investment-Related	59,017	41,726	241.3
76,249	77,188	939	1.2	Bloomberg Terminal Rental	80,000	2,812	3.6
\$ 2,742,364	\$ 2,418,832	\$ (323,532)	(11.8)	Investment-Related	\$ 2,554,217	\$ 135,385	5.6
\$ 40,000	\$ 42,500	\$ 2,500	6.3	Medical Consultant	\$ 45,000	\$ 2,500	5.9
456,341	240,000	(216,341)	(47.4)	Special Counsel	235,000	(5,000)	(2.1)
748,835	873,285	124,450	16.6	Technical	1,595,500	722,215	82.7
654,592	448,633	(205,959)	(31.5)	Other Professional Services	526,315	77,682	17.3
\$ 1,859,768	\$ 1,561,918	\$ (297,850)	(16.0)	Technical	\$ 2,356,815	\$ 794,897	50.9
\$ 6,240,283	\$ 5,673,262	\$ (567,021)	(9.1)	PROFESSIONAL SERVICES	\$ 6,829,361	\$ 1,156,099	20.4

ACTUARIAL

Actuarial fees include amounts for studies on calculations of joint retirement system transfers and pension modeling, special analyses and legislative analysis. In addition, SERS' health care plan and actuarial premiums calculations will occur along with Governmental Accounting Standards Board (GASB) Statement evaluations for pension reporting requirements.

AUDIT SERVICES

FY2022 Audits include outsourcing for Internal Audit and the year-end financial audit.

BANKING FEES

Custodial Banking fees have slightly increased due to higher transaction volumes and associated costs.

INVESTMENT-RELATED PROFESSIONAL SERVICES

Master Recordkeeper fees increased due to higher investment returns and transaction volumes.

Investment Consulting & Advisory Services include the contracts with Wilshire and Aksia.

Performance Analytics Services fee for BNY Mellon Global Risk Solutions are based on the accounts and composites for which performance is calculated and analyzed.

Investment-Related Technical Consulting included investment-related database and local tax advisors in countries that require special tax consultants. In FY2021, the investment-related tax consulting was moved from the administrative expenses and paid directly from the Investment portfolio.

Professional Services, *continued*

Other Professional Investment-Related Consulting includes proxy and divestiture services.

Bloomberg Terminal Renta fees are for the licenses to use the Bloomberg information systems.

MEDICAL

The **Medical Consultant** reviews about 1,500 cases per year with the Disability Section staff, participates in the monthly meetings of the Medical Advisory Committee, and attends Board Meetings as needed.

TECHNICAL

Special Counsel are contingent amounts for the costs of outside legal counsel. Anticipated legal fees for investment contracts comprise approximately 53% of the FY2022 Special Counsel budget.

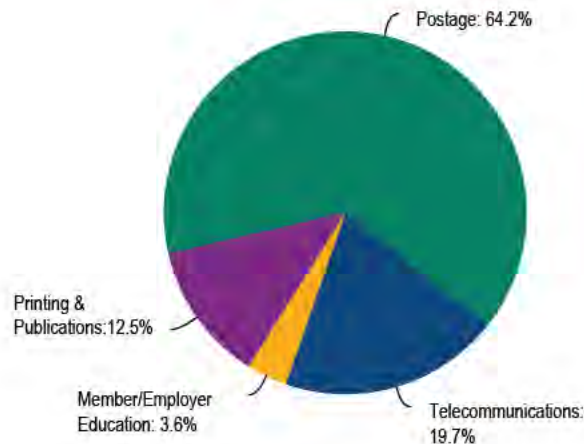
The **Technical** account includes the cost of outside consultants that provide computer security, health care data warehouse services, medical and prescription program pricing, specialized benefit system support, and website administration and design. FY2022 consists of IT strategic initiatives for cloud infrastructure and unified communication services to support SERS hybrid work environment and other consulting services to supplement internal staff for scheduled projects.

Other Professional Services include the cost for other consultants and advisory services, such as legislative news and political consulting providers, organizational leadership and development, professional work-study internships, surveying and focus groups, and Attorney General Staff reimbursement. Also included are consulting on initiatives around pension and health care sustainability along with the continuation of the enterprise-wide document life cycle evaluation.

Communications

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget-FY2021 Forecast Difference	Change % (+/-)
\$ 487,260	\$ 587,958	\$ 100,698	20.7	Postage	\$ 611,738	\$ 23,780	4.0
\$ 200,061	\$ 225,577	\$ 25,516	12.8	Telecommunications	\$ 187,722	\$ (37,855)	(16.8)
\$ 23,001	\$ —	\$ (23,001)	(100.0)	Member/Employer Education	\$ 34,590	\$ 34,590	—
37,385	29,180	(8,205)	(21.9)	Printing Paper & Supplies	43,200	14,020	48.0
85,299	46,171	(39,128)	(45.9)	Communications & Publications	75,200	29,029	62.9
\$ 122,684	\$ 75,351	\$ (47,333)	(38.6)	Printing & Publications	\$ 118,400	\$ 43,049	57.1
\$ 833,006	\$ 888,886	\$ 55,880	6.7	COMMUNICATIONS	\$ 952,450	\$ 63,564	7.2

Communications FY2022 Budget



POSTAGE

The **Postage** budget will decrease due to price per item efficiencies and no Board election material mailings.

TELECOMMUNICATIONS

The **Telecommunications** budget reflects monthly services for landlines, websites, point-to-point connection, hybrid work environment video/audio communication resources and web-hosting. The purchase of telephones, headsets, and other miscellaneous telephone-related items also are included.

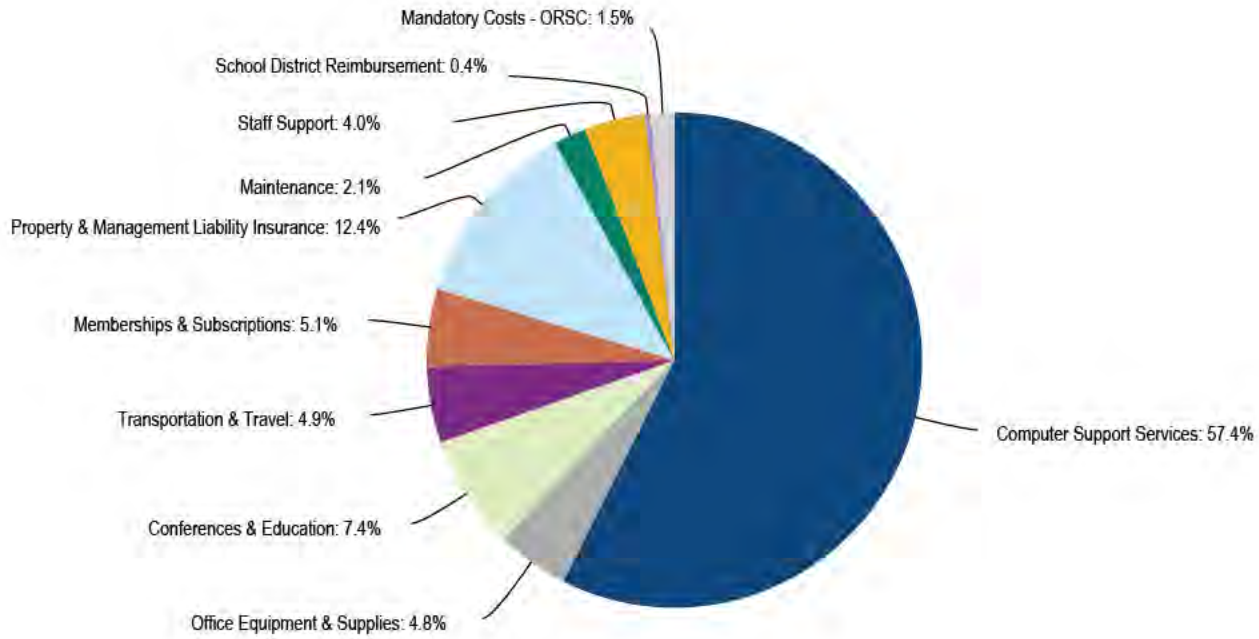
MEMBER / EMPLOYER EDUCATION

SERS continues to maintain its outstanding service to members and retirees while reducing overnight stays and sessions based on attendance, conducting membership meetings in school facilities, and remaining in partnership with organizations that benefit SERS' member population. Member Services and Health Care plan to conduct in-house counseling, remote sessions, and open enrollment conferences based upon need and membership requests. Employer Services will continue to provide outreach services and group training for the member benefits system.

PRINTING & PUBLICATIONS

This category includes the costs of paper and supplies, and large-quantity specific outsourced printing jobs. The Print Shop continually increases SERS' internal printing capabilities by producing items such as the *Open Enrollment Guide* booklets, *Member Benefit* and *Disability Guides*, and member benefit statements.

Other Operating Expense FY2022 Budget



Other Operating Expense

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 178,468	\$ 192,988	\$ 14,520	8.1	Hardware Maintenance	\$ 98,800	\$ (94,188)	(48.8)
1,161,247	954,657	(206,590)	(17.8)	Software Maintenance	975,825	21,168	2.2
383,571	680,270	296,699	77.4	Software Subscriptions	783,283	103,013	15.1
96,493	78,805	(17,688)	(18.3)	Hardware < \$5,000	60,500	(18,305)	(23.2)
1,225	26,431	25,206	2,057.6	Software < \$25,000	30,000	3,569	13.5
\$ 1,821,004	\$ 1,933,151	\$ 112,147	6.2	Computer Support Services	\$ 1,948,408	\$ 15,257	0.8
\$ 148,828	\$ 126,328	\$ (22,500)	(15.1)	Office Equipment & Supplies	\$ 161,689	\$ 35,361	28.0
\$ 135,285	\$ 74,350	\$ (60,935)	(45.0)	Conferences & Education	\$ 252,480	\$ 178,130	239.6
\$ 107,709	\$ 27,335	\$ (80,374)	(74.6)	Transportation & Travel	\$ 167,622	\$ 140,287	513.2
\$ 157,689	\$ 153,566	\$ (4,123)	(2.6)	Memberships & Subscriptions	\$ 172,486	\$ 18,920	12.3
\$ 354,938	\$ 391,771	\$ 36,833	10.4	Property & Management Liability Insurance	\$ 419,000	\$ 27,229	7.0
\$ 76,180	\$ 55,495	\$ (20,685)	(27.2)	Maintenance	\$ 72,610	\$ 17,115	30.8
\$ 131,368	\$ 110,429	\$ (20,939)	(15.9)	Staff Support	\$ 134,145	\$ 23,716	21.5
\$ 13,410	\$ 12,483	\$ (927)	(6.9)	School District Reimbursement	\$ 12,540	\$ 57	0.5
\$ 42,200	\$ 44,532	\$ 2,332	5.5	Mandatory Costs - ORSC	\$ 52,000	\$ 7,468	16.8
\$ (296,520)	\$ (305,000)	\$ (8,480)	2.9	Reimbursement from OSERS Broad Street, LLC, for Leased Services	\$ (305,000)	\$ —	—
\$ 2,692,091	\$ 2,624,440	\$ (67,651)	(2.5)	OTHER OPERATING EXPENSE	\$ 3,087,980	\$ 463,540	17.7

COMPUTER SUPPORT SERVICES

The **Hardware Maintenance** category contains annual maintenance contracts to support SERS' computer servers.

The **Software Maintenance** account includes licenses to use specific software products. SERS maintains a master list of these licenses, which is reviewed each year as part of the budgeting process.

Software Subscriptions cover software used by SERS that is provided both as a service and hosted locally on SERS servers. Software subscriptions renewed annually include the Human Resources management system, ServiceNow, comprehensive Microsoft product license, member benefits system performance and stress testing, conferencing services, financial accounting system and tools, ERM risk repository, USPS data feeds, media and publishing licenses, security compliance, and e-Discovery litigation services.

The FY2022 **Hardware less than \$5,000** account is comprised of routine maintenance and repair and unplanned hardware needs that may arise throughout the fiscal year.

The **Software less than \$25,000** category includes routine software purchases and unplanned software needs that may arise throughout the fiscal year.

OFFICE EQUIPMENT & SUPPLIES

The majority of this category consists of equipment repairs and maintenance. Furniture and office supplies are purchased to meet staff needs.

CONFERENCES & EDUCATION

This category includes both staff and Board training. This includes out-of-state conferences, attendance at MAPS classes offered at The Ohio State University, and continuing education for professional designations.

Tuition Reimbursement is based on the cost for staff members who have committed to attending higher education institutions during the coming year in accordance with the education policy.

Other Operating Expense, *continued*

TRANSPORTATION & TRAVEL

Travel costs are associated with both in-state and out-of-state conferences, and due diligence trips to current and prospective investment managers. Whenever possible, staff access training either virtually or via teleconferences instead of travel and combine trips.

MEMBERSHIPS & SUBSCRIPTIONS

SERS holds memberships in several national organizations that advocate and educate on issues that affect our members and retirees. The major organizations are:

- Coalition to Preserve Retirement Security
- Council of Institutional Investors
- International Foundation of Employee Benefit Plans (IFEBP)
- National Association of State Retirement Administrators
- National Council for Real Estate Investment Fiduciaries
- Professional Resources in Information Systems Management (PRISM)
- Public Pension Financial Forum
- Public Sector HealthCare Roundtable
- State and Local Government Benefits Association

In addition to attending conferences and receiving publications from these organizations, SERS' staff serves on the boards of some of these industry organizations.

PROPERTY & FIDUCIARY INSURANCE

SERS' insurance policies cover fiduciary liability, directors and officers liability, crime, cyber liability, auto and property and general liability.

MAINTENANCE

The category is comprised of rent and other expenses for the Business Continuity Hot Site, interior plants maintenance, and SERS' vehicle maintenance.

STAFF SUPPORT

Staff Support includes kitchen supplies, cleaning supplies, and first-aid items. This account also includes SERS' staff wellness program, employee assistance program, innovation awards, the administrative expenses associated with employee flexible spending accounts (health and dependent care), employee recruitment and onboarding, and cellular phone reimbursement.

BOARD MEMBER REIMBURSEMENT

Employers of SERS' Board may receive reimbursement for compensation paid while Board Members attend to Board business.

MANDATORY COSTS - ORSC

The five Ohio retirement systems are required to pay a proportionate share of the Ohio Retirement Study Council's (ORSC) expenses based on their respective assets under management.

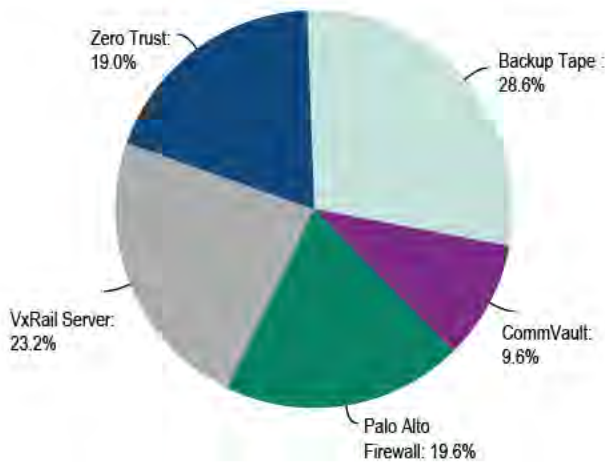
REIMBURSEMENT FROM OSERS BROAD STREET, LLC, FOR LEASED SERVICES

SERS' Administrative Services staff provides building management services to OSERS Broad Street. To allow OSERS Broad Street expenses to reflect the value of these services and to pass the proportionate costs to tenants, OSERS Broad Street pays a monthly fee to SERS for the use of these services. This amount is accounted for under Facilities Expense in SERS' Annual Financial Report.

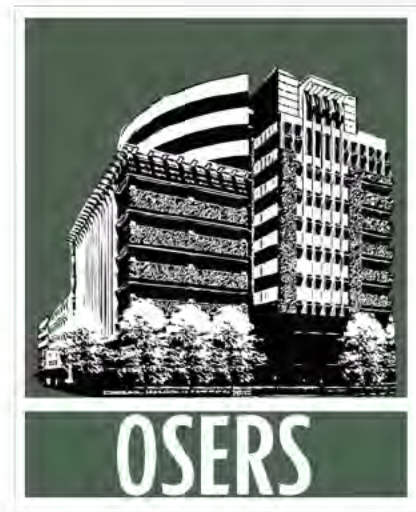
Administrative Capital

FY2020 Actual	FY2021 Forecast	FY2020.FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
436,121	429,653	(6,468)	(1.5)	Computer Hardware > \$5,000	227,018	(202,635)	(47.2)
195,346	53,333	(142,013)	(72.7)	Computer Software > \$25,000	53,333	—	—
\$ 631,467	\$ 482,986	\$ (148,481)	(23.5)	CAPITAL	\$ 280,351	\$ (202,635)	(42.0)

Administrative Capital FY2022 Budget



DESCRIPTION	AMOUNT
Backup Tape Replacement A new storage technology to improve off-site data recovery time and reduce the current dependency on backing up critical data to tape cartridges.	\$ 80,000
CommVault Hyperscale Storage A single, all-in-one, data backup storage appliance solution that provides seamless integration with SERS' software platform and backup file retrieval. This is the last year of SERS contract.	27,018
Palo Alto Firewall A next-generation, network security firewall that identifies, and controls internet connection access, while safeguarding SERS' data. This is year two of a three year contract.	55,000
VxRail Hyper-Converged Infrastructure Appliance An additional virtualized server to maintain SERS' virtual Data Center. The hyper-converged infrastructure redundancy cluster will increase server capacity and continue service to minimize system failure.	65,000
Zero Trust/ Micro-segmentation Solution A three-year technology solution to replace SERS' traditional internal firewalls and secure perimeter controls. It will secure communications on all mapped data paths and validate identities to ensure network communication is safe and expected. This is year two of a three year contract.	53,333
	\$ 280,351



OSERS Broad Street, LLC
and
OSERS Holdings, LLC
Budget

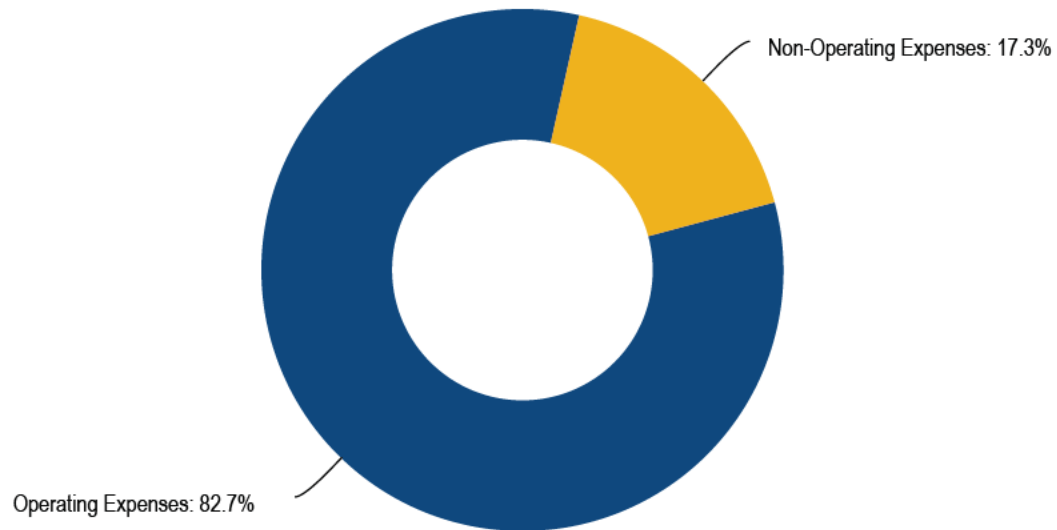
Building Occupancy Budget / OSERS Holdings, LLC

OSERS Holdings is a limited liability company set up to own and oversee the property of its subsidiary, OSERS Broad Street, LLC, which holds the title to and operates 300 East Broad Street, a class "A" office building with 168,632 square feet of rentable space. SERS occupies 71.1% of the rentable space (119,823 square feet).

SERS does not pay rent to OSERS Broad Street, LLC; however, net expenses and operating capital in excess of rental income are funded by SERS upon request from OSERS.

The Board of Directors of SERS Broad Street, LLC, requests operating contributions from SERS to cover the OSERS Broad Street, LLC, Operating Budget, not to exceed **\$1,671,292**.

OSERS Broad Street, LLC Budget



OSERS Broad Street, LLC

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 731,906	\$ 683,380	\$ (48,526)	(6.6)	Suite Leases	\$ 777,473	\$ 94,093	13.8
190,180	182,836	(7,344)	(3.9)	Parking	178,215	(4,621)	(2.5)
1,950	17,923	15,973	819.1	Miscellaneous	—	(17,923)	(100.0)
\$ 924,036	\$ 884,139	\$ (39,897)	(4.3)	Operating Revenue	\$ 955,688	\$ 71,549	8.1
296,520	305,000	8,480	2.9	Property Management & Labor	305,000	—	—
24,200	60,759	36,559	151.1	Other Administrative Expenses	6,700	(54,059)	(89.0)
911,184	997,126	85,942	9.4	Building Operations & Maintenance	1,083,520	86,394	8.7
300,495	336,020	35,525	11.8	Utilities	401,260	65,240	19.4
73,316	82,960	9,644	13.2	Building/Equipment Insurance	87,000	4,040	4.9
291,987	278,232	(13,755)	(4.7)	Real Estate Taxes	288,000	9,768	3.5
\$ 1,897,702	\$ 2,060,097	\$ 162,395	8.6	Operating Expenses	\$ 2,171,480	\$ 111,383	5.4
49,673	—	(49,673)	(100.0)	Special Counsel & Other Fees	40,500	40,500	—
41,432	2,623	(38,809)	(93.7)	Remodeling for Tenants	415,000	412,377	15,721.6
\$ 91,105	\$ 2,623	\$ (88,482)	(97.1)	Non-Operating Expenses	\$ 455,500	\$ 452,877	17,265.6
308,425	209,510	(98,915)	(32.1)	Capital Improvements	—	(209,510)	(100.0)
\$ 308,425	\$ 209,510	\$ (98,915)	(32.1)	Capital Improvements	\$ —	\$ (209,510)	(100.0)
\$ 1,373,196	\$ 1,388,091	\$ 14,895	1.1	OSERS Broad Street, LLC Budget	\$ 1,671,292	\$ 283,201	20.4
(296,520)	(305,000)	(8,480)	(2.9)	Less Reimbursement to SERS for Leased Services	(305,000)	—	—
\$ 1,076,676	\$ 1,083,091	\$ 6,415	0.6	Net Building Occupancy Expense	\$ 1,366,292	\$ 283,201	26.1

OPERATING REVENUE

Suite Lease revenue is based on contracted occupancy. **Parking** includes currently contracted tenant monthly parking and outside contracts. **Miscellaneous** includes contracted storage space rental for tenants and telecommunications.

OPERATING EXPENSES

Property Management & Labor is a **Reimbursement to SERS for Leased Services** - the services provided to OSERS Broad Street, LLC by SERS' Administrative Services staff. The amount is based on a service agreement between OSERS Broad Street, LLC and SERS, that sets the reimbursement to a fair, reasonable and consistent market value rate.

The **Other Administrative Expenses** category includes expenses budgeted to run the facility administrative offices, including the costs of office supplies and banking fees.

The **Building Operations & Maintenance** category includes maintenance, supplies needed for the upkeep of the facility and its public spaces, the cost of janitorial and building security services, and an emergency notification system for life safety.

The **Utilities** category includes heat, light and power, water, and facility-related telephone service. OSERS' energy conservation and sustainability measures continue to result in lower utility costs than current market rates.

Building/Equipment Insurance includes some policies that are shared with SERS. The FY2022 budget is based on general market rates and an estimate of the replacement cost of the building. Real Estate Taxes are based on the rates and assessed commercial value published by the Franklin County Auditor.

NON-OPERATING EXPENSES

Special Counsel is budgeted for potential outside counsel needs regarding existing tenant lease agreements.

Remodeling includes expenses for a first and fifth floor tenant remodel.

OSERS Broad Street, LLC Capital Improvements

FY2020 Actual	FY2021 Forecast	FY2020-FY2021 Difference	Change % (+/-)	Budget Category	FY2022 Budget	FY2022 Budget - FY2021 Forecast Difference	Change % (+/-)
\$ 308,425	\$ 209,510	\$ (98,915)	(32.1)	CAPITAL IMPROVEMENTS	\$ —	\$ (209,510)	(100.0)



School Employees Retirement System of Ohio
300 E. Broad St., Suite 100, Columbus, OH 43215-3746
614-222-5853 · Toll-Free 800-878-5853 · www.ohsers.org
Serving the People Who Serve Our Schools®

FY2022 Budget

May 20, 2021





Goals & Objectives

- Budget Policy/Process
- Review the Proposed FY2022 Budget
- Questions / requests for future meetings
- No action required today



Budget Policy

The Retirement Board shall be responsible for:

- Approving the Administrative Budget before the start of the budget fiscal year.
- Approving authority levels for capital contributions to any SERS-controlled LLCs.
- Approving expenditures that cumulatively exceed **110%** of the approved Administrative Budget for any Major Category or total expenditures in excess of total budgeted expenditures require prior approval of the Retirement Board.

The approved Administrative Budget is the expenditure authority given to the Executive Director by the Retirement Board.



Major Categories

Personnel

- Salaries & Wages
- Employee benefits

Professional Services

- Audit
- Actuarial
- Investment related services
- Technical consulting services

Communications

- Printing & Postage
- Member/Employer Education
- Telecommunications

Other Operating Expenses

- Computer Support Services
- Network Security
- Employee Professional Growth
- Liability Insurance
- Office Equipment & Supplies

Capital Items

- Computer Hardware
- Computer Software
- Other Equipment

Broad St. LLC

- Operating Expenses
- Capital Items



Budget Monitoring

- **Administrative Expense Report**
Detailed information of all expenses in that month. Provided to the Board, monthly agenda item, and posted to SERS website.
- **Parameters Report**
All budgeted purchases in excess of \$100,000 and all unbudgeted projects. Provided to the Board monthly and a quarterly agenda item.
- **Monthly Financial Reports**
Complete financial reports including a budget-to-actual and year-to-date Administrative Budget report. Provided to the Board monthly.
- **Quarterly Financial Updates**
Complete financial reports presented to the Board which includes review of budget-to-actual and year-to-date administrative expenses.





Budget Process

- Zero-based expense justification
- FY2021 financial review and FY2022 carryover
- Strategic Planning
 - How are ongoing and new projects related to the strategic plan?
- New Capital Projects
- Projected Business Area needs



Accomplishments in FY2021

- **Acquisition and implementation of technology to improve customer service and other operations during hybrid work environment**
- **Upgraded system network infrastructure and Pension Management System (SMART)**
- **Development and initial implementation of information governance policies and tools**
- **Implemented Healthcare Strategies to Improve Sustainability**
- **Completion of the 5-year experience study**
- **Transitioned to a new domestic custodian**
- **Continued 5-year Strategic Plan Implementation**



FY2022 Proposed Projects

- Hybrid work environment
- Continued enterprise-wide record retention improvement project
- Analysis of current software environment for cloud compatibility & implementation of cloud solutions
- Enterprise Risk repository tool
- Medical and pharmacy program review
- Telecommunication transition



Calendar

- | | |
|-----------------------------------|-------------------------|
| First Draft | - Early February |
| Review by Executive Mgmt. | - Early March |
| ORSC Draft ready for Board | - Early April |
| Presentation of ORSC info | - Late April |
| Initial Board Presentation | - May |
| Vote by Board | - June |

FY2022 Budget Summary



Budget Category	FY2022 Budget	FY2021 Approved Budget	FY2021 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 16,861,477	\$ 16,238,847	\$ 16,030,805	3.8
OPERS Retirement Contributions	2,268,381	2,192,546	2,085,237	3.5
Benefits	4,160,800	3,593,205	4,019,784	15.8
PERSONNEL	\$ 23,290,658	\$ 22,024,598	\$ 22,135,826	5.7
Actuarial	344,725	390,660	416,304	(11.8)
Audit Services	224,984	195,020	173,539	15.4
Custodial Banking Fees	1,105,200	835,543	870,555	32.3
Master Recordkeeper	1,010,400	1,151,600	949,553	(12.3)
Investment Consulting	1,543,817	1,666,537	1,469,279	(7.4)
Other Consulting (Information Technology, Human Resources, Legal, Medical)	2,401,815	2,003,745	1,604,418	19.9
Banking Expense	198,420	150,680	189,614	31.7
PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS	\$ 6,829,361	\$ 6,393,785	\$ 5,673,262	6.8
Printing & Postage	730,138	870,860	663,309	(16.2)
Telecommunications	187,722	184,580	225,577	1.7
Member/Employer Education	34,590	50,440	—	(31.4)
COMMUNICATIONS	\$ 952,450	\$ 1,105,880	\$ 888,886	(13.9)
Conferences & Education	252,480	170,105	74,350	48.4
Travel	167,622	224,835	27,335	(25.4)
Computer Support Services	1,948,408	1,808,505	1,933,151	7.7
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	972,470	968,604	850,072	0.4
Ohio Retirement Study Council	52,000	52,000	44,532	—
OTHER OPERATING	\$ 3,392,980	\$ 3,224,049	\$ 2,929,440	5.2
TOTAL OPERATING	\$ 34,465,449	\$ 32,748,312	\$ 31,627,414	5.2
Furniture & Equipment > \$5,000	—	—	—	—
Computer Hardware > \$5,000	227,018	437,018	429,653	(48.1)
Computer Software > \$25,000	53,333	53,333	53,333	—
Vehicles	—	—	—	—
CAPITAL	\$ 280,351	\$ 490,351	\$ 482,986	(42.8)
NET BUILDING OCCUPANCY EXPENSE	\$ 1,366,292	\$ 1,363,534	\$ 1,083,091	0.2
TOTAL OPERATING AND CAPITAL BUDGETS	\$ 36,112,092	\$ 34,602,197	\$ 33,193,491	4.4



Proposed FY2022 Draft Budget

Comparison of FY2021 budget to FY2022 proposed

Budget Category	BUDGET		FORECAST
	FY2022	FY2021	FY2021
Personnel	\$ 23,290,658	\$ 22,024,598	\$ 22,135,826
Professional Services	\$ 6,829,361	\$ 6,393,785	\$ 5,673,262
Communications	\$ 952,450	\$ 1,105,880	\$ 888,886
Other Operating Expense	\$ 3,392,980	\$ 3,224,049	\$ 2,929,440
Capital	\$ 280,351	\$ 490,351	\$ 482,986
Net Building Occupancy	\$ 1,366,292	\$ 1,363,534	\$ 1,083,091
TOTAL OPERATING	\$ 36,112,092	\$ 34,602,197	\$ 33,193,491

FY2022 Draft budget reflects and 4.36% increase over FY2021 budget and an 8.79% increase over the FY2021 projected expenses



Reconciliation of Changes from FY2021 Budget to FY2022 Budget		
FY2021 Budget	\$ 34,602,197	
Personnel Services	\$ 1,266,060	<ul style="list-style-type: none"> • Increase in base salary and wages due Compensation Committee approved merit inclusion • Increase in incentive compensation and retirement contributions • Substantial increase in health care and prescription claims
Professional Services	\$ 435,576	<ul style="list-style-type: none"> • Decrease in actuarial costs for quinquennial study (FY2021) • Increase in custodial banking costs • Decrease in Master Recordkeeper fees, prior year unrealized discount and advisory fee price reduction • Decrease in need for Sagitec Development resources • Increase in Consulting to improve SMART Self-Service capabilities • Increase in Consulting for the next generation telecommunications platform • Increase for RFP Consulting on expiring Medicare & Prescription program contracts
Communications	\$ (153,430)	<ul style="list-style-type: none"> • No Board elections • Decrease in Communications & Publications due to new copier agreement allowing member/retiree manual printing in-house • Slight increase in telecommunications portfolio of conferencing services • Decrease in Member/Employer education in Q1 & Q2 to account for a safe return to in-person meetings
Other Operating	\$ 168,931	<ul style="list-style-type: none"> • Seminars/conferences and travel/transportation maintained at the similar level as FY2021 • Decrease in hardware maintenance for business continuity site • Decrease in Business Continuity (physical) site expense as SERS evaluates its Disaster Recovery strategy • Increase for portable technology solutions for hybrid work environment • Increase in software subscription - on-prem transition to Cloud, Operational Due Diligence • Increase in fiduciary responsibility insurance • Increase in licensing costs for all Microsoft products and services • Increase in security enhancements and a digital repository management tool
Capital	\$ (210,000)	<ul style="list-style-type: none"> Decrease in capital priorities: • Addressing Data Storage and continuity of technological infrastructure and systems • Replacement of end-of-life Palo Alto Firewall
OSERS Broad Street LLC	\$ 2,758	<ul style="list-style-type: none"> • Decrease in lease revenue • Increase for building remodeling - Two (2) tenant lease expirations • Decrease in Capital investment
FY2022 Budget Requested	\$ 36,112,092	

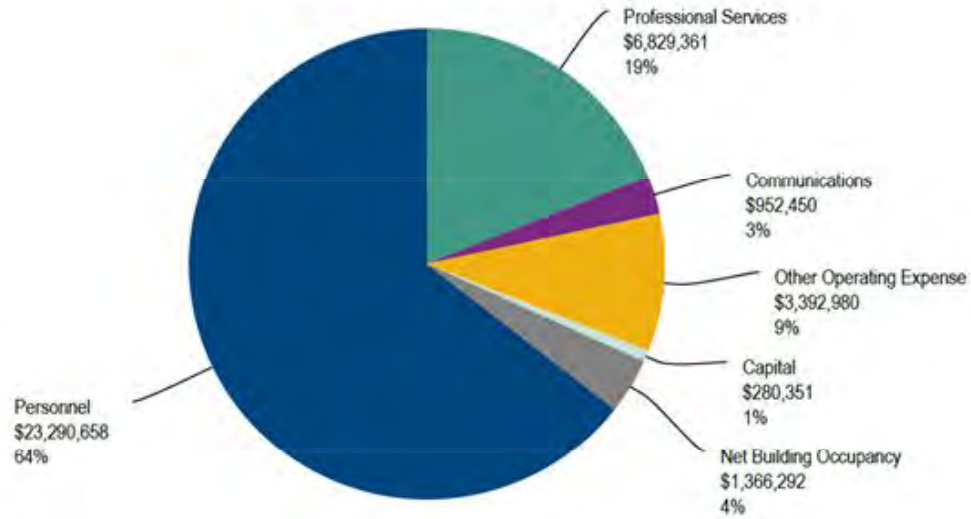


Reconciliation of Changes from FY2021 Forecast to FY2022 Budget		
FY2021 Forecast	\$ 33,193,491	
Personnel Services	\$ 1,154,832	<ul style="list-style-type: none"> • Increase in base salary and wages due Compensation Committee approved merit inclusion • Increase in incentive compensation and retirement contributions • Substantial increase in health care and prescription claims
Professional Services	\$ 1,156,099	<ul style="list-style-type: none"> • Decrease in actuarial costs for quinquennial study (FY2021) • Increase in custodial banking costs • Decrease in Master Recordkeeper fees, prior year unrealized discount and advisory fee price reduction • Decrease in need for Sagitec Development resources • Increase in Consulting to improve SMART Self-Service capabilities • Increase in Consulting for the next generation telecommunications platform • Increase for RFP Consulting on expiring Medicare & Prescription program contracts
Communications	\$ 63,564	<ul style="list-style-type: none"> • No Board elections • Decrease in Communications & Publications due to new copier agreement allowing member/retiree manual printing in-house • Increase in telecommunications portfolio of conferencing services • Decrease in Member/Employer education in Q1 & Q2 to account for a safe return to in-person meetings
Other Operating	\$ 463,540	<ul style="list-style-type: none"> • Seminars/conferences and travel/transportation maintained at the similar level as FY2021 • Decrease in hardware maintenance for business continuity site • Decrease in Business Continuity (physical) site expense as SERS evaluates its Disaster Recovery strategy • Increase for portable technology solutions for hybrid work environment • Increase in software subscription - on-prem transition to Cloud, Operational Due Diligence • Increase in fiduciary responsibility insurance • Increase in licensing costs for all Microsoft products and services • Increase in security enhancements and a digital repository management tool
Capital	\$ (202,635)	<p>Decrease in capital priorities:</p> <ul style="list-style-type: none"> • Addressing Data Storage and continuity of technological infrastructure and systems • Replacement of end-of-life Palo Alto Firewall
OSERS Broad Street LLC	\$ 283,201	<ul style="list-style-type: none"> • Decrease in lease revenue • Increase for building remodeling - Two (2) tenant lease expirations • Decrease in Capital investment
FY2022 Budget Requested	\$ 36,112,092	



FY2022 Operating Budget by Category

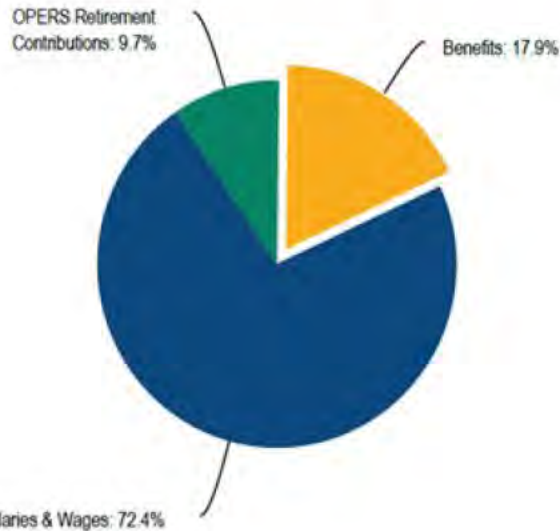
\$36,112,092



Proposed FY2022 Draft Budget



Personnel Services



64.5% of the Total Budget

FY2022 Budget Summary:

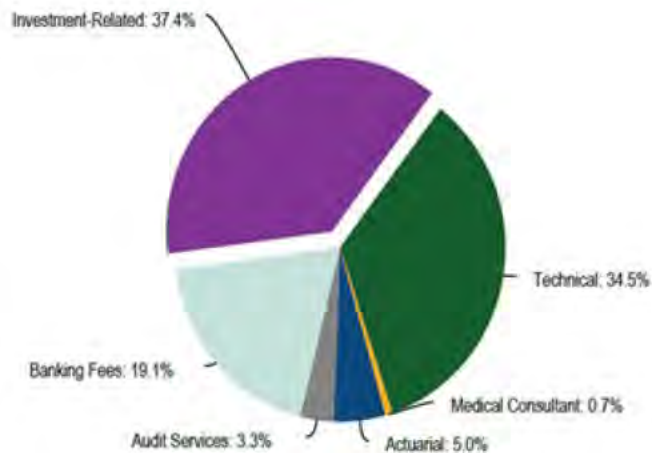
- No new positions (FTE = 181)
- Performance-based merit increase of 2%
- Incentive payouts based on FY2021 Investment Portfolio Performance
- Level of benefits remains unchanged for FY2022



Proposed FY2022 Draft Budget

Professional Services

18.9% of the Total Budget



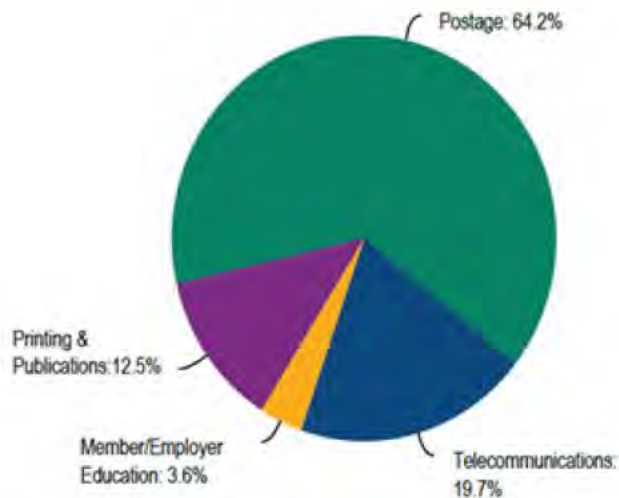
FY2022 Budget Summary:

- Actuarial and Audit fees
- Custodial Banking fees – increased due to higher transaction volumes and associated costs
- Master Recordkeeper fees – increased due to higher investment returns and transaction volumes
- Investment Consulting & Advisory, Performance Analytics and Investment-Related Technical Consulting
- Outside consultants that provide computer security, health care data warehouse service, medical and prescription program pricing, member benefits system support and IT strategic initiatives for infrastructure as-a-service and unified communication services



Proposed FY2022 Draft Budget

Communications



2.6% of the Total Budget

FY2022 Budget Summary:

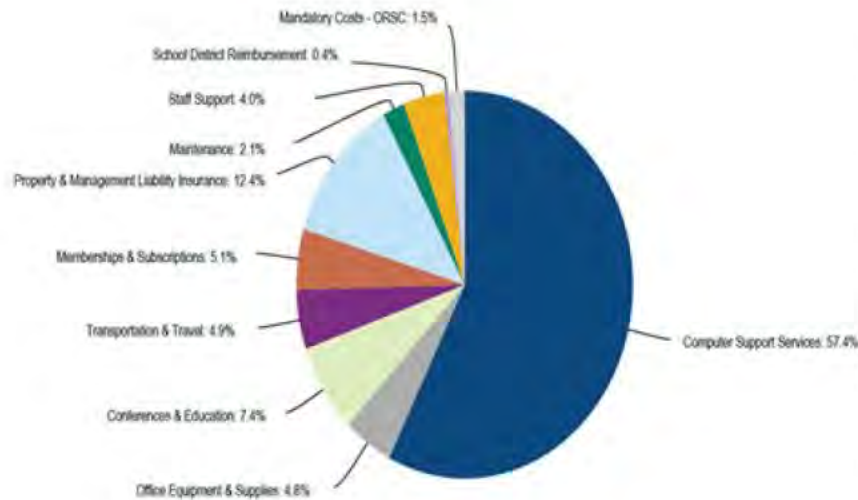
- Decrease in Postage due to price per item efficiencies and no Board election material mailings
- Telecommunication - includes services landlines, web services, hybrid work environment video/audio communication resources
- Member/Employer Education - includes costs associated with conducting meetings and outreach services
- Printing and Publications - includes costs of paper and supplies and large-quantity specific outsourced printing jobs



Proposed FY2022 Draft Budget

Other Operating Expense

9.4% of the Total Budget



FY2022 Budget Summary:

- Computer Support Services – includes Hardware and Software Maintenance as well as Software Subscriptions
- Office Equipment & Supplies Conferences & Education Transportation and Travel
- Memberships and Subscriptions
- Property & Fiduciary Insurance
- Maintenance
- Staff Support
- Board Member Reimbursement
- Mandatory ORSC costs
- Reimbursement from OSERS Broad Street, LLC for Leased Services



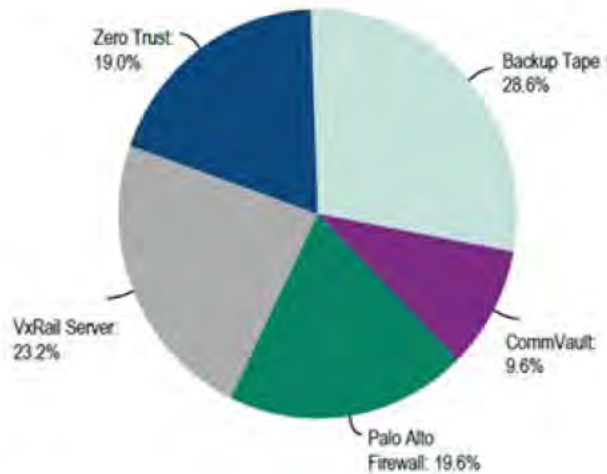
Proposed FY2022 Draft Budget

Administrative Capital

0.8% of the Total Budget

FY2022 Budget Summary:

- Backup Tape Replacement – new storage technology to improve off-site data recovery time and reduce dependency on tape cartridges
- CommVault Hyperscale Storage – data backup storage solution providing seamless integration with SERS' software platform and backup retrieval
- Palo Alto Firewall – network security firewall that identifies and controls internet connection access, while safeguarding SERS' data
- VxRail Hyper-Converged Infrastructure Appliance – additional virtualized server to maintain SERS' virtual Data Center
- Zero Trust/Micro-segmentation Solution – replaces the traditional internal firewalls and secure perimeter controls to ensure network communication is safe and expected





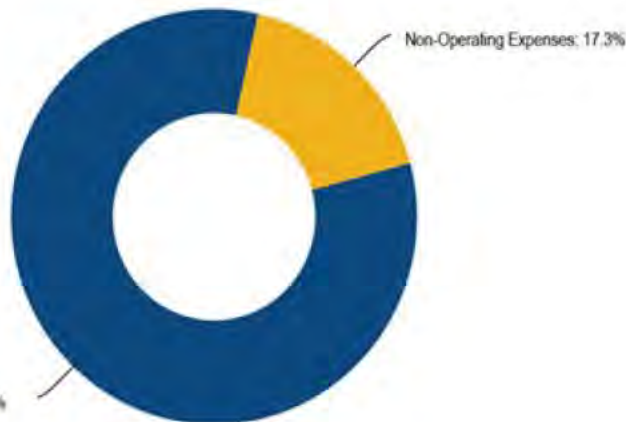
Proposed FY2022 Draft Budget

OSERS Broad Street, LLC

3.8% of the Total Budget

FY2022 Budget Summary:

- Operating Revenue – includes Suite Lease revenue for 8 tenants, parking, and miscellaneous rentals
- Operating Expenses
 - Property Management & Labor
 - Other Administrative Expenses
 - Building Operations & Maintenance
 - Utilities
 - Building/Equipment Insurance
- Non-Operating Expenses
 - Special Counsel
 - Remodeling – includes expenses for a 1st and 5th floor tenant remodel



EXECUTIVE SESSION

_____ moved and _____ 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.

IN EXECUTIVE SESSION AT _____ A.M. / P.M.

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

RETURNED TO OPEN SESSION AT _____ A.M. / P.M.



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve



Plan Year 2022 Health Insurance Preliminary Cost Estimates for Self Funded Plans

May 20, 2021

Alisa Bennett, FSA, EA, MAAA, FCA





Rate Setting Data



Paid claims and enrollment data provided by SERS.

- Summarized separately for:
 - Medical and prescription drug
 - Medicare and non-Medicare
 - Medical Plans and Medicare Part D reimbursements

- Used medical data and pre-65 Express Scripts prescription drug data for the two year period May 1, 2018 to April 30, 2020 to reduce the impact of COVID – 19.

- Used calendar year 2019 and 2020 Express Scripts prescription drug data and Medicare Part D reimbursements for Medicare-eligible rates.

- Staff completed contract extension negotiations with ESI which began January 1, 2020. Reductions are incorporated into 2018 and 2019 data, before contract renewal.



Assumptions and Methods - Trend



- Trend Assumptions –
 - Medical and Prescription Drug –
 - Used industry projections for future trend. Industry projections suggest that projected medical plan cost increases for 2021 are similar to projections for 2020.
 - Double-digit specialty Rx cost trend, mostly driven by price increases and new specialty drugs
 - Health plan cost increases continue to significantly outpace general inflation and average wage increases
 - Trend from mid point of experience period to mid point of rate setting period (6/30/2022).
 - For Medical –
 - Industry projections suggest approximately 7% for future medical trend for actives and pre-Medicare retirees. Used 7% in first year stepping down to 6.5%.
 - For Prescription Drugs –
 - 7% for Medicare and Non-Medicare
 - No trend assumed on Medicare Part D reimbursements



Assumptions and Methods - Spouses and Child(ren)



- Current recommendation is ratio of:
 - 25% of retiree cost for child(ren),
 - 80% of retiree cost for spouse.

- Data supports continued use of those ratios.



2022 Non-Medicare Medical Plan Same As 2019, 2020 and 2021



	<u>2021</u>	<u>Proposed Medical 2022</u>
Deductible (Annual)	\$2,000/person \$4,000/family	\$2,000/person \$4,000/family
Co-insurance maximum	none	none
Out-of-Pocket Maximum	\$7,350/\$14,700	\$7,350/\$14,700
Office visit primary care	\$20 co-pay	\$20 co-pay
Specialist	\$40 co-pay	\$40 co-pay
Surgeon fee	20% coinsurance	20% coinsurance
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay
Emergency Room	20% coinsurance	20% coinsurance
Ambulance	20% coinsurance	20% coinsurance
Urgent Care	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray	20% coinsurance	20% coinsurance
Outpatient Diagnostic Lab	20% coinsurance	20% coinsurance
Outpatient Surgery (Facility only)	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	20% coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance
Skilled Nursing Facility	20% coinsurance (100 day maximum)	20% coinsurance (100 day maximum)
Home Health Care	20% coinsurance	20% coinsurance
Hospice	Inpatient: 100% coverage after deductible, 30 day lifetime limit. Outpatient: 20% coinsurance after deductible	Inpatient: 100% coverage after deductible, 30 day lifetime limit. Outpatient: 20% coinsurance after deductible

2020 ESI contract extension saving incorporated in Prescription Drug Rates.



COVID – 19



- COVID–19 impact still uncertain as it is an evolving situation.
- Direct costs of COVID-19 in 2020 were offset by deferral of care and delaying non-emergency surgeries.
- Uncertainty of impact of pent-up demand in 2021 or 2022 and beyond. So far there has not been a noticeable spike in costs due to pent-up demand, but we are still early in the 2021 experience period.
- Increased use of tele-medicine could create cost savings going forward.



2022 Non-Medicare Medical Plan Same As 2021 (2021 Projection Before COVID-19 Impact)



Self Funded Non-Medicare

	<u>Projected 2021</u>	<u>Projected 2022</u>
Medical		
Retiree	\$1,199.00	\$1,267.00
Spouse	\$959.00	\$1,014.00
Child	\$300.00	\$317.00
Prescription Drug		
Retiree	\$199.00	\$222.00
Spouse	\$159.00	\$178.00
Child	\$50.00	\$56.00
Total		
Retiree	\$1,398.00	\$1,489.00
Spouse	\$1,118.00	\$1,192.00
Child	\$350.00	\$373.00

5.7% increase in retiree medical costs, 11.6% increase in retiree prescription drug cost, 6.5% increase in retiree total cost.



Non-Medicare Eligible SERS Wraparound HRA Plan



- Marketplace Wraparound HRA Plan - Participants choose insurance from any insurer offering coverage in the federal Marketplace, and if eligible, receive a federal subsidy to lower the premium and cost-sharing amounts. The SERS Marketplace Wraparound HRA Plan offers additional benefits to help pay for deductibles, co-pays, and other costs. There is no additional premium for the SERS Wraparound Plan.
- Reimbursement is capped at \$1,800 per participating family per calendar year, indexed for inflation for plan years beginning after December 31, 2020, in accordance with federal limits.
- 2019 and 2020 claims experience well below cost threshold.
- The American Rescue Plan Act of 2021 (COVID-19 relief) law passed in March 2021 expands Marketplace subsidies above 400% of poverty and also increases subsidies for those making between 100% and 400% of the poverty level, for two years (2021 and 2022). This could make the SERS Wraparound HRA plan more attractive to members, creating a cost savings for SERS.



Medicare Part D Prescription Drug Plan (PDP) and Express Scripts for Medicare Eligible



- Medicare Part D Prescription Drug Plan (PDP) savings passed on to Medicare-eligible retirees only.

- Analysis of actual data for Calendar Year 2019 and 2020 indicated a Medicare Part D Prescription Drug Plan (PDP) direct reimbursement amount of approximately \$12 Per Member Per Month. This amount was not assumed to increase from experience period to 2022.

- Medicare Part D Prescription Drug Plan (PDP) receive other subsidies that are assumed to increase with trend:
 - CMS catastrophic reinsurance
 - Manufacturer coverage gap reimbursements



Results – Monthly Medicare Eligible Drug Costs



	Projected 2021 rate after contract extension savings	Projected 2022 rate after contract extension savings
Retiree	\$146.00	\$152.00
Spouse	\$146.00	\$152.00
Child	\$146.00	\$152.00



Indemnity Costs for Medicare Eligible



- Medicare eligible retirees (including those enrolled in Medicare Part B only) will continue to be enrolled in the fully insured Medicare Advantage Plan.
- However, some retirees (less than 1% of total) are not enrolled in the Medicare Advantage plan for various reasons. Medicare Indemnity rates are available for Medicare eligible members not in the Medicare Advantage Plan.
- Prescription drug rates for this group are the same as for other Medicare eligible members.
- Historical medical data for this group was very volatile and PMPM costs were high, so we had been holding the medical rates steady from year to year.
- Data has stabilized over the past few years and are trending lower, but the group remains a mix between long time members and members who use the plan for a short time before moving to Medicare Advantage.
- Therefore, we have lowered the medical portion of the Medicare Indemnity rates somewhat and will continue to monitor the rates.



Results – Monthly Costs and Rates

Current Prescription Drug Plan



Self Funded Medicare Indemnity Rates

	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>2021 Part B Only</u>	<u>2022 Part B Only</u>
Medical				
Retiree	\$600.00	\$500.00	\$600.00	\$500.00
Spouse	\$600.00	\$500.00	\$600.00	\$500.00
Child	\$600.00	\$500.00	\$600.00	\$500.00
Prescription Drug				
Retiree	\$146.00	\$152.00	\$146.00	\$152.00
Spouse	\$146.00	\$152.00	\$146.00	\$152.00
Child	\$146.00	\$152.00	\$146.00	\$152.00
Total				
Retiree	\$746.00	\$652.00	\$746.00	\$652.00
Spouse	\$746.00	\$652.00	\$746.00	\$652.00
Child	\$746.00	\$652.00	\$746.00	\$652.00



Health Care

May 20, 2021

Christi Pepe

Director Health Care Services



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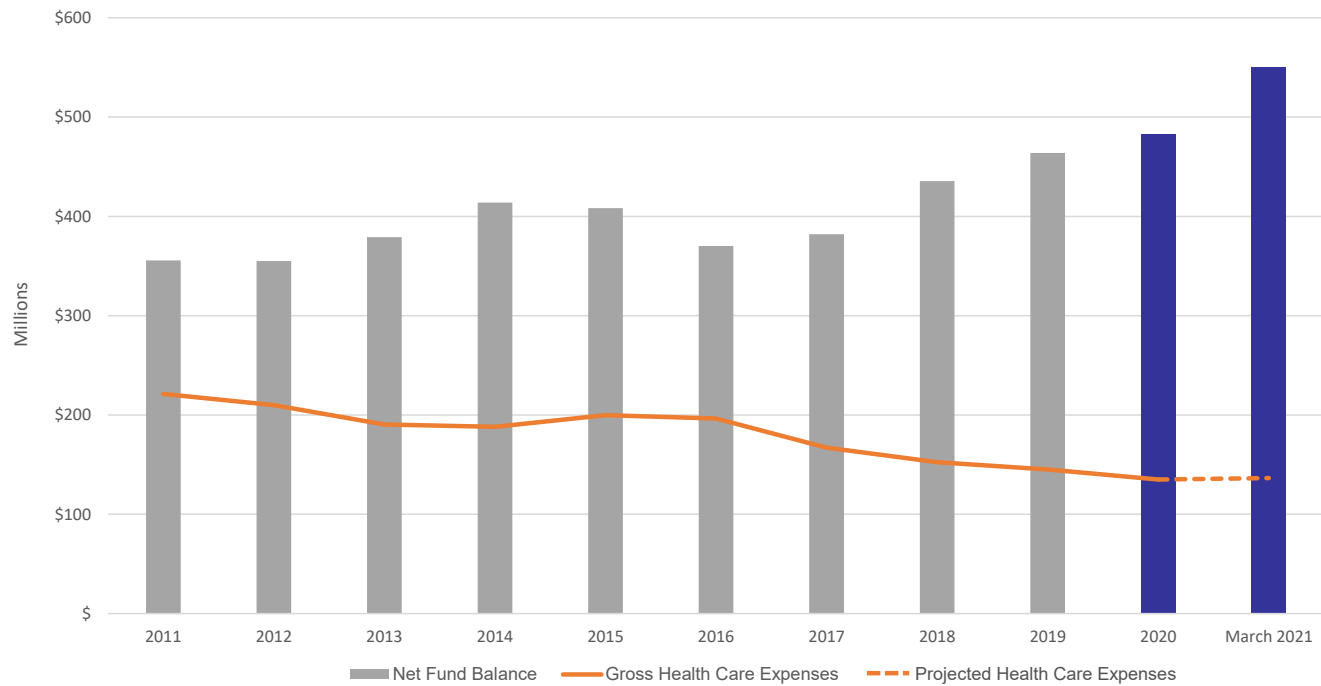
Agenda

- Health care program status
- 2022 rates - expectations for June
- Other 2022 program considerations



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Health Care Fund Net Position



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Enrollment / May 2021

Non-Medicare	
Aetna Choice	3,854
AultCare	172
Wraparound HRA	284
TOTAL	4,310

Medicare	
Aetna Medicare	36,521
Aetna Traditional Choice	204
TOTAL	36,725

Optional Coverage	
Delta Dental	40,784
VSP Vision	30,554



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Dental and Vision Rates

Delta Dental	2021 Premiums	2022 Premiums
Benefit Recipient	\$28.53	\$28.25
Benefit Recipient and one dependent	\$57.06	\$56.50
Benefit Recipient and two or more dependents	\$85.54	\$84.98

VSP Vision	2021 Premiums	2022 Premiums
Benefit Recipient	\$7.11	\$6.17
Benefit Recipient and one dependent	\$14.22	\$12.35
Benefit Recipient and two or more dependents	\$16.70	\$14.49



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Aetna Choice / Aetna Medicare

- Statewide enrollment with national networks
- No proposed benefit changes for 2022
- Rate expectations
 - Non-Medicare Aetna Choice – potential increase
 - Aetna Medicare Advantage – no increase



AultCare PPO non-Medicare rates

Full Premium (no subsidy)	
2021 AultCare Premium	\$1,086
Proposed for 2022	\$1,075



2022 Medicare Rx Drug Network Proposal

Medicare plan enrollee transition to Express Scripts Broad Performance Network

- Express Scripts measures and pays network pharmacies based on quality (medication adherence for certain diagnoses)
- Enrollee co-pays would remain the same
- 98% of enrollees not affected by the network change
- Out-of-network claims would be denied

Potential SERS' 2022 Savings - \$3.3 million



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Medicare Rx Change Network Disruption

- 2% or 588 current enrollees would be impacted;
231 with Publix Super Markets
- Of those impacted:
 - 73% would have a network pharmacy within 2 miles
 - 23% would be within 4 miles
 - 4% would be greater than 4 miles

Express Scripts communications outreach to affected enrollees prior to change



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Premium Discount Potential Expansion

- Current eligibility <125% FPL (\$1,342 per month for an individual)
- 25% premium reduction; SERS annual cost \$200,000
- Potential expansion to <150% FPL (\$1,610 per month for an individual)

Premium Discount Applications by Year						
	2019		2020		2021	
AUTO-ENROLLED (Medicare Low-Income Subsidy recipients)	585	50%	499	47%	533	52%
ELIGIBLE	378	32%	366	34%	308	30%
NOT ELIGIBLE	212	18%	200	19%	180	18%
Total	1,175		1,065		1,021	



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Premium Discount Potential Expansion

- Of the 2020 enrollees who were also potentially eligible for 2021, just 3% were found ineligible based on an income increase
- SERS' Health Care Specialists process approximately 500 Premium Discount applications each year
- Propose to continue eligibility for the 2021 Premium Discount population through 2022



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Wraparound HRA Benefit Flexibility

- Wraparound HRA reimbursement is limited to \$1,800 per family per calendar year
- Wraparound benefits are still capped per service
- Prescription, deductible, and physician office co-pays are the most frequent claim types

2020 average total claims per member per year was \$600 (\$50 per member per month)



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Wraparound HRA Benefit Flexibility

- American Rescue Plan of 2021 improved Marketplace savings for enrollees
- Eliminate all per-service limits starting in 2022
- Out-of-pocket expense documentation required
- \$1,800 total HRA reimbursement limit continues



Thank You



School Employees Retirement System of Ohio
Serving the People Who Serve Ours Schools®

CALENDAR DATES FOR FUTURE BOARD MEETINGS

CALENDAR DATES FOR 2021

AUDIT COMMITTEE MEETINGS

June 16 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 17 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

June 17 and 18 (Thurs. and Fri.)

CALENDAR DATES FOR 2021

AUDIT COMMITTEE MEETINGS

September 15 - 2:30 p.m. (Weds.)

December 15 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

September 16 - 7:30 a.m. (Thurs.)

December 16 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

July 15 and 16 (Thurs. and Fri.)
September 16 and 17 (Thurs. and Fri.)
October 21 and 22 (Thurs. and Fri.)
November 18 and 19 (Thurs. and Fri.)
December 16 and 17 (Thurs. and Fri.)

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

CONTINUED OR NEW BUSINESS

Board Information Requested

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

RECESS (R)

_____ moved that the Board recess to reconvene on Friday, May 21, 2021 to continue the board meeting and discuss Pension Sustainability.

The meeting recessed at _____ a.m./p.m.

Hugh Garside, Jr.

Richard Stensrud, Secretary