



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

MAY 2018

Board Education Session on SERS' Tactical Overlay Program

Graham Seagraves, director of relationship management, and Doug Gordon, senior portfolio manager, with Russell Investments, presented an education session for the Board regarding SERS' tactical asset overlay program.

SERS has been a client of Russell Investment for more than 25 years, but only began the tactical overlay program three years ago. In that short time period, the program has added more than \$30 million in excess investment returns to the Total Fund.

The overlay program is not an allocation but an active management strategy within SERS' existing asset allocation. While SERS' staff continues to manage assets in the portfolios, Russell is given the discretion to increase or decrease up to 4% of equity and bond positions based on the economic conditions to maximize investment returns.

Gordon described the overlay program as being "patient" when entering markets because its goal is to do no harm to SERS' established risk parameters and complement staff-directed positioning. Over the three years Russell has worked with SERS, it has taken a total of 10 positions, all of which have been positive contributors to the Total Fund.

SERS' CIO, Farouki Majeed, said that an added bonus of working with Russell is that staff receives insight into its processes, which helps staff better manage its portfolios.

Investments Quarterly Report

David Lindberg and Joanna Bewick of Wilshire Associates provided the Board with an update of current investment conditions in the U.S., and SERS' third quarter investment results for FY2018.

Despite the stock market being slightly down for the quarter, Lindberg noted that the U.S. economy remains strong with good jobs reports, inflation at the Federal Reserve target, rising wage growth, and continued borrowing by households. Concerns for investors include increasing volatility in the markets and the likelihood that the Federal Reserve will accelerate increases to the short-term rate.

Bewick addressed the concern that the current economic cycle is nearing its end and the U.S. is heading toward a recession. She pointed to signs that growth has peaked, inflation is beginning to rise, and the Federal Reserve's tightening monetary policy as indicators that a recession is becoming more likely.

SERS' investments continued to perform well when compared to all other U.S. public pension funds. Despite a quarter where the U.S. stock market was down -0.76%, SERS' Total Fund gross-of-fees gain of 0.79% ranked 9th in the nation. Over one year, SERS' 13.03% gain also ranked 9th nationally, its three-year return of 8.54% ranked 4th, and its five-year return of 9.32% ranked 13th. These were unprecedented numbers for SERS' investment returns.

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		
February 28	March 31	Difference
\$14.29 billion	\$14.29 billion	↔ \$0
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 8.37%	▲ 0.61%	▲ 7.85%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 1.06%	▲ 0.45%	▲ 1.08%

Website Redesign: Same Address, New Look

Nikki Whitacre, administrative and communications manager, presented an overview of SERS' new website design.

The newly-redesigned website is more intuitive, easy to navigate, equipped with dropdown menus, responsive to all types of learners, and is compatible with both mobile and desktop platforms.

SERS remains true to its brand by using actual member and retiree photos for their respective sections, and school buildings for employers.

Staff developed clearly-defined paths for users so information is easier to find. Menus have been placed in numerous locations throughout the website to help users navigate the site quickly.

SERS invites you to take a look: www.ohsers.org.

Health Care Update

Alisa Bennett, an actuary with Cavanaugh Macdonald, presented the 2019 proposed rates for SERS' self-insured medical plans and prescription drug coverage. Bennett discussed the impact on the proposed rates of various recommendations for benefit changes. She also suggested that the Marketplace Wraparound and early Medicare programs initiated by the Health Care Department, along with the prescription drug marketcheck and favorable Medicare Advantage rates likely will lower premiums and bring health care costs down in the coming year.

Proposed changes to the Medicare medical plan design included decreasing specialist office visit co-pays to \$30; increasing chiropractic co-pays to \$20; and changing the ambulance benefit from coinsurance to an \$80 co-pay. Proposed changes to the non-Medicare medical plan design included a change to the emergency room benefit from coinsurance to a \$150 co-pay.

Dental and vision rates also were discussed. The proposed dental rates for 2019 increased from \$27.81 to \$28.09 for benefit recipients; \$55.62 to \$56.18 for benefit recipients and one dependent; and from \$83.70 to \$84.54 for benefit recipients and two or more dependents. The proposed vision rates for 2019 remained the same with \$7.11 for benefit recipients; \$14.22 for benefit recipients and one dependent; and \$16.70 for benefit recipients and two or more recipients.

Discussions continue regarding evaluations and review of the pharmacy benefit manager RFP responses.

The Board will approve 2019 plan design changes at the June Board Meeting.

Executive Director's Update

SERS Receives Recognition from AEP Ohio

In April, SERS' Building Services team received a certificate of recognition from AEP Ohio for its commitment to energy efficiency and the environment.

Staff converted approximately 250 parking garage lights from 175-watt metal halide bulbs to 30-watt LED bulbs. AEP noted SERS will save 306.9 tons of CO₂ annually, which is equivalent to taking 66 cars off the road per year, or growing 7,948 tree seedlings for 10 years.

Staff Supports Operation Feed Campaign

Each year, SERS partners with Mid-Ohio Food Bank to raise funds and food for families within our community.

This year, thanks to the generosity of staff, SERS raised \$1,558, which equates to more than 6,232 meals for local families. In addition, staff donated 516 pounds of canned fruit.

Board Initiates Pension Sustainability Discussions

The Board and the Executive Director discussed using a facilitator with knowledge of public employee retirement systems in a series of sessions intended to identify and assess possible measures to strengthen the sustainability of the pension fund.

Monthly Retirement and Survivor Benefit Transactions

For May, the SERS Board approved 538 active members for service retirements, and 19 survivor benefits for spouses and/or dependents.

June Meeting Dates

The next Board meeting will take place Thursday, June 21, and if necessary Friday, June 22, at 8:30 a.m.