



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

JULY 2018

Deputy Executive Director to Retire

The SERS Board presented retiring Deputy Executive Director Helen Ninos with a framed proclamation summarizing her accomplishments and seven years of dedicated service to SERS. Ninos joined SERS in 2011 as deputy executive director, and served as interim executive director during the 2016-17 search for an executive director.

Ninos was instrumental in guiding the SMART computer system implementation process, and was a dedicated member of the SERS Culture Team where she championed staff efforts to promote the System's mission, vision, and values.

Ninos will retire in August, at which time General Counsel Joe Marotta will serve as interim deputy executive director until a new deputy executive director is hired.

It's Board Election Time

Two employee-member seats and one retiree-member seat are up for election with the terms beginning July 1, 2019, and ending June 30, 2023. Any member of SERS, other than a disability benefit recipient, is eligible to run for an employee-member seat, and any SERS disability or service retiree is eligible to run for a retiree-member seat. To be considered for election, the following requirements must be met:

- **Employee-Member seat:** Obtain signatures of 500 SERS members on a nominating petition provided by SERS with not less than 20 signatures of members from each of at least 10 counties where those members are employed
- **Retiree-Member seat:** Obtain signatures of 150 SERS retirees on a nominating petition provided by SERS with not less than 10 signatures of retirees from each of at least five counties where those retirees reside
- **Employee-Member seat:** Make sure that each signing member indicates his or her employer, county of employment, and last four digits of his or her Social Security number
- **Retiree-Member seat:** Make sure that each signing retiree indicates his or her county of residence and last four digits of his or her Social Security number
- **All seats:** Begin gathering signatures on or after September 7, 2018
- **All seats:** Deliver petitions with original signatures and a completed original Certification Form to the SERS office no later than 4:30 p.m., EDT, December 7, 2018

Preliminary FY2018 Investment Returns

SERS' CIO Farouki Majeed reported a preliminary net return of 9.17% for the fiscal year ended June 30, 2018. This return exceeded the benchmark by 0.90%. Private equity was the highest performer with a return of 19.84%, followed by U.S. equity at 14.76% and opportunistic at 11.62%.

SERS' private equity portfolio gained national attention in May when the American Investment Council (AIC), a private equity advocacy and research organization, released its annual Public Pension Study, which ranked SERS at 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 and concluded that private equity led all asset classes in long-term investment performance.

RETIREMENT BOARD

JAMES A. ROSSLER, JR.
Chair, Appointed Member

CATHERINE D. MOSS
Vice-Chair, Retiree-Member

JEFFREY T. DELEONE
Appointed Member

HUGH W. GARSIDE, JR.
Employee-Member

JAMES HALLER
Employee-Member

CHRISTINE D. HOLLAND
Employee-Member

BARBRA M. PHILLIPS
Employee-Member

DANIEL L. WILSON
Appointed Member

BEVERLY A. WOOLRIDGE
Retiree-Member

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%.

SERS' complete financial status as of June 30, 2018, will be detailed in the FY2018 *Comprehensive Annual Financial Report*, which will be available near the end of the calendar year.

Environmental, Social, and Governance Investing Education Session

Environmental, social, and governance (ESG) investing is defined as an investing methodology that incorporates non-financial performance indicators into investing decisions. Some non-financial performance indicators include energy and fuel efficiency (environmental), labor management and community relations (social), and diversity on corporate boards (governance).

Daniel Ingram, Vice President for Responsible Investment Research at Wilshire Associates, SERS' general investment consultant, provided SERS' Board with an overview of how institutional investors can integrate ESG investing into their portfolios.

SERS has already included ESG analysis into its investment process. While SERS has incorporated ESG principles into its existing investment beliefs, it also has included several questions about ESG into requests for proposals (RFPs) when searching for new managers. In addition, SERS has joined other investors in two initiatives seeking increased diversity on corporate boards, as well as corporate governance reforms at public companies associated with the opioid crisis: Midwest Investors Diversity Initiative and Investors for Opioid Accountability.

SERS Commits to Three Investments

The SERS Staff Investment Committee has approved a \$50 million investment to Mellon Capital Management Corp., a dynamic U.S. equity strategy.

The committee also approved a \$50 million real assets investment to Almanac VIII, a private real estate non-core strategy.

In the opportunistic portfolio, the committee approved a \$50 million investment to Barings Asset-Based Income Fund. This fund specializes in cash flow producing assets.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
April 30	May 31	Difference
\$14.33 billion	\$14.30 billion	▼ \$30 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 8.90%	▲ 1.10%	▲ 7.51%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.91%	▲ 0.31%	▲ 0.96%

Health Care Update

Health Care Services was notified by Delta Dental of Ohio, SERS' dental plan, that it will be maintaining 2018 member premium rates through calendar year 2019, rather than adding a 1% increase as reported last month. The Board approved a resolution to amend dental rates to reflect no increase from 2018.

Information Security Update

Dale Robertson, SERS' information security and privacy officer, and Sean Thomas, senior information security analyst, provided the Board with an update on SERS' Information Security Program.

The mission of SERS' Information Security Program is "to protect organizational data from accidental or intentional harm and keep vital information resources operational." The program monitors and implements continuous improvements in five areas: cyber hygiene (safeguards and good practices), threat detection, employee behavior, incident response, and third-party assurance.

Notable FY2018 accomplishments included a reduction in the number of administrators in specific roles; automation of security event identification and escalation processes; continued quarterly phishing email exercises; completion of the annual incident response and annual Corporate Emergency Preparedness Plan (CEPP) tabletop exercises; a redesign of the CEPP manual to support the program's realignment; and an annual HIPAA-compliance review of third-party relationships involving the exchange of protected health information (PHI).

Goals for FY2019 include implementing multi-factor authentication for remote system access; standardizing reporting to leadership for key threats; targeted employee training; conducting annual organizational awareness training; evaluating the current disaster recovery platform and developing a roadmap; and collaborating with SERS' Legal staff to standardize criteria for new third-party agreements.

Board Approved Resolutions to File Amended Rules

The Board approved a staff request to file an amended rule which gives SERS the discretion to suspend benefit payments if mail is returned to SERS as undeliverable, and the benefit recipient has not provided an updated address to SERS within 30 days; an amended rule which expresses that effective January 1, 2019, SERS will no longer accept picked-up payroll deduction plans for the purchase of service credit, and that on and after January 1, 2019, any new payroll deduction purchase plan must be on a post-tax basis; and, an amended rule clarifying the circumstances under which a member is considered to hold multiple positions at the time of retirement.

Executive Director's Update

SERS Gives Back to Charity

For the third consecutive year, SERS is partnering with Volunteers of America to participate in the Operation Backpack program, which aids students who our members serve. Operation Backpack distributes backpacks filled with school supplies to homeless and at-risk children throughout the Greater Columbus area.

Last year, staff donated a total of 45 full backpacks.

Facilitated Sustainability Discussions to Begin in September

The Board is currently reviewing proposals from several facilitators. 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 July, the SERS Board approved 258 active members for service retirements, and 30 survivor benefits for spouses and/or dependents.

No Board Meeting in August

The SERS Board will not meet in August.

September Meeting Dates

The next Board meeting will take place Thursday, September 20, and if necessary Friday, September 21, at 8:30 a.m.