



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

MARCH 2018

SERS Keeps Current with Proxy Voting Issues

Staff provided the Board with an overview of new and/or updated proxy issues for 2018.

Because SERS owns stock in many companies, the System is responsible for voting on a number of shareholder issues. To keep pace with the volume of issues that require a vote each quarter, SERS uses the proxy voting services of Institutional Shareholder Services (ISS) to vote on the System's behalf.

During this proxy voting season, SERS' internal proxy voting committee reviewed 23 issues that ISS expects to appear on proxy ballots in 2018. The committee relied upon guidance from the Board-adopted *Corporate Governance Principles* in deciding how SERS will vote.

This proxy season, SERS expects to see a continued focus on corporate board diversity, as well as enhanced reporting on climate risk and the environment, and shareholder proposals addressing human capital management concerns. SERS continues to participate in the Midwest Diversity Coalition, a group of institutional investors in the Midwest that work to encourage diversity on corporate boards.

SERS also remains involved in the Investors for Opioid Accountability (IOA) Group. The IOA is a group of institutional investors that engages with public companies associated with the opioid crisis. Its objective is to encourage corporate governance reforms that include increased oversight and transparency.

Finally, SERS continues to be an active member of the Council for Institutional Investors (CII), and is supportive of its advocacy at the federal level.

Global Real Assets Portfolio Review

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

Currently, the portfolio is 13.7% of the Total Fund, which is slightly under its 15% target. The makeup of the portfolio is 82% private real estate (core and non-core); 16% infrastructure; and 2.5% public real estate (REITs).

In 2013, staff began restructuring the portfolio to increase the income return. The plan was to increase exposure to private core real estate and add infrastructure assets.

Since the restructuring began, the net of fees income return has increased 94 basis points.

Within the portfolio, SERS has exposure to industrial, office, apartment, retail, hotel, and other property types. Industrial has been the best performing property type over the 1-, 3-, and 5-year periods, while office has been the worst performing type with the highest volatility. With the expansion of ecommerce, retail has become more challenging.

When looking at the geography of the global real assets portfolio, 90% of SERS' investments are in the U.S. Currently, 36% of the U.S. real assets holding are in the West, 35% are in the East, 20% are in the South, and 9% in the Midwest.

Goals for 2018 include adding more infrastructure assets, increasing industrial investments, and lowering exposure to office and retail.

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. WOOLDRIDGE
Retiree-Member

Total Fund Update

TOTAL FUND BALANCE		
December 31	January 31	Difference
\$14.33 billion	\$14.68 billion	▲ \$350 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 10.65%	▲ 2.72%	▲ 9.73%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.97%	▲ 0.27%	▲ 1.20%

SERS Commits to Two Investments

The SERS Staff Investment Committee has approved a \$50 million commitment to BlackRock Style Advantage within the multi-strategy sector of the System's Multi-Asset Strategies portfolio. This fund specializes in alternative risk premia.

The committee also approved a €50 million opportunistic investment to BlueBay Direct Lending Fund III, a European direct lending strategy.

These investments will be funded from cash reserves.

Executive Director's Update

Employer Services Conducting 'eSERS Hands-on Training' at SERS

The Finance Department's Employer Services Outreach is conducting "eSERS Hands-on Training" sessions for employers in March, April, and May. These half-day sessions, which are being held at the SERS building, offer exclusive take-home materials created just for the "Hands-on Training" as well as one-on-one personal instruction from members of the Employer Services Outreach Team. So far, 90 people from 60 school districts have registered for the sessions.

Website Redesign Nearing Completion

The Communications staff is in the process of redesigning the website. In an effort to update the aesthetics of the site, as well as to make it more intuitive and user-friendly, staff has been working closely with Forefront Web and has been incorporating member, retiree, and employer photos. The new website is scheduled to launch next month.

Board Approves Final Filing of Amended COLA Rule

The Board approved final filing of amendments to its cost-of-living adjustment (COLA) administrative rule.

Amendments to the rule incorporate the Board's previously-adopted plan to have new benefit recipients wait until their fourth benefit anniversary for COLA eligibility. Recently passed Senate Bill (SB) 8 allows the Board to decide how many anniversaries new benefit recipients must achieve before they are eligible for a COLA. As SB 8 becomes effective March 23, the new standard in the rule will apply to benefits commencing on and after April 1, 2018.

The rule also includes the Board's directive that multiple benefits originating from the same member account potentially not miss more than three COLAs in total. This is achieved by crediting COLA anniversaries achieved on and after January 1, 2018 for prior benefits.

Monthly Retirement and Survivor Benefit Transactions

For March, the SERS Board approved 474 active members for service retirements, and 22 survivor benefits for spouses and/or dependents.

April Meeting Dates

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