Candidate Chosen for Open Employee-Member Seat
In accordance with the rules of a Special Board Election, Matthew King was chosen to fill the open employee-member Board seat.

King is the treasurer and chief fiscal officer at East Central Ohio ESC in New Philadelphia. He has also served as treasurer and chief fiscal officer at Barnesville Exempted Village School District for 13 years, and as an assistant auditor for the Ohio Auditor of State.

King earned a B.A. in Accounting from Bethany College and an MBA in Education Administration from Franciscan University.

The term for this seat runs from November 21, 2019, to June 30, 2020.

Candidates Chosen for Special Board Election Interview
From a pool of seven candidates, Board members selected Robert Hancock, Timothy Penton, and Frank Weglarz as candidates to be interviewed for the open retiree-member Board seat.

At the December 19 Board meeting, the Board will interview the candidates and discuss their qualifications. The candidate that receives a majority vote of the Board will fill the open seat.

The term for this Board seat runs through June 30, 2021.

Pension and Health Care Sustainability Discussions
The Board continued its discussion on pension sustainability.

A detailed description of this facilitated discussion can be found on the Sustainability page of the SERS website in the coming week.

Actuary Presents FY2019 Analysis to Board
SERS' actuary, Cavanaugh Macdonald Consulting, LLC, presented the results of the FY2019 pension and health care actuarial valuations to the Board.

In FY2019, SERS' funded level increased from 70.07% to 70.51%, and the amortization period (the amount of time it takes to pay off all pension liabilities) decreased from 26 years to 25 years.

Although investment returns were 5.67% in FY2019, prior investment gains of $71 million were recognized in FY2019 under SERS’ asset smoothing methodology. Smoothing allows investment gains and losses to be recognized equally over a four-year period, which helps to minimize market volatility and better determine the long-term actuarial funded status.

Under the System’s funding policy, the Board is allowed to allocate up to 0.50% of the 14% employer contribution rate toward health care if the funded ratio of the pension fund is at least 70%, but less than 80%. At the October Board meeting, Board members agreed to allocate the entire employer contribution of 14% to the pension fund, as an asset allocation study is currently underway that could change the structure of SERS-investment portfolio.

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RETIREMENT BOARD

CATHERINE D. MOSS  HUGH W. GARSIDE, JR.  JEFFREY T. DELEONE  JAMES HALLER  BARBARA M. PHILLIPS
Chair, Retiree-Member  Vice-Chair, Employee-Member  Appointed Member  Employee-Member  Employee-Member

JAMES A. ROSSLER, JR.  DANIEL L. WILSON  VACANT  VACANT
Appointed Member  Appointed Member  Employee-Member  Retiree-Member
and affect the funded status of the system. In addition, if the health care fund receives only the 1.50% surcharge and all other actuarial assumption are met, it is projected to remain solvent through 2034.

At the recommendation of SERS’ actuary, the Board set the minimum compensation amount of $23,000 for determination of the FY2021 health care surcharge.

**Investments Quarterly Report**

David Lindberg of Wilshire Associates provided the Board with an update of current investment conditions in the U.S. and SERS’ FY2020 first quarter investment results.

The U.S. stock market was up 1.2% for the quarter and 20.1% for the calendar year. There are several headwinds on the horizon: trade talks with China continue to be an unknown; the Federal Reserve’s monetary easing policy has added uncertainty to the markets; and the 10-year U.S. Treasury has fallen 1% this year, making it more difficult for investors to find yield because the U.S. offers some of the best rates in the world.

This quarter, SERS’ Total Fund gross-of-fees gain of 1.18% ranked 22nd in the nation out of more than 100 other U.S. funds. Over the one year, SERS’ 5.25% gain ranked 23rd nationally, its three-year return of 9.36% ranked 6th, its five-year return of 7.85% ranked 4th, and its 10-year return of 9.15% ranked 9th.

**Multi-Asset Strategies Portfolio Review**

Investment staff presented an annual review of the multi-asset strategies (MAS) portfolio focusing on the portfolio’s role, performance, and FY2020 goals.

The primary role of the MAS portfolio is to generate absolute returns with managed volatility and provide diversification to the Total Fund.

The long-term return target for MAS is to outperform the three-month U.S. Treasury bill, plus 4.5% net of fees. The custom benchmark is the HFRI Fund of Funds Index, plus 1%.

As of September 30, the MAS portfolio was 7.8% of the Total Fund, below the 10% target but within the 5%-15% range. Over the one-year period, the MAS portfolio returned 2.09% net of fees, 1.08% above the benchmark.

Since last year, volatility within the MAS portfolio has increased from 2.7% to 2.9%. This is reflective of higher volatility across the overall market.

Over the last year, staff has continued to broaden the role of the multi-strategy sector by increasing its allocation within the portfolio from 19% to 25%. It was just 8% of the MAS portfolio two years ago. In addition, staff is reducing exposure to the event-driven strategy due to lower expected returns as the current business cycle moves into its later stages. The allocation to event-driven managers is now 17% of the MAS portfolio, down from 29% last year. Exposure to the other three sectors, equity long/short, relative value, and tactical trading, have remained consistent over the last year.

In FY2020, staff will complete searches for new relative value and tactical trading managers; evaluate the passive hedge fund replication strategy for greater exposure in the portfolio; look for ways to reduce fees; and monitor the MAS portfolio ensuring appropriate risk and return.
Total Fund Update

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<th>TOTAL FUND BALANCE</th>
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<tr>
<td>August 31</td>
<td>$14.46 billion</td>
<td>September 30</td>
<td>$14.62 billion</td>
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<table>
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<tr>
<th>TOTAL FUND RETURN (net of fees)</th>
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<tr>
<td>Fiscal Year 1.02%</td>
<td>Calendar Year 11.32%</td>
<td>3-Year 8.66%</td>
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<th>TOTAL FUND RETURN vs. BENCHMARK</th>
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<tr>
<td>Fiscal Year 0.24%</td>
<td>Calendar Year 0.50%</td>
<td>3-Year 0.76%</td>
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Investment Committee Approves Two Investments
The SERS Staff Investment Committee approved a $70 million commitment to Fiera Capital’s EagleCrest Infrastructure Fund, which will be part of SERS’ real assets portfolio, and a $100 million commitment to BlackRock World Ex-US Alpha Tilts Fund, which is a large cap core strategy within the non-US equity portfolio. BlackRock was chosen as the result of an RFP issued in February 2019.

Both investments will be funded from cash reserves.

Executive Director’s Update

Deadline Approaching for Full-Term Employee-Member and Retiree-Member Board Seats
One employee-member seat and one retiree-member seat are up for election with the terms beginning July 1, 2020, and ending June 30, 2024.

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
- 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 or his or her SERS ID number

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
- Make sure that each signing retiree indicates his or her county of residence, and last four digits of his or her Social Security number or his or her SERS ID number

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 6, 2019

Wraparound Wrangling Continues
Congresswoman Marcy Kaptur introduced H.R. 4763, a bill that would extend the Wrap Program for five years. It has bipartisan support, and SERS is advocating for its passage. However, SERS also is moving forward with an HRA alternative to the Wrap for that population in calendar year 2020. In the event that legislation is passed to secure a long-term extension, SERS will move back to the Wraparound model.
SERS Advocates for Diverse Board Representation
HCR 13, a resolution encouraging diverse gender representation on the boards and in senior management of Ohio companies and institutions, received a second hearing in the Ohio House Civil Justice committee on November 12. Julie Deisler, SERS’ Enterprise Risk Management Officer, provided testimony in support of the resolution, along with witnesses from OPERS and the Women for Economic and Leadership Development (WELD) organization.

Staff Charitable Efforts
Staff donated 127 pounds of candy to Operation Gratitude for actively deployed troops, first responders, veterans, wounded heroes and their caregivers, and military families. Last year’s total was 76 pounds.

Also, SERS’ United Way campaign ended last week, with 74% of staff participating. Preliminary figures indicated a total of $17,484 was raised through payroll deductions and one-time pledges, 5% more than last year.

Monthly Retirement and Survivor Benefit Transactions
For November, the SERS Board approved 582 active members for service retirements, and 25 survivor benefits for spouses and/or dependents.

December Meeting Dates
The next Board meeting will take place Thursday, December 19 at 8:30 a.m; pension sustainability will be one of the topics covered at the meeting.