



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
APRIL 2018

Opportunistic Portfolio Review

Authorized by the Board in 2013, SERS' opportunistic portfolio contains limited investments with managers whose strategies do not fit into any of the established portfolios. The opportunistic portfolio does not have a policy allocation, but staff is authorized to invest up to 5% of the total fund in these types of investments. The benchmark for the portfolio is the Total Fund return with the goal of realizing 8-10% annual returns.

The structure of the portfolio is 78% closed end funds, where commitments are made up front and locked up for 5-10 years, and 22% open end funds in which the investments are liquid.

The strategies employed in the portfolio include real assets and credit, which provide inflation protection, and distressed/dislocated assets that are less susceptible to market downturns.

Currently, SERS has nearly \$325 million committed to opportunistic investments, which is 2.2% of the Total Fund. Of the 11 current investments, less than half have a three-year track record, making long-term performance measurements not yet meaningful. Performance over the last year is 9.05%, which is within the goal of the portfolio.

Total Fund Update

TOTAL FUND BALANCE		
January 31	February 28	Difference
\$14.68 billion	\$14.29 billion	▼ \$390 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 8.06%	▲ 0.32%	▲ 7.81%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.75%	▲ 0.09%	▲ 0.97%

Health Care Preview

Anne Jewel, director of the SERS Health Care Services Department, and Christi Pepe, assistant director of the SERS Health Care Services Department, gave a presentation on the 2017 health care experience as well as a preview of health care planning for 2019.

Health Care expects FY2018 to be a positive year for the Health Care Fund for a number of reasons. These reasons include changes to federal law, which means no health insurer fee for 2018, as well as a good investment climate and a resumed employer contribution into the fund.

Additionally, 2017 saw an increase in health care expenses in the Aetna Medicare program and a decrease in expenses in the non-Medicare Aetna plan. Much of the decrease was attributed to the two initiatives undertaken by staff during 2017, the Early Medicare program and the Marketplace Wraparound plan. At the end of 2017, enrollment in the SERS Marketplace Wraparound Coverage reached a total of 492 retirees. The per member per month cost for those in the Wraparound Plan was \$57, significantly less than the cost in the group plan.

RETIREMENT BOARD

DANIEL L. WILSON <i>Chair, Appointed Member</i>	JAMES A. ROSSLER, JR. <i>Vice-Chair, Appointed Member</i>	JEFFREY T. DELEONE <i>Appointed Member</i>	HUGH W. GARSIDE, JR. <i>Employee-Member</i>	JAMES HALLER <i>Employee-Member</i>
CHRISTINE D. HOLLAND <i>Employee-Member</i>	CATHERINE D. MOSS <i>Retiree-Member</i>	BARBRA M. PHILLIPS <i>Employee-Member</i>	BEVERLY A. WOOLRIDGE <i>Retiree-Member</i>	

In addition to discussing potential benefit plan changes to the current Medicare and non-Medicare plans for 2019, staff also discussed the department's re-procurement for a pharmacy benefit manager, along with the implications of changing pharmacy benefit managers. Possible outcomes to a re-bid for a pharmacy manager included a new network; new programs; and formulary changes.

Other highlights of the potential 2019 health care program include re-contracting with Aetna for Medicare Advantage and non-Medicare plans; regional medical plans review; and changes to the Premium Discount Program administration.

Staff will continue to discuss their recommendations for 2019 planning with the Board next month. The Board may vote on the recommendations in June.

Executive Director's Update

NCPERS Listening Tour

In June, the National Conference on Public Employees Retirement Systems (NCPERS) will conduct a listening tour with each of Ohio's five statewide public pension systems.

As a member of NCPERS, SERS has access to a network of more than 500 public pension funds throughout the U.S. and Canada, as well as education and resources on a federal level.

Monthly Retirement and Survivor Benefit Transactions

For April, the SERS Board approved 671 active members for service retirements, and 28 survivor benefits for spouses and/or dependents.

May Meeting Dates

The next Board meeting will take place Thursday, May 24, and if necessary Friday, May 25, at 8:30 a.m.