



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**  
**BOARD MEETING HIGHLIGHTS**  
**FEBRUARY 2019**

**Board Welcomes New Deputy Executive Director**

The SERS Board welcomed Deputy Executive Director Karen Roggenkamp as she attended her first Board meeting. Roggenkamp started her position at the end of January. Before joining SERS, Roggenkamp served as Deputy Executive Director / Chief Operating Officer of the Kentucky Retirement Systems.



**Fixed Income Portfolio Review**

Staff presented a review of the fixed income portfolio’s structure, the portfolio’s performance, and progress on FY2019 goals.

Due to changes in market conditions, SERS’ fixed income portfolio has been adjusted to better withstand volatility that began to surface in 2018. Since last year, exposure to core investments (Treasuries, corporate bonds, and mortgages) has been increased 3.4% to 48%; while exposure to core plus investments (core securities plus high yield and non-US debt) has been reduced by 2.5% to 49.5%; and exposure to emerging market debt has been reduced 0.9% to 2.5%. These changes have been implemented as a defensive stance to counter the Federal Reserve’s quarterly interest rate increases.

Staff also intentionally kept the portfolio below its 19% target to counter the drag on fixed income investments caused by rising interest rates. In 2019, staff began adding to core investments to reduce the nearly 5% underweight in the portfolio.

Even though net returns in the fixed income portfolio over the last year have been -0.59%, performance of the portfolio over the 3-, 5-, and 10-year periods has been positive. Also, with the exception of last year, the portfolio has outperformed the benchmarks over those same time periods.

**Investment Quarterly Report**

Joanna Bewick and David Lindberg of Wilshire Associates, SERS’ general investment consultant, provided the Board with an update of current investment conditions in the U.S. and SERS’ fourth quarter investment results.

While 2017 was one of the least volatile years over the last 40 years, 2018 tested the resolve of investors. In 2017, there were only four days where the market closed down at least 1%, while in 2018 there were 53 down days. The largest drawdown for stocks on any one day in 2017 was -1.85%, but in 2018, the largest daily drawdown was -4.02%.

During the fourth quarter (October 1, 2018 – December 31, 2018), the U.S. stock market was down -14.3%, which marked the worst quarter for equities since 2011.

SERS’ total fund returned -6.07% net of fees for the quarter, which was below the policy benchmark of -5.48%. Over the last 12 months, the total fund returned -1.94% net of fees, which was above the -2.07% benchmark. Only private equity and fixed income produced positive returns for the quarter.

Wilshire also reported that, despite the down quarter, SERS’ Total Fund return ranks in the top quartile for the 1-, 3-, and 5-year periods when compared to a peer universe of more than 130 funds.

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**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*

### Board Extends Actuarial Contract

The SERS Board approved a two-year contract extension with Cavanaugh Macdonald Consulting, LLC, SERS' actuary.

Cavanaugh Macdonald's initial five-year term expires on June 30, 2019. The approval authorizes the executive director to extend the contract for an additional two years, with a new expiration date of June 30, 2021.

### SERS Commits to Two Investments

The SERS Staff Investment Committee approved two commitments within the System's multi-asset strategies portfolio.

SERS made a \$50 million commitment to Arrowstreet Equity Long/Short, a qualitative equity long/short strategy, and a \$55 million commitment to BlackRock Hedge Fund Replica Strategy.

These investments will be funded from cash reserves.

### Total Fund Update

TOTAL FUND BALANCE		
November 30	December 31	Difference
\$13.96 billion	\$13.54 billion	▼ \$420 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▼ 3.25%	▼ 1.94%	▲ 7.09%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▼ 0.13%	▲ 0.13%	▲ 0.80%

### Executive Director's Update

#### *Employer Survey*

We recently surveyed our employers to determine their satisfaction with the newly redesigned SERS website, the updated eSERS online application, employer-specific publications, and the employer-g geared instructional videos and tutorials. Overall, the responses were favorable. When asked about what areas needed improvement, there were several suggestions in regard to making eSERS a more intuitive tool for receiving, submitting, and viewing employee information. Among the highpoints of the survey, the Employer Services team was praised for its commitment to customer service and its dedication to employers who called the SERS office for assistance.

### Monthly Retirement and Survivor Benefit Transactions

For February, the SERS Board approved 411 active members for service retirements, and 35 survivor benefits for spouses and/or dependents.

### March Meeting Dates

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