

July 20, 2017

OATH OF OFFICE

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

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



JAMES HALLER

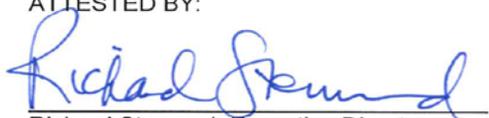
SWORN TO and SUBSCRIBED before me this 20th day of July, 2017.



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



ATTESTED BY:



Richard Stensrud, Executive Director



Daniel L. Wilson, Chairperson

OATH OF OFFICE

**OATH OF OFFICE OF BARBRA M. PHILLIPS
MEMBER OF THE RETIREMENT BOARD OF THE
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

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


BARBRA M. PHILLIPS

SWORN TO and SUBSCRIBED before me this 20th day of July, 2017.


Notary Public
JOSEPH M. MAROTTA
ATTORNEY AT LAW
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ATTESTED BY:


Richard Stensrud, Executive Director


Daniel L. Wilson, Chairperson

The nine hundredth and two meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, July 20, 2017. The meeting convened in open session at 8:31 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: Daniel Wilson, Chairperson, James Haller, Catherine Moss, Barbra Phillips Beverly Woolridge and James Rossler. Daniel Wilson excused the absence of Christine Holland. Also in attendance was Mary Therese Bridge, representative of the Attorney General, various members of the SERS staff, and members of the public.

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON
June 15, 2017**

Barbra Phillips moved and Catherine Moss seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, June 15, 2017. Upon roll call, the vote was as follows: Yea: James Rossler, James Haller, Catherine Moss, Barbra Phillips and Daniel Wilson. Abstain: Beverly Woolridge. The motion carried.

Chairman Daniel Wilson asked Chief Investment Officer Farouki Majeed to present the Investment Report.

INVESTMENT REPORT

Monthly Investment Report

Chief Investment Officer Farouki Majeed provided an economic update and discussed the Investment report for the month ending May 2017. The preliminary performance report as of June 30, 2017 was provided to the Board for their information. Mr. Majeed noted the excess return over the benchmark for the fiscal year and five year period was significant. The Board thanked Mr. Majeed for the 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 **May 1, 2017** through **May 31, 2017** hereby be approved. Upon roll call, the vote was as follows: Yea: James Rossler, James Haller, Catherine Moss, Barbra Phillips, Beverly Woolridge and Daniel Wilson. The motion carried.

A. PURCHASES

| Asset Class | Approximate Cost (in millions) |
|------------------------------|-----------------------------------|
| US Equities | \$102.3 |
| Non-US Equities | 202.4 |
| Fixed Income | 316.3 |
| Multi-Asset Strategies | n/a |
| Private Equity Capital Calls | 24.4 |
| Real Asset Capital Calls | 13.0 |
| Opportunistic | 6.6 |
| Cash Equivalents | 356.6 |

B. SALES

| Asset Class | Approximate Net Proceeds (in millions) | Approximate Gain/(Loss) (in millions) |
|------------------------------|---|--|
| US Equities | \$ 102.0 | \$ 7.6 |
| Non-US Equities | 161.7 | 19.4 |
| Fixed Income | 290.9 | 0.7 |
| Multi-Asset Strategies | 1.0 | (0.2) |
| Private Equity distributions | 19.6 | n/a |
| Real Asset distributions | 15.5 | n/a |
| Opportunistic | 13.9 | 1.6 |
| Cash Equivalents | 464.3 | n/a |

Following the Investment Report, and on behalf of the Board and staff, Chairman Daniel Wilson presented a proclamation to Madonna “Dee” Faragher.

**The Retirement Board of the School Employees Retirement System of Ohio
adopted the following resolution on July 20, 2017
to honor Madonna “Dee” Faragher**

WHEREAS, the School Employees Retirement System of Ohio provides pension benefits to more than 200,000 active and retired non-teaching public school employees; and

WHEREAS, Ms. Faragher dedicated 10 years of distinguished service to the members and retirees of the School Employees Retirement System of Ohio as a Trustee on the Retirement Board; and

WHEREAS, Ms. Faragher provided extraordinary leadership as Chair of the SERS Retirement Board for one term, and as a member of the Compensation committee for six years, three of those as Chair; and

WHEREAS, Ms. Faragher showed genuine concern for members and retirees as evidenced by her frequent visits to the counseling reception area where she would talk with members about their plans for retirement; and

WHEREAS, during her tenure on the Board, Ms. Faragher personally interacted with SERS staff involved in member and retiree outreach and was supportive of staff initiatives to improve communication with the membership, and in addition, she regularly reported to the Board the positive impact of SERS’ retirement seminars, counseling sessions, and health care open enrollment meetings based on her own observations and conversations with members and retirees who attended; and

WHEREAS, Ms. Faragher was instrumental in creating SERS’ succession plan, which provides for a thorough and systematic transfer of knowledge for positions that report directly to the Board; now therefore;

BE IT RESOLVED, that the Retirement Board of the School Employees Retirement System of Ohio applauds and recognizes Ms. Dee Faragher for her stewardship, service, devotion to those served by our system, focus on her fiduciary duty and unwavering commitment to the retirement security of Ohio’s non-teaching public school employees.

**ACCEPTANCE OF EMPLOYEE BOARD MEMBER RESIGNATION; DECLARATION OF
VACANCY; SCHEDULE FOR FILLING EMPLOYEE BOARD MEMBER SEAT**

Beverly Woolridge moved and Catherine Moss seconded that Madonna Faragher’s resignation be accepted effective June 30, 2017 and that a vacancy in the employee member seat held by Ms. Faragher be declared effective June 30, 2017. Be it further moved that the following schedule will be used to fill the vacant employee member seat:

SERS members interested in being elected by the Board to fill the vacancy shall submit a statement of interest and qualifications to the Board no later than August 31, 2017;

Nominations for candidates will be held at the Board meeting scheduled for September 21 & 22, 2017;

Interviews of the nominated candidates will be held at the Board meeting scheduled for October 19 & 20, 2017;

Election by the Board will be conducted at the Board meeting scheduled for October 19 & 20, 2017.

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

Jeffrey DeLeone arrived at 9:47 a.m.

EXECUTIVE DIRECTOR'S UPDATE

COLA Legislation

Executive Director Richard Stensrud announced that on June 30th Governor Kasich signed HB 49, which included the changes approved by the Board to modify the structure and method for providing COLAs. Changes to the COLA process had been in SB 151 and HB 242, but were consolidated and added into the state's budget bill, HB 49, late in the legislative process.

Mr. Stensrud noted that he anticipates the COLA provisions will become effective on Sept. 29 or 30. As a result, the Board would be able to take action in early October to finalize the COLA implementation plan. Mr. Stensrud explained that taking action in October would allow the actuary to incorporate the impact of the COLA plan into the actuarial valuation as of June 30, 2017, which is scheduled to be presented in November. Mr. Stensrud noted that if the actuarial valuation shows the pension fund exceeding the 70% funded status level, pursuant to the SERS Funding Policy, the Board would have the option of allocating a segment of the employer contribution stream to the retiree health care fund in 2018. Mr. Stensrud also noted that taking action on the COLA plan in October would provide sufficient lead time to do the systems work necessary to implement the appropriate COLA for 2018.

Mr. Stensrud noted that if the COLA plan adopted by the Board in 2016 is approved for implementation in October, it will have an important, positive impact on the funded status of both the pension fund and the health care fund. Mr. Stensrud noted that the COLA plan adopted in 2016 was the result of extensive discussion and analysis that included participation by SERS' stakeholders, and he commended the Board for their forward thinking and appreciation of the need to make the tough decisions necessary to protect the pension and health care funds. Mr. Stensrud further noted, however, that while implementation of the COLA plan will improve the funded status, it will not fully resolve the funding issues, and additional tough decisions may be required in the future.

Finally, Mr. Stensrud noted that it will likely be necessary to seek some additional clarification of the Board's COLA authority in subsequent legislation. Mr. Stensrud explained that language that would expressly authorize the Board to establish a delayed start in the receipt of COLAs by future retirees had not been added to HB 49 as requested. Mr. Stensrud noted that for the next few years the same result (delayed start of COLAs) could be achieved if the COLA plan adopted by the Board called for a 0% COLA in those years. Mr. Stensrud noted, however, that when the Board determined that positive COLAs would resume, if the Board wanted new retirees to continue to wait for some period before their COLAs start, it will be necessary to have express authority to establish a waiting period. Mr. Stensrud noted that legislation to achieve this result could be pursued in 2018.

Health Care Legislation

Mr. Stensrud reported that staff has been very active in communicating on the proposed federal health care legislation on behalf of SERS' retirees and SERS' Health Care program. Mr. Stensrud noted that SERS expressed its thoughts and concerns directly to all the members of the Senate, and through the grassroots advocacy feature on the SERS' website, helped more than 3,200 SERS retirees communicate the same message. Mr. Stensrud noted that the content of these messages was not partisan in nature, but rather, sought to make legislators aware of the detrimental impact certain provisions being considered would have on SERS' retirees and beneficiaries.

State Auditor David Yost

Mr. Stensrud informed the Board that all five statewide retirement systems received a letter from State Auditor David Yost inquiring about the assumed investment rate of return, or liability discount rate, used by the system. Mr. Stensrud explained that this letter was prompted by a recent decision by a rating agency, Fitch Ratings, to lower the discount rate it uses when assessing the future pension costs of retirement plans and the ability of the sponsor of those plans to meet those costs. Mr. Stensrud noted that the Auditor of State inquired about SERS' plans and process for establishing a reasonable discount rate/investment return assumption.

Mr. Stensrud noted that as reflected by its practice and process, SERS is committed to fairly and accurately presenting the financial condition of the pension plan and the use of a reasonable and prudent investment return assumption when making that assessment. Mr. Stensrud noted that SERS follows the statutory requirements for performing actuarial analysis and setting actuarial assumptions, and that in doing this work, the actuaries are required to adhere to generally accepted actuarial principles established by the Actuarial Standards Board as well as rules established by the Governmental Accounting Standards Board (GASB). Mr. Stensrud explained that pursuant to these standards, when establishing the investment return assumption and determining the funded status, the actuary considers the expected future investment returns given the specific components of SERS' investment program.

Mr. Stensrud noted that, in contrast, the assumption used by Fitch is not based on the investment program of any particular system, but instead is a generic assumption that is applied to all retirement plans irrespective of the asset allocation model or funded status. Mr. Stensrud noted that this approach serves Fitch's purpose of being able to make comparisons across all retirement plans and sponsoring governments but that the Fitch discount rate has only minimal relevance for SERS.

Mr. Stensrud noted that with the guidance from the actuary, the Board has been proactive in adjusting the investment return assumption downward as the economic environment and SERS' investment program has changed. Mr. Stensrud stated that consistent with its fiduciary duty the Board will continue to monitor both actual and projected investment experience to assure that the assumption continues to reasonably reflect future return expectations.

Advocacy Groups

Mr. Stensrud reported that he recently had the opportunity to meet with the Executive Directors of OSBA, OASBO, and BASA. Mr. Stensrud noted that he also had an opportunity to meet with the government relations staffs of those organizations and discuss developments at SERS, including the COLA legislation.

Mr. Stensrud stated that he is continuing to meet with SERS' advocacy groups to get their perspectives on SERS and reiterate SERS' commitment to having a good, collaborative working relationship.

Other

Mr. Stensrud noted that Chief Investment Officer Farouki Majeed was interviewed by Sovereign Wealth Funds Institute regarding SERS investments in private credit mandates, exchange traded funds, infrastructure, and hedge funds, which was published on May 31. Mr. Majeed's Op-Ed about SERS' asset allocation process was published in *Top 1000 Funds* on June 27.

At Mr. Stensrud's request, Mr. Majeed provided comments regarding SERS' approach for identifying appropriate managers for making investments in the energy space.

Mr. Stensrud reported that he is continuing to have individual meetings with Board Members to assist him in developing a plan for the initiatives to be pursued over the next year and beyond. Mr. Stensrud noted that he has been engaging in a parallel process with staff.

Mr. Stensrud reported that SERS members and retirees continue to benefit from the SMART implementation. In June, Member Services took more than 11,000 calls and processed almost 2,400 estimates. Thus far in July, they had already taken more than 2,200 calls, and created 459 estimates.

Also in June, SERS' Health Care department took more than 2,200 calls and made 645 outbound calls. Staff processed almost 2,500 enrollments and changes. By contrast, last year at this time they had just 1,300 calls and 953 enrollments and changes. They've handled twice as many calls and almost three times as many enrollments.

Mr. Stensrud noted that staff continues to be engaged in community service activities. Mr. Stensrud reported that in collaboration with Volunteers of America, staff is helping children get the tools they need to succeed in school, and that each department in SERS will be filling a minimum of three backpacks with back-to-school items. The Board commended staff for their efforts.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

132nd General Assembly

(Prepared by Laurel Johnson as of July 7, 2017)

HB49 OPERATING BUDGET Ryan Smith (H93-R-Gallipolis) Creates FY 2018-2019 main operating budget.

Current Status: 06/30/2017 SIGNED BY GOVERNOR; 47 items vetoed. Bill eff. 7/1/17

ORSC Position:

HB242 SCHOOL RETIREMENT-COST OF LIVING Rick Carfagna (H68-R-Westerville) Regarding School Employees Retirement System annual cost-of-living adjustments.

Current Status: 06/20/2017 **SUBSTITUTE BILL ACCEPTED**, House Aging and Long Term Care, (Third Hearing)

ORSC Position: Approved with recommended amendments

SB151 SCHOOL EMPLOYEES RETIREMENT ADJUSTMENTS Cliff Hite (S1-R-Findlay) To permit, rather than require, the School Employees Retirement System to grant annual cost-of-living adjustments to retirement, disability, and survivor benefit recipients and to reduce the maximum amount of the adjustment.

Current Status: 06/20/2017 Senate Insurance and Financial Institutions, (Second Hearing)

ORSC Position: Approved with recommended amendments

FEDERAL LEGISLATION BOARD REPORT
115th United States Congress
(Prepared by Laurel Johnson as of July 7, 2017)

S. 915

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: 04/24/2017 - Referred to the Committee on Finance

CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions.

COMMENT: The Social Security Fairness Act of 2017. Repeals the GPO and WEP. S.915 has eight co-sponsors.

MEMORANDUM

To: Laurel Johnson, Senior Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: July 6, 2017

Re: Federal Legislative and Regulatory Report for June

OVERVIEW

Highlights for June included: the postponement of the vote in the U.S. Senate on its bill to repeal and replace the Affordable Care Act, also known as Obamacare; the efforts by President Trump to feature infrastructure development; workforce development and apprenticeship programs for skilled workers; technology to assist federal government agencies; and energy initiatives.

In late June, President Trump's **Presidential Advisory Commission on Election Integrity** sent out requests for voter information to the 50 secretaries of state across the country requesting information about each state's voters. The Presidential Advisory Commission on Election Integrity was created by President Trump to investigate his claim that millions of illegal votes cost him the popular vote in the 2016 presidential election. Jon Husted, Ohio Secretary of State, said, "In Ohio, we pride ourselves on being a state where it is easy to vote and hard to cheat. Voter fraud happens, it's rare, and when it happens we hold people accountable. I believe that as the Commission does its work, it will find the same about our state. After each of the last three federal elections, I instructed the bipartisan boards of elections to conduct a review of credible allegations of voter fraud and voter suppression. The results of this review are already in the public domain and available to the Commission. Additionally, voter registration information is a public record and is available online. The confidential information, such as the last four digits of a voter's Social Security number or their Ohio driver license number is not publicly available and will not be provided to the Commission." Thus far, 44 state secretaries of state have indicated that they will not release some or all of the information requested due to privacy restrictions under the laws of those states.

Congress is on a one-week recess from Monday, July 3 through July 8. Congress has scheduled a one-month recess during the month of August, however, there are members of Congress that are suggesting that both the House and Senate stay in session while several pieces of important legislation remain to be passed.

BETTER CARE RECONCILIATION ACT (BCRA)

The Senate left for the one-week July 4 recess without passing a health care bill to send back to the House. Senate Majority Leader Mitch McConnell (R-KY) had expressed a strong desire for the Senate to vote by last Friday, June 30, prior to the recess and pass the Senate's version of health care reform. The Senate version, called the "**Better Care Reconciliation Act,**" was released approximately six days prior to the anticipated vote and provided more money for tax credits for individuals, raised the eligibility above the poverty threshold for those tax credits and provided dollars to help states deal with the opioid crisis, and provided a longer runway to phase out Medicaid expansion, among other changes. On Monday, June 26, the CBO released the ten-year score for the bill, initially indicating that an additional 22 million Americans would become uninsured over ten years or by 2026, including many low-income people who would be not be able to afford insurance. The final House-passed version received a CBO score that 23 million people would lose coverage over ten years, primarily due to the lack of a mandate to acquire insurance and the inability to afford coverage.

As soon as the bill was released, **Senators Rob Portman (R-OH) and Sherrod Brown (D-OH) indicated that they were opposed to it.** Ohio Governor John Kasich was also opposed. During a meeting on June 12 with Greg Moody, head of the Governor's Office of Health Transformation, both Anne

Jewel, director of Health Care at SERS and I stressed the benefit of Medicaid expansion for SERS' retirees and our concerns with many of the proposed health care changes. Director Moody indicated that Governor Kasich remained concerned with the potential impact of the bill on Ohio citizens and would continue to advocate for changes.

Senator McConnell needed 50 Senators to vote in favor of the bill, counting on the vote by Vice President Pence to vote in favor of the bill and put the Senate just over the majority needed to pass it. The Senate has 52 Republicans and Senator McConnell knew that he could only afford two "no" votes. As the week unfolded, several Republicans joined Senator Portman against the bill and the vote was delayed. Senators Rand Paul (R-KY), Ted Cruz (R-TX), Lisa Murkowski (R-AK) and Susan Collins (R-ME) were part of the growing alliance that opposed the bill. Other Senators expressed unease about certain provisions and the impact on their constituents.

During the week of June 26, **SERS began its advocacy efforts** to oppose the harmful provisions in the Senate bill and activated the social media plan to ask retirees under the age of 65 and members within retirement age to contact their Senators. According to the 2016 CAFR, SERS has retirees that live across the country, including many retirees in the states where Senators were either opposed to the bill, on the fence, or in leadership positions.

An **email blast was created and sent out** to the two populations of SERS retirees and members. The SERS website provided information to make it easy for them to contact their Senators, and the retiree groups were notified to help spread the word. By the end of the week, over 3,000 emails had been generated by retirees for Senators living in 19 states, including Alabama, Arizona, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee and West Virginia.

I sent out the **SERS letter from Executive Director Richard Stensrud to 51 Senators**, including all Senators in the listed 19 states, majority and minority leadership, and other Senators who were also concerned with the bill's provisions. In the letter, SERS expressed concerns with the process and requested that the bill become a bipartisan effort. SERS commented on the BCRA's language, including:

1. **Protect Medicare** – SERS retirees benefit from a strong and fiscally sustainable Medicare program. The solvency of Medicare should be paramount to any efforts to strengthen the nation's health care system. The removal of the tax on high-income workers harms Medicare.
2. **Protect Medicaid** – Medicaid benefits our members who live in (specific state) and every other state.
 - a. The expansion has significantly benefitted our lowest income disability benefit recipients who urgently need coverage and have very modest pensions. The expansion has allowed them to obtain affordable health care coverage.
 - b. Medicaid covers the oldest retirees in nursing homes. Cutting funding for these most vulnerable retirees is unconscionable.
 - c. Medicaid provides the vast majority of addiction recovery services used to combat the opioid epidemic. Funding these services is essential to preventing more families from falling into poverty and addiction.
3. **Offer tax credits that really help people afford insurance based on age and income** – The BCRA proposal does factor in age and income tax credits to help older people pay their health care premium. However, pegging the subsidy to a plan that requires enrollees to pay an average of 42% of their health care expenses through cost-sharing is not affordable, even if the premium is.

Phasing out cost sharing assistance for people with incomes of less than 250% of the federal poverty level is an additional barrier to care. Low income retirees cannot afford large deductibles or co-payments. Historically, we know that our retirees will drop coverage when deductibles and co-payments get too high. The CBO analysis for similar populations reaches the same conclusion.

4. **Change in Permissible Age Rating in Health Insurance Premium Rates** – The BCRA permits moving from a 3 to 1 to a 5 to 1 premium spread in 2018. This proposal will significantly increase premiums for older persons, those most in need of coverage.
5. **Exempt us from the Excise, or “Cadillac” Tax for retiree-sponsored health care plans** – As designed, the Cadillac Tax will impact retiree-sponsored health care plans in a significant way, even with the delay of implementation until 2026. SERS would be subject to the 40% excise tax, not because our plans offer rich benefits but because our retiree-only group, due to age and illness, uses significantly more health care services than a similar employee group.
6. **Provide additional time for insurers to implement health care changes** – As a provider of health care, SERS has already finished planning the 2018 coverage year. Therefore, we would ask that the requirements in the Act for insurers be delayed to give SERS and our retirees time to plan for the significant changes.

On Friday, June 30, President Trump suggested that Senators consider a strategy to just repeal Obamacare now, and work on a bill to replace it later. Last January, House and Senate Republicans decided that “**repeal and replace**” was the strategy going forward. There were a few members of Congress who commented on the idea of simply repealing Obamacare without a replacement plan. Insurance providers, hospital associations, and care providers expressed alarm at repeal legislation alone that would provide a lack of stability and certainty to them and their patients.

Upon the Senate’s return next week, they will be discussing **several other health care proposals** that gained media attention during the recess. One such idea, offered by Senator Ted Cruz (R-TX) was reported by the New York Times on July 6 to include language that “insurers could sell almost any kind of health plan they wanted as long as they also offered at least one plan that complied with federal mandates like those in the Affordable Care Act, including coverage for maternity care and mental health services.” Another proposal to gain the support of Senator Rob Portman (R-OH) and Shelley Moore Capito (R-WV) would provide a significant boost in dollars to address the opioid epidemic that has hurt Ohio and West Virginia by adding up to \$45 billion for treatment and addiction services.

In other health care news, Representative Pat Tiberi (R-OH) introduced a bill to address COBRA requirements for individuals who lose coverage after their employment is terminated. The bill passed the House as amended on June 15. The bill, called the “**Broader Options for Americans Act**,” amends the Internal Revenue Code to allow the premium assistance tax credit to be used for unsubsidized COBRA continuation health coverage if the premiums are solely the obligation of the taxpayer. It does not include coverage under a health flexible spending arrangement. For the coverage to qualify for the tax credit, the plan administrator of the group health plan must certify that the COBRA continuation coverage meets the requirements for qualified health plans. The bill is contingent on the enactment of the AHCA and would go into effect after December 31, 2019.

The House also passed a bill called, “**Protecting Access to Care Act**,” a bill that limits attorney damages that may be collected relating to medical litigation.

TAX REFORM

The House Ways and Means Committee has been working on a **plan for comprehensive tax reform**, under the leadership of Speaker Paul Ryan (R-WI) and Chairman Kevin Brady (R- TX). The plan is

highlighted on the Ways and Means website and will: lower taxes at every income level, eliminate unfair special interest loopholes in the tax code, increase the standard deduction so the vast majority of taxpayers don't have to deal with the complexity of itemizing, end the Death Tax so family-owned farms and businesses can be passed down to the next generation, repeal the Alternative Minimum Tax so millions of workers, families, and job creators are no longer forced to calculate their taxes twice every year, and cut in half the tax rates on personal savings and investment so Americans can invest in their local economies and build toward a more financially secure future for themselves and their families. In a graphic on the Ways and Means Committee website, the proposed tax reform for Ohio would provide median-income households with a gain in after-tax income of \$4,637 and provide 64,194 new jobs.

One of the ideas is to increase the standard deduction to give most taxpayers the choice whether to itemize their deductions or simply take the increased standard deduction. **A mock-up of a postcard** that taxpayers could use to file their taxes has been circulated as a way to gain support for overall tax reform. The Ways and Means Committee will continue hearings on tax reform in July.

PRESIDENT'S BUDGET

The **federal budget proposal offered by President Trump has not advanced** due to the lengthy deliberations in the House and Senate on health care reform. As Congress returns from recess, staff members are anticipating that committees will take up more budget-related activity. The federal budget must be in place by September 30, 2017.

DEBT CEILING

Treasury Secretary Steven Mnuchin has already made it known that the **debt ceiling must be raised by Congress by the fall** in order to give the United States the authority to pay the bills that have already been approved by Congress. He asked Congress to address the matter before the scheduled August recess. The last time that Congress had to address the debt ceiling, a "clean" version was passed, meaning that the bill did not become a vehicle for other special interests. The Hill reported in June that the debt ceiling could be addressed through a clean bill, a "distinct possibility given Democratic demands and the narrow, 52-seat majority for the GOP in the Senate, Republicans will need at least 24 members of their own conference to back a clean debt bill in the House."

There are conservative House Republicans that would like Speaker Ryan to tie federal spending cuts or budgetary reforms to a debt-ceiling bill. If the House passes a debt ceiling bill that included other language on spending cuts, Senate Majority Leader Mitch McConnell would need to gain the support of eight Democrats because the bill would need 60 votes to overcome a filibuster.

FEDERAL RETIREMENT PLAN INFORMATION

Rep. Ron DeSantis (R-FL) announced that he will be introducing a bill to require that **all federal employee pensions be made fully public**, similar to disclosure laws in 32 states. Ohio law protects the disclosure of public employee pension information. In January, Rep. DeSantis introduced H.R. 322, the "EPIC Act," which amends the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) to exclude Members of Congress, except the Vice President, from further CSRS and FERS retirement coverage. The bill prohibits further government contributions or deductions from such Member's basic pay for deposit in the Treasury to the credit of the Civil Service Retirement and Disability Fund. The bill has four co-sponsors, none of whom are from Ohio.

On June 30, P&I reported that another U. S. company would freeze its defined benefit plan. **General Mills Inc. plans to freeze its U.S. defined benefit plans** at the end of 2027, according to the company's annual report filed with the SEC, which had a combined \$5.925 billion in assets as of May 31. The pension plans had a combined \$6.459 billion in liabilities as of May 31, with a funded status of 92%.

FINANCE

The Senate has not taken up the “**Financial CHOICE Act**” as of this report. As previously reported, Senator McConnell has commented that he is doubtful that a full repeal of the Dodd-Frank Act will occur in the Senate, given the fact that any bill would need to garner 60 votes for passage.

SOCIAL SECURITY

I had a conversation with one of the legislative staff members of the House Ways and Means, Social Security Subcommittee in June on **H.R. 711, Rep. Kevin Brady’s (R-TX) Windfall Elimination Provision legislation**. The individual indicated that the bill is still a priority for Chairman Brady, however, his Committee is dealing with legislation on health care and then the Committee will take up tax reform. She said that Chairman Brady is still pursuing a meaningful rebate for retirees’ subject to the WEP and would want to address some of the concerns raised by interested parties in the legislation. It is possible that the Chairman will try to move a separate vehicle for WEP reform. The aide said that the “Byrd Rule” applies to any Social Security legislation, and therefore, the measure would not be eligible for passage under the reconciliation rules.

On June 29, Rep. Sam Johnson (R-TX), the Chairman of the House Ways and Means, Social Security Subcommittee, and Oversight Subcommittee Chairman Vern Buchanan (R-FL) held a joint hearing on the “**Complexities and Challenges of Social Security Coverage and Payroll Tax Compliance for State and Local Governments.**” Under a provision in the Social Security Act, which is Section 218, state and local governments may voluntarily provide Social Security coverage to certain positions through the execution of voluntary agreements between the government and the Social Security Administration. The administration of Section 218 agreements in all 50 states has been an area that has created confusion for many years. In 2009, a study was commissioned by the Government Accountability Office (GAO), after a task force studying Section 218 agreements in the state of Missouri’s school districts found that some school employees were paying into Social Security who should not have been paying in to it and conversely, some employees were not paying into Social Security and should have paid into it. The GAO report made several recommendations to address reporting concerns. Ohio has one of the lowest numbers of positions covered under Section 218 due to our status as a non-Social Security state. The hearing is important for SERS to monitor because any confusion on Social Security coverage that might exist in the states raises the specter of the need for mandatory coverage of non-covered employees.

While President Trump has said that Social Security should be protected, Congress is replete with ideas how Social Security could be revised to address the years of solvency in the Trust Fund. One idea is to change the current **Social Security wage cap** which is set at \$127,200 for 2017. Earnings above this amount are not taxed for Social Security purposes. The wage cap could be eliminated in order to require high income earners to pay in their proportionate share. Or the wage cap could be raised significantly to \$250,000 or more. Of course, the current wage cap has the consequence of capping the level of benefits a person can receive under Social Security. Any change in the wage cap will necessitate that Congress address the solvency of Social Security. This could come up as the President’s federal budget is taken up by the House and Senate upon their return from the July 4 recess.

On June 10, Social Security issued a press release that indicated SSA was strengthening the way it protects a member’s privacy as a **my Social Security user**. SSA has added a new identification method in addition to the existing first layer of security that has always been required, that of a unique username and password for each user.

HEALTH CARE EXPENSES

According to a newly released study by Healthview Financial Services which reviewed **health care costs incurred during retirement**, a 65-year-old couple could pay over \$404,000 for health care services, including Medicare premiums, over the course of their lives. The Report also found that retiree health care expenses could rise at an average annual rate of 5.47% for the foreseeable future, which is “almost triple the U.S. inflation rate from 2012-2016 (1.9%) and more than double annual projected Social

Security cost-of-living adjustments.” This is one of many reports and studies that show that health care costs will be one of the most significant expenses for retirees in their retirement. A copy of the full study can be accessed here: <http://www.hvsfinancial.com/2017-retirement-health-care-costs-data-report/>

STATE BUDGETS AND PENSIONS

Over the July 4 holiday weekend, several media outlets covered the **New Jersey and Illinois state budget obstacles** as the legislature and Governor of each state tried to resolve the respective impasse. What made the budget discussions relevant for public pension funds in other states was the way in which the budgets addressed the state-obligated payments to the retirement funds.

In New Jersey, after a stalemate right before July 4 in which the state closed down government buildings and furloughed thousands of workers, Governor Chris Christie signed a bill containing the final budget agreement for fiscal year 2018. The agreement diverts approximately \$1 billion from anticipated state lottery sales to go toward the **\$2.5 billion contribution for the underfunded pension system**. The use of lottery proceeds reduced the need for the state to appropriate general revenue dollars to support the pension system. Since 1996, New Jersey has failed to appropriate the full statutory annual retirement contribution (ARC) needed to support its pension fund, including at least six years in which no pension contributions were made.

In Illinois, the state legislature and Governor Bruce Rauner have been unable to resolve their differences with respect to the state budget. **Governor Rauner vetoed the legislature’s budget** that included income tax increases. The Illinois Senate had enough votes to override the Governor’s veto and the measure is pending in the Illinois House as of this report. According to several media reports, the state of Illinois has been without a passed budget since 2015 and not been able to improve its much-maligned credit rating. The legislature got by with the passage of short-term stop-gap spending bills. Without a final budget deal, the state could run out of money by August to pay expenses for school funding, payroll for state workers, and any required pension contributions. Illinois already has one of the largest unfunded pension liabilities in the United States. According to news reports, Illinois’ state constitution does not have language to protect its bondholders, however, the constitution does expressly prohibit the state from changing promised benefits to either current or future pensioners. Several lawsuits were filed after the state attempted to change pension benefits to address the large pension obligations.

CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS)

On June 14, CMS released the “**State Health Expenditure Accounts by State of Residence**” report which includes per capita personal health care spending data by state of residence for the years 1991-2014. According to CMS, the data provide a view of health care spending for individuals who resided in a state by service and by major payer (for example, Medicare, Medicaid, and Private Health Insurance).

The report also details health care spending by regions in the United States. The report showed that in 2014, the New England and Mideast regions had the highest levels of total per capita personal health care spending (\$10,119 and \$9,370, respectively), which was higher than the national average. In contrast, the Rocky Mountain and Southwest regions had the lowest levels of total personal health care spending per capita (\$6,814 and \$6,978, respectively). For 2010-14, average growth in per capita personal health care spending was highest in Alaska at 4.8% per year and lowest in Arizona at 1.9% per year (compared with average growth of 3.1% nationally).

In Ohio, the report calculated Medicare spending per enrollee at \$11,038, including Medicare spending on personal health care services, hospital care, physician services, nursing home care, and prescription drugs. A copy of the report can be read here: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsResidence.html>

SECURITIES AND EXCHANGE COMMISSION (SEC)

The **Investor Advisory Committee** met on June 22 at the SEC in Washington, D.C. Two items on the agenda were of special interest, including the discussion on the reasons for the declining number of initial public offerings (IPOs) and provisions in the Financial CHOICE Act of 2017 relating to the SEC that are of concern to investors. Prior to the meeting, the Council of Institutional Investors (CII) responded to the conclusion drawn by many in the business community that the overly restrictive federal regulatory climate was causing the decline in IPOs. Ken Bertsch, executive director of CII, authored a response to the Wall Street Journal and pointed out that the number of IPOs has been dropping since 1996, well before the Sarbanes-Oxley and Dodd-Frank regulatory legislation. Director Bertch said that shareholder proposals are not a deterrent to start-ups.

The Council and other like-minded organizations, such as Ceres and the Interfaith Center on Corporate Responsibility, among others, sent a letter on July 5 to Chairman Jay Clayton, requesting a meeting to discuss the **Financial CHOICE Act (H.R. 10) and the language in Section 844**. In the letter, CII stated that if the provision is enacted, it “will dramatically alter the Commission’s longstanding Rule 14a-8. The Business Roundtable and U.S. Chamber of Commerce have also proposed their own changes to Rule 14a-8. In our view, these proposed changes will effectively disenfranchise shareholders from the ability to submit proposals to a vote at public company annual meetings.” SERS has also expressed concerns with the proposed language and I will ask for a meeting with the SEC as well.

CORPORATE GOVERNANCE

The issue of dual class shares has reached a tipping point for investors. While companies have had the ability to issue dual class shares, few have taken the route to deny investors the right to vote as a shareholder. The SNAP dual class share debacle that I reported on previously raised the ire of investors.

Most recently, **Blue Apron Holdings, Inc.**, the company offering national gourmet meal delivery service, indicated that prior to its initial public offering, it would provide investors with the opportunity to purchase shares of stock with three separate levels of privileges. The Company envisioned it would go public with a triple-class share structure that could include no voting rights for investors who acquire shares in the lowest tier of stock. A basic tenet of good corporate governance is that shareholders should have a one-share, one vote privilege and be able to use their votes to support directors of public companies or withhold their votes if they are displeased.

In the case of SNAP and Blue Apron Holdings, investors who wish to buy the non-voting shares for these IPOs (and reap any benefit of that ownership over time) will not be able to cast shareholder votes at all. **Neither company included sunset provisions**, in which they would agree to end the non-voting share requirements within a certain number of years. On behalf of its members, CII wrote to Blue Apron Holdings on June 20 to express concern. In the letter, CII said, “Disenfranchised public shareholders have no ability to influence management or the board when the company encounters performance challenges, as most companies do at one point or another, and especially where management essentially is accountable only to itself and the board that it appoints. In this context, we are particularly concerned about the non-voting share class, the lack of a reasonable sunset provision, and the prospect that management likely will control a majority of voting power over time even as its proportional ownership of common equity shrinks.” A copy of the letter from CII to Robert Goodman, Director and Lead Independent Director Designee and two other Blue Apron executives can be viewed here:

http://www.cii.org/files/issues_and_advocacy/correspondence/2017/06_20_17_letter_to_Blue_Apron_fina_l.pdf

One might ask why a public pension fund with billions of AUM would care about this issue. Certainly, if there were only two recent IPOs with this type of dual or triple-class structure, it would not undermine investors’ ability to fulfill their fiduciary obligations. SERS invests in hundreds of public companies. However, **the inclusion of companies that have these nonvoting share arrangements** on the U.S. and international indices could be problematic for institutional investors who rely to some degree on passive investment strategies. Thus far, the FTSE, MSCI and S&P indices have issued consultations on

the subject of dual class shares and whether companies should be allowed to list on these indices without some degree of shareholder voting protections. CII responded to the FTSE consultation which was due in June. The MSCI consultation deadline is at the end of August. The FTSE letter can be viewed here: http://www.cii.org/files/issues_and_advocacy/correspondence/2017/CII%20response%20to%20FTSE%20Russell%20consultation.pdf

ACTIVITIES:

1. Trip to Washington, D.C. from June 12-14 to conduct Hill visits and meet with representatives from AARP, AFSCME, CII and NASRA.
2. Distribution of SERS' health care letter to 51 Senators in 19 states, in leadership, etc.
3. Follow-up calls with delegation offices on the AHCA.
4. Monitoring bills relating to the AHCA, federal budget, Financial CHOICE Act, prescription drugs, and Social Security.
5. Calls and emails with representatives of SERS during June.
6. Meeting with Greg Moody, director of Governor's Office of Health Transformation, with Anne Jewel, SERS' director of Health Care.
7. Monitoring relevant House and Senate Committees, Committee hearings, review of public notices or rules from the SEC, CMS, and FDA.
8. Review of newly introduced bills by members of the Ohio delegation on issues that could impact SERS.
9. Monitoring news organizations and websites such as the Social Security Administration, CII, ICGN, AARP and other interested parties for pension, investment, and health-related issues.
10. Participation and preparation for the monthly Government Relations Network call with government relations pension fund peers across the country.
11. Attendance on a monthly call with the ICGN Shareholder Responsibilities Committee to discuss international shareholder issues for institutional investors.
12. Regular calls, webinars, and review of reports from interested party representatives from organizations such as AARP, CII, NASRA, NCTR, NCPERS, the Public Sector Healthcare Roundtable, and similar organizations.

The Board took a break at 10:44 a.m. and reconvened at 11:00 a.m.

Executive Director Richard Stensrud introduced Dale Robinson and Sean Thomas to present the Information Security Update.

INFORMATION SECURITY UPDATE

Information Security and Privacy Officer Dale Robinson and Senior Information Security Analyst Sean Thomas provided an update on the mission/vision, timeline/progress and, accomplishments and planned initiatives.

Mr. Robinson stated that the program vision of SERS' information security is to protect organizational data from accidental or intentional harm, and keep vital information resources operational. Mr. Thomas then provided an overview of program pillars which includes: cyber hygiene, threat detection, employee behavior, incident response, and third-party assurances.

Significant accomplishments last year included internal and external threat detection assessment of the new SMART benefit system before it became operational, staff training on identifying phishing emails,

and completion of the annual incident response tabletop exercise in which staff from all departments use the response plan to manage a possible information security incident in real time.

Following the discussion, the Board thanked Mr. Robertson and Mr. Thomas for their presentation.

Continuing, Executive Director Richard Stensrud provided a brief overview of the Final Filing of Proposed Amended Administrative Rule for receiving disability benefits.

FINAL FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board final filing with JCARR the following proposed amended rule 3309-1-40, Application and procedures for receiving disability benefits that has been reviewed by JCARR and is ready for final adoption.

Barbra Phillips moved and Catherine Moss seconded that proposed amended rule 3309-1-40 be adopted. Upon roll call, the vote was as follows: Yea: James Rossler, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, Beverly Woolridge and Daniel Wilson. The motion carried.

3309-1-40 Application and procedures for receiving disability benefits.

(A) For purposes of sections 3309.39, 3309.40, 3309.401 and 3309.41 of the Revised Code and SERS rules:

(1) "Disability" or "disabled" means that the member meets the following applicable standard of disability:

(a) At the time of application: A disabling condition, either permanent or presumed to be permanent for twelve continuous months following the filing of an application, which has occurred or increased since the applicant last became a member and which renders the member mentally or physically incapacitated for the performance of the member's last assigned primary duty as an employee.

(b) At the time of annual examination:

(i) For a disability benefit recipient with a benefit effective date before January 7, 2013 and for a disability benefit recipient with a benefit effective date on or after January 7, 2013 who is on leave of absence, a disabling condition that renders the member mentally or physically incapable of resuming the service from which the member was found disabled.

(ii) For a disability benefit recipient with a benefit effective date on or after January 7, 2013 who is not on leave of absence, a disabling condition that renders the member mentally or physically incapable of performing the duties of any occupation.

(2) "Ongoing disability" means:

(a) For a disability benefit recipient with a benefit effective date before January 7, 2013, a disability for which medical treatment presently offers no reasonable expectation of improvement to the extent that a member may be found mentally and physically capable of resuming employment that is the same or similar to that from which the member was found disabled.

- (b) For a disability benefit recipient with a benefit effective date on or after January 7, 2013, a disability for which medical treatment presently offers no reasonable expectation of improvement to the extent that a member may be found mentally and physically capable of employment in any occupation.
- (3) "Medical treatment" means treatment of common medical acceptance that is readily available, would be covered under the system's health care plan and may include but is not limited to, medicine, physical therapy, psychological or psychiatric services or mechanical devices, but would exclude surgery or other invasive procedures.
- (4) "Board physician" means the chairman of the medical advisory committee.
- (5) "Examining physician(s)" means the disinterested physician(s) assigned by the system or the chairman of the medical advisory committee to conduct medical examinations of a disability applicant or recipient to determine eligibility to obtain or continue to receive disability benefits.
- (6) "Any occupation" means a position that meets all of the following criteria:
- (a) Replaces not less than seventy-five per cent of the member's final average salary, adjusted each year by the actual average increase in the consumer price index prepared by the United States bureau of labor statistics (U.S. City Average for Urban Wage Earners and Clerical Workers: "All items ~~1983-84=100~~1982-84=100");
 - (b) Is reasonably to be found in the member's regional job market;
 - (c) Is one that the member is qualified for by experience or education.
- (7) "Vocational rehabilitation" means tests, evaluations, and/or training whose purpose is to enable a disability benefit recipient to find employment in any occupation.
- (8) "Annual disability benefit" means the annuity and pension, or allowance, calculated under section 3309.40 or 3309.401 of the Revised Code at the time the member is determined to qualify for a disability benefit.
- (B)
- (1) The school employees retirement board shall appoint a minimum of three members to the medical advisory committee who shall be physicians who demonstrate a wide range of competent medical experience, and a chairman for the medical advisory committee who shall act as medical advisor to the board. The chairman shall have authority and responsibility to assign competent and disinterested physicians to conduct medical examinations of disability applicants and recipients for the purpose of determining the member's eligibility to obtain and continue to receive disability benefits, to recommend and review medical treatment and/or vocational rehabilitation, to certify a disability as ongoing and to submit to the board a recommendation to accompany the report of the medical examiner and/or the medical advisory committee.
- (2) The board may appoint as consultants, professionals in the field of vocational rehabilitation to provide services to the board on matters of vocational rehabilitation, including to conduct evaluations and to advise and make recommendations to the medical advisory committee, the board physician, and the board.
- (C) The board shall be responsible for screening disability benefit ~~applicatons~~applications; serving as a hearing committee for disability applicants; and determining eligibility to obtain or continue to

receive disability benefits.

(D)

(1) In order to qualify for a disability benefit, a member shall submit an application and undergo a medical examination by the examining physician(s) as required. The application shall include report(s) from the member's health care provider(s) that identify the medical bases of the application and include supportive medical evidence, a job duty form, and a job description provided by the last employer. Medical examinations will only be assigned for conditions identified by a health care provider.

(2) For purposes of division (C) of section 3309.39 of the Revised Code:

(a) A disability occurs before termination of contributing service if the underlying medical condition existed while the member was contributing to SERS;

(b) A disability occurs after last becoming a member if the underlying condition did not exist or did not render the member incapacitated from working for at least twelve continuous months when the member last became a member of SERS.

(E) The examining physician(s) shall make a report of the examination on a form provided by the board that sets forth the examining physician's medical opinion as to the nature of any disabilities disclosed; and

(1) Any recommended medical treatment, and the period of time in which recovery may reasonably be expected with such treatment, or

(2) That the disability is ongoing.

(F) Upon receipt of a completed application, report of the examining physician(s), and any other available evidence pertaining to the application for disability, the board's medical advisory committee and/or the chairman of the medical advisory committee shall review all such information and prepare a recommendation to the board. The recommendation shall include a description of any disability, the nature and duration of any recommended medical treatment and/or vocational rehabilitation, where applicable, or a certification from the board's physician that the disability is ongoing, and any recommended reexamination requirements.

(G) The board shall determine whether the applicant is eligible for disability benefits. Notice of denial or termination of disability benefits shall be sent to the applicant by regular U.S. mail or certified mail pursuant to rule 3309-1-41 of the Administrative Code. Notice of eligibility for disability benefits shall be sent by regular U.S. mail or certified mail.

(H) If the board's physician recommends medical treatment and if the board's physician or consultant recommends vocational rehabilitation, the grant of disability benefits, or continuation of disability, shall be conditioned on the applicant completing and returning a signed agreement to obtain recommended medical treatment on a form included with the notice of the conditional grant of disability benefits. Failure to return this agreement, properly completed, within sixty days of the date mailed by the system constitutes failure to meet conditions for granting the disability benefits and will result in an automatic denial of disability benefits without further action by the board, with all rights of appeal pursuant to rule 3309-1-41 of the Administrative Code. Notice of the denial will be sent to the applicant pursuant to rule 3309-1-41 of the Administrative Code.

(1) A copy of the notice of a conditional grant or continuation of disability benefits shall be sent to the health care provider designated on the member's application for disability benefits as authorized to receive the applicant's disability information unless the applicant subsequently provides a signed release designating another health care provider. The applicant's health care provider shall also receive:

- (a) A description of the disabling condition,
 - (b) The nature and duration of any recommended medical treatment.
- (2) The applicant's notice of the conditional grant or continuation of disability benefits shall inform the applicant that information regarding the nature of the disability and recommended treatment has been forwarded to the applicant's health care provider and that the applicant must contact that health care provider to review this information. The applicant shall be informed that the agreement to obtain recommended medical treatment and/or vocational rehabilitation must be properly completed and returned to the system within sixty days of the date that the system mailed the notice. Proper completion requires the signature of the health care provider indicating that the provider has communicated the disability information and recommended medical treatment to the applicant and the signature of the applicant indicating agreement to obtain the recommended medical treatment and/or vocational rehabilitation.
- (3) Upon the timely return of a properly completed agreement to obtain recommended medical treatment and/or rehabilitation, the system shall forward to the applicant an acknowledgment of receipt of the agreement containing the effective date of the disability benefits and annual reexamination and reporting requirements necessary to continue receiving disability benefits.
- (I)
- (1) Based on a certification of ongoing disability by the board physician, the board may waive annual examinations required by division (B) of section 3309.41 of the Revised Code, the filing of annual earnings statements and current medical information required by division (D) of section 3309.41 of the Revised Code, and the filing any other information required in this rule.
- If not previously waived, the obligation to file annual earnings statements of a disability recipient whose disability has been certified as ongoing shall automatically be waived when the benefit recipient has satisfied one of the following requirements:
- (a) Has received a disability benefit for twenty years, or
 - (b) Has attained age sixty-five.
- (2) The board may review any disability granted including those certified as ongoing and request other information pursuant to division (D) of section 3309.41 of the Revised Code.
- (3) The board or the board's physician may require a disability recipient to submit to a medical examination by an examining physician and a vocational rehabilitation evaluation by a vocational rehabilitation professional or health care professional assigned by the system.
- (J) In the absence of a waiver from the board based on a certified ongoing disability, in order to continue receiving disability benefits, the recipient shall comply with the following conditions as set forth in section 3309.41 of the Revised Code:
- (1) Submit to an annual medical examination,
 - (2) If required, submit to a medical examination,
 - (3) If required, submit to a vocational rehabilitation evaluation,
 - (4) If applicable, obtain any recommended medical treatment and submit medical reports regarding the treatment,

- (5) If applicable, obtain any recommended vocational rehabilitation and submit required reports regarding the rehabilitation,
- (6) Annually file an earnings statement, current medical information, and any other information required by the board.

(K)

- (1) If a recipient refuses to submit to a required examination or evaluation or to file required information, the disability benefits shall be suspended until the examination or evaluation is obtained or the information is filed.
- (2) If, when applicable, the recipient fails to obtain recommended medical treatment and submit medical reports regarding the treatment, the disability benefits shall be suspended until the treatment is obtained and the report of the treatment submitted, or the board physician certifies that the treatment is no longer helpful or advisable.

Medical treatment is no longer helpful or advisable if, after a period of time in which it would be medically reasonable to see results, the treatment has failed to produce improvement in the disability, or continuation of the treatment presents a medically significant risk of aggravation or complication of an existing disability or creation of an additional disability.

- (3) If, when applicable, the recipient fails to obtain required vocational rehabilitation and submit reports regarding the rehabilitation, the disability benefits shall be suspended until the rehabilitation is obtained and the report submitted, or the board physician or consultant certifies that vocational rehabilitation is no longer helpful or advisable.

Vocational rehabilitation is no longer helpful or advisable if:

- (a) The recipient's disability renders the recipient unable to perform the duties of any position and is not expected to improve sufficiently, or
- (b) After a period of time in which the recipient has complied with recommended vocational rehabilitation, the recipient cannot be reasonably expected to obtain employment in any occupation.

(L) If the recipient's failure to comply with any of the applicable conditions set forth in paragraph (J) of this rule continues for one year from the date of the suspension of benefits for noncompliance, the recipient's right to the disability benefits shall be terminated as of the date of the original suspension.

(M) On reexamination the board's medical advisory committee and/or the board physician shall review the medical and vocational reports and certify to the board whether the recipient continues to be disabled.

- (1) If the medical advisory committee and/or the board physician certifies that the recipient continues to be disabled, the medical advisory committee and/or the board physician shall make recommendations regarding reexamination and, where applicable:
 - (a) Recommend a continuation of the medical treatment and/or vocational rehabilitation previously recommended,
 - (b) Recommend a modification in medical treatment and/or vocational rehabilitation, or
 - (c) Certify that the disability is ongoing.
- (2) When the termination standard is whether the recipient can perform any occupation, a recipient shall not be certified for termination unless

(a)

- (i) A SERS appointed vocational consultant has submitted a report that is based on findings made at the time of the review and that identifies a position that meets the any occupation definition and has submitted a job description that includes a discussion of the physical and mental demands of the position; and
- (ii) An examining physician or the medical advisory committee concludes that the recipient is capable of meeting the physical and mental demands of the position; or

(b) The recipient's current earnings statement establishes that the recipient is employed in a position whose annual earnings are seventy-five per cent or more of the recipient's final average salary, adjusted each year by the actual average increase in the consumer price index prepared by the United States bureau of labor statistics ("U.S. City Average for Urban Wage Earners and Clerical Workers: All items ~~1983-84=100~~1982-84=100").

(3) If the medical advisory committee and/or the board physician certifies that the recipient meets the applicable standard for termination of disability under division (C) of section 3309.41 of the Revised Code and the board concurs, the board shall:

- (a) Terminate the disability benefits effective as of a date not later than three months after the board's concurrence, or upon notice of employment of the recipient as an employee.
- (b) If the leave of absence has not expired when the board votes to terminate the disability benefit, the board shall certify to the recipient's last employer as applicable that the recipient is no longer incapable of resuming service that is the same or similar to that from which the recipient was found disabled.

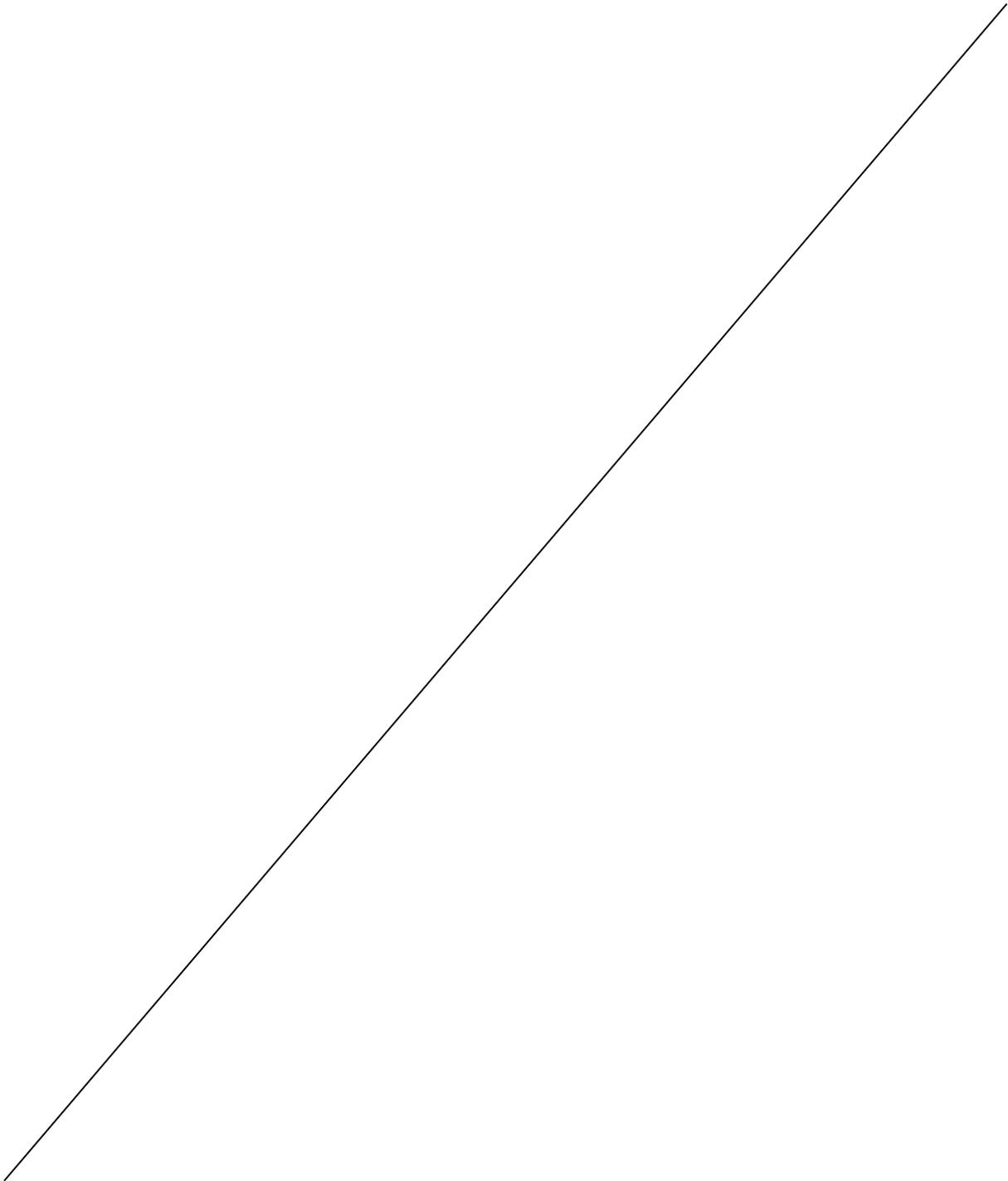
(N)

- (1) Disability benefit recipients with a benefit effective date before January 7, 2013 shall be considered on leave of absence from employment during the first five years following the effective date of their disability benefit.
- (2) Disability benefit recipients with a benefit effective date on or after January 7, 2013 shall be considered on leave of absence from employment during the first three years following the effective date of their disability benefit; thereafter, their leave of absence shall terminate as follows:
 - (a) If medical treatment and/or vocational rehabilitation is not recommended, at the end of the first three years;
 - (b) If medical treatment and/or vocational rehabilitation is recommended, but the recipient is not participating in the recommended treatment or rehabilitation, the earlier of the last month the benefit recipient participated in recommended treatment or rehabilitation or the end of five years following the benefit effective date;
 - (c) If medical treatment and/or vocational rehabilitation was recommended and the recipient is participating in the recommended treatment or rehabilitation, at the end of five years following the benefit effective date.

(O)

- (1) Amounts paid by a member to purchase service credit shall be credited to the employees' savings fund.

- (2) Service credit for a period of disability shall be considered the equivalent of Ohio service credit.
- (3) Service credit granted or purchased under section 3309.41 of the Revised Code for a period of disability shall not result in the member receiving more than one year of service credit for any year as defined in division (R) of section 3309.01 of the Revised Code.



APPOINT COMMITTEE CHAIRS AND MEMBERS

As Chairperson for the 2017-2018 fiscal year, Daniel Wilson made the appointment of committees. Mr. Wilson appointed Catherine Moss to chair the compensation committee with Christine Holland, James Haller, Jeffrey DeLeone and Daniel Wilson serving as committee members. Mr. Wilson appointed Barbra Phillips to chair the audit committee with Catherine Moss and James Rossler serving as committee members.

Concluding the appointment of committee members, the Board reviewed calendar dates and future Board meetings. During the discussion, the Board scheduled an additional date of October 5, 2017 at 8:30 a.m. for a special meeting.

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2017

September 21 and 22 (Thurs. and Fri.)
Special meeting – October 5 at 8:30
October 19 and 20 (Thurs. and Fri.)
November 16 and 17 (Thurs. and Fri.)
December 21 and 22 (Thurs. and Fri.)

2018

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

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

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

Executive Director Richard Stensrud continued by reviewing the open and closed information items.

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

EXECUTIVE SESSION

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

The Board returned to open session at 2:51 p.m.

ADJOURNMENT

Daniel Wilson moved that the Board adjourn to meet on Thursday, September 21, 2017 for their regularly scheduled meeting. The meeting adjourned at 2:52 p.m.

Daniel Wilson, Board Chair

Richard Stensrud, Secretary