



# *SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO*

## **BOARD MEETING HIGHLIGHTS**

### **JUNE 2018**

#### **Board Elects New Officers**

For FY2019 (July 1, 2018 – June 30, 2019), the Board elected appointed member James Rossler as Chair and retiree-member Catherine Moss as Vice-Chair. Rossler, who is in his fourth term, previously served as chair from 2013 to 2014. Moss, who also is in her fourth term, previously served as vice-chair from 2014 to 2015.

#### **Investments Update**

##### ***Economic Update Education Session***

Farouki Majeed, SERS' chief investment officer, presented an education session for the Board regarding the current U.S. economic environment.

Overall, the U.S. economy remains strong with positive growth, even at a late stage in the current economic cycle. The current cycle is at an almost nine-year expansion. While the probability of a recession within the next 12 months is not rising to a level of a concern, staff is monitoring this closely. On the other hand, global growth appears to be slowing compared to expectations of a few months ago.

The April U.S. unemployment rate was down to a new low of 3.9% and, over the last 12 months, the U.S. core inflation was 2.1%, compared to the Federal Reserve's inflation target of 2.0%.

Although there are concerns of an interest rate hike and higher inflation, unemployment rates remain low, housing markets remain strong, and inflation rates are modest.

##### ***SERS Named Second Highest Private Equity Earner***

The American Investment Council (AIC), a private equity advocacy and research organization, recently released its annual Public Pension Study, naming SERS number two on its list of top pension funds with the highest private equity returns.

The AIC study analyzed investment returns for 163 U.S. public pension funds, showing that private equity leads all asset classes in long-term investment performance. SERS had the second highest 10-year annualized return with 13.1%. The median among all public pension funds included in the study was 8.6%.

Read the full report on the [AIC website](#).

##### ***Board Approves FY2019 Annual Investment Plan***

SERS' Board approved the [FY2019 Annual Investment Plan](#) (AIP), which serves as a guide to the System's investment decisions for the year.

The AIP includes an overview of the current economic environment based on reports from leading economic firms, SERS' asset allocation target, and long-term performance objectives for each type of investment. In addition, it contains last year's objectives and accomplishments, and details about how each investment portfolio will be managed during the year.

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#### 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		
March 31	April 30	Difference
\$14.29 billion	\$14.33 billion	▲ \$40 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 8.76%	▲ 0.97%	▲ 7.52%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 1.12%	▲ 0.51%	▲ 1.07%

## Health Care Update

Anne Jewel, SERS' director of Health Care Services, summarized proposed changes to the health care program for 2019.

Following discussion of the benefit and premium changes, along with changes to the 2019 Premium Discount Program, the Board approved the recommended 2019 health care plan changes and premiums.

Significant design changes to the Medicare plan include a specialist office visit co-pay decrease from \$40 to \$30; a chiropractic co-pay increase from \$15 to \$20; and an ambulance cost share change from 20% coinsurance to \$80 co-pay.

Notable design changes to the non-Medicare plan include changing the emergency room cost share from 20% coinsurance to a \$150 co-pay.

Medicare premiums for Aetna, Paramount, and PrimeTime all will decrease in 2019. A small number of retirees with Part B Medicare coverage only, and less than 25 years of service, will see their premiums stay the same.

Non-Medicare premiums for Aetna also will decrease in 2019, including rates for spouses and dependents. AultCare non-Medicare plan premiums will increase in 2019, but they will still be lower than premiums in the Aetna non-Medicare plan.

Dental benefits, offered by Delta Dental, are not changing for 2019. Dental premiums are set to increase by 1%.

Vision coverage will still be offered by VSP, and premiums for 2019 will remain the same.

The 2019 Premium Discount Program also was reviewed. The Premium Discount Program, which provides health care premium relief to qualifying recipients based on household size and income, is brought before the Board for approval on a yearly basis. Staff plans to automatically enroll retirees based on eligibility for certain categories of Medicare Extra Help which are similar to the eligibility requirements for the Premium Discount Program. Jewel noted that this change would encourage more SERS retirees to take advantage of available assistance for medical expenses and remove the requirement that an application be filled out every year.

The Board thanked Jewel for her dedication and service over the years. Jewel, who is retiring at the end of the month, joined SERS as director of Health Care Services in 2012. She was instrumental in developing and initiating the SERS Wraparound Plan.

Christi Pepe, assistant director of Health Care Services, will replace Jewel as director.

**Active Member, Retiree Address the Board Concerning COLA Suspension**

Karen Holdridge, a retired bus driver with Columbus City Schools, and Lois Carson, an administrative assistant with Columbus City Schools, individually addressed the Board concerning the three-year suspension of the cost-of-living adjustment. Both gave personal accounts of how the suspension has affected them and their families.

The decision to suspend the COLA was difficult but necessary to improve the System's funding before the next economic recession. SERS' Board and staff continue to explore new ways to improve investment returns and lower health care costs, while preserving the core pension benefits of retirees.

The [policy for addressing the Board](#) during a regularly-scheduled meeting can be found on our website.

**Executive Director's Update*****FY2019 Budget Approved***

The proposed administrative budget for FY2019 was approved by the Board, effective June 21. The approved budget totaled \$34,070,257, and included personnel costs; professional service fees, including investment-related costs; communications expenses; capital expenditures; and other operating expenses.

***Federal PEPTA Bill to be Introduced***

Congressman Devin Nunes (R-CA) is circulating a sponsorship letter to reintroduce the Public Employee Pension Transparency Act (PEPTA) legislation.

The bill would require all state and local public pension systems to value their liabilities using a new "risk-free" rate of return, and report that figure to Treasury for a public database. States that do not comply would lose their ability to issue tax-exempt bonds.

The Ohio systems are joining forces to oppose the PEPTA. SERS has sent a letter to the Ohio congressional delegation this week, and the five systems are working on a strategy and joint letter for a broader congressional audience.

Our national partners, National Conference on Public Employee Retirement Systems, National Association of State Retirement Administrators (NASRA), and National Council on Teacher Retirement (NCTR) also are engaging on behalf of defined benefit plans.

***Facilitated Sustainability Discussions to Begin in September***

The Board will review proposals from several facilitators at the July Board meeting. Once a qualified facilitator is selected, the Board will hold several brainstorming sessions to assess the current structure of the pension system and look for ways to further extend its sustainability.

**Monthly Retirement and Survivor Benefit Transactions**

For June, the SERS Board approved 289 active members for service retirements, and 23 survivor benefits for spouses and/or dependents.

**July Meeting Dates**

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