Board Member Takes Oath
Employee-member Matthew King, left, took his oath of office at this month’s Board meeting.

King, treasurer and chief financial officer at East Central Ohio ESC in New Philadelphia, is beginning his first term on the Board.

He was chosen in November to fill the unexpired term of a member who resigned.

King’s term runs through June 30, 2020.

Candidate Chosen for Open Retiree-Member Seat
In accordance with the rules of a Special Board Election, Frank Weglarz, left, was chosen to fill the open retiree-member Board seat. Weglarz took his oath of office at this month’s Board meeting.

This is Weglarz’s second term on the Board. He previously served from November 2013 to June 2015.

Weglarz retired from Cleveland Heights-University Heights City Schools after 23 years of service.

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

Board Member Candidates Certified
At the meeting, the Board certified that Matthew King submitted sufficient petitions to qualify as a candidate for the four-year employee-member seat term that begins July 1, 2020 and ends on June 30, 2024.

Under Ohio law, because only one candidate qualified for the open employee-member seat, no election will be held and Mr. King will take office on July 1, 2020 as if elected.
The Board also certified that Catherine Moss and Beverly A. Woolridge submitted sufficient petitions to qualify as candidates for the four-year retiree-member seat term that begins on July 1, 2020 and ends on June 30, 2024. Moss is running for a fifth term on the Board, and Woolridge for a third term. Woolridge previously served one term as an employee-member and one term as a retiree-member.

All retirees and disability recipients will receive a ballot, a postage-paid return envelope, and candidate biographies by early February. Ballots must be returned no later than 4:30 p.m. EST on March 2, 2020, to be valid.

**Pension and Health Care Sustainability Discussions**

The Board continued their discussion on pension sustainability.

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

**External Auditor Presents FY2019 Analysis**

David Andrews, engagement partner with SERS' independent external auditor, RSM US LLP, presented the FY2019 Independent Auditor's Report to the Board. The results of the RSM audit produced an unmodified opinion, which means that SERS' financial statements are presented, in all material respects, in accordance with applicable financial reporting framework.

The auditors examined controls governing investment transactions, assessed contributions and benefit payments for compliance with SERS' policies, and confirmed the relevance of actuarial assumptions. There were no material findings in any of the audited areas.

As the audit progresses, staff works to assemble the information contained in the Comprehensive Annual Financial Report (CAFR), which summarizes SERS' financial health, investment performance, and accomplishments of the last fiscal year (July 1-June 30). The CAFR also provides detailed financial statements, statistical information, and in-depth explanations of the numbers.

An electronic version of the CAFR is available on our website.

**Fixed Income Annual Portfolio Review**

Staff presented a review of the fixed income portfolio's structure and performance, as well as progress on FY2020 goals.

Currently, SERS' fixed income portfolio has a market value of $2.4 billion and is 2.7% below its 19% target. This portfolio contains investments in three sectors: 51.7% in core (Treasuries, corporate bonds, and mortgages); 46% in core plus (core securities plus high yield and non-US debt); and 2.3% in emerging market debt.

Even though fixed income has experienced double-digit returns over the last year, several market headwinds are signaling lower returns next year.

The fixed income portfolio has registered positive returns over the 1-, 3-, 5-, and 10-year periods, and has outperformed the benchmark in all periods as well.
Total Fund Update

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<tr>
<th>TOTAL FUND BALANCE</th>
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<tbody>
<tr>
<td>September 30</td>
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<td>$14.62 billion</td>
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<th>TOTAL FUND RETURN (net of fees)</th>
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<tr>
<td>Fiscal Year</td>
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<td>▲ 2.35%</td>
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Sustainability Newsletter
A four-page newsletter with content devoted entirely to the sustainability initiative will be mailed to all retirees and active members at the end of December.

Staff Charitable Efforts
Salvation Army Angel Tree Toy Drive
Each year, staff participates in this annual toy drive, which provides toys to children in need.

This year, the Salvation Army sent SERS 65 gift tags listing specific toys and gifts requested by children. Staff surpassed the goal of 65 by purchasing a total of 83 gifts for boys and girls throughout the central Ohio area.

Annual IT Bake-off ‘Cookie Extravaganza for Toys for Tots’
Staff baked, bought, donated, and ate dozens of cookies in order to raise more than $700 for Toys for Tots.

Year-End Federal Update
Carol Nolan Drake, SERS’ federal government relations consultant, briefed the Board on pension and health care issues tackled in 2019, as well as issues to watch for in the coming year.

Significant Issues Addressed in 2019 Include:

1. SERS Wraparound Plan
Congresswoman Marcy Kaptur introduced the Wraparound Health Coverage Protection Act, or H.R. 4763, which would extend the limited wraparound coverage pilot program for five years or until December 31, 2024. The bill had bipartisan support, and SERS is pushing for its passage.

Efforts have also focused on seeking inclusion of the wraparound plan extension language in other vehicles. Even though the language was not accepted into the recently passed federal government spending bill, SERS will continue to look for other appropriate bills where it could be included.
SERS 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.

2. Windfall Elimination Provision (WEP) and Government Pension Offset (GPO)
   Earlier this year, Congressman Richard Neal (D-MA) introduced H.R.4540, currently with 65 cosponsors, and Congressman Kevin Brady (R-TX) introduced H.R. 3934, currently with 43 cosponsors. Both bills propose an alternative formula that is intended to be fairer than the current WEP formula.

   On November 19, 2019, Executive Director Richard Stensrud wrote a letter to the Committee on Ways and Means Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) recommending a bipartisan solution. Staff members from the House Ways and Means Committee indicated that both Chairman Neal and Ranking Member Brady are hoping that a bipartisan agreement will be reached to sort out the differences between the two bills.

   In January, Congressman Rodney Davis (R-IL) introduced H.R. 141, the “Social Security Fairness Act of 2019,” a full WEP and GPO repeal bill with 231 bipartisan cosponsors. The Senate companion bill, S. 521, had 36 cosponsors.

3. Cadillac Tax Repeal
   The 2020 federal government spending bill will include a repeal of three Affordable Care Act taxes, namely the Cadillac tax, which is currently scheduled to take effect in 2022. If implemented, the tax would have made employers responsible for a 40% tax on the value of health care benefits above certain thresholds.

   The other two taxes up for repeal are the 2.3% excise tax on medical devices and the Health Insurance Tax, an excise tax on health insurance providers.

What’s in Store for 2020?

1. SERS Will Continue to Fight for Health Care.
   SERS will remain vigilant in lobbying for an extension of the wraparound coverage pilot program. It will continue to seek cosponsors for the Wraparound Health Coverage Protection Act from the entire Ohio delegation and other House members in states that have supported wraparound plans.

2. SERS Will Continue to Advocate for WEP Reform.
   SERS will meet with members of Congress to discuss and encourage bipartisan support of permanent legislative solution for retirees who have been impacted and members who will be unfairly disadvantaged by the WEP when they retire.

3. SERS will continue its education and outreach to Ohio’s federal delegation.

Monthly Retirement and Survivor Benefit Transactions
For December, the SERS Board approved 217 active members for service retirements, and 12 survivor benefits for spouses and/or dependents.

February Meeting Dates
There will not be a Board meeting in January. The next Board meeting will take place Thursday, February 20 at 8:30 a.m. and Friday, February 21 at 8:30 a.m. (if necessary). The Board will hold its annual retreat in the O'Keefe Conference Center at SERS' headquarters in Columbus on Wednesday, February 19, beginning at 10 a.m.