Pension and Health Care Sustainability Discussions
The Board continued their discussions on pension and health care sustainability.

You can find a detailed description of these facilitated discussions on the Sustainability page of the SERS website in the coming week.

Investments Quarterly Report
David Lindberg and Joanna Bewick of Wilshire Associates provided the Board with an update of current investment conditions in the U.S., and SERS’ fourth quarter (April-June) investment results for FY2019.

During the quarter, the stock market gained 4.0%. For the calendar year, the stock market gained 18.66%, which marked the strongest first half-year for U.S. equities in 24 years. Bewick noted that market volatility continues as trade concerns and a possible global economic slowdown influenced the market. In addition, non-U.S. equity markets were strong, while the U.S. Treasury yield curve fell across all maturities during the quarter due to a reduction in U.S. economic growth.

Lindberg reviewed SERS’ quarterly results and discussed comparisons to other U.S. public pension funds.

SERS’ Total Fund gross-of-fees gain of 3.27% ranked 43rd amongst its peer group. Over one year, SERS’ 7.31% gain ranked 27th, its three-year return of 10.33% ranked 12th, its five-year return of 7.45% ranked 7th, and its 10-year return of 10.16% ranked 19th.

Asset Allocation and Capital Market Assumptions Discussion
SERS’ investment staff and Wilshire Associates led a discussion on the role of asset allocation and capital market assumption methodology.

Policy asset allocation is the principal determinant of risk and return. The role of asset allocation within SERS’ portfolio is to maximize returns while minimizing risk.

Capital market assumptions help guide asset allocation decisions by taking into consideration current economic conditions, then setting realistic future return and risk expectations.

To ensure that SERS’ assets are appropriately allocated, SERS will conduct an asset allocation study this year with the goal of adopting the updated asset allocation policy targets in November or December 2019.

Investment Committee Approves Four Investments
The SERS Staff Investment Committee approved a $50 million commitment to Oaktree Special Situations Fund II, a distressed strategy, and a $50 million commitment to Altas Partners Holdings II, a buyout strategy, both within the private equity portfolio.

In addition, the committee approved a $100 million commitment to J.P. Morgan Global Transportation Income Fund, an infrastructure strategy in the real assets portfolio, and a $200 million transfer to SSgA Russell 1000 Growth Fund in the U.S. equity portfolio.
These investments will be funded from cash reserves.

**Total Fund Update**

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<tr>
<th>TOTAL FUND BALANCE</th>
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<tr>
<td>June 30</td>
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<td>$14.64 billion</td>
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<table>
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<tr>
<th>TOTAL FUND RETURN (net of fees)</th>
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<tbody>
<tr>
<td>Fiscal Year</td>
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<td>▲0.22%</td>
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<tr>
<th>TOTAL FUND RETURN vs. BENCHMARK</th>
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<tr>
<td>Fiscal Year</td>
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<td>▲0.08%</td>
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**Board Considers Retiree Appeal**
The Board considered a retiree’s appeal of staff determinations regarding the retiree’s effective date of retirement; the methodology and rationale used to determine the retiree’s SERS compensation; the retiree’s pension and PLOP amount; and contribution amounts due to SERS by community schools that engaged the retiree.

The Board voted to affirm the final staff determinations on these issues.

**Board Approved Filing of Proposed Amended Disability Rule**
The Board approved final filing of amendments to SERS’ administrative rule concerning applying for and receiving disability benefits. The first amendment clarified that members receiving a disability benefit from SERS may not serve as a school board member or governing board member. The second clarification is that employers have the responsibility of notifying SERS when a disability recipient returns to work before the scheduled termination date to avoid an overpayment situation.

**Information Security Update**
Karen Roggenkamp, deputy executive director, and Jay Patel, chief technology officer, provided the Board with an update on SERS’ Information Security Program.

The program monitors and implements continuous improvements in five areas: cyber hygiene (safeguards and good practices), threat detection, employee and stakeholder behavior, incident response, and third-party assurance.

Notable FY2019 accomplishments included an upgraded and enhanced Member Self-Service portal authentication; improved mobile device security; strengthened identity and access management with longer passwords and multi-factor authentication; implementation of tailored phishing simulations and improved metrics for department leaders; registration with the Financial Services Information Sharing and Analysis Center (FS-ISAC); completion of the annual incident response tabletop exercise; creation of an inventory of third parties that receive sensitive information; and development of standard processes for managing vendor selection and off-boarding when relationships terminate.

Goals for FY2020 include promoting a culture of risk awareness; clearly communicating key risks and detecting new risks; identifying risk management roles and responsibilities; and ensuring that what has been mitigated stays in place.

**Executive Director's Update**

*Deadline Approaching for Two Open Board Seats*
Special Elections are being held to fill one open employee-member Board seat and one open retiree-member Board seat.
Candidates for the open employee-member seat must submit a completed Certification Form and send a resume to the SERS Board of Trustees by October 1, 2019. The Board will nominate candidates at the October meeting. Interviews will take place at the November meeting, and the successor member will be elected. The term for this employee-member Board seat will run through June 30, 2020.

Candidates for the open retiree-member seat must submit a completed Certification Form and send a resume to the SERS Board of Trustees by November 5, 2019. The Board will nominate candidates at the November meeting. Interviews will take place at the December meeting, and the successor member will be elected. The term for this retiree-member seat will run through June 30, 2021.

More information and materials are available on the Board Election page of the SERS website.

**Federal Outreach for Wraparound Extension Continues**

SERS continues to advocate for an extension of its health care Wraparound Program, while developing other cost-saving alternatives in case the program is not extended beyond December 2019.

SERS will continue to keep members and retirees apprised of any changes to the program.

**SERS Gives Back to Charity**

For the fourth consecutive year, SERS partnered with Volunteers of America to participate in the Operation Backpack program, which aids students who our members serve.

Backpacks filled with school supplies are distributed to homeless and at-risk children throughout the Greater Columbus area.

This year, staff donated 104 filled backpacks, over 50% more than last year’s donation of 69 backpacks.

**Monthly Retirement and Survivor Benefit Transactions**

For September, the SERS Board approved 543 active members for service retirements, and 33 survivor benefits for spouses and/or dependents.

**October Meeting Dates**

The next Board meeting will take place Thursday, October 17 at 8:30 a.m. A special Board meeting will be held on Friday, October 18 at 8:30 a.m. to discuss pension sustainability.