September 20, 2018

The nine hundredth and thirteen meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, September 20, 2018. The meeting convened in open session at 8:31 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: James Rossler, Chairperson, Jeffrey DeLeone, Hugh Garside, James Haller, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and Catherine Moss. Also in attendance was John Danish, representative of the Attorney General, various members of the SERS staff, and members of the public.

APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON July 19, 2018

Barbra Phillips moved and Catherine Moss seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, July 19, 2018. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. Abstain: James Haller. The motion carried.

Board Chair James Rossler asked Chief Investment Officer Farouki Majeed to present the Investment Report.

INVESTMENT REPORT

Multi-Asset Strategies (MAS) Discussion

Mr. Majeed presented a memo to the Board in response to a Board question on MAS performance and the role of the portfolio. Mr. Majeed discussed the evolution of the MAS portfolio since originally implemented in 2010, its background, performance, fees and future plans for the portfolio.

David Lindberg and Joanna Bewick of Wilshire Associates presented an Analysis of SERS' MAS portfolio. Mr. Lindberg and Ms. Bewick compared SERS' MAS performance to its benchmark, discussed its long-term objective, compared performance to major asset classes, and shared expected performance with the Board. They also introduced to the Board the option of an optimal replica portfolio that may provide similar characteristics as the MAS portfolio is a lower cost.

Wilshire Associates Quarterly Performance Report

David Lindberg and Joanna Bewick presented Wilshire's quarterly Investment performance report. The quarterly report included asset class performance, assumptions as of June 2018, an economic review, employment conditions, and a breakdown of the Total Fund. The total fund return lagged the benchmark for the June quarter, but exceeds the benchmark for one, three and five year periods with favorable rankings relative to per universe. The Board thanked Mr. Lindberg and Ms. Bewick for their report.

Quarterly Investment Report and Economic Update

Mr. Majeed discussed the Investment report for the periods ending June and July, 2018. The performance report as of June 30, 2018 and July 31, 2018 was provided to the Board for their information. Mr. Majeed informed the Board the Fund is currently $14.4 billion with a FYTD return of 1.83% as of August. Following questions and answers, the Board thanked Mr. Majeed for the presentation.

Quarterly Barra Risk

Investment Officer Hai Yen Le presented the Risk Report as of June 30, 2018. The risk presentation included a breakdown of the Total Fund risk forecast, individual asset class contributions to risk, active risk, asset class correlation and a comparison of realized risk vs. forecasted risk. The Board thanked Ms. Le for her presentation.

SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and Catherine Moss seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **June 1, 2018** through **June 30, 2018** hereby be approved. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	$78.6
Non-US Equities	133.3
Fixed Income	324.9
Multi-Asset Strategies	n/a
Private Equity Capital Calls	31.5
Real Asset Capital Calls	n/a
Opportunistic	27.2
Cash Equivalents	350.5

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	$ 64.8	$ 3.9
Non-US Equities	193.5	19.4
Fixed Income	339.1	(2.9)
Multi-Asset Strategies	1.2	0.3
Private Equity distributions	40.2	n/a
Real Asset distributions	10.7	n/a
Opportunistic	1.9	(0.2)
Cash Equivalents	323.6	n/a

SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and Hugh Garside seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **July 1, 2018** through **July 31, 2018** hereby be approved. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

B. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	$ 256.9
Non-US Equities	115.7
Fixed Income	413.5
Multi-Asset Strategies	n/a
Private Equity Capital Calls	33.2
Real Asset Capital Calls	4.5
Opportunistic	15.2
Cash Equivalents	495.6

C. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	$ 50.8	$ 8.2
Non-US Equities	143.8	2.2
Fixed Income	389.7	1.6
Multi-Asset Strategies	61.3	11.5
Private Equity distributions	44.3	n/a
Real Asset distributions	9.7	n/a
Opportunistic	2.5	0.1
Cash Equivalents	430.0	n/a

The Board took a break at 10:09 a.m., and reconvened at 10:26 a.m.

EXECUTIVE DIRECTOR'S UPDATE

Ohio Retirement Study Council

Executive Director Richard Stensrud noted that the ORSC is holding its September meeting today. Staff requested that ORSC not take up anything SERS-related on their agenda.

Mr. Stensrud also noted that he and Government Relations Officer Laurel Johnson recently met with Angel Mumma, the newly appointed local government representative on the ORSC. Ms. Mumma is the Director of Finance for the City of Dublin. Mr. Stensrud noted that Ms. Mumma's mother is a SERS retiree, and that Ms. Mumma spoke highly of the service provided by SERS staff as her mother was going through the retirement process.

Advocacy Groups
Mr. Stensrud reported that he and Laurel Johnson traveled to Canton to speak at the AFSCME Retiree Chapter 1184 Biennial Convention.

Mr. Stensrud acknowledged Mark Hill, the new OEA Secretary-Treasurer who is replacing Scott DiMauro as SERS' liaison. Mr. Hill served for many years on the State Teachers Retirement System Board.

Marketplace Wraparound Plan
Mr. Stensrud stated that efforts continue on SERS Wraparound Program. Mr. Stensrud further added that shortly after staff submitted the required Wraparound reporting form to CMS in late August, we learned that no other entity submitted a form. This confirmed that SERS has the only operational Limited Wraparound Plan in the country.

Mr. Stensrud stated that SERS continues to lobby for an extension of the three-year pilot program. Mr. Stensrud noted that staff wrote a letter to the three Cabinet Secretaries whose agencies will ultimately determine the fate of the pilot program.

Board Elections Materials
Mr. Stensrud noted that Board elections materials are now available on the SERS website. Interested parties may also see Tim Barbour for information.

Positive Message Campaign
Mr. Stensrud stated that staff has launched a "Get to Know SERS" campaign on social media and the SERS website to highlight important accomplishments that demonstrates staff's commitment to members, retirees, and employers, and to keeping SERS on solid financial ground for years to come.

Member Self-Service Verification Code
Mr. Stensrud stated that Member Services and IT have created a one-time verification code to improve security on the member self-service portal on SERS' website. Mr. Stensrud explained that the verification code will help prevent the creation of bogus member accounts.

Federal Legislation
Mr. Stensrud stated that follow up tax reform legislation has been launched out of the House Ways and Means Committee, and that neither UBIT nor PEPTA are in the legislation.

Deputy ED Recruitment
Mr. Stensrud stated that recruitment continues to move forward on the Deputy Executive Director position. Mr. Stensrud noted that 40 applications have been received, and the candidate pool appears to be quite strong. Mr. Stensrud outlined plans of reducing that number to 10 or so of the most qualified candidates, then down to 5-6 for interviews. Mr. Stensrud stated that he will bring the proposed selection to the Board for consultation with the goal of a selection later this fall.

Cristo Rey High School Students
Mr. Stensrud stated that SERS is again participating in the Cristo Rey High School student intern program. Mr. Stensrud noted that SERS has two returning interns this year.

Pension Funding Sustainability, Health Care Principles and Funding Sustainability, and Strategic Planning
Mr. Stensrud discussed the pension funding and health care funding sustainability initiatives that will begin in late 2018. Mr. Stensrud solicited and received feedback from the Board regarding the scope of the initiatives and the role of the respective facilitators for those initiatives.

Mr. Stensrud also noted that SERS will be initiating a strategic planning exercise in the late fall. Mr. Stensrud noted that SERS is approaching the completion of its current five-year strategic plan, and that it is important to establish a new strategic plan defining the goals and objectives that will drive the organization's actions for the next several years. Mr. Stensrud noted that the strategic planning process will be very similar to the approach taken in previous strategic plans, with Board participation at the first (learning) phase and in the closing (documentation) phase. Mr. Stensrud further stated that he anticipated the strategic plan will include measures drawn from the pension funding and health care sustainability initiatives.

Year-End Financials Update
Mr. Stensrud asked Chief Financial Officer Tracy Valentino to provide an update of SERS' year-end financials.

Ms. Valentino stated that the information being provided is preliminary, however, the information will not be significantly different than what will be presented in the CAFR. Ms. Valentino highlighted the following:

- Contributions are slightly lower; however, this is a result of the timing of payments received from employers. There does not appear to be any significant changes in the number of members and related payroll reported by employers.

- There is a 9% increase in health care premiums and drug subsidies from last year. This is timing related to the Aetna Risk Share reimbursement. The prior year reimbursement was also slightly lower than the current year.

- Retirement, disability, survivor and death benefits increased 7% over the last year due to an increase in retirees and beneficiaries and higher base benefits.

- Health care fund employer contributions increased by over 30% reflecting that a portion of the 14% employer contribution is going to the Health Care Fund. Health care expenses decreased by 3%. This was made possible by the efforts of SERS' health care staff to find ways to improve resources.

- Approximately 96% of the FY2018 budget was used. Less than budgeted expenses were a result of the following:

    - Technical expenses were less than anticipated because consultants were not used as often as expected or at a lower cost, the compensation study was deferred, the AG costs were lower than expected and actuarial services were less than anticipated.

    - Competitive bidding reduced costs related to printing and mailing.

    - Training and travel costs were less than budgeted because due diligence trips were combined to reduce travel time and operational need limited the ability to attend training.

    - Member Services and Employer Services reduced education-related expenses, primarily by providing services in-house, holding fewer conferences, and using less costly locations.

Discussion of Rule 3309-1-02
Interim Deputy Executive Director Joe Marotta and Associate General Counsel Susan Russell presented a review of SERS' definition of compensation as defined in the Ohio Revised Code and Ohio Administrative Code.

Staff and the Board discussed the types of compensation that are subject to SERS contributions. SERS' statute gives the Board discretion to determine whether forms of earnings not addressed in the statutory definition should be included in compensation.

Staff and the Board will continue to explore this topic at future meetings.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT
132nd General Assembly
(Prepared by Laurel Johnson as of September 7, 2018)

HB49 OPERATING BUDGET Ryan Smith (H93-R-Gallipolis) Creates FY 2018-2019 main operating budget.

Current Status: SERS COLA provisions effective 09/29/2017

SB8 SCHOOL INFRASTRUCTURE AND TECHNOLOGY Randy Gardner (S2-R-Bowling Green), Louis Terhar (S8-R-Cincinnati) To require the Ohio School Facilities Commission to establish a program assisting school districts in purchasing technology and making physical alterations to improve technology infrastructure and school safety and security.

Current Status: Contained SERS' COLA delay amendment. Eff. 3/23/2018

HB708 PUBLIC PENSION DOUBLE DIPPING John Becker (H65-R-Cincinnati) To enact "Double Dippers Inappropriately Privileged (DDIP)" legislation to provide that an individual retiring on or after the effective date of this Act from one of the state's public retirement systems who is re-employed as a public employee will not receive the pension portion of the retirement allowance for the period of employment.

Current Status: Introduced 6/20/2018

FEDERAL LEGISLATION BOARD REPORT
115th United States Congress
(Prepared by Laurel Johnson as of September 7, 2018)

S. 915

SPONSOR: Sen. Sherrod Brown (D-OH)
LAST ACTIONS: 04/24/2017 - Referred to the Committee on Finance
CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions. Companion bill to H.R. 1205.

COMMENT: The Social Security Fairness Act of 2017. Repeals the GPO and WEP. S.915 has 25 co-sponsors.

H.R. 1205

SPONSOR: Rep. Rodney Davis (R-IL)
LAST ACTIONS: 03/06/2017 - Referred to the Subcommittee on Social Security
CAPTION: To amend title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions. Companion bill to S. 915.

COMMENT: H.R. 1205 has 188 co-sponsors including seven Ohioans: Beatty, Fudge, Joyce, Kaptur, Ryan, Stivers and Turner.

H.R. 6290
SPONSOR: Rep. Devin Nunes (R-CA)
LAST ACTIONS: 06/28/2018 Referred to the House Committee on Ways and Means
CAPTION: To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

COMMENT: H.R. 6290 (PEPTA) has four cosponsors; none from Ohio.

MEMORANDUM

To: Laurel Johnson, Senior Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: September 5, 2018

Re: Federal Legislative and Regulatory Report

OVERVIEW

Highlights for July and August included: Senate discussion on the nomination of Judge Brett Kavanaugh to assume the position on the U.S. Supreme Court vacated by Justice Anthony Kennedy; the continued imposition of tariffs by President Trump; a tentative deal between the United States and Mexico to replace NAFTA; new sanctions on Turkey, Iran and Russia; the announcement of a new Space Force; the death of Senator John McCain; and continued advocacy for the SERS Wraparound Program.

The Senate was in session most of August, which is unusual. In September, the House has eleven days scheduled for session beginning on September 4. The House district work period will begin on Monday, September 17, and will continue until Tuesday, September 25. The Senate is scheduled for non-legislative periods on September 10-11 and 19.

The Senate has the nomination of Judge Brett Kavanaugh to the U.S. Supreme Court to address this week. On Tuesday, September 4, the Senate Committee on the Judiciary began the formal hearings for the nominee. Judge Kavanaugh was present with members of his immediate and extended family. At the start of the hearing, Senate Democratic Committee members objected to the hearing based on several procedural impediments. Democrats said that key documents, over 100,000 pages, from Judge Kavanaugh's past tenure in President George W. Bush's White House, were not provided. In addition, approximately 42,000 documents were provided the evening of September 3, without sufficient time to review them. Chairman Chuck Grassley (R-IA) said there would be plenty of time to review the documents and ask questions of the nominee this week. During the hearing, many protestors were removed from the room. On Wednesday, September 5, Judge Kavanaugh was given the opportunity to testify and respond to questions. Again, protestors attempted to interrupt the testimony and the questions from the Senators.

The death of Senator John McCain (R-AZ) on August 25 came one day after his family announced that the Senator would no longer seek medical treatment for glioblastoma, an aggressive brain cancer, which was diagnosed several months ago. One of Senator McCain's last votes, you may recall, was to vote against the Senate bill to repeal of the ACA, leaving the body one vote short of the bill's passage. **On September 4, Arizona Governor Doug Ducey appointed former Senator Jon Kyl, a Republican, to the seat**. Senator Kyl has agreed to serve until the end of the year, which would take the appointment to the end of this Congress's session. The term actually ends in 2022, however, a special election is expected to be held in 2020. A few Senators, on a bipartisan basis, have suggested renaming the Russell Office Building after Senator McCain. Leadership has not moved on the idea.

In August, the Senate passed H.R. 5515, the "John S. McCain National Defense Authorization Act (NDAA)," which authorized military spending in fiscal year 2019. Both Senators Brown and Portman supported the bill. The bill was named out of respect for Senator John McCain. It included funding for the Youngstown Air Reserve Station, the National Guard at Camp Ravenna, and the National Air and Space Intel Center at Wright-Patterson Air Force Base.

On August 9, Vice President Mike Pence visited the Pentagon and outlined the Administration's plan to create a sixth branch of the military, a Space Force. Congress would need to authorize funding for the new department and there were reports that legislation might be introduced as early as next year. Vice President Pence indicated that many countries are trying to exploit space and the U.S. must be ready to fight a war in space one day.

12th CONGRESSIONAL DISTRICT

On August 24, Troy Balderson, the Republican candidate, was declared the official winner in the special election held on August 5 for the 12th Congressional District. A State Senator, Mr. Balderson defeated the Democratic candidate, Danny O'Connor, Franklin County Recorder, by less than 1,700 votes. The special election determined which candidate would fulfill the obligations of the office until January 2019. The two candidates will face off once again on Tuesday, November 6, in which that winner will assume a two-year term in January 2019 as the Representative of the district. Representative Balderson was sworn in on September 5. Teri Geiger has been named his chief of staff.

PRIVATE MULTI-EMPLOYER PENSION PLANS

The Joint Select Committee on Solvency of Multiemployer Pension Plans has not scheduled any further hearings to date. The report is expected in November. Both Ohio Senators Brown and Portman serve on the Joint Select Committee. Staff members have indicated that meetings are being held to begin working through potential solutions.

PEPTA

H.R. 6290, also called, "PEPTA," was reintroduced by Rep. Devin Nunes (R-CA) on June 28. The bill would "amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans." There are no Ohio co-sponsors as of September 4 and that is important. The bill has been referred to the House Committee on Ways and Means. Representatives Jim Renacci (R-OH) and Brad Wenstrup (R-OH) serve on Ways and Means.

Key provisions of the bill are now available. The bill requires:

- Not later than 210 days after the end of each plan year beginning on or after January 1, 2019, the plan sponsor of a State or local government applicable retirement plan will file with the Secretary a report setting forth information with respect to the plan, as determined by the plan sponsor as of the last day of such plan year.
- The interest rates described, with respect to any day, the rates of interest which shall be determined by the Secretary for such day on the basis of the Treasury spot rate yield curve for such day.
- Reports filed under this section shall be public records open to the inspection of the public, and the Secretary shall create and maintain a searchable public website on which the Secretary shall post such reports not later than 60 days after receipt.
- The United States shall not be liable for any obligation related to any current or future shortfall in any State or local government applicable retirement plan.
- Nothing in this Act (or any amendment made by this Act) shall be construed to alter existing funding standards for State or local government applicable retirement plans or to require Federal funding standards for such plans.

SERS WRAPAROUND PLAN

Executive Director Richard Stensrud sent letters on August 16 to each of the Cabinet Secretaries who head Health and Human Services, Labor, and Treasury. These three agencies are working together to review the regulations which created Limited Wraparound Plans. In his letter, Executive Director Stensrud said:

> SERS retirees that are under age 65 have been able to enroll in our program since January 2017. The regulations provided a plan sponsor with the ability to offer a Limited Wraparound Plan for a short window of three years as a pilot program. This means that the SERS program will be forced to end in December 2019, just when the Plan has shown significant results. SERS has had a very positive experience with our Wraparound Plan, which provides for the reimbursement of out of pocket costs for over 520 eligible retirees and has provided significant savings for the SERS health care fund. In the first two years, SERS has reduced its expenses in the Health Care Fund by $7 million, directly because of the Wraparound Program.

In August, Tom Lussier, administrator of the Public Sector HealthCare Roundtable, sent a message to its membership on behalf of SERS, asking members to respond if they were interested in supporting the advocacy efforts for an extension of the pilot program by the

regulatory agencies. Four responses were received and passed on to SERS. One individual was not available for follow up. Laurel Johnson, Christi Pepe, and I discussed the advocacy efforts with representatives from Colorado PERA and the Michigan Office of Retirement Services. We also talked with a representative from Cavanaugh Macdonald who expressed interest in discussing Wraparound Plans with some of their other clients.

SERS and I have continued to maintain direct contact with the staff members at DOL, Treasury/IRS, and HHS/CMS. Our request for a meeting with Administrator Seema Verma was referred to James Mayhew, a career senior staffer in the Oversight Group, Center for Consumer Information and Insurance Oversight (CCIIO). Mr. Mayhew indicated that he already felt he knew the details of the SERS program, however, if we had new information, to please share it with him. I followed up with a request to meet with Randy Pate, Deputy Administrator and Director of CCIIO. That request is outstanding.

The Limited Wraparound Reporting Form, as approved by the Office of Management and Budget, was due to be filed with CMS by August 25. SERS submitted its statistics well in advance. We notified the Public Sector HealthCare Roundtable, SALGBA, BCBS, AFSCME, Teamsters, AFL-CIO, AHIP, American Benefits Council, and our peers that the Form was available for their members. I asked Mr. Mayhew if any other forms were submitted and he said, "No." **That means that in the entire country, only SERS submitted a reporting form for an operational Limited Wraparound Plan.**

OHIO'S GERRYMANDERING LAWSUIT

On August 15, the U.S. District Court for the Southern District of Ohio ruled against a motion to dismiss a pending suit, filed by several Plaintiffs to request relief from an "overly gerrymandered Congressional map" in Ohio. Three federal judges rejected a request by Defendants, who are Republican elected leaders, to dismiss the lawsuit. The District Court ruled that the constitutional violations the Plaintiffs have alleged are still valid despite a U.S. Supreme Court decision on a similar case issue earlier this year. The Plaintiffs are seeking prospective relief only.

EDUCATION

Senator Sherrod Brown introduced S. 3362, the "Full-Service Community Schools in Distressed Communities Act of 2018," on August 22. The bill would provide grants to communities affected by substance use disorders to enable those communities to plan for and implement full-service community schools. Under the Findings section, the bill's language includes:

> (1) More than half of our Nation's school children, approximately 25,000,000 students, live in low-income households. This is the highest proportion of students living in low-income households since the statistic has been collected.
>
> (2) Data shows the rising national trend of opioid use in middle to high school age youth in rural areas. According to a 2013 study of children aged 12 through 17, non-medical prescription drugs are the second most used type of drug used next to marijuana, with opioids being the most common among those non-medical prescription drugs.

On August 23, the Senate passed legislation to fund the Department of Education for fiscal 2019. The bill, which included other federal agency funding, increased federal spending by a vote of 85-7. Both Senators Portman and Brown supported the bill. The Trump budget request for Education recommended a cut to funding and included the idea to merge the Departments of Education and Labor into one agency. The Senate did not follow the Trump budget blueprint and included an increase of more than $540 million over fiscal 2018 dollars, up to $71.6 billion. The bill did not include any merger language. Funding for elementary and secondary education programs was included. The House of Representatives will need to vote on the bill before the budget can be finalized. The federal budget needs to be in place before October 1, the start of the federal fiscal year, or there will be a shutdown.

Several news articles reported on the response by Secretary Betsy DeVos, Department of Education, to a member of Congress, to maintain the flexibility for states to decide how to use school-related grants based upon the Title IV-A guidance that was issued in October 2016. In a letter dated August 31, to Rep. Bobby Scott (D-GA), and 170 Democratic members of the House, Secretary DeVos said, "Let me be clear: I have no intention of taking any action concerning the purchase of firearms or firearms training for school staff under the ESEA." Rep. Scott, and other co-signers, had written to the Secretary to ask whether she was planning on authorizing states and local school districts to purchase firearms or conduct firearms training for school staff. (ESEA is the Elementary and Secondary Education Act.) All Ohio Democratic House members signed the letter to Secretary DeVos.

FEDERAL COMMISSION ON SCHOOL SAFETY (FCSS)

Several events were held in August by the Commission on School Safety. Field visits were made to local school districts in Arkansas, Wyoming, and Nevada. Representatives from the Commission went to Montgomery, AL, on Tuesday, August 28, for their fourth and final listening session. The Commission has been charged with quickly coming up with recommendations to keep students safe in school.

HEALTH CARE

In an interview published on September 4, Ways and Means Chairman Kevin Brady (R-TX) said that the House will take up measures to deal with the employer mandate in the ACA and the Cadillac Tax. He mentioned that he is working with leadership on the timing. Several news reports have indicated that Republicans will hold off voting to repeal the ACA this fall but will try again next year if they retain the House and Senate after the midterm elections.

Both Hannah and Gongwer reported that the expansion of Medicaid Benefits has helped stabilize Ohio's state budget. The Ohio Department of Medicaid (ODM) released an updated version of its 2016 assessment of the Group VIII expansion population. According to the report, more people on Medicaid are seeing family doctors and fewer are visiting emergency rooms, and most enrollees say the program makes it easier for them to find and keep jobs. Budget Director Tim Keen said that program finances are sound and should remain so. Director Keen said the state gets a good deal with the enhanced rate of federal matching funds for expansion – 90 percent for FY21 forward, versus about 63 percent for the traditional Medicaid program. "Based on this, looking at our budget, looking at our budget capacity, it's my opinion that Medicaid expansion is manageable and affordable now and into the future," Director Keen said.

I reported in an earlier report that the Trump Administration has entered a federal district court case that could allow a limitation on covering pre-existing conditions for individuals by striking down the ACA. In a filing, the Administration argued that required coverage for pre-existing conditions should be ruled unconstitutional. Oral arguments began on September 5 and the case will continue before the judge. The case is *Texas et al v. United States of America et al*.

Senator Thom Tillis (R-NC) introduced a bill, S. 3388, entitled, ''Ensuring Coverage for Patients with Pre-Existing Conditions Act," to amend HIPAA and protect patients with pre-existing conditions. There are 12 Republican Senators who are co-sponsors, however, Senator Rob Portman (R-OH) is not one of them. The bill would allow insurers to exclude pre-existing conditions from coverage, however, it would prohibit setting premiums based on a person's health. **Senator Joe Manchin (D-WV) introduced a resolution on July 19, S.Res. 581, a resolution authorizing the Senate Legal Counsel to represent the Senate in *Texas v. United States*, No. 4:18-cv-00167-O (N.D. Tex.).** The resolution has 48 co-sponsors, including Senator Sherrod Brown (D-OH). The resolution has been referred to the Committee on Rules and Administration.

The House also has a similar bill, sponsored by Rep. David Joyce (R-OH), which is H.R. 6496, the "Continuing Coverage for Preexisting Conditions Act of 2018." It was introduced on July 24 and has one co-sponsor, Rep. Michael Turner (R-OH). The bill was referred to the Committee on Energy and Commerce.

There is now one Ohio co-sponsor for H.R. 5963, **the "Health Insurance Premium Reduction Act," as of July 4, to delay the reimposition of the Health Insurance Tax (HIT) annual fee on health insurance providers until after 2020.** Rep. Steve Stivers (R-OH) joined as a co-sponsor of the bill. The legislation was introduced on May 24 by Rep. Kristi Noem (R-SD) to suspend the HIT. SERS is one of the providers that is subject to the tax in 2018.

PRESCRIPTION DRUGS

The first generic version to the EpiPen was approved by the Food and Drug Administration in mid-August and announced by FDA Commissioner Scott Gottlieb. The EpiPen has become a staple in schools, hospitals, and homes for children and adults who have life-threatening allergies. When Mylan Pharmaceuticals increased the cost of an EpiPen from approximately $100 per a two-pen pack to over $600 slightly over two years ago, it maintained the patent over the injector used to administer each dose. Members of Congress decried the increase and called for hearings on the increasingly high cost of the EpiPen and other prescription drugs in the United States.

AARP announced a new ad campaign to address the high cost of prescription drugs. On September 4, AARP used Twitter to launch an ad campaign to "let Congress know they need to stand strong for their constituents and stand up to PhRMA."

SOCIAL SECURITY

Senator Bernie Sanders (I-VT) issued a statement on his bill, S. 3147, the "Social Security Administration Fairness Act," that he introduced at the end of June. In a written statement, Senator Sanders said that the "Social Security Administration Fairness Act will give SSA the funding it needs to provide services that Americans have paid for and certainly deserve. The bill has endorsements from many national and local organizations. The bill would: set SSA's administrative funding at 1.5 percent of overall benefit payments; eliminate the five-month waiting period for approved SSDI recipients and the two-year waiting period for SSDI beneficiaries to qualify to receive Medicare; and implement a moratorium on all closures of field offices and contact stations.

In early September, the Center for Retirement Research at Boston College released a brief entitled, "How is the Mortality Gap Affecting Social Security Progressivity?" The key findings show that while Americans are generally living longer, the gains have been unequal; those with higher socioeconomic status (SES) have substantially longer lifespans. This growing mortality gap works against Social Security's progressive benefit design, as higher-SES individuals end up getting their benefits for a longer period. As a result, studies find that the mortality gap has significantly reduced – though not eliminated – the overall progressivity of the Social Security program. The full report may be reviewed here: **http://crr.bc.edu/wp-content/uploads/2018/08/IB_18-16.pdf**

H.R. 1205, the "Social Security Fairness Act of 2017," calls for the repeal of GPO and WEP. The bill now has 188 co-sponsors as of September 4. There are seven representatives from Ohio who are co-sponsors: Representatives Michael Turner (R-OH), David Joyce (R-OH), Tim Ryan (D-OH), Joyce Beatty (D-OH), Marcia Fudge (D-OH), Steve Stivers (R-OH), and Marcy Kaptur (D-OH). The bill was referred to the House Ways and Means Subcommittee on Social Security on March 6, 2017 and has not advanced.

I have also reported on legislation introduced on April 24, 2017 by Senator Sherrod Brown (D-OH), S. 915, the Senate version of the "Social Security Fairness Act of 2017," a bill to amend Title II of the Social Security Act and repeal GPO and WEP. There are 25 cosponsors of the bill as of September 4, however, Senator Rob Portman (R-OH) is not one of them. The bill has not advanced out of the Committee on Finance.

Chairman Kevin Brady (R-TX) has not introduced legislation to repeal the Windfall Elimination Provision. Chairman Brady is considering a bill to address additional tax reform measures before the November election. We are remaining vigilant in case PEPTA-like language is inserted into any moving vehicle. We have been working with NASRA, NCTR, NCPERS, and NAGDCA to make sure that our concerns with UBIT, PEPTA, Rothification, and any retirement streamlining proposals are understood.

RETIREMENT SECURITY

On Friday, August 31, an Executive Order (Order) was signed by President Trump to help address and strengthen retirement security for Americans. In Section 1, the Order states: It shall be the policy of the Federal Government to expand access to workplace retirement plans for American workers.

The Order requires that the Secretary of Labor examine policies that would: (1) clarify and expand the circumstances under which United States employers, especially small and mid-sized businesses, may sponsor or adopt a MEP as a workplace retirement option for their employees, subject to appropriate safeguards; and (2) increase retirement security for part-time workers, sole proprietors, working owners, and other entrepreneurial workers with non-traditional employer-employee relationships by expanding their access to workplace retirement plans, including MEPs.

Within 180 days of the Order, the Secretaries of Labor and Treasury are required to consider whether to issue notices of proposed rulemaking, amendments to regulations or guidance on the qualifications for multiple employer plans. They must include how to make retirement plan disclosures required under ERISA and the Internal Revenue Code of 1986 more understandable and useful for participants and beneficiaries, while also reducing the costs and burdens they impose on employers and other plan fiduciaries responsible for their production and distribution. This review shall include an exploration of the potential for broader use of electronic delivery as a way to improve the effectiveness of disclosures and to reduce their associated costs and burdens.

It also requires that the Secretary of the Treasury shall, consistent with applicable law and the policy set forth in Section 1, **examine the life expectancy and distribution period tables in the regulations on required minimum distributions from retirement plans (67 *Fed. Reg*. 18988) and determine whether they should be updated to reflect current mortality data and whether such updates should be made annually or on another periodic basis.**

The Order contains language that applies to ERISA plans. It was interesting that the Order requires the Secretary of the Treasury to look into life expectancy and the required minimum distribution (RMD). Currently, the RMD is 70 ½, the age when participants with traditional IRAs and 401(k)s must begin to withdraw a minimum amount of money based upon the IRS's life expectancy tables. If a participant does not make the RMD, he or she may be subject to higher taxes and penalties. As life expectancy continues to increase, the Department of Treasury/IRS will be considering whether to adjust its life expectancy tables, last updated in 2002. In discussing the Executive Order with colleagues, there is a "wait and see" approach. Programs like the "Secure Choice" public-private partnerships, championed by NCPERS, are being implemented in Oregon, New York, Illinois and California, for example, are attempting to fill the retirement gap. One federal lobbyist said that he hoped the Executive Order did not stifle the progress of the RESA bill currently moving in Congress. We also discussed the Joint Select Committee on the Solvency of Multiemployer Pension Plans. A full copy of the Executive Order may be viewed here: https://www.whitehouse.gov/presidential-actions/executive-order-strengthening-retirement-security-america/

As of September 4, Reps. Bob Gibbs (R-OH), Bob Latta (R-OH) and Michael Turner (R-OH) are the only Ohio co-sponsors of H.R. 5282, which is the companion bill to S. 2526, the "Retirement Enhancement and Savings Act of 2018, or RESA," a bill introduced in March by Senator Orrin Hatch (R-UT). Senator Ron Wyden (D-OR) is the only co-sponsor on the bill to amend the "Internal Revenue Code of 1986 to encourage retirement savings, and for other purposes." Senators Portman and Brown have not become co-sponsors as of September 4.

SECURITIES AND EXCHANGE COMMISSION (SEC)

On Tuesday, September 4, the Senate convened and proceeded into executive session to consider the nomination of Elad L. Roisman, of Maine, to become a Commissioner of the Securities and Exchange Commission. Mr. Roisman was confirmed on September 5 to fill the vacancy created by the departure of Commissioner Michael Piwowar. Another potential nominee, Allison Lee, who was a staff member of current Commissioner Kara Stein, has not been formally nominated yet.

On September 4, the SEC issued a press release on the extension of the comment period for the Volcker rule. In the press release, the SEC said:

> **Five federal financial regulatory agencies on Tuesday extended until Oct. 17, 2018, the comment period for a proposed rule to simplify and tailor compliance requirements for the "Volcker rule."** The Volcker rule generally restricts banking entities from engaging in proprietary trading and from owning or controlling hedge funds or private equity funds.

The next SEC Investor Roundtable will take place in Baltimore, MD on September 20. Chairman Jay Clayton issued a press release announcing this additional investor roundtable to discuss the Commission's recently proposed rules regarding the obligations of financial professionals to investors. Commissioners Kara Stein and Robert Jackson are expected to join Chairman Clayton and senior SEC staff.

The SEC Investor Advisory Committee agenda for its meeting on Thursday, September 13 was released. A discussion has been scheduled on the U.S. Proxy Voting Infrastructure and the implications of passive investing.

REPORTS

The Center for State and Local Government Excellence (SLGE) issued the **2018 State and Local Government Workforce Trends report.** According to SLGE, the report contains "2018 data on emerging issues like the gig economy and flexible work practices and longitudinal data on recruiting challenges, retirement plan or health benefit changes, hiring, and separations from service." One takeaway from the report is that the "low rate of unemployment coupled with the increasing number of retirements will make it a challenging environment for state and local governments to compete for top talent." The full report may be read here: https://slge.org/publications/state-and-local-government-workforce-2018-data-and-10-year-trends

A new study on bankruptcy for older people was reported in August. In a national study entitled, "Graying of U.S. Bankruptcy: Fallout from Life in a Risk Society," trends in bankruptcy filings by age were identified. The report found that for seniors who were age 75 or older, the increase in bankruptcy filings was almost ten times higher since 1991. The researchers identified the shift in responsibility in caring for older people as a significant reason. The reduction in pensions and health care benefits offered by employers has required older people to absorb more medical costs. The full citation for the report is: Thorne, Deborah and Foohey, Pamela and Lawless, Robert M. and Porter, Katherine M., Graying of U.S. Bankruptcy: Fallout from Life in a Risk Society (August 5, 2018). Available at SSRN: https://ssrn.com/abstract=3226574

On August 25, Professor Teresa Ghilarducci wrote an article in Forbes commenting on a recent study on health insurance. The article is entitled, "Does Having Employer Health Insurance Make You Better Paid?" She said that high income workers are much more likely to have access to health insurance at work and use it when they have it. Using the health insurance plan is much more expensive for the low-income worker than the high-income worker. The bottom line is that "even if people are covered by health insurance, studies show that rising costs of copays and deductibles discourages lower income workers from ever using their insurance."

OTHER MATTERS OF INTEREST

On Wednesday, September 5, the House Committee on Energy and Commerce held a hearing on the issue, "Twitter: Transparency and Accountability." Mr. Jack Dorsey**,** CEO of Twitter, Inc., was invited to testify. President Trump and Congress have been casting a critical eye on social media platforms, their use of consumer data, privacy concerns, potential influence from other countries and political ads. Sheryl Sandberg, Facebook's Chief Operating Officer, and Mr. Dorsey attended a Senate Intelligence Committee hearing on September 5 and responded to questions. Google was invited to participate but did not send a representative.

In response to tariffs that have been issued by the Trump Administration, Rep. Bill Johnson (R-OH) issued this statement on August 3, following the meeting with Ohio News Media Association:

> I was pleased the International Trade Commission (USITC) reversed the tariffs on uncoated groundwood paper from Canada, which includes newsprint. I've heard from many local newspapers about this issue, and I share their concern. I wrote a letter in July to Commerce Secretary Ross and the USITC urging the administration to recognize the impact this particular tariff was having on many small-market papers, many of whom were already struggling prior to the uncoated groundwood paper tariff. In a rural district like the one I represent, local daily and weekly

newspapers remain a critical news source of information… Just like President Trump, I am all for free trade, but it must also be fair trade.

In late August, President Trump announced that the pay increase for federal workers, approximately 2.1%, which was scheduled to begin in January 2019, would be put on hold. The Senate has already passed a bill that included a 1.9% raise for federal workers. The House bill did not include a pay increase. Congress could finalize a federal appropriation bill that includes a pay raise and ask the President to sign it. Military personnel will not be affected and will receive a 2.6% pay increase in 2019. Thus far, Rep. Michael Turner (R-OH) has spoken out to voice his opposition to canceling the pay increases for civilian workers.

Even Russia must deal with pension reform. Russian President Vladimir Putin warned that pension costs have risen to $300 million per day and could ultimately bankrupt Russia if changes were not made. On August 29, Mr. Putin announced that he had made a rare decision to revise the government's initial plan to raise the retirement ages for men, from age 60 to 65, and for women, age 55 to 63. After public outcry, women will be now eligible to retire when they are age 60, while men will not be eligible until they are 65.

On August 31, CalPERS moved one step further to receive the authority to establish a Pension Prefunding Trust Program, when CA bill, S.B. 1413, passed in the State Assembly. The bill would enact the California Employers' Pension Prefunding Trust Program and establish the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that provide a defined benefit pension plan to their employees to prefund their required pension contributions.

On August 28, the Senate confirmed a new Vice Chairman of the Federal Reserve, Richard Clarida, an economist by trade and professor at Columbia University. Fed Chairman, Jerome Powell, announced a decision in mid-August to raise interest rates again as part of the Federal Reserve's gradual plan. President Trump expressed his disapproval and said he was "not thrilled" with the rate hikes.

<u>ACTIVITIES:</u>

1. Trip to Washington, D.C. on August 8-9 for meetings on multi-employer pension plan issues, heath care issues, the Securities and Exchange Commission, and tax reform.
2. Met with staff from Senator Portman's office to discuss multi-employer pension issues, bills to address the opioid crisis sponsored by the Senator, pension liabilities, and health care.
3. Requested and participated in a call with the Executive Director of Ohio's 457 Deferred Compensation Plan and the federal lobbyist who represents NAGDCA on tax reform matters, including ideas on Rothification, simplification, UBIT and PEPTA.
4. Participated in the monthly call with the Government Relations Network members to discuss federal and state issues that impact public pensions.
5. Monitored bills relating to public pensions, health care, prescription drugs and Social Security.
6. Reviewed bills that were introduced by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security, and/or health care.
7. Monitored relevant House and Senate Committee hearings.
8. Reviewed public notices or proposed rules from the SEC, Education, HHS/CMS, and OMB.
9. Monitored organizations, such as the Social Security Administration, ABC, AARP, and other entities that have policies on pension, investment, and/or health-related issues.
10. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable.
11. Made calls and sent/responded to emails with representatives from SERS, drafted letters and prepared the monthly Federal Update.

Concluding the discussion, the Board recessed at 12:20 p.m. and reconvened at 1:11 p.m.

FINAL FILING OF PROPOSED AMENDED ADMINISTRATIVE RULES

Legal Counsel discussed with the Retirement Board the following proposed amended administrative rules: 3309-1-08 Payment of benefits and allowances; 3309-1-54 Purchase of service credit with amounts designated as picked-up contributions; and 3309-1-58, Retirement of member pursuant to section 3309.343 of the Revised Code, that have been reviewed by JCARR and are ready for final adoption by the Board.

Barbra Phillips moved and Hugh Garside seconded that proposed amended rules 3309-1-08, 3309-1-54, and 3309-1-58 be adopted. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

3309-1-08 Payment of benefits and allowances.

(A) Effective July 1, 1953 all annuities, retirement allowances, and benefits provided by law and payable in monthly installments shall be due and payable in full on the first day of the month.

(B) All annuities, retirement allowances, and benefits shall be paid on the first day of the month due.

(C) The retirement system may suspend any annuity, retirement allowance or benefit under the following circumstances:

(1) If the system has good cause to believe either of the following:

(a) That a retirant or benefit recipient may be incapacitated, and no other person has authority to act or receive payment on the retirant or benefit recipient's behalf; or

(b) That a retirant or benefit recipient is deceased or missing.

(2) If correspondence sent to the most recent mailing address provided by a retirant or benefit recipient is returned to the system as undeliverable and the system does not receive an updated mailing address within thirty days of receipt of the undeliverable correspondence.

HISTORY: 3/30/15, 1/7/13, 12/24/76

Promulgated Under:	111.15
Statutory Authority:	3309.04
Rule Amplifies:	3309.341, 3309.35, 3309.36, 3309.381, 3309.40, 3309.401, 3309.45, 3309.46
Review Date:	2/1/19

3309-1-54 Purchase of service credit by payroll deduction.

(A) A member of the school employees retirement system may purchase service credit by payroll deduction pursuant to agency-level 3309 of the Administrative Code and section 3309.021, 3309.022, 3309.26, 3309.261, 3309.301, 3309.31, 3309.41, 3309.473, 3309.474, 3309.73, 3309.731, or 3309.75 of the Revised Code.

(1) Payroll deduction purchase plans received before January 1, 2019, and whose starting date is before January 1, 2019, shall be paid with amounts designated by the member's employer as picked-up contributions under a plan in compliance with section 414(h)(2) of the Internal

Revenue Code of 1986, 26 U.S.C. 414(h)(2).

Prior to the purchase of service credit with amounts designated as picked-up contributions, the member's employer shall have adopted and filed with the retirement system a resolution authorizing the purchase of service credit for its employees by payroll deduction with amounts designated as picked-up and paid to the retirement system by the employer.

(2) Payroll deduction purchase plans with a starting date on or after January 1, 2019 may not be paid with amounts designated by the member’s employer as picked-up contributions under a plan in compliance with section 414(h)(2) of the Internal Revenue Code.

(B)

(1) Upon a member's request to purchase service credit, the retirement system shall prepare and forward to the member payroll deduction purchase plan documents, which shall include a cost estimate and a payroll deduction authorization form. The payroll deduction authorization form shall set forth:

(a) The type and amount of service to be purchased;

(b) The employer’s payroll cycle;

(c) The number of payments in which the service is to be purchased;

(d) The amount of each payment; and

(e) The starting date of the payments.

(2)

(a) The member shall complete and sign the employee portion of the payroll deduction authorization form and forward it to the member's employer;

(b) The payroll officer of the member's employer shall complete the employer's portion of the payroll deduction authorization form; and

(c) The retirement system must receive the completed authorization form and first payment before the expiration of the cost estimate.

(C)

(1) A separate payroll deduction authorization form shall be completed for each separate type of service credit to be purchased;

(2) Only one service credit purchase plan at a time may be in place for each separate type of service credit;

(3) The maximum number of months over which service may be purchased under a payroll deduction purchase plan shall be one hundred and twenty;

(4) The allocation of each payment toward interest and purchase of service credit shall be uniform for the period of the payroll deduction purchase plan;

(5) If a payroll deduction purchase plan is terminated early, the member shall be granted service credit based on the total amount allocated toward the purchase of service that was remitted to the retirement system under the payroll deduction purchase plan.

(D)

(1) The employer shall begin payroll deduction on the starting date set forth on the payroll deduction authorization form.

(2) The employer shall remit the amounts withheld directly to the retirement system on the employer's payroll cycle basis;

(3) Notwithstanding paragraph (E)(2) or (F)(2) of this rule, if a completed payroll deduction authorization form is returned to the retirement system, but at any point thereafter the employer fails to remit the amounts to be withheld to the retirement system for three consecutive months, the retirement system shall terminate the payroll deduction purchase plan.

(E) When a member is purchasing service credit under a payroll deduction purchase plan as provided for in paragraph (A)(1) of this rule:

(1) The member cannot:

(a) Decrease or increase the amount of the payroll deduction;

(b) Terminate the payroll deduction unless the member has terminated employment or purchased all of the service credit set forth on the payroll deduction authorization form; or

(c) Make a direct payment to the retirement system to purchase the service credit.

(2) The member's employer shall not decrease, increase, or terminate the payroll deduction unless the member has terminated employment or purchased all of the service credit set forth on the payroll deduction authorization form.

(F) When a member is purchasing service credit under a payroll deduction purchase plan as provided for in paragraph (A)(2) of this rule:

(1) The member can:

(a) Terminate a payroll deduction plan at any time by providing written notice to the member's employer and by notifying the retirement system;

(b) Make a direct payment to the retirement system to purchase the remaining service credit. To purchase the remainder of service credit, the member must first terminate the payroll deduction purchase plan and then submit a request to the retirement system for a statement of the balance due.

(2) The member’s employer shall not decrease, increase, or terminate the payroll deduction purchase plan unless the member has terminated the payroll deduction purchase plan, terminated employment, or purchased all of the service credit set forth in the payroll deduction authorization form.

(G) A member who has had one or more prior payroll deduction purchase plans for a type of service credit may establish a new payroll deduction purchase plan for the same type of service credit. The new plan’s commencement date must be six or more months after the first deduction under the most recent payroll deduction purchase plan for the same type of credit.

(H) Upon receipt of payments transferred pursuant to section 145.311 or 3307.711 of the Revised Code, the school employees retirement system shall restore the former member's service credit for which payment is transferred.

HISTORY: 4/6/17, 8/13/15, 3/8/13, 1/7/13 (Emer.), 5/3/02, 2/11/02, 11/19/01 (Emer.), 5/2/01, 2/11/00, 11/1/97

Promulgated Under:	111.15
Statutory Authority:	3309.04
Rule Amplifies:	3309.021, 3309.022, 3309.26, 3309.261, 3309.262, 3309.27, 3309.301, 3309.31, 3309.35, 3309.41, 3309.473, 3309.474, 3309.73, 3309.731, 3309.75

Review Date:	2/1/22

3309-1-58 Retirement of member pursuant to section 3309.343 of the Revised Code.

(A) For purposes of section 3309.343 of the Revised Code and this rule:

(1) "Active position" means a position a member worked in the month before retirement and for which contributions were being received by a state retirement system at the time of retirement pursuant to section 3309.343 of the Revised Code.

(2) "SERS annual compensation" means a member's compensation for an active position reported by an employer to the school employees retirement system for the most recent twelve-month period. If the compensation has been reported for less than a twelve-month period, the system shall convert the compensation to an annual basis.

(3) "Other retirement system annual compensation" means a member's annual earnable salary or compensation for an active position as certified to this system by the public employees retirement system or the state teachers retirement system.

(4) "Highest annual compensation" means the highest of the SERS annual compensation or the other retirement system annual compensation for an active position.

(5) "Position" means employment for which a member is covered and contributes to a state retirement system.

(6) "State retirement system" means the school employees retirement system, the public employees retirement system or the state teachers retirement system.

(7) "Other retirement system" means the public employees retirement system or the state teachers retirement system.

(B)

(1) When a member holds more than one active position in this system, no active positions in an other retirement system, and is electing to take a retirement benefit pursuant to section 3309.343 of the Revised Code, the member shall:

(a) Apply for a benefit pursuant to section 3309.35, 3309.36, or 3309.46 of the Revised Code, for the active position which has the highest SERS annual compensation; and

(b) Select which other active position or positions upon which the member shall continue to contribute to this system.

(2) In computing the benefit described in paragraph (B)(1) of this rule all service credit in this system shall be used.

(C)

(1) When a member holds one or more active positions in this system and one or more active positions in an other retirement system, and the active position which has the highest annual compensation is in this system, the member shall:

(a) Apply for a benefit pursuant to section 3309.35, 3309.36, or 3309.46 of the Revised Code, for the active position which has the highest annual compensation; and

(b) Select which other active position or positions upon which the member shall continue to contribute to this system or to an other retirement system.

(2) In computing the benefit described in paragraph (C)(1) of this rule, all service credit in any state retirement system shall be used.

(D) Employment in any position covered by this system that begins subsequent to the effective retirement benefit date under section 3309.343 of the Revised Code shall be subject to section 3309.341 of the Revised Code, and rule 3309-1-50 of the Administrative Code.HISTORY: 7/10/16, 5/11/06, 5/2/01

Promulgated Under:	111.15
Statutory Authority:	3309.04
Rule Amplifies:	3309.343
Review Date:	2/1/21

AUDIT COMMITTEE UPDATE

Chief Audit Officer Joe Bell provided highlights from the Audit Committee meeting. Mr. Bell stated that the Committee reviewed Q1 audits which included Conflict of Interest, Undue Influence, and Investment Incentive Compensation. Continuing, Mr. Bell stated that Chief Financial Officer Tracy Valentino provided an update of training overview of accounting and financial reporting standards and processes, including the impact of recent regulatory pronouncements. Concluding, Mr. Bell noted that the Committee reviewed and approve his FY2019 goals.

The Board thanked Mr. Bell for the update.

The Board continued with the review of calendar dates. Board member Daniel Wilson stated that he would not be in attendance for the October Board meeting.

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2018

October 18 and 19 (Thurs. and Fri.)
November 15 and 16 (Thurs. and Fri.)
December 20 and 21 (Thurs. and Fri.)

2019

February 21 and 22 (Thurs. and Fri.)
March 21 and 22 (Thurs. and Fri.)
April 18 and 19 (Thurs. and Fri.)
May 16 and 17 (Thurs. and Fri.)
June 20 and 21 (Thurs. and Fri.)
July 18 and 19 (Thurs. and Fri.)
September 19 and 20 (Thurs. and Fri.)
October 17 and 18 (Thurs. and Fri.)
November 21 and 22 (Thurs. and Fri.)
December 19 and 20 (Thurs. and Fri.)

NOTE: The above dates are* ***tentative.

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

Executive Director Richard Stensrud continued by reviewing the open and closed information items.

EXECUTIVE SESSION

At 1:19 p.m., Catherine Moss moved and Barbra Phillips seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Christine Holland, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

The Board returned to open session at 1:52 p.m.

Following Executive Session, Interim Deputy Executive Director Joe Marotta and Disability Manager Holly Cox discussed with the Board SB 341's pension reform changes which included modifications to the annual review standard for continued eligibility to receive a disability benefit. Previously, SERS would evaluate the member's ability to perform only their last-assigned school-related duty. For disability benefits granted on or after February 1, 2013, the annual review continues to be the recipient's ability to perform their school job for the first three to five years, but then changes to their ability to work in "any occupation." Whether the review standard changes after three or five years depends on whether the benefit recipient is obtaining medical treatment or vocational rehabilitation as recommended by the Retirement Board's physician or other consultant.

Under the new standard, in order to be considered capable of "any occupation", a physician must complete a Capabilities Checklist form, indicating what level of work the member is capable of performing (Sedentary/Light/Heavy/None, etc.). Also, the member must complete an Experience/ Education History form, which indicates any other jobs they have performed and what level of education they have completed. The case is then forwarded to a Vocational Evaluator to identify if there are any jobs the member is capable of doing, which would meet the following criteria:

- Replaces not less than 75% of the member's adjusted final average salary;
- Is reasonably found in the member's job market; and
- Which the member is qualified for by experience or education.

If the Vocational Evaluator is able to identify job(s) the member is capable of performing which meet the above criteria, the member is then examined by a SERS independent medical examiner to determine if they are physically and/or mentally capable of the job(s) identified. If the medical examiner agrees they are capable of performing the job(s) identified, the case is then reviewed by the Medical Advisory Committee. If the Medical Advisory Committee concurs that the member is capable of performing the job(s) identified, the case will be brought to the Board for formal action under the heading 'Termination of Disability Benefits – Any Occupation'.

If terminated, the member will have the same rights to appeal as previous terminations. Members will have 15 days to provide a notice of intent to appeal the termination, and 90 days from the date of the notice of termination to submit additional medical evidence in support of their disability benefit being continued, as well as the right to request a personal appearance before the Board.

ADJOURNMENT

James Rossler moved that the Board adjourn to meet on Thursday, October 18, 2018 for their regularly scheduled meeting. The meeting adjourned at 1:56 p.m.

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James Rossler, Board Chair

____
Richard Stensrud, Secretary