



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**  
**BOARD MEETING HIGHLIGHTS**  
**SEPTEMBER 2017**

**Candidates Chosen for Special Board Election Interview**

From a pool of seven candidates, Board members selected Sally Clemmer and Hugh Garside, Jr. as candidates to be interviewed for the open employee-member Board seat.

At the regular October Board meeting, the Board will interview the candidates and discuss their qualifications. The Board will then elect a candidate to fill the open seat.

The term for this Board seat runs through June 30, 2019.

**Investments Quarterly Report**

David Lindberg of Wilshire Associates, provided the Board with an update of current investment conditions in the U.S., and SERS' fourth quarter investment results for FY2017.

In general, Lindberg noted that investors are experiencing a strong return environment. US equity returns have been good for both large and small cap stocks, and non-US equity has been producing even better returns than US equity. The biggest challenge for SERS and other pension funds in the current environment is that it is difficult to beat equity benchmarks, so there is little added value in that portfolio.

Over the last five years, SERS' Total Fund performance has been in the top quartile of Wilshire's public pension funds universe. Over the one-year period, SERS ranked in the 16<sup>th</sup> percentile and over the three- and five-year periods SERS ranked in the 9<sup>th</sup> percentile. This performance has provided more than \$500 million in added value over the five-year period.

At the end of the fiscal year, SERS' Total Fund value was \$13.58 billion. Net of fees, the Total Fund return was 13.20%, which was 1.66 basis points above the policy benchmark. Non-US equity returned 21.87% for the year, followed by US equity at 17.94%, private equity at 16.81%, and multi-asset strategies at 9.27%.

**Total Fund Update**

<b>TOTAL FUND BALANCE</b>		
<b>June 30</b>	<b>July 31</b>	<b>Difference</b>
\$13.58 billion	\$13.76 billion	▲ \$180 million
<b>TOTAL FUND RETURN (net of fees)</b>		
<b>Fiscal Year</b>	<b>Calendar Year</b>	<b>3-Year</b>
▲ 1.57%	▲ 10.00%	▲ 6.93%
<b>TOTAL FUND RETURN vs. BENCHMARK</b>		
<b>Fiscal Year</b>	<b>Calendar Year</b>	<b>3-Year</b>
▲ 0.11%	▲ 1.49%	▲ 0.76%

**COLA Discussion**

Todd Green from Cavanaugh Macdonald, SERS' independent actuary, updated the Board on SERS' projected future funding status based on the System's preliminary FY2017 year-end results, and the passage of HB49.

HB49 provides the SERS Retirement Board with the authority to award or suspend the Cost-of-Living Adjustment (COLA), and indexes the COLA to the percentage increase, if any, in the Consumer Price Index (CPI-W), with a

---

RETIREMENT BOARD

DANIEL L. WILSON  
*Chair, Appointed Member*

JAMES A. ROSSLER, JR.  
*Vice-Chair, Appointed Member*

JEFFREY T. DELEONE  
*Appointed Member*

JAMES HALLER  
*Employee-Member*

CHRISTINE D. HOLLAND  
*Employee-Member*

CATHERINE D. MOSS  
*Retiree-Member*

BARBRA M. PHILLIPS  
*Employee-Member*

BEVERLY A. WOOLRIDGE  
*Retiree-Member*

OPEN  
*Employee-Member*

cap of 2.5% and a floor of 0%. The Board would have the authority to adjust the COLA above or below the percentage increase in the CPI-W, provided the System's actuary determines it would not materially impair the fiscal integrity of the System, or is necessary to preserve the fiscal integrity of the System.

The Board reexamined the funding goals for the System, and the decision-making process that led to the current proposed COLA changes. A special Board meeting will take place on Monday, October 9 at 8:30 a.m. to discuss and address the proposed COLA changes. Any decision made in early October will be reflected in the June 30, 2017 actuarial valuation.

### **Executive Director's Update**

#### ***SERS Opposes "Rothification" of Retirement Contributions***

On September 7, SERS formed, and hosted, the foundational meeting for Ohio's public employee interested parties to oppose the proposed mandatory "Rothification" of retirement savings that could be a major part of tax reform.

"Rothification" fundamentally changes the way retirement savings will be taxed. Currently, contributions to retirement accounts are made pre-tax and grow tax free and are taxed at the time of withdrawal. Under "Rothification," retirement contributions would be made after tax, grow tax free, and not be taxed at withdrawal.

The concern is that using after-tax money to fund 401(k)s or IRAs will cause people to save less and therefore accumulate less for retirement. An additional concern is that public employees who now contribute to their defined benefit pension with pre-tax dollars would also be required to use after-tax dollars to fund their pensions, resulting in less take-home pay.

#### ***Federal Health Care Legislation***

On September 6, SERS staff sent a letter to Ohio's two U.S. Senators and all 23 members of the Senate Health, Education, Labor, and Pensions (HELP) Committee thanking them for holding hearings on stabilizing the individual insurance marketplace, and informing them of the early success of SERS' Marketplace Wraparound Plan.

Currently, the Marketplace Wraparound Plan is authorized to be a three-year pilot program. We are in contact with the three federal agencies with jurisdiction on rules for this ACA program, requesting that the three-year pilot be extended.

Over 500 retirees are currently participating in the program.

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

For September, the SERS Board approved 857 active members for service retirements, and 24 survivor benefits for spouses and/or dependents.

### **October Meeting Dates**

A special Board meeting will take place on Monday, October 9, at 8:30 a.m. to discuss and address the proposed COLA changes.

The next regular Board meeting will take place Thursday, October 19, and Friday, October 20 (if necessary) at 8:30 a.m.