



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

DECEMBER 2017

External Auditor Presents FY2017 Analysis

David Andrews, engagement partner, and Joe Leonard, assurance senior manager with SERS' independent external auditor, RSM US LLP, presented the FY2017 Independent Auditor's Report to the Board. The results of the RSM audit produced an unmodified opinion, which means that SERS' financial statements are presented, in all material respects, in accordance with applicable financial reporting framework.

The auditors examined the integration of the new member benefits computer system into SERS' workflow, and confirmed that information transferred from the old computer system to the new system was thorough. They also examined internal controls such as security access in the Information Technology department, the accuracy of contribution collection and benefit payments in the Finance Department, and the reasonableness of the actuarial assumptions used by SERS' independent actuary. There were no material findings in any of the audited areas.

As the audit progresses, staff works to assemble the information contained in the *Comprehensive Annual Financial Report* (CAFR), which summarizes SERS' financial health, investment performance, and accomplishments of the last fiscal year (July 1-June 30). The CAFR also provides detailed financial statements, statistical information, and in-depth explanations of the numbers.

We will post a link to the 2017 CAFR on the [Financial Reports section](#) of our website when it is available.

Global Equities Annual Portfolio Review

Investment staff gave the Board an overview of SERS' global equities portfolio.

The strategic role for the portfolio is to earn a return premium over treasury bonds by assuming ownership risk in publicly listed companies. The allocation target is 45%, with a range of 35% to 55%. The allocation within the global equities portfolio is 46% to the US equity portfolio, and 54% to the non-US equity portfolio, with a range of 40-60% each. Currently, SERS' global equities portfolio represents 48.6% of the total fund.

The performance objective for the US equity portfolio is to exceed the return of 20 basis points over the Russell 3000 Index benchmark over three-year rolling periods, and the performance objective for the non-US equity portfolio is to achieve the return of 50 basis points over the MSCI ACWI ex-US Index benchmark over three-year rolling periods.

Staff's goal over the last two years has been to reduce volatility within the global equities portfolio. As a result, investment staff rebalanced allocations between the US and non-US equity portfolios and made changes to the manager line-up within the US equity portfolio.

Staff objectives for FY2018 include continuing to monitor and optimize the risk/return profile in both the US and non-US equity portfolios, rebalancing as appropriate, and managing costs.

RETIREMENT BOARD

DANIEL L. WILSON
Chair, Appointed Member

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

JEFFREY T. DELEONE
Appointed Member

HUGH W. GARSIDE, JR.
Employee-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

Total Fund Update

TOTAL FUND BALANCE		
September 30	October 31	Difference
\$13.97 billion	\$14.07 billion	▲ \$100 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 5.10%	▲ 13.83%	▲ 7.94%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.60%	▲ 1.95%	▲ 1.07%

Board Approves Amended COLA Rule

The Board has approved an amendment to the COLA rule that incorporates the Board's previously adopted plan that new benefit recipients wait until the fourth anniversary of their benefit for COLA eligibility. Senate Bill (SB) 8, which allows the Board to decide how many anniversaries a benefit recipient must achieve before they are eligible for a COLA, becomes effective in March, and the new standard will apply to benefits commencing on and after April 1, 2018.

The rule also provides that multiple benefits originating from the same member account not have more than a four-year waiting period in total.

Executive Director's Update

Stakeholders' Meeting Planned

A SERS Pension and Health Care Roundtable for its advocacy groups will be held from 10 a.m.-noon on Friday, January, 26, 2018, in the O'Keefe Conference Center of SERS' headquarters, located at 300 E. Broad St., Columbus, 43215. Members of the SERS staff will give presentations on key issues affecting pensions and health care.

SERS' Culture

Cristo Rey Coat Drive

Staff collected new and gently-used coats, gloves, hats, and scarves to benefit students of Cristo Rey High School and other community agencies. SERS and other businesses donated more than 1,000 coats this year.

Salvation Army Angel Tree Toy Drive

Each year, staff participates in this annual toy drive, which provides toys to children in need. This year, the Salvation Army sent SERS 75 gift tags, and all were taken by SERS staff members and replaced with toys for girls and boys throughout the central Ohio area.

Annual IT Bake-off 'Cookie Extravaganza for Toys for Tots'

Staff baked, judged, bought, donated, and ate dozens of cookies in order to raise \$636 for Toys for Tots.

Year-End Federal Update

Carol Nolan Drake, SERS' federal government relations consultant briefed the Board on health care and pension issues legislators tackled in 2017, and issues to watch for in the coming year.

What Issues were Addressed in 2017?

1. Even with a Republican president, House, and Senate, no significant health care legislation was passed. On two occasions, SERS was able to educate legislators in the House and Senate about concerns the System has about the effect of health care changes on its retirees.
2. The biggest concern for SERS and other pension systems was the attempt by the House to include public pension systems in the Unrelated Business Income Tax (UBIT) as part of tax reform. Public

pension systems have never paid this tax and significant lobbying efforts were able to maintain that exclusion.

What's in Store for 2018?

1. The House has signaled that entitlement reform is a priority in 2018. With Social Security reform usually comes the attempt to make Social Security coverage mandatory. SERS and the other Ohio pension systems will monitor this closely. Medicare and Medicaid could also be on the agenda for reform. Changes to those programs could affect a significant number of SERS retirees.
2. SERS will continue to fight for health care. We will be lobbying to extend the wraparound pilot program beyond the three-year window or lift the window entirely. We will continue to rally support for repealing the Cadillac tax which is scheduled to be implemented in 2020.
3. SERS will continue its education and outreach to Ohio's federal delegation, especially new members.
4. Now that tax reform is over, we expect that Rep. Brady will once again promote his legislation to modify the Windfall Elimination Provision and help public employee retirees.

Monthly Retirement and Survivor Benefit Transactions

For December, the SERS Board approved 622 active members for service retirements, and 24 survivor benefits for spouses and/or dependents.

February Meeting Dates

There will not be a Board meeting in January. The next Board meeting will take place Thursday, February 15 at 8:30 a.m. On Friday, February 16 at 9:00 a.m., the Board will hold its annual retreat in the O'Keefe Conference Center at SERS headquarters.