SERS Keeps Current with Proxy Voting Issues
Staff provided the Board with an overview of new and/or updated proxy issues for 2019.

Because SERS owns stock in public companies, the System is responsible for voting on a number of shareholder issues. To keep pace with the volume of issues that require a vote each quarter, SERS uses the proxy voting services of Institutional Shareholder Services (ISS) to vote on the System's behalf according to SERS' proxy voting policy and our custom guidelines.

Ahead of the upcoming proxy season, SERS' internal proxy voting committee reviewed 23 issues that ISS expects to appear on proxy ballots in 2019. The committee relied upon guidance from the Board-adopted Corporate Governance Principles in deciding how SERS will vote.

This proxy season, SERS expects to see a continued focus on corporate board diversity, as well as enhanced reporting on climate risk and the environment, and shareholder proposals addressing human capital management concerns. SERS continues to participate in the Midwest Investors Diversity Initiative, a group of institutional investors in the Midwest that works to encourage diversity on corporate boards.

In 2018, SERS became a signatory to the Investor Stewardship Group (ISG) Framework, and continues to support the group's efforts. This framework was developed by a group of asset and money managers, and includes basic investment stewardship and corporate governance standards for U.S. institutional investor and boardroom conduct.

SERS also remains involved in the Investors for Opioid Accountability (IOA) Group. The IOA is a group of institutional investors that engages with public companies associated with the opioid crisis. Its objective is to encourage corporate governance reforms that include increased oversight and transparency.

Finally, SERS continues to be an active member of the Council for Institutional Investors (CII), and is supportive of its advocacy at the federal level.

Global Real Assets Portfolio Review
Investment staff gave the Board an overview of SERS' global real assets portfolio.

The role of the global real assets portfolio is to provide stable income from tangible assets, be a partial inflation hedge over the long term, and provide low correlation to equities. Its objective is to provide returns in excess of the NCREIF Property Index (NPI).

Currently, the portfolio is 14.6% of the Total Fund, which is slightly under its 15% target. The portfolio is comprised of 81.3% private real estate (core and non-core); 16.1% infrastructure; and 2.6% public real estate (REITs).

As of December 2018, the global real assets portfolio's net-of-fees returns exceeded the policy benchmark over the 1-, 3-, and 5-year periods. The portfolio returned 10.17% for the 1-year, exceeding the benchmark by 3%. The 10-year return lagged the benchmark as a result of riskier portfolio construction during the last recession.
Since 2013, staff restructured the portfolio to make it more income-oriented, shifting allocations to core real estate and infrastructure.

Currently, industrial and infrastructure commitments are driving returns. Six of the top ten holdings are within the infrastructure portfolio, which includes assets such as airports, railways, toll roads, energy facilities, and public utilities.

Within the real estate sector, SERS has exposure to industrial, office, retail, hotel, multifamily, and other property types. Industrial remains the highest performing property type over the 1-, 3-, and 5-year periods, while office remains the lowest performing type with the highest volatility. Assets from hotel and other property types provide diversification to the portfolio.

Geographically, 34% of SERS’ U.S. real assets holdings are in the West, 34% in the East, 20% in the South, and 12% in the Midwest, with the west region producing the highest returns during all time periods.

Goals for 2019 include improving risk return characteristics by increasing infrastructure assets and maintaining current property type weightings.

**Board Extends Express Scripts, Inc. Contract**
The SERS Board approved a recommendation from the Health Care staff to extend the system’s current contract with pharmacy benefits manager Express Scripts, Inc. (ESI) for three years.

During this three-year period, ESI agreed to an 18.5% price improvement, which will save SERS and its retirees approximately $80 million in gross claims expenditures. Nearly all of the retirees covered by SERS’ health care plans receive their prescriptions through ESI, so there will be no disruption in service.

Because pharmacy benefits may change, SERS’ Health Care staff has the ability to bid for these services at a later date.

**Total Fund Update**

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<th>TOTAL FUND BALANCE</th>
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<tr>
<td>December 31</td>
<td>January 31</td>
<td>Difference</td>
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<td>$13.54 billion</td>
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<tr>
<th>TOTAL FUND RETURN (net of fees)</th>
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<tr>
<td>Fiscal Year</td>
<td>Calendar Year</td>
<td>3-Year</td>
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<table>
<thead>
<tr>
<th>TOTAL FUND RETURN vs. BENCHMARK</th>
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</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>Calendar Year</td>
<td>3-Year</td>
</tr>
<tr>
<td>▼0.04%</td>
<td>▲0.08%</td>
<td>▲0.99%</td>
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**Executive Director’s Update**

**Wraparound Advocacy Continues**
SERS continues to push for an extension of its health care Wraparound Program. System representatives have met with staff from all 18 members of the Ohio delegation.

As a result, Rep. Marcy Kaptur and Rep. Tim Ryan’s offices both submitted appropriations request forms as a placeholder for a legislative solution in any must-pass bill, which will probably be in September.

Senators Brown and Portman are both likely to contact the three authorizing agencies to press for a decision on behalf of SERS.
Monthly Retirement and Survivor Benefit Transactions
For March, the SERS Board approved 220 active members for service retirements, and 21 survivor benefits for spouses and/or dependents.

April Meeting Dates
The annual Board retreat will take place on Wednesday, April 17. Discussion topics will include pension funding and health care funding sustainability. The next Board meeting will take place Thursday, April 18 at 8:30 a.m., and Friday, April 19 at 8:30 a.m. (if necessary).