



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
FEBRUARY 2018

Investments Quarterly Report

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

2017 was one of the least volatile years over the last 40 years. The largest drawdown for stocks on any one day was -2.75%, and there were only four trading days where the market was down 1% or more. For the first time ever, the stock market was higher every month in a calendar year. U.S. equity produced nine consecutive years of positive returns since the Great Recession. The recent volatility in the market was actually more normal than the 2017 experience.

In the fourth quarter, SERS' total fund returned 3.56% net of fees, which was slightly above the policy benchmark of 3.42%. Over the last 12 months, the total fund returned 16.65% net of fees, which was above the 14.64% benchmark. All portfolios produced positive returns for the quarter.

Wilshire also reported that SERS' Total Fund return ranks in the top quartile for the 1-, 3-, and 5-year periods when compared to a peer universe of 153 funds.

Fixed Income Portfolio Review

Staff presented a review of the fixed income portfolio's structure, the portfolio's performance, and progress on FY2018 goals.

As of December 31, 2017, SERS' fixed income portfolio contained 52% core plus investments (below investment grade corporate bonds and non-US debt), 45% core investments (Treasuries, corporate bonds, and mortgages), and 3% emerging market debt. Over the last few years, the portfolio was tilted toward core plus because those investments generally perform better in a bull market.

Staff is beginning to incrementally increase exposure to core investments in preparation for a declining market. Exposure to emerging market debt is small because there is more risk associated with those investments.

The fixed income portfolio has registered positive returns over the 1-, 3-, 5-, and 10-year periods, and has outperformed the benchmark in all periods as well.

In FY2018, staff will continue to monitor the portfolio as market conditions progress, tactically manage core and core plus allocations to enhance risk and return, and adjust manager guidelines, if needed.

Total Fund Update

TOTAL FUND BALANCE		
November 30	December 31	Difference
\$14.14 billion	\$14.33 billion	▲ \$190 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 7.71%	▲ 16.65%	▲ 8.61%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.65%	▲ 2.01%	▲ 1.04%

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

SERS Commits to Opportunistic Investment

The SERS Staff Investment Committee approved a \$60 million commitment to Barings Capital Global Special Situations Credit III fund within the system's Opportunistic portfolio.

This fund specializes in stressed and distressed credit.

Funding for this investment came from cash.

Executive Director's Update

SERS Seeks Extension for Unique Health Care Marketplace Wraparound Program

The Centers for Medicare and Medicaid Services recently opened a comment period regarding the Marketplace Wraparound Coverage that SERS provides when under-65 retirees sign up for a Marketplace health care plan. More than 500 SERS retirees are currently enrolled and receiving our wrap benefits. SERS and a dozen other organizations submitted letters of support to extend the pilot program opportunity from three years to at least ten, or make it permanent.

Pension and Health Care Roundtable

On January 26, SERS held a Pension and Health Care Roundtable for representatives of advocacy groups that support SERS' members, retirees, and employers. About 20 representatives from 13 different groups attended. The program included updates about investments, finances, member services, employer services, and health care.

Monthly Retirement and Survivor Benefit Transactions

For January and February, the SERS Board approved 1,313 active members for service retirements, and 44 survivor benefits for spouses and/or dependents.

March Meeting Dates

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

May Meeting Dates Changed

The Board also changed the May meeting dates to Thursday, May 24, and if necessary Friday, May 25 at 8:30 a.m.