

**Retirement Board Agenda  
December 17, 2020  
8:30 A.M.**

**Click the Zoom Link to Join the Meeting:**

<https://ohsers.zoom.us/j/93736326958?pwd=Z21SVkxESFkyN0ZockhjUICOGxXdz09>

**Meeting ID: 937 3632 6958**

**Password: 294365**

**To Join By Phone, dial by your location: (929) 205-6099 U.S.**

**PLEDGE OF ALLEGIANCE**

1. Oath of Office
2. Roll Call
3. Approval of Minutes (R)

**EXTERNAL AUDIT REPORT**

4. External Audit Report

**INVESTMENT REPORT**

5. Annual Portfolio Review – Global Equity
6. Global Equities Benchmark Recommendation (R)
7. Monthly Investment Report
8. Summary of Investment Transactions (R)

**EXECUTIVE DIRECTOR'S REPORT**

9. Executive Director's Update
  - CAFR Highlights
10. Federal Report Update – Carol Nolan Drake
11. 2020 Qualified Excess Benefit Plan Budget (QEBA) (R)
12. Five-Year Review and Filing of No Change Administrative Rules (R)
13. Superannuation and Survivor Benefits (R)
14. Special Cases (R)
15. Superannuation Adjustments (R)
16. Certification of Candidates – Employee Member Seats (R)
17. Certification of Candidate – Retiree Member Seat (R)
18. Medical Advisory Committee Chairman Increase (R)

**RETIREMENT REPORT**

19. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (R)
20. Approval of Disability Benefits (R)
21. Disapproval of Disability Benefits (R)
22. Disapproval of Appeal for Disability Benefits (R)
23. Approval of Appeal of Termination – Any Occupation (R)

**INTERNAL AUDIT REPORT**

24. Internal Audit Update

**BOARD COMMUNICATION AND POLICY ISSUES**

25. Calendar Dates for Future Board Meetings
26. Continued or New Business
  - Board Information Requests and Follow-up Items

**Adjournment (R)**

**OATH OF OFFICE**

OATH OF OFFICE OF JAMES ROSSLER, JR.  
MEMBER OF THE RETIREMENT BOARD OF THE  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF FRANKLIN)

I, JAMES ROSSLER, JR., do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Ohio; that I will not knowingly violate or willfully permit to be violated any of the provisions of law applicable to this Retirement System, and that I will diligently and honestly administer the affairs of the said office and duties as a member of the Retirement Board of the School Employees Retirement System of Ohio during the period for which I was appointed.

\_\_\_\_\_  
JAMES ROSSLER, JR.

SWORN TO and SUBSCRIBED before me this 17<sup>nd</sup> day of December, 2020.

\_\_\_\_\_  
Notary Public

ATTESTED BY:

\_\_\_\_\_  
Richard Stensrud, Executive Director

\_\_\_\_\_  
Hugh Garside, Jr., Chairperson

**ITEM 2.**

**Retirement Board Meeting  
December 17, 2020**

\_\_\_\_\_ A.M.

Roll Call:

Hugh Garside	_____
Jeffrey T. DeLeone	_____
James Haller	_____
Matthew King	_____
Catherine Moss	_____
James Rossler	_____
Frank Weglarz	_____
Daniel Wilson	_____
Barbra Phillips	_____

**ITEM 3.**

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON  
November 19, 2020**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, November 19, 2020.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

## **EXTERNAL AUDIT REPORT**

**External Audit Update**



# Global Equity Portfolio Board Presentation

December 2020

*Serving the People Who Serve Our Schools®*





# **GLOBAL EQUITY MARKET REVIEW**

## **For US and World Ex US**

### **as of October 2020**

# Global Equity Market Review

## as of October 31, 2020

FYTD	One Year	Three Years	Five Years	Ten Years
Emerging 11.82%	Russell 3000 Growth 28.20%	Russell 3000 Growth 18.01%	Russell 3000 Growth 16.84%	Russell 3000 Growth 16.00%
Russell 3000 Growth 9.29%	All Country Growth 11.43%	Russell 1000 Large 10.63%	Russell 1000 Large 11.79%	Russell 1000 Large 13.05%
All Country Growth 8.22%	Russell 1000 Large 10.87%	Russell 3000 10.04%	Russell 3000 11.48%	Russell 3000 12.80%
Russell 2000 Small 7.13%	Russell 3000 10.15%	All Country Growth 5.85%	All Country Growth 8.17%	Russell 2000 Small 9.64%
Russell 3000 6.85%	Emerging 8.25%	Russell 2000 Small 2.19%	Emerging 7.92%	Russell 3000 Value 9.30%
Russell 1000 Large 6.83%	Russell 2000 Small (0.14%)	Emerging 1.94%	Russell 2000 Small 7.27%	All Country Growth 5.85%
Russell 3000 Value 4.32%	All Country Ex-US (2.61%)	Russell 3000 Value 1.52%	Russell 3000 Value 5.69%	Developed Ex-US 3.58%
All Country Ex-US 3.97%	Developed Ex-US (6.79%)	All Country Ex-US (0.19%)	All Country Ex-US 4.26%	All Country Ex-US 3.43%
All Country Value 1.44%	Russell 3000 Value (8.00%)	Developed Ex-US (1.17%)	Developed Ex-US 2.97%	Emerging 2.42%
Developed Ex-US 0.80%	All Country Value (15.94%)	All Country Value (6.33%)	All Country Value 0.18%	All Country Value 0.88%



# Global Equities Overview

Portfolio	Policy Allocation	Current Allocation	Benchmark
Global Equity	<b>45%</b> US Equity: 22.5% Non-US: 22.5%	45.9%	50% Russell 3000 Index 50% MSCI ACWI ex-US Index (\$net)
US Equity	50%	53.4%	Russell 3000 Index
Non-US Equity	50%	46.6%	MSCI All Country World ex-US Index (\$net)



# US Equity

As of October 31, 2020

# US Equity Portfolio Summary

## \$3.7 Billion Market Value

- 68.2% of Portfolio is Passive with 1 Manager, ranked as A
- 31.8% of Portfolio is Active with 6 Mandates
  - Three ranked as A
  - Three ranked as B

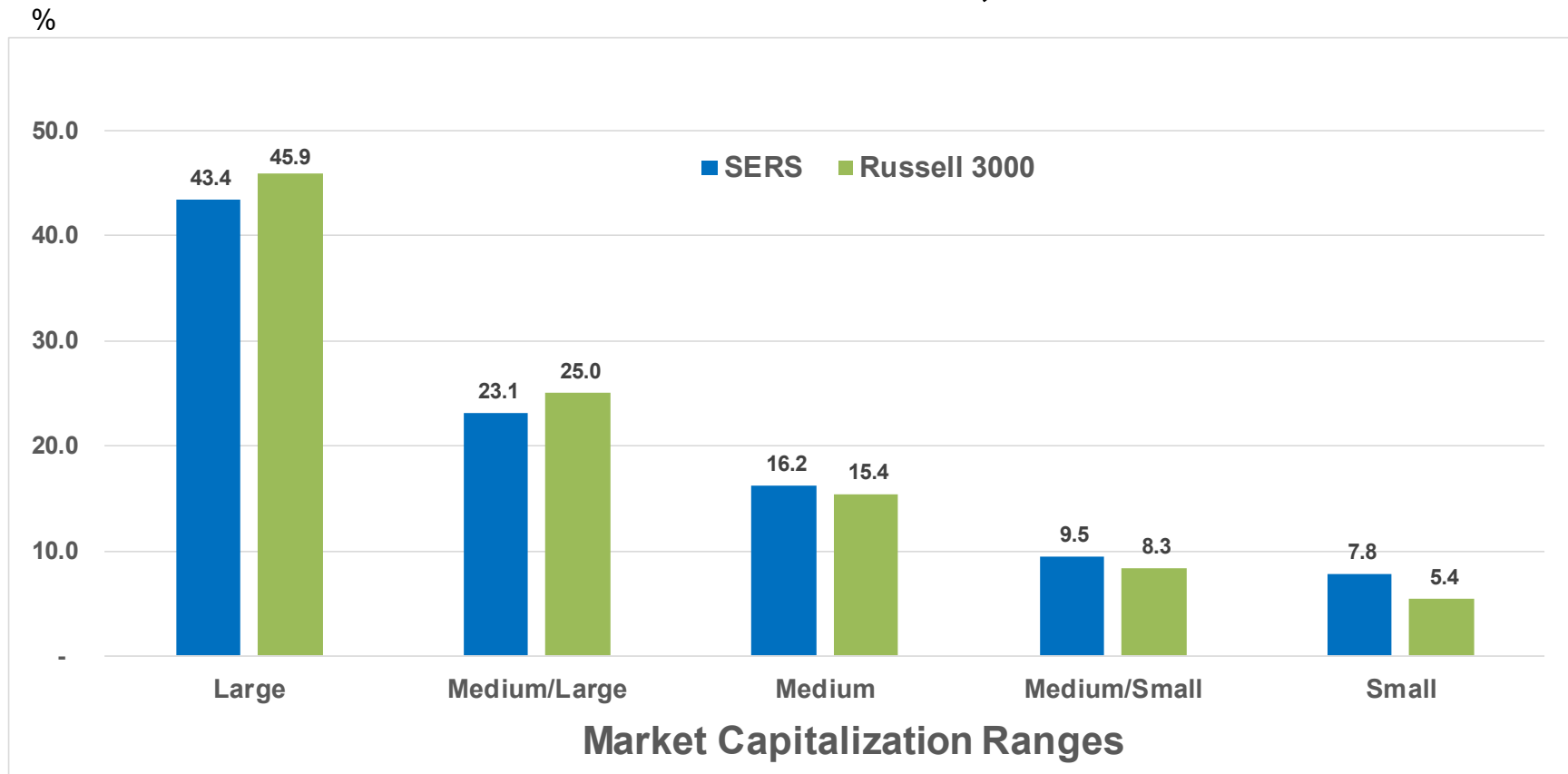
## Focus on Portfolio Structure

- US Markets are Efficient – Passively Invest most Large Cap Stocks
- Reviewing US Portfolio with Wilshire
- Portfolio Management Fee declined from 21 down to 17 bps

## Offers Growth Appreciation to Total Fund

- Contribution to Total Fund Risk is 34.5% while Portfolio Weight is 24.5%
- US Equity Allocation Overweight at 24.5% versus 22.5% Target Allocation

# US Equity Market Capitalization as of October 31, 2020

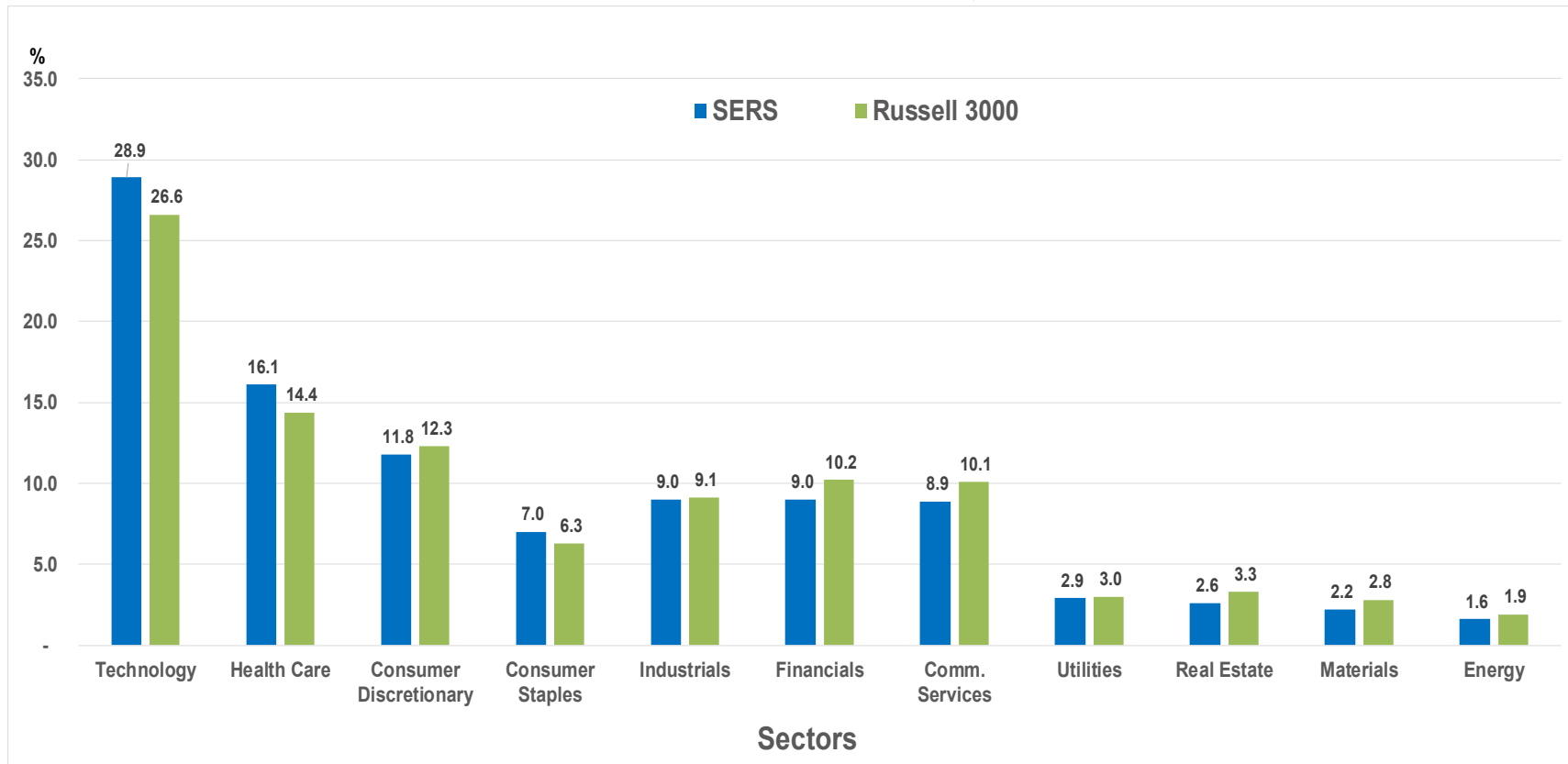


# US Portfolio Characteristics

## as of October 31, 2020

Sector	SERS	Russell 3000
Price/Earnings	31.5	32.9
Price/Book	3.8	3.5
Price/Cash Flow	18.5	18.5
Price/Sales	2.6	2.5
Dividend Yield	1.5	1.6
Number of Holdings	1,146	3,023
Beta	0.98	N/A

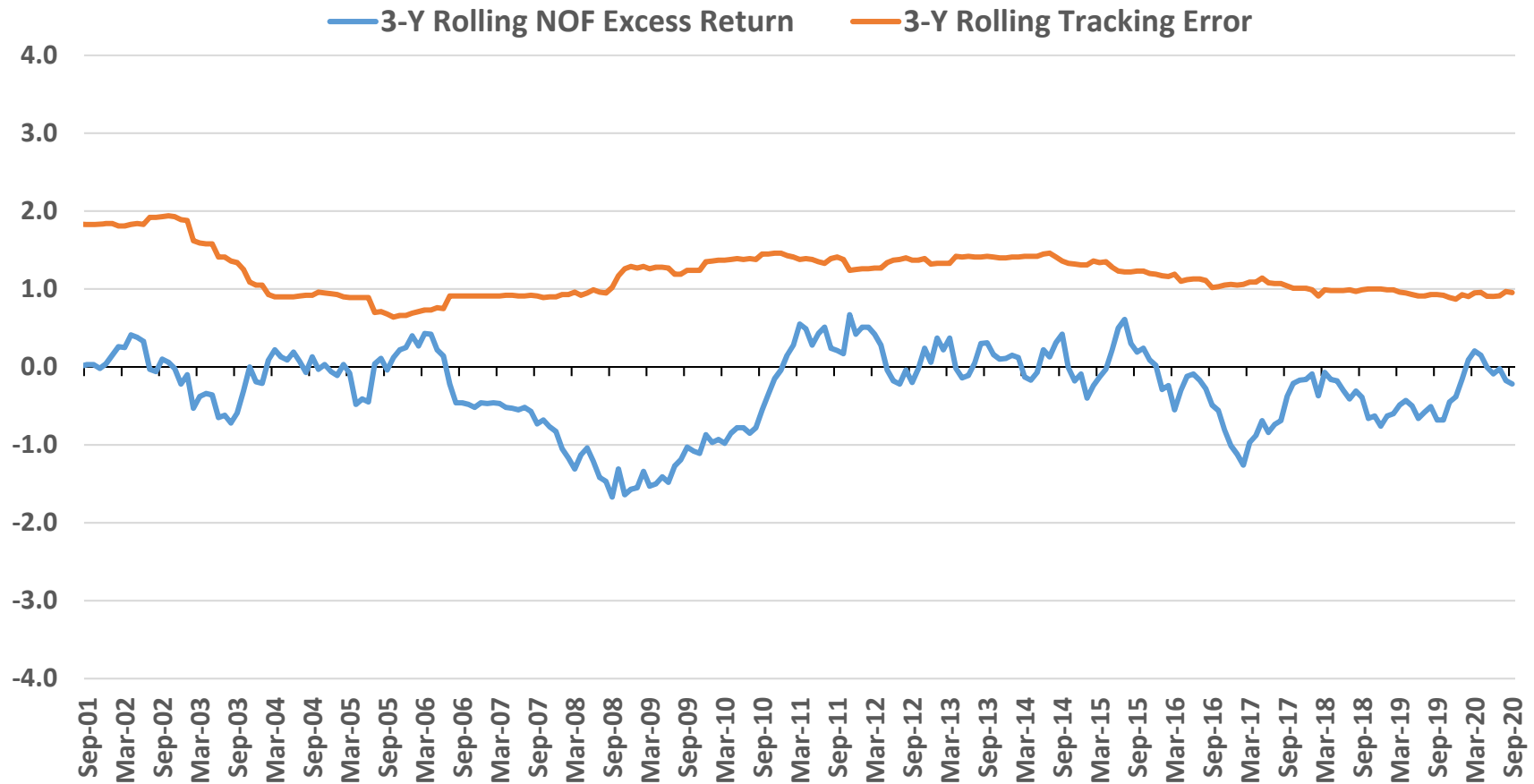
# US Equity Sector Exposures as of October 31, 2020



# US Equity Net of Fee Performance as of October 31, 2020

	One Year	Three Years	Five Years	Ten Years
<b>US Equity</b>	<b>11.26%</b>	<b>9.79%</b>	<b>11.22%</b>	<b>12.59%</b>
-Large Active (19.0%)	6.93	7.22	8.78	10.81
-Large Passive (60.7%)	10.87	10.68	11.81	13.06
-Large Passive Growth (7.5%)	29.12			
-Small Active (12.8%)	8.59	6.75	11.08	12.34
<b>Russell 3000 Benchmark</b>	<b>10.15%</b>	<b>10.04%</b>	<b>11.48%</b>	<b>12.80%</b>
<b>Excess Return</b>	<b>1.11%</b>	<b>(0.25%)</b>	<b>(0.26%)</b>	<b>(0.21%)</b>

# US Equity Three Year Risk & Return





# Calendar 2020 and Goals Review

## Monitor US Equity Performance

- New Passive Growth Mandate Contributed to Outperformance
- 4 of 6 Active Managers Outperformed their Benchmark
- Only 2 of 6 Active Managers Outperformed the Passive Large Mandate

## US Equity Tracking Error

- Three Year Rolling Tracking Error Averaged 0.92%, Below the 1% Target
- Barra Predicts a 1.9% Tracking Error going forward due to Increased Market Volatility

## US Equity Portfolio Monitoring

- Fully Renegotiated One Manager IMA
- Redeemed a net \$175M in 2020, harvesting Gains
- Allowed the Portfolio to Increase to a 25.4% Maximum Weight, taking advantage of Strong US Equity Returns



# Non-US Equity

## As of October 31, 2020



# Non-US Equity Portfolio Summary

## \$3.2 Billion Market Value

- 26.8% of Portfolio is Passive with one Mandate, ranked as A
- 73.2% of Portfolio is Active with 12 Mandates
  - 10 ranked as B or higher (7 ranked as A)
  - 2 New Active Mandates - Funded in January and November 2020

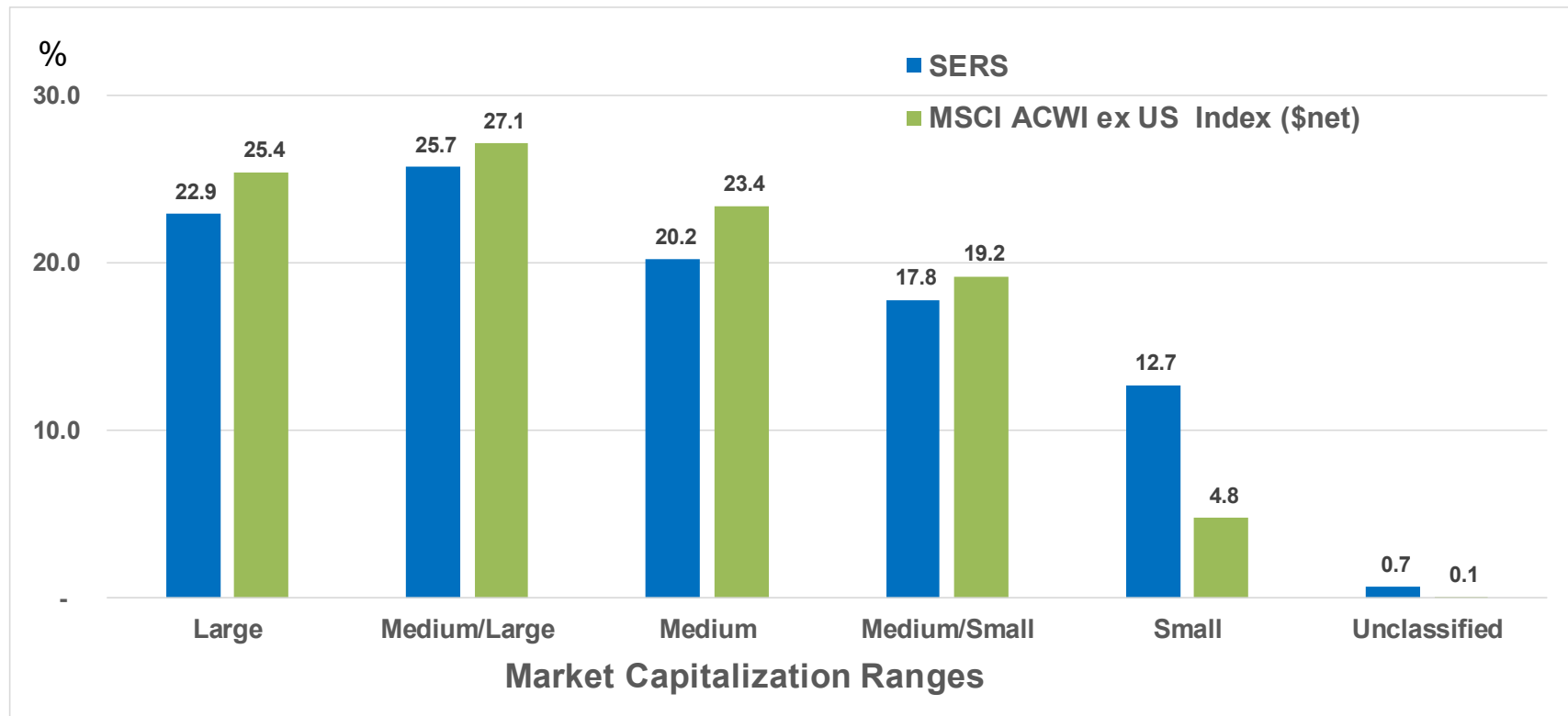
## Focus on Portfolio Structure

- Non-US Markets are more Inefficient than US – Use More Active Management
- Emerging and Small Cap Active Mandates helpful, but need to Allocate Appropriately
- Portfolio Management Fee of 41 bps

## Offers Growth Appreciation to Total Fund

- Contribution to Total Fund Risk is 25.8% while Portfolio Weight is 21.4%
- Non-US Equity Allocation Underweight at 21.4% versus 22.5% Target Allocation

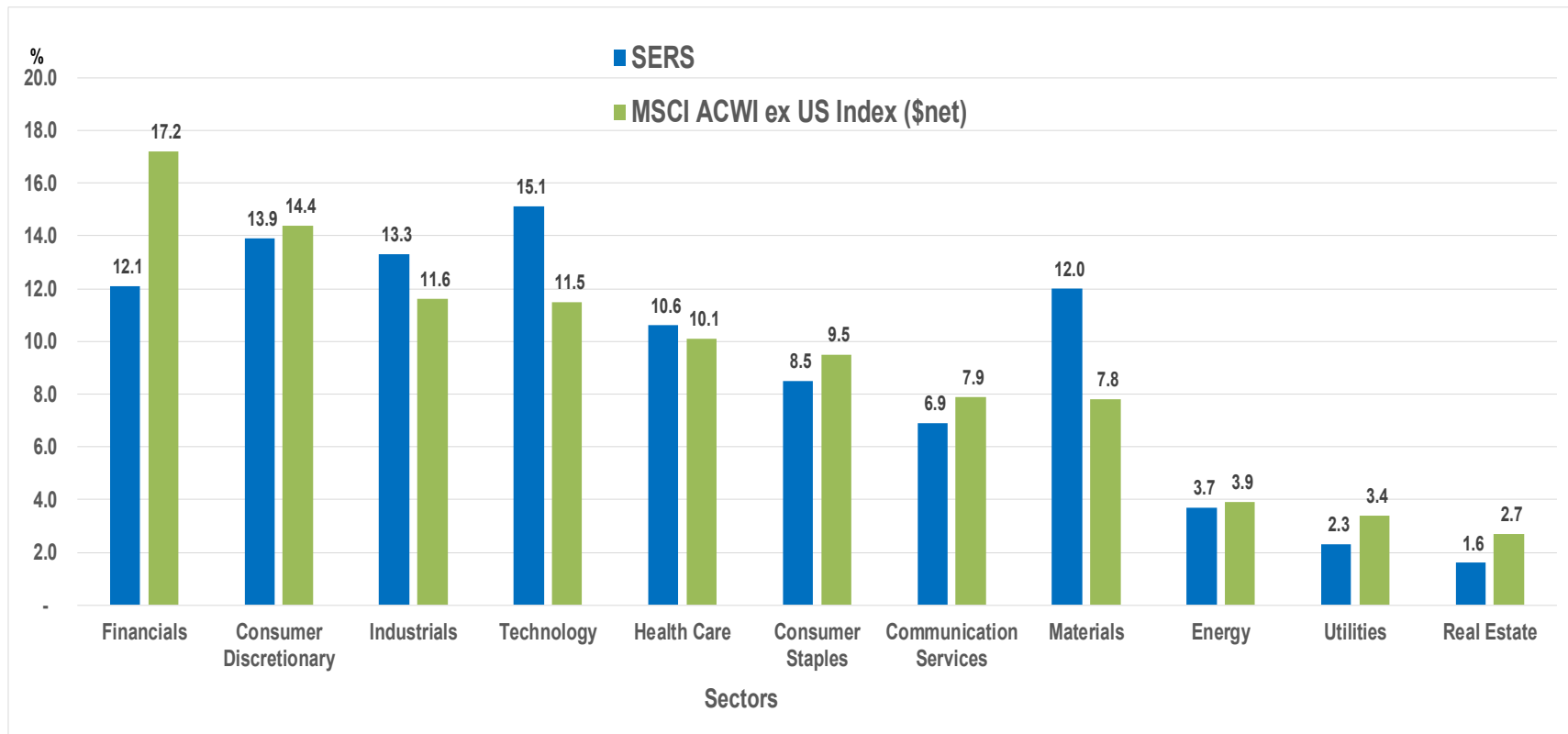
# Non-US Equity Market Capitalization as of October 31, 2020



# Non-US Equity Portfolio Characteristics as of October 31, 2020

Sector	SERS	MSCI ACWI ex US (\$net)
Price/Earnings	24.9	25.1
Price/Book	1.7	1.7
Price/Cash Flow	8.7	9.1
Price/Sales	1.1	1.2
Dividend Yield	2.7	2.8
Developed Market Allocation %	70.7%	69.0%
Emerging Market Allocation %	29.3%	31.0%
Number of Holdings	2,006	2,367
Beta	1.01	N/A

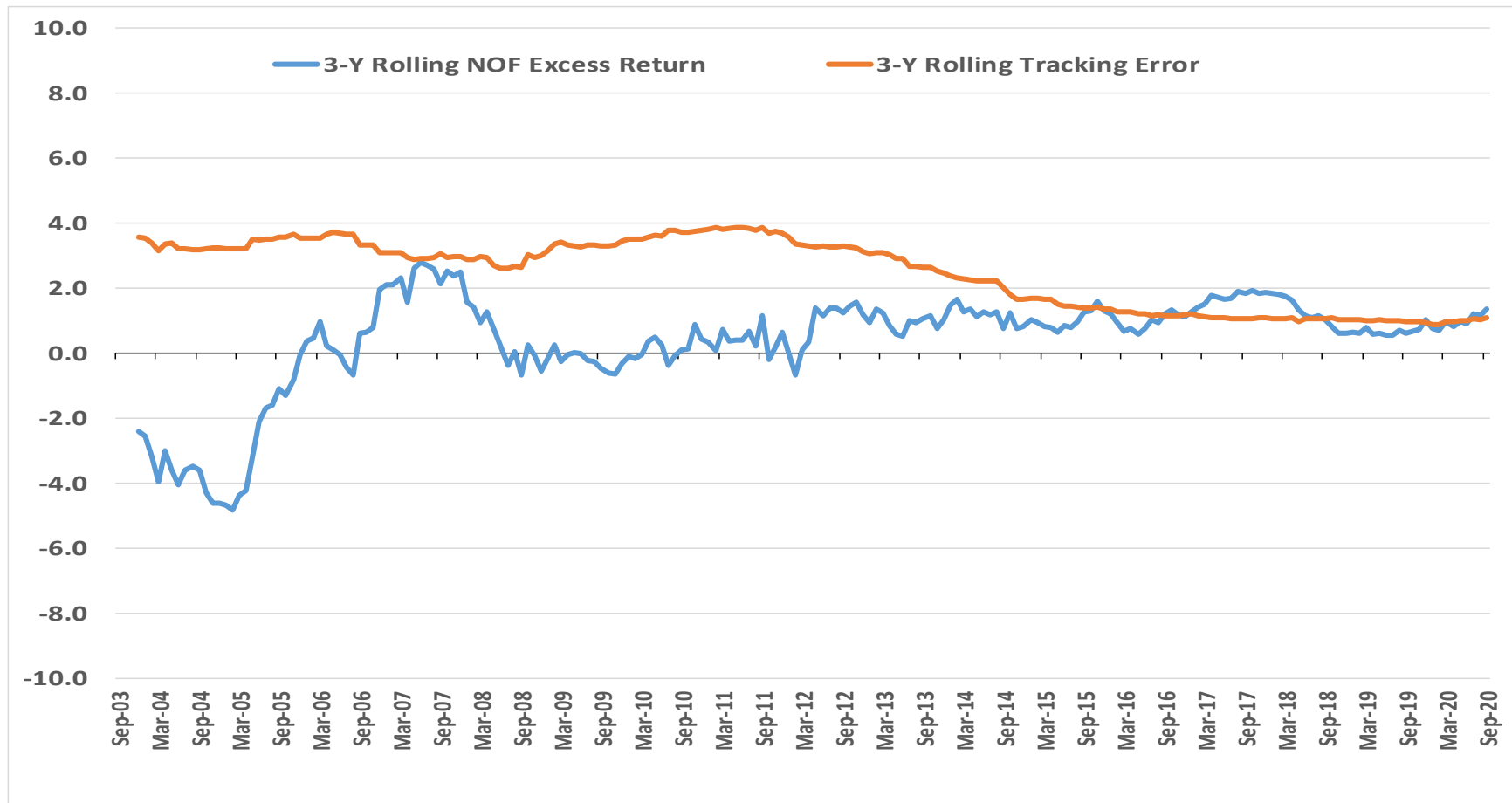
# Non-US Equity Sector Exposures as of October 31, 2020



# Non-US Equity Net of Fee Performance as of October 31, 2020

		One Year	Three Years	Five Years	Ten Years
<b>Non-US Equity</b>		<b>0.14%</b>	<b>1.05%</b>	<b>5.65%</b>	<b>4.65%</b>
-Large Active Developed	(22.6%)	(2.27)	1.30	5.91	5.58
-Large Active All Country	(22.1%)	(0.14)	1.35	6.16	6.34
-Large Passive Developed	(26.8%)	(6.41)	(0.79)	3.32	3.96
-Small Active	( 4.4%)	(2.33)	(2.75)	4.33	6.39
-Emerging Active	(24.1%)	14.92	5.12	9.68	3.05
<b>MSCI ACWI ex-US Index (\$net)</b>		<b>(2.61)</b>	<b>(0.19)</b>	<b>4.26</b>	<b>3.75</b>
<b>Excess Return</b>		<b>2.75%</b>	<b>1.24%</b>	<b>1.39%</b>	<b>0.90%</b>

# Non-US Equity Three Year Risk & Return





# Calendar 2020 and Goals Review

## Good Non-US Equity Returns Driven By

- Ten out of Twelve Managers Outperformed their Benchmarks in 2020
- Passive Mandate Allocation Reduced from 28.0% to 26.8%

## Tracking Error

- Three Year Rolling Tracking Error Averaged 0.98%, Below the 2.5% Target
- Barra Predicts a 1.2% Tracking Error going forward

## Committed \$50 Million to One New Mandate

- Funded a Quantitative 130-30 Strategy (130% Long – 30% Short)
- Mandate allows Shorting with a Net 100% Long Exposure
- New Mandate is with an Existing High Conviction Non-US Equity Manager

## Portfolio Monitoring

- Fully Renegotiated One Manager IMA
- Redeemed a net \$100 Million
- Underweighted the Portfolio Allocation an Average of 1.25%

# Presentation Acronyms

- **All Country Ex US:** MSCI All Country World Excluding United States Net Index, which includes stocks from 22 developed countries and 24 emerging market countries
- **All Country Growth:** MSCI All Country World Excluding United States Growth Net Index, which includes stocks from 22 developed countries and 24 emerging market countries with higher expected growth
- **All Country Value:** MSCI All Country World Excluding United States Value Net Index, which includes stocks from 22 developed countries and 24 emerging market countries with lower price-to-book ratios and lower expected growth rates
- **Developed World:** MSCI World Excluding United States Net Dividend Index, which includes stocks from 22 developed countries
- **Emerging:** MSCI Emerging Markets Net Dividend Index, which includes stocks from 24 emerging market countries
- **Russell 1000 Large:** Russell's Top 1,000 United States Companies by Market Capitalization
- **Russell 2000 Small:** Russell's Smallest 2,000 United States Companies by Market Capitalization
- **Russell 3000:** Russell's Top 3,000 United States Companies by Market Capitalization
- **Russell 3000 Growth:** Russell's Top 3,000 United States Companies by Market Capitalization that display signs of above average growth
- **Russell 3000 Value:** Russell's Top 3,000 United States Companies by Market Capitalization that have lower price-to-book ratios and lower expected growth rates
- **130-30 Strategy:** An equity strategy introducing risk controlled leverage to buy 130% long while simultaneously selling 30% short, composing a net 100% portfolio.



# Memo

**To:** Retirement Board  
**From:** Katie Bloomfield  
**cc:** Richard Stensrud, Karen Roggenkamp, Farouki Majeed, Joe Bell  
**Date:** 12/04/2020  
**Re:** **October 2020 Compliance Report**

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This memorandum reports on compliance with Investment policies that are set by the Board, and alignment with portfolio guidelines that are established in the Annual Investment Plan, for the period ending October 31, 2020.

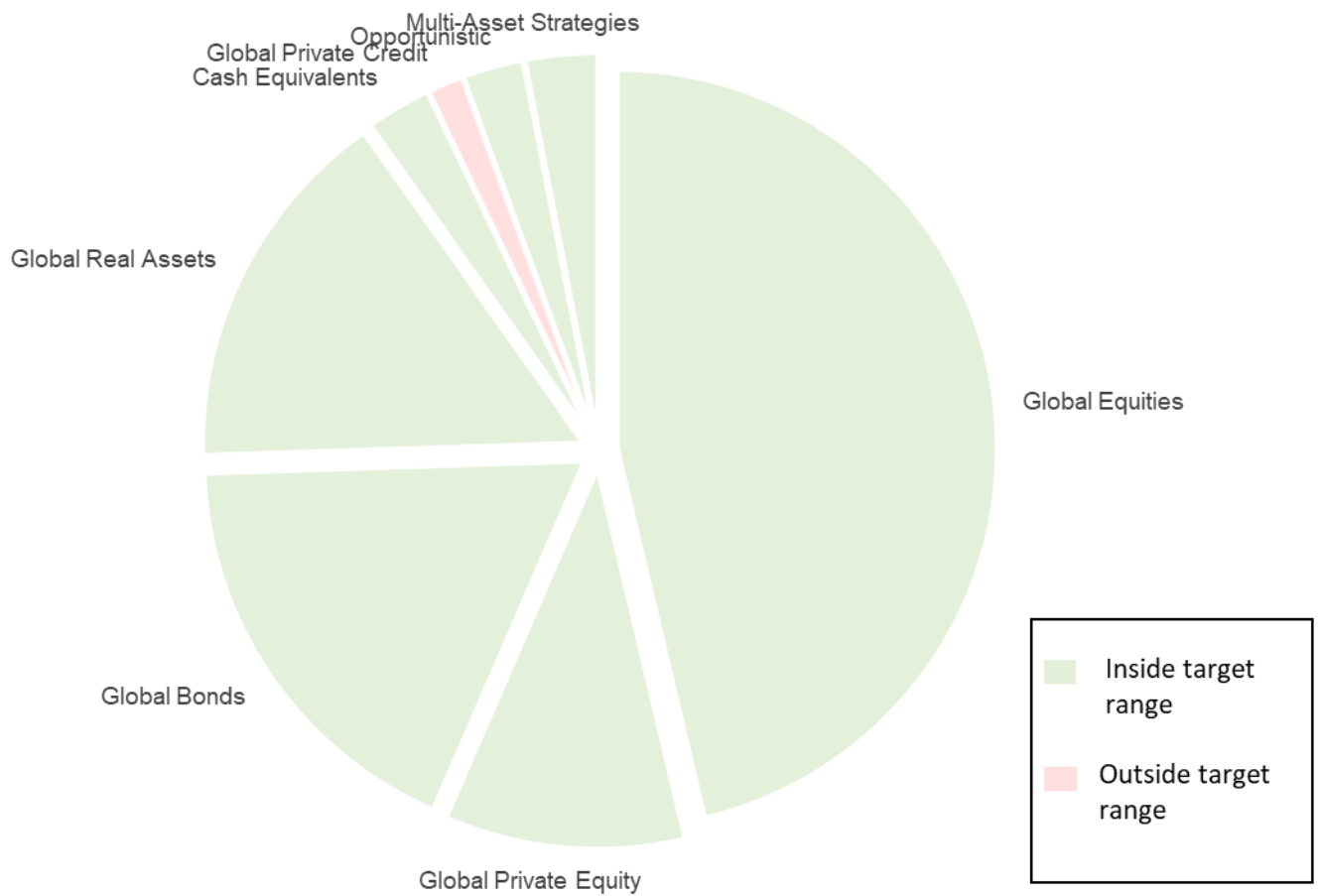
The following charts summarize my completed review of the investment portfolio and its compliance to Board-approved policies and guidelines. A ✓ represents compliance while an ✗ represents an exception. Any noted exceptions are summarized at the end of each applicable asset class section.

Each public Investment Manager is also required to comply with all investment objectives, policies, and restrictions set forth in the Investment Management Agreement (Agreement) and Schedule A of the Agreement. Every month, public Investment Managers are required to submit a letter stating they are in compliance with the Agreement and Schedules for the preceding month and identify any exceptions that occurred. I report a summary of compliance monitoring exceptions to Investments on a daily basis, as well as any compliance violations self-reported by Investment Managers in their monthly compliance letters. A condensed version of this review can be found under Global Equities and Fixed Income respectively.

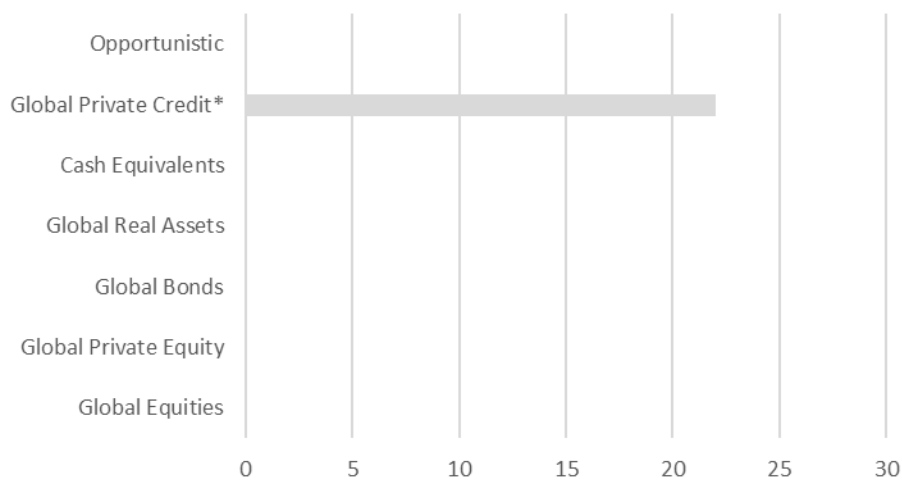
The Opportunistic and Tactical Investments portfolio is not included in this memo as reporting would not be meaningful due to the wide variety of investment types, structures and strategies.

Please let me know if you have any questions.

# Total Fund Allocation (at month end)



## Day(s) Outside of Target Range during the Month



\*The approved 07/01/2020 Asset Allocation Targets established a new asset class, Global Private Credit at a target of 5%; the interim target for Global Private Credit is 3% and will expire on 6/30/2021. It is expected to see a below target allocation (currently 1.59%) as the new portfolio is being constructed.

# Global Equities

US Portfolio Targets	
Active Large Cap allocation	✓
Passive Large Cap allocation	✓
Tracking Error	✓
Permissible Investment	✓

US Manager Compliance	
AB	✓
Brown Capital Management	✓
Coho	✓
Martingale	✓
Neumeier Poma	✓
Mellon Capital Dynamic	✓
SSgA	✓
SSgA – Russell 1000	✓

Non-US Portfolio Targets	
Active Developed Markets allocation	✓
Passive Developed Markets allocation	✓
Tracking Error	✓
Permissible Investment	✓

Non-US Manager Compliance	
Arrowstreet Capital	✓
Arrowstreet EM	✓
Axiom	✓
BlackRock	✓
City of London	✓
Genesis	✓
GlobeFlex Capital	✓
Highclere	✓
LSV Asset Management	✓
MFS International Equity	✓
SSgA	✓
Walter Scott & Partners	✓

There were no portfolio target exceptions to note.

There were no manager compliance exceptions to note.

# Fixed Income

Portfolio Targets	
Core Allocation	✓
Core Plus Allocation	✓
Tactical & Diversifying Allocation	✓
Total Portfolio Tracking Error	✓
Permissible Investments	✓
Industry Exposure	✓
Credit Quality	✓

Manager Compliance	
C.S.McKee	✓
Dodge & Cox	✓
Goldman Sachs	✓
Johnson Investment	✓
JP Morgan Core	✓
JP Morgan High Yield	✓
Loomis Sayles Core Plus	✓
Loomis Sayles Core Disciplined	✓
Stone Harbor	✓
Western Asset	✓

There were no portfolio target exceptions to note.

There were no manager compliance exceptions to note.

## Cash Equivalents

Portfolio Targets	
Weighted Average Maturity	✓
Permissible Investments	✓
Credit Quality	✓
Issuer Concentration	✓

There were no portfolio target exceptions to note.

## Overlay Program

Portfolio Targets	
Exposure	✓
<i>Tracking Error</i>	
Tactical Allocation	N/A
Active Currency	N/A
Total Portfolio	N/A

*Tracking Error will be calculated once three years of data is available.*

Manager Compliance	
P/E Investments	✓
Russell (quarterly)	N/A

There were no portfolio target exceptions to note.

There were no manager compliance exceptions to note.

Data remains unchanged between quarter-ends.

## Global Private Credit

as of quarter end 09/30/2020\*

Portfolio Targets	
Direct Lending Allocation	✓
Mezzanine Allocation	✓
Stressed/Distressed Allocation	✓
Structured Credit/Other Allocation	✗
<i>Geographic Allocation</i>	
Domestic	✓
International	✓
<i>Structural Allocation</i>	
Primary Commitments	✓
Secondaries	✓
Co-Investments	✓
Manager Concentration	✓

The FY21 Statement of Investment Policy, Implementation Guidelines established target allocation and ranges for the new asset class Global Private Credit. As this portfolio is being built it is expected to see continued target allocation breaches; portfolio construction is anticipated to be complete by the start of FY22. No further action is required at this time.

\*Reported one quarter in arrears.



Data remains unchanged between quarter-ends.

## Global Real Assets

as of quarter end 09/30/2020\*

Portfolio Targets	
Private Core Real Estate Allocation	✓
Private Non-Core Real Estate Allocation	✓
Private Infrastructure Allocation	✓
Public Market Real Assets Allocation	✓
<i>Property Type Allocation</i>	
Apartment	✓
Industrial	✓
Office	✓
Retail	✓
Hotel/Other	✓
<i>Geographic Allocation</i>	
West, US	✓
East, US	✓
Midwest, US	✓
South, US	✓
Non-US	✓
<i>Life-Cycle Allocation</i>	
Operating	✓
Non-Operating	✓
Manager Concentration	✓

There were no portfolio target exceptions to note.

## Global Private Equity

as of quarter end 09/30/2020\*

Portfolio Targets	
<i>Buyout Allocation</i>	✓
Small/Middle	✓
Large/Mega	✓
Venture Capital Allocation	✓
Special Situations Allocation	✓
<i>Geographic Allocation</i>	
Domestic	✓
International	✓
<i>Structural Allocation</i>	
Primary Commitments	✓
Fund of Funds	✓
Co-Investments	✓
Manager Concentration	✓

There were no portfolio target exceptions to note.

\*Reported one quarter in arrears.

### **Global Equities Benchmark Recommendation**

As discussed during the December 17, 2020 Board meeting, \_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the revised Global Equities Benchmark as indicated below. The current Global Equities allocation will remain the same at 45%. Changes will become effective January 1, 2021.

<b>GLOBAL EQUITIES SUB-ASSET CLASS</b>	<b>BENCHMARK WEIGHT</b>	<b>DESIGNATED BENCHMARK</b>
US Equity	55%	Russell 3000
Non-US Equity Developed Market	30%	MSCI World ex-USA Net Total Return Index (USD)
Non-US Equity Emerging Market	15%	MSCI Emerging Markets Net Total Return Index (USD)
<b>Total</b>	<b>100%</b>	

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

# Ohio SERS Investment Report

## Monthly Report to the Board

For the period ending:  
October 31, 2020

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: December 2020*

*Serving the People Who Serve Our Schools®*





## **Investment Agenda**

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Annual Portfolio Review – Global Equity  
Global Equity Allocation Options (possible vote)  
Investment Report (October 31, 2020)



## Economic and Financial Market Outlook



## Ohio SERS Investment Report

Month Ending: 10/31/2020

- US GDP annualized growth rate was 33.1% in Q3. The main drivers of Q3 rebound were strong recovery of personal consumption expenditures (PCE), private inventory investment, nonresidential and residential fixed investments. November Blue Chip consensus expected the US GDP to decline 3.7% for 2020 and expand 4% for 2021. (*Source: Bureau of Economic Analysis and Blue Chip Economic Indicators*)
- The US labor market continued to recover as non-farm payrolls increased by 638,000 in October, and the unemployment rate declined to 6.9%. (*Sources: Bureau of Labor Statistics and Department of Labor*)
- The US headline inflation was 1.2% in October, 0.2% lower than September. Over the last 12 months, the energy index declined 9.2% while the food index increased 3.9%. The core inflation, excluding food and energy, was down to 1.6%. (*Source: Bureau of Labor Statistics*).
- The 10-year Treasury nominal yield was 88bps in October. The 10-year real yield was -32bps.
- The housing market, S&P Case-Shiller 20-City home price index, posted a strong annual gain of 6.6% in September, up from 5.2% in August.
- The Consumer Sentiment Index released by Thomson Reuters and University of Michigan was 81.8, an increase of 1.7% from the previous month. The US Economic Surprise index was down from the September level, but remained high at 128.9. The Global Economic Surprise index was at a solid level of 82.5. The Leading Economic Index (LEI) issued by the Conference Board continued its recovery, reaching 108.2 in October.
- The US manufacturing PMI increased to a robust level of 59.3 in October. Global manufacturing continues to recover as the JPMorgan Global Manufacturing PMI increased to 53.0 in October. (*Source: Institute for Supply Management, Markit*).
- Equity markets were mixed in October. The US and non-US developed equity markets were down 2.16% and 3.93%, respectively, while the emerging markets were up 2.06%.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was down 0.45% in October.

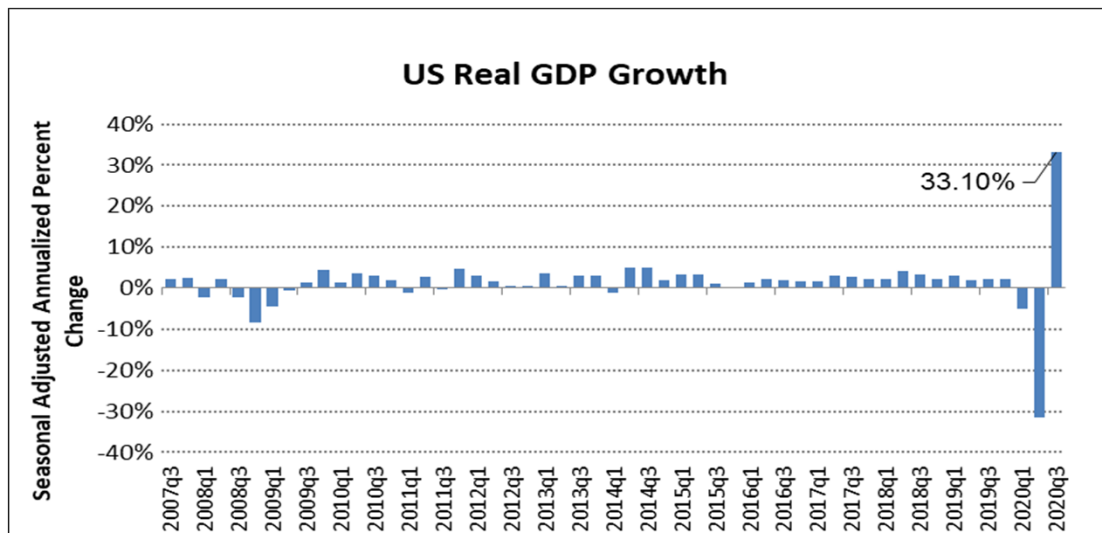
Notes: Acronym – PMI – Purchasing-Managers' Index



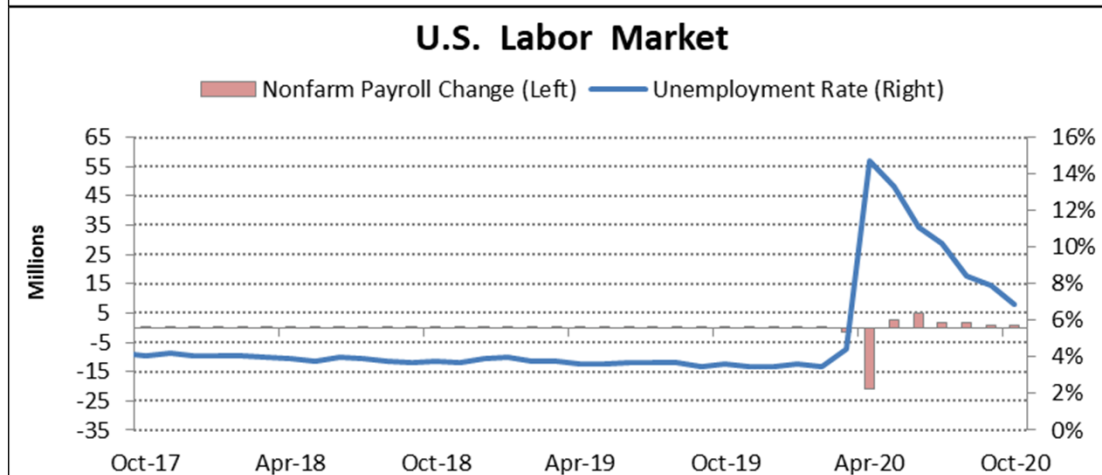
# Ohio SERS Investment Report

Month Ending: 10/31/2020

## ECONOMY US Real GDP Growth and Labor Market



Source: Bureau of Economic Analysis

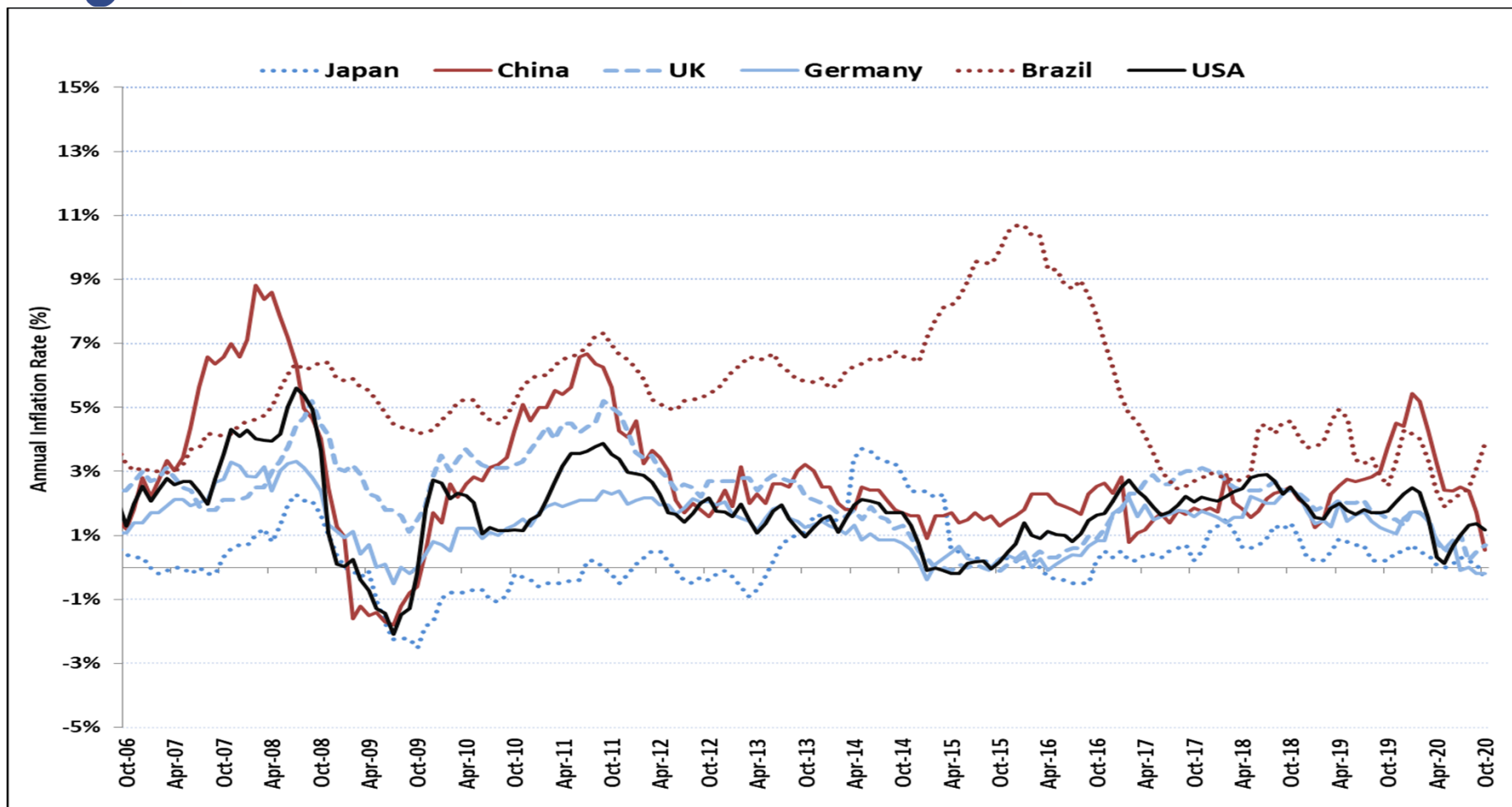


Source: Bureau of Labor Statistics



Ohio SERS Investment Report  
**ECONOMY** Headline Inflation

Month Ending: 10/31/2020



	Japan	China	UK	Germany	Brazil	USA
Oct-20	-0.4	0.5	0.7	-0.2	3.9	1.2

Sources: [www.ons.gov.uk](http://www.ons.gov.uk), [www.oecd.org](http://www.oecd.org), [www.inflation.eu](http://www.inflation.eu), and [www.tradingeconomics.com](http://www.tradingeconomics.com)

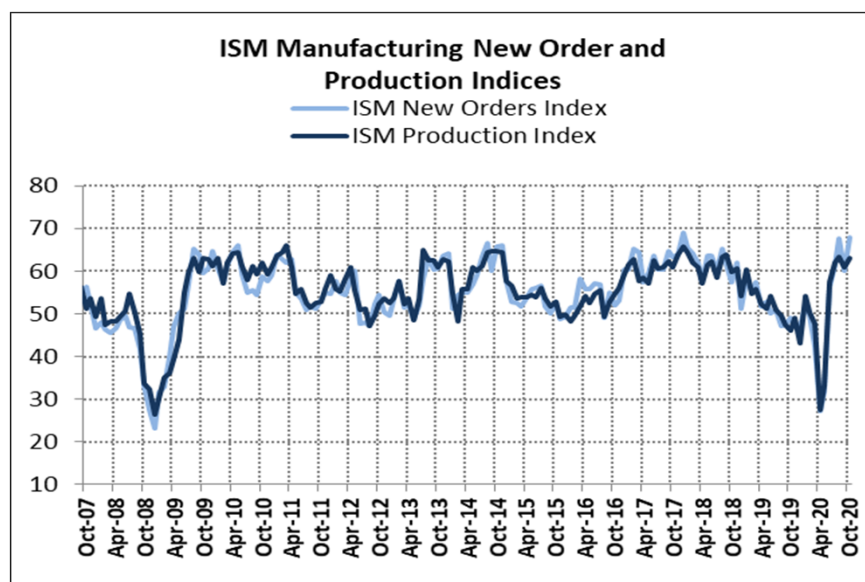




# Ohio SERS Investment Report

## **ECONOMY** US & Global Manufacturing Activities

Month Ending: 10/31/2020



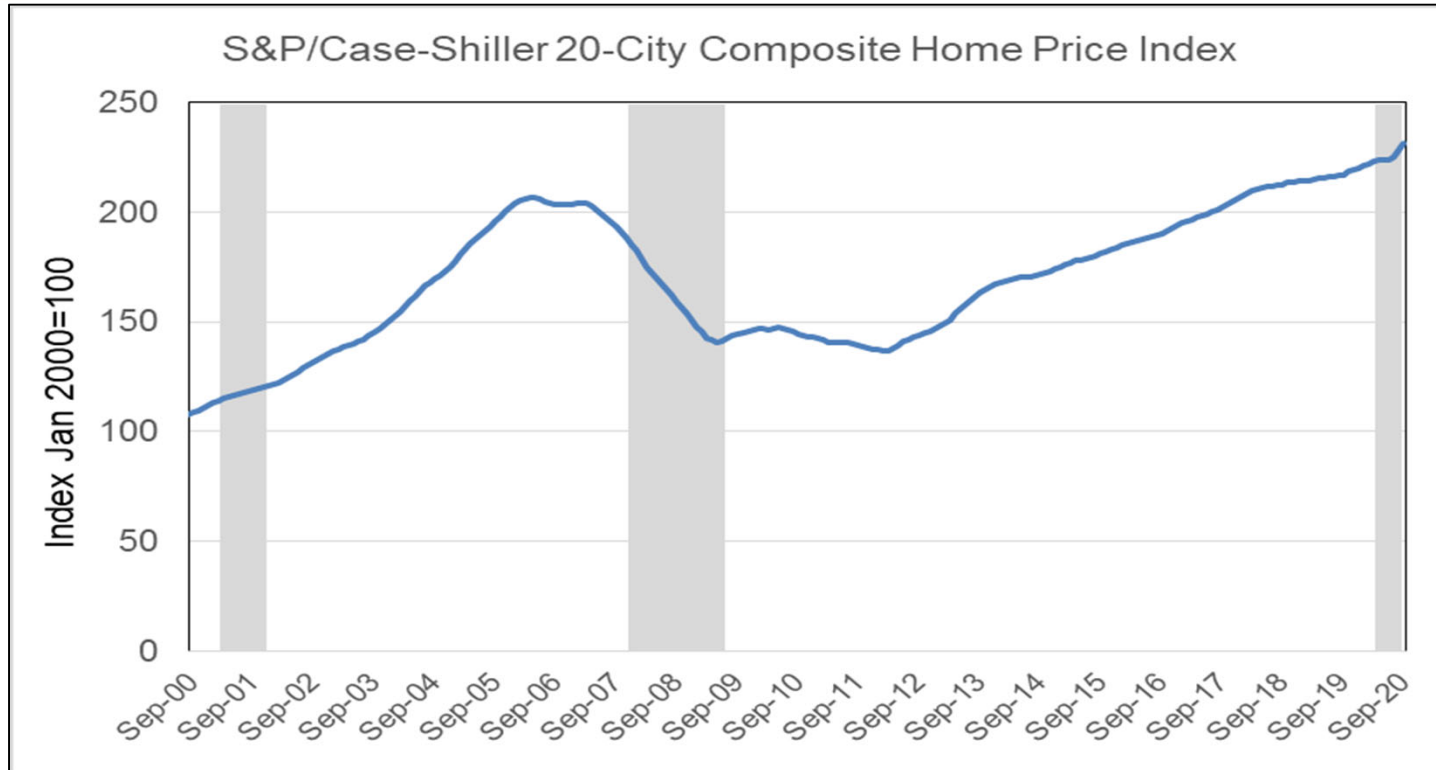
Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™

Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



Ohio SERS Investment Report  
**ECONOMY** US Housing Market

Month Ending: 10/31/2020



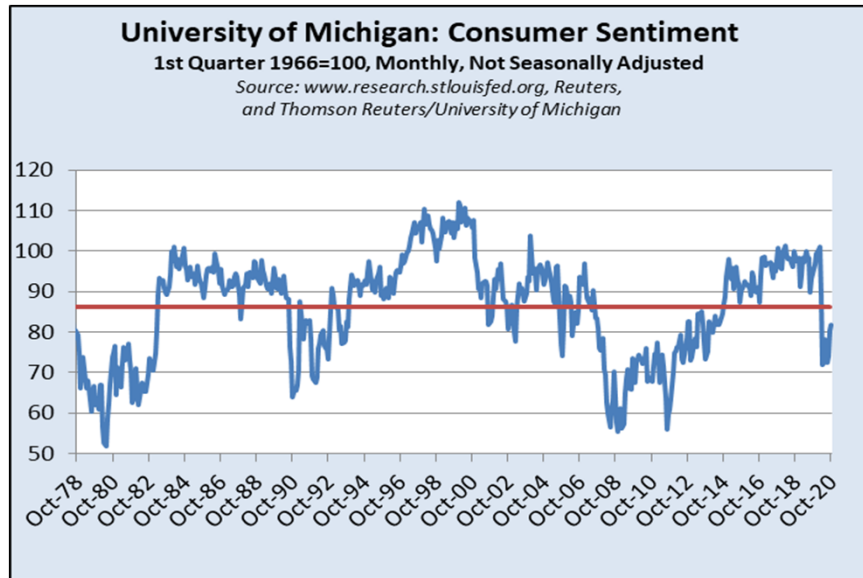
Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-16	188.72
Jul-17	199.93
Jul-18	211.83
Jul-19	216.09
Jul-20	225.28
Sep-20	231.22

Source: [www.research.stlouisfed.org](http://www.research.stlouisfed.org)



## Ohio SERS Investment Report **ECONOMY**

### Consumer Sentiment

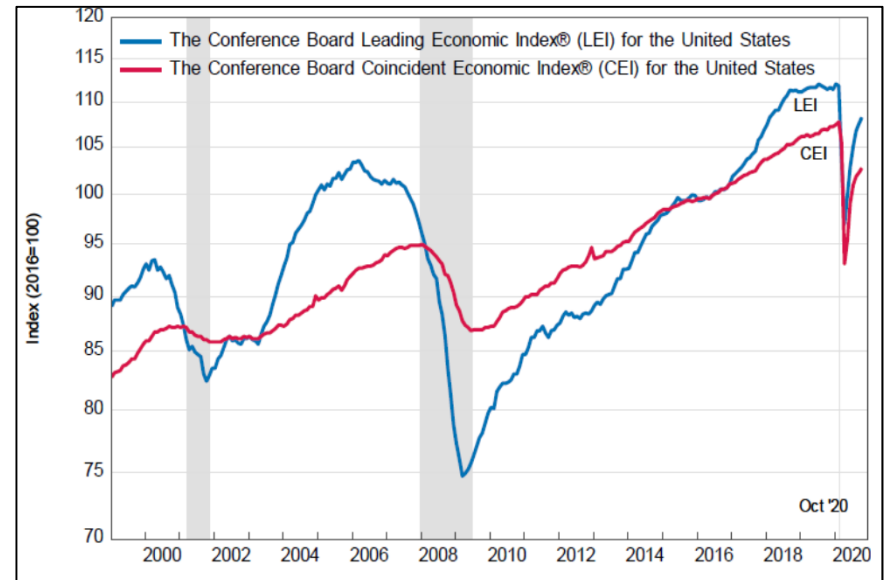


Index of Consumer Sentiment				
Sep-20	Oct-20	Oct-19	M-M Change	Y-Y Change
80.4	81.8	95.5	1.7%	-14.3%

Sources: Thomson Reuters / University of Michigan;

Month Ending: 10/31/2020

### The Leading Economic Index (LEI) and Coincident Economic Index (CEI) for the United States



Index	Aug-20	Sep-20	Oct-20	Month -Month Percent Change	6-Month Percent Change
LEI	106.7 r	107.5 r	108.2 p	0.7	11.7
CEI	101.8 r	102.2 r	102.7 p	0.5	10.4

p Preliminary; r Revised; Indexes equal 100 in 2016

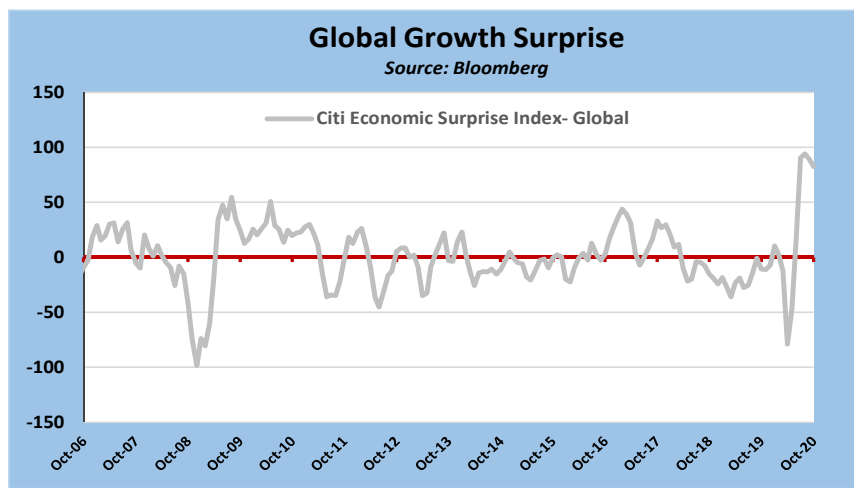
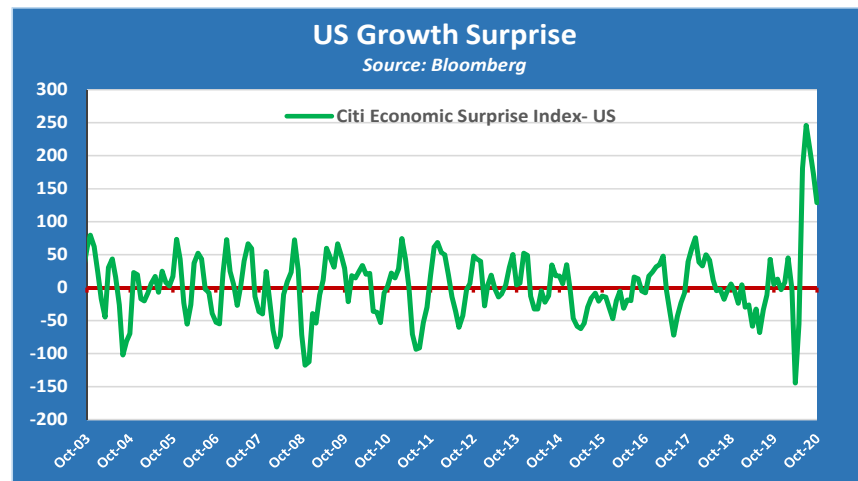
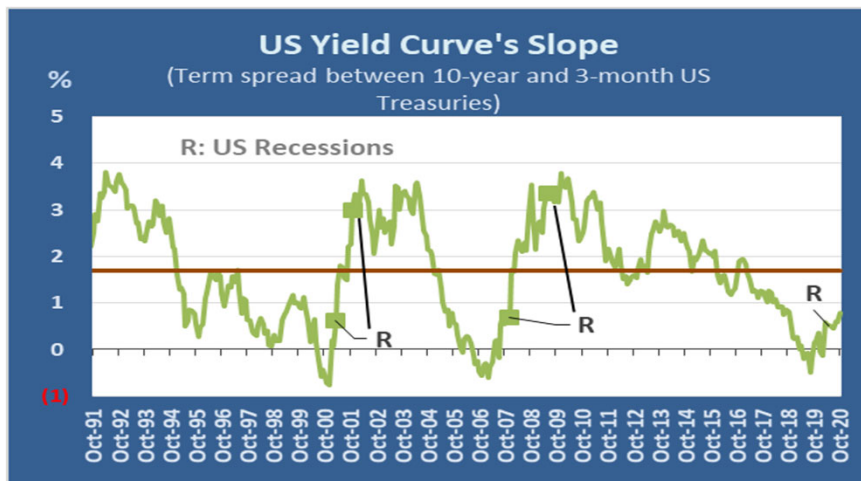
Sources: The Conference Board and [advisorperspectives.com](http://advisorperspectives.com)



## Ohio SERS Investment Report

### ECONOMY

Month Ending: 10/31/2020

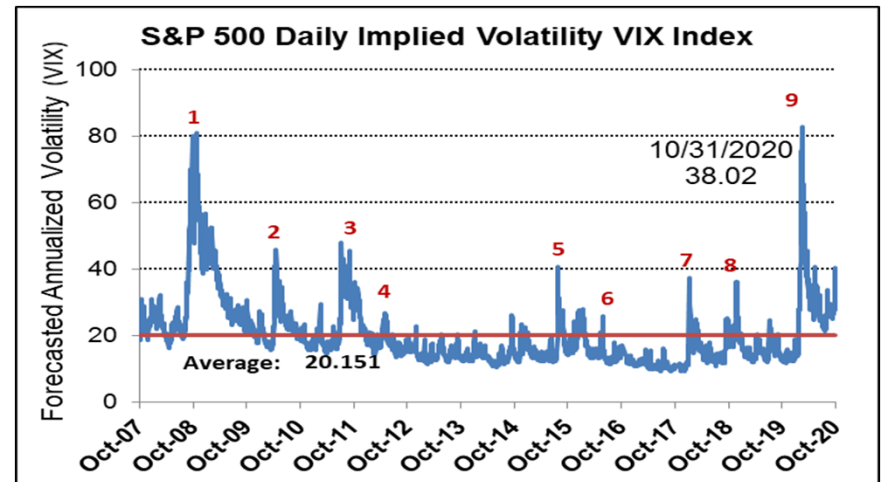
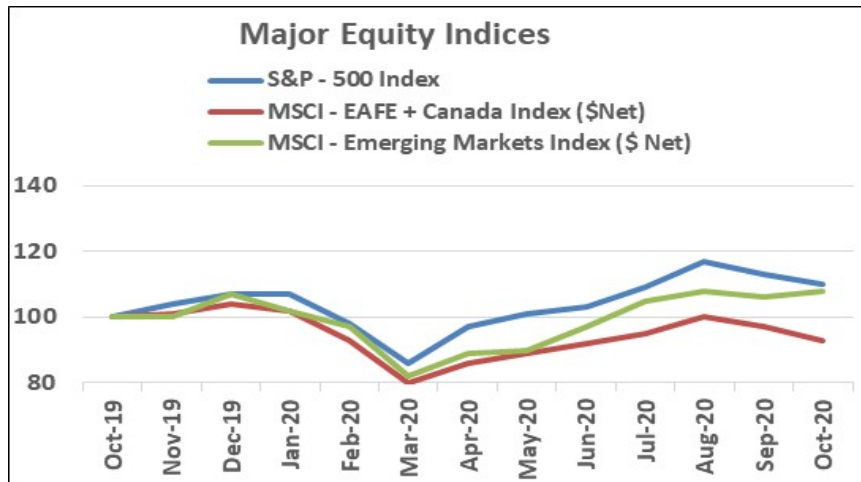




## Ohio SERS Investment Report

### MARKETS Equity

Month Ending: 10/31/2020



	Return as of 10/31/2020	
	1 Year	FYTD
S&P 500	9.71	6.03
MSCI - EAFE + Canada Index (\$Net)	(6.79)	0.80
MSCI - Emerging Markets Index (\$Net)	8.25	11.81

- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500: -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500: -23.7%

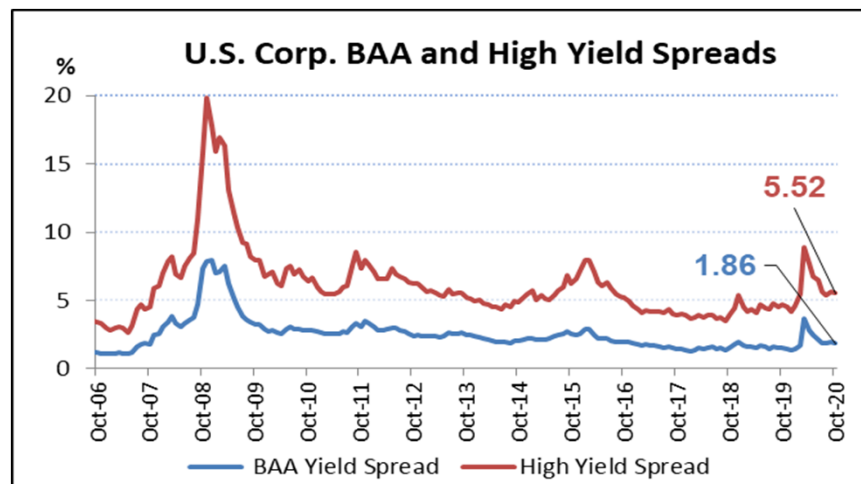
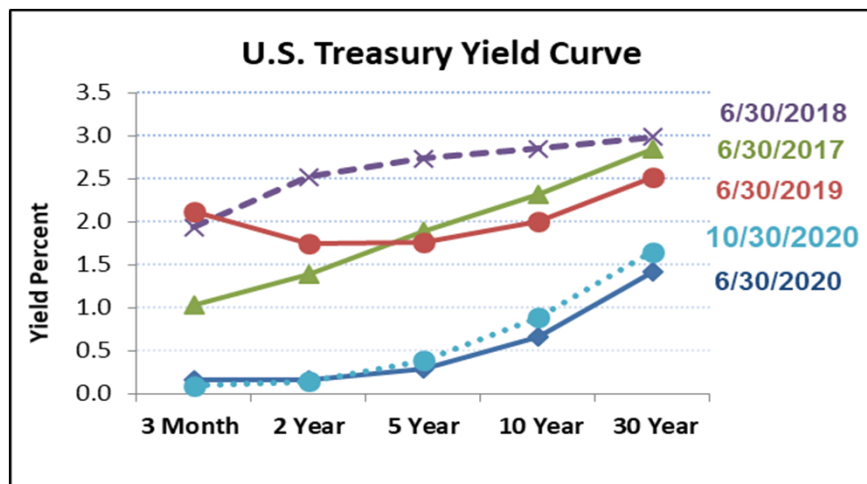
Sources: [www.research.stlouisfed.org](http://www.research.stlouisfed.org), and Wilshire Compass



# Ohio SERS Investment Report

## MARKETS Fixed Income

Month Ending: 10/31/2020



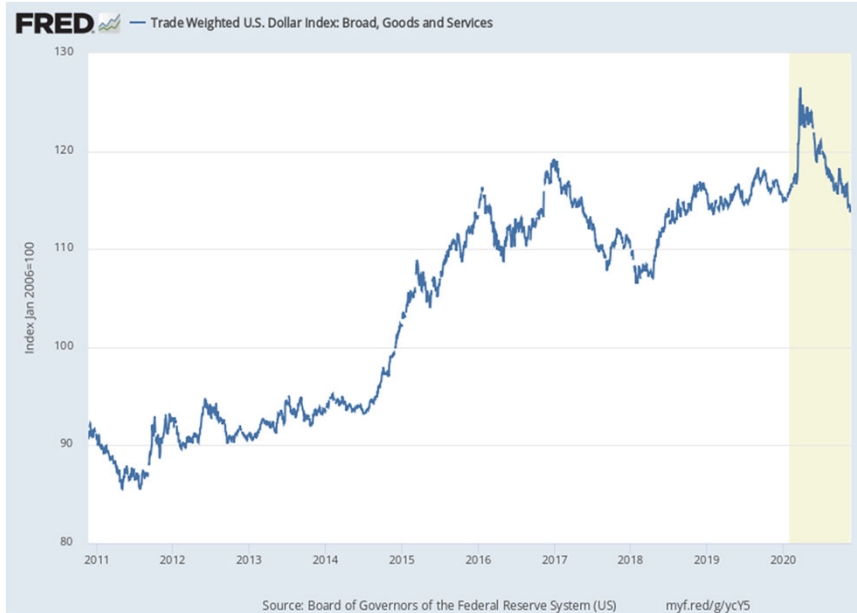
Sources: Wilshire Compass, ThomsonReuters, and Bloomberg



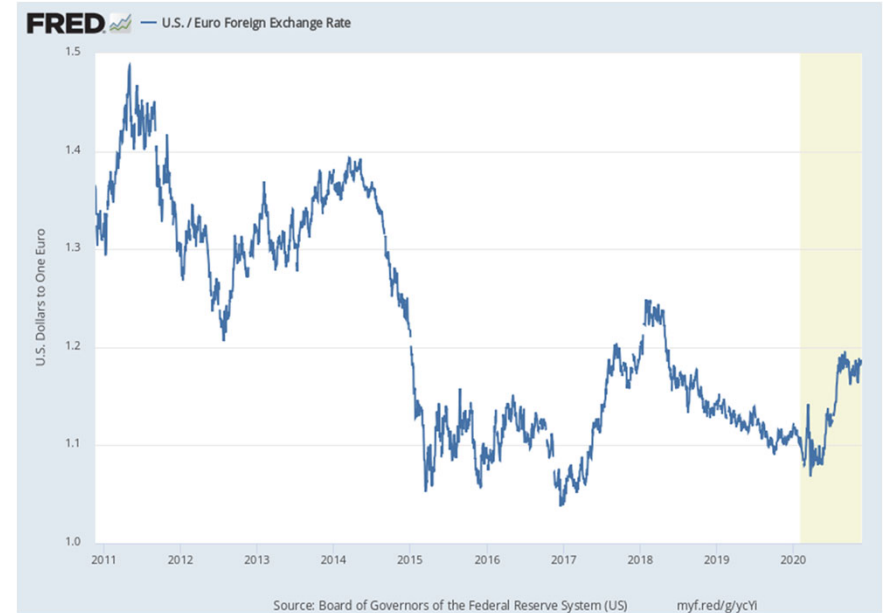
# Ohio SERS Investment Report

## MARKETS Foreign Exchange

Month Ending: 10/31/2020



Date	Trade Weighted Broad U.S. Dollar Index January 1997=100
June-16	112.15
June-17	111.97
June-18	113.27
June-19	114.56
June-20	120.86
October-20	116.53

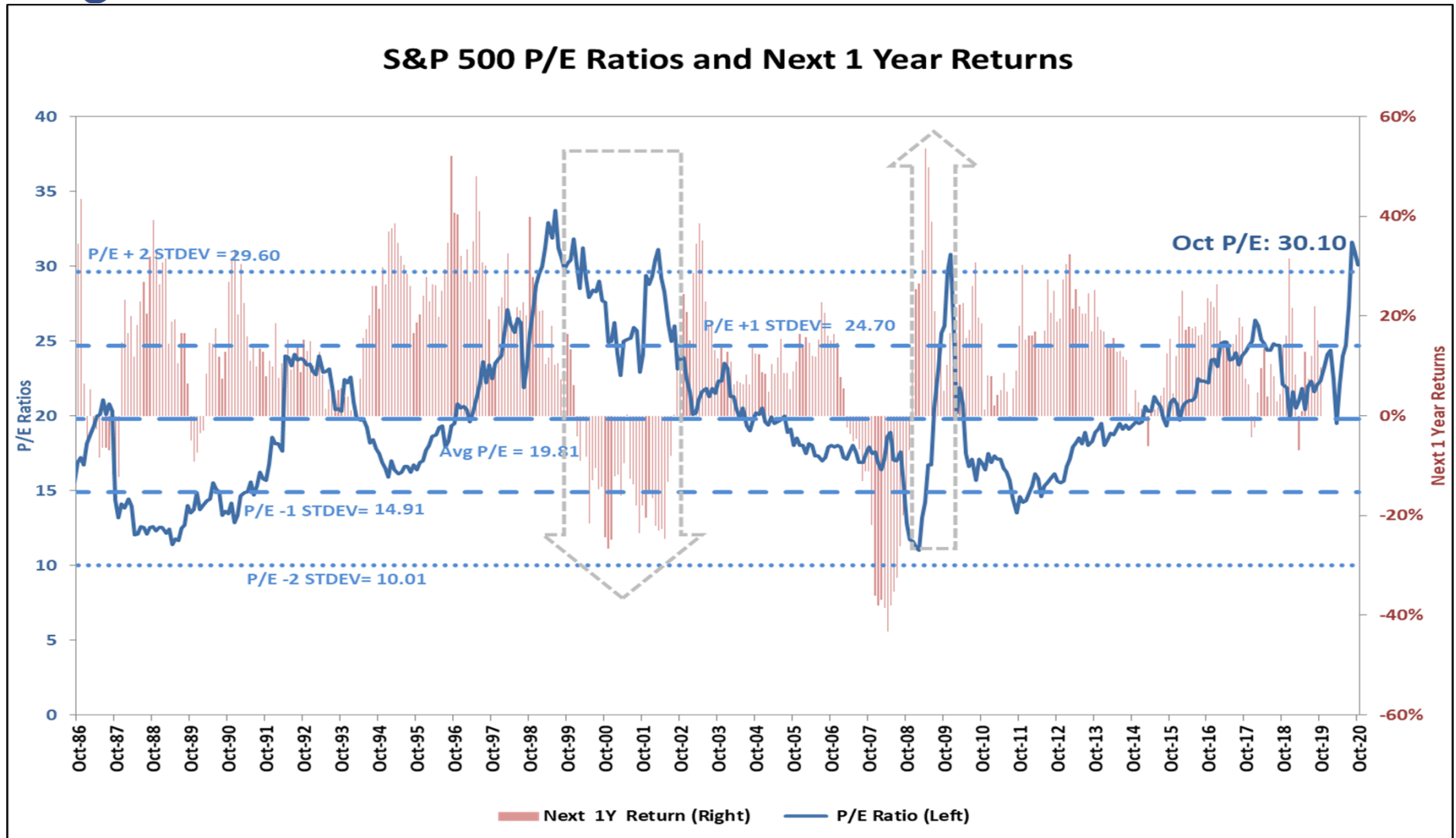


Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-16	1.10
June-17	1.14
June-18	1.17
June-19	1.14
June-20	1.12
October-20	1.16



Ohio SERS Investment Report  
**VALUATION** US Equity

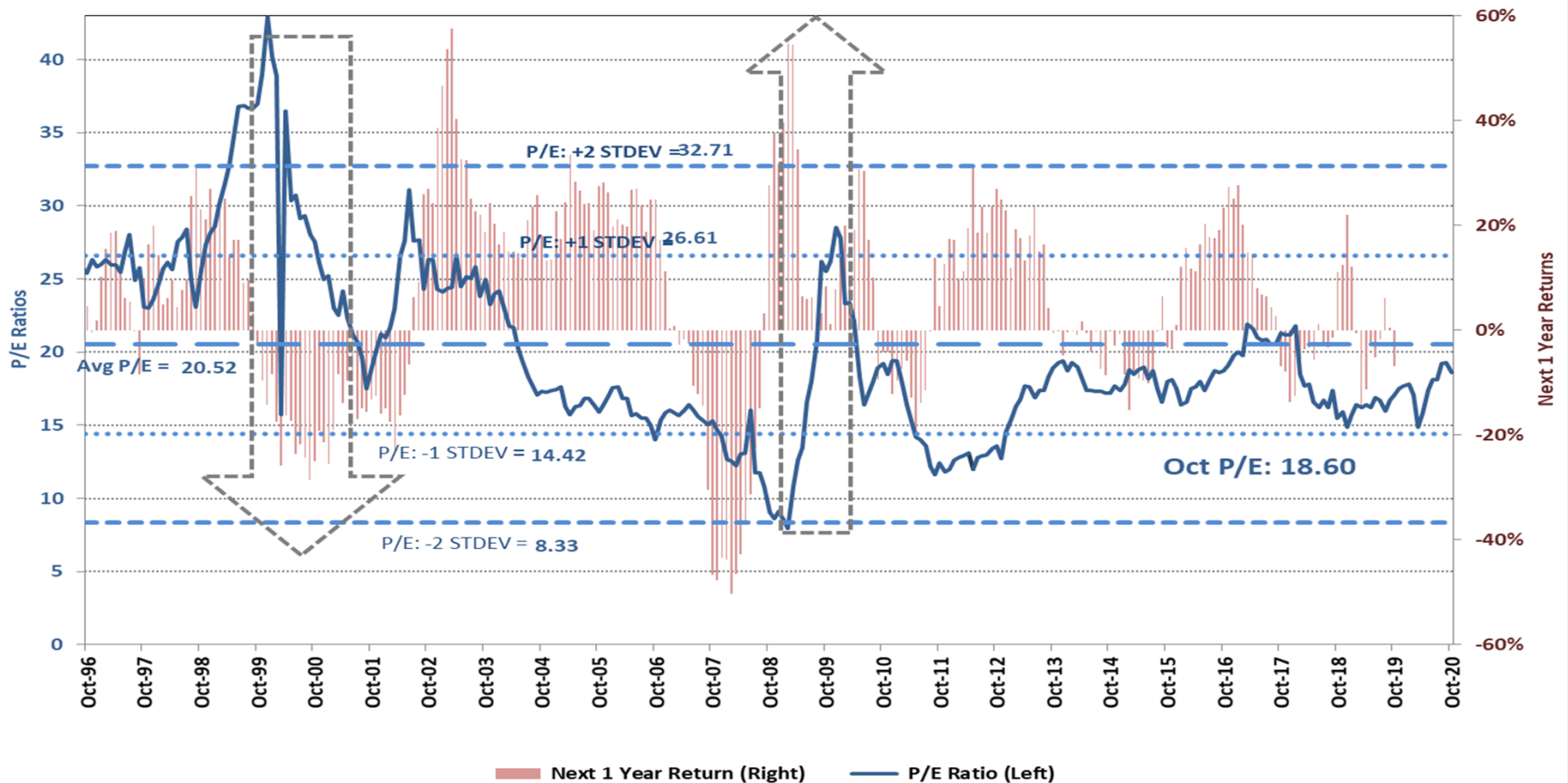
Month Ending: 10/31/2020







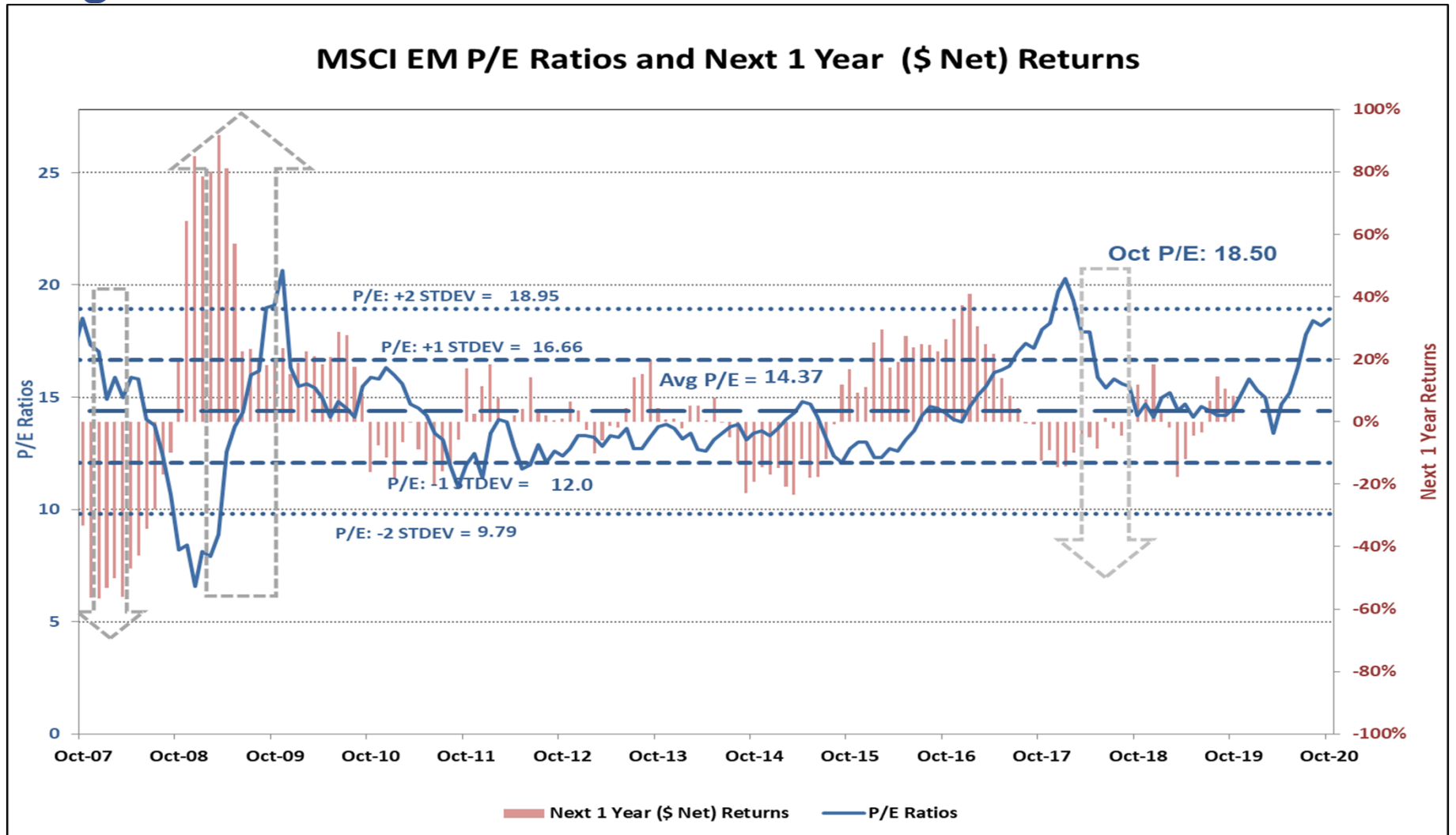
### MSCI EAFE (\$ Net) P/E Ratios and Next 1 Year Returns





Ohio SERS Investment Report  
**VALUATION** Emerging Market Equity

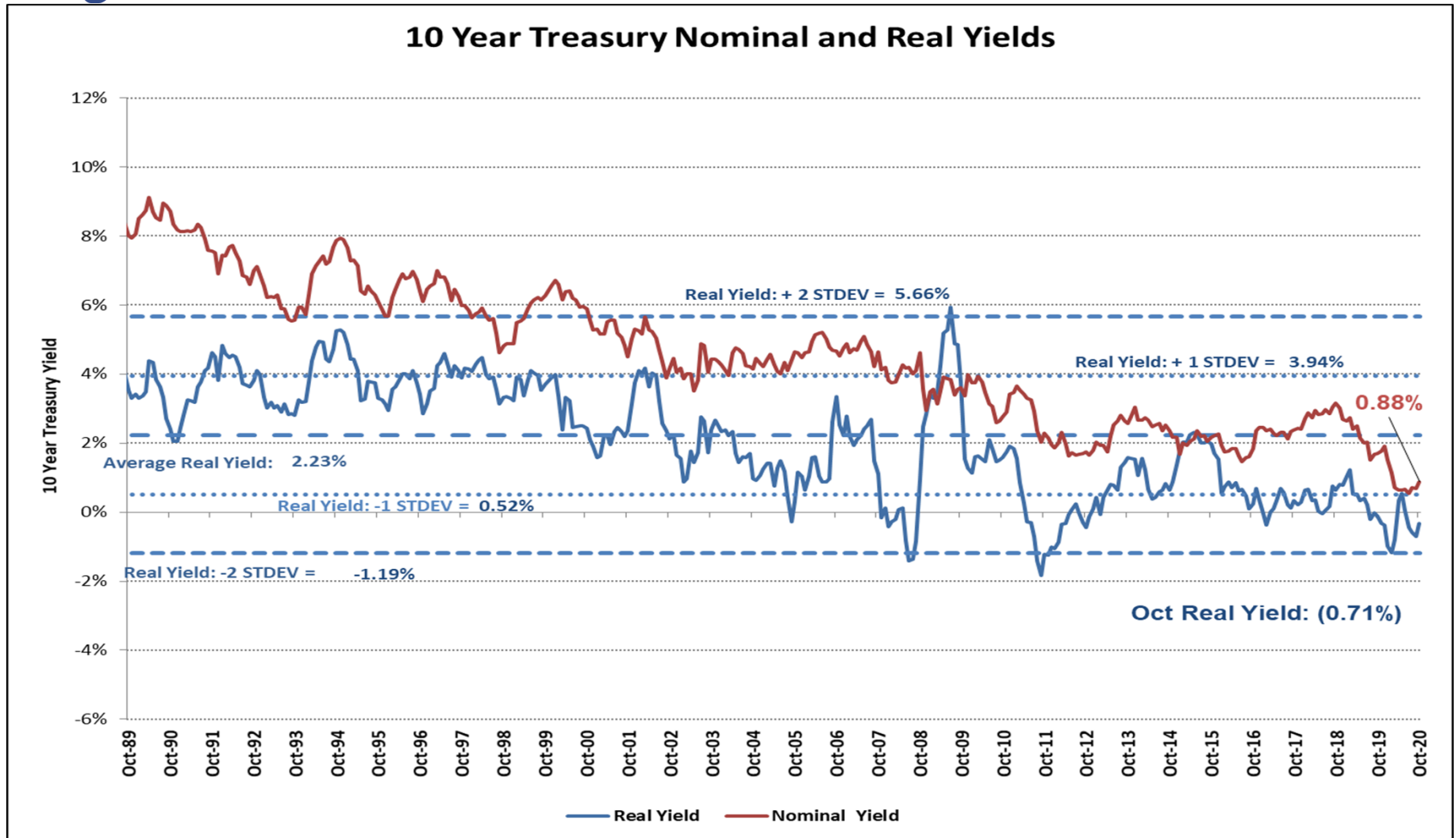
Month Ending: 10/31/2020





Ohio SERS Investment Report  
**VALUATION** US Treasury Bonds

Month Ending: 10/31/2020



Sources: Wilshire Compass and U.S. Bureau of Labor Statistics



## SERS' Investment Portfolios Review



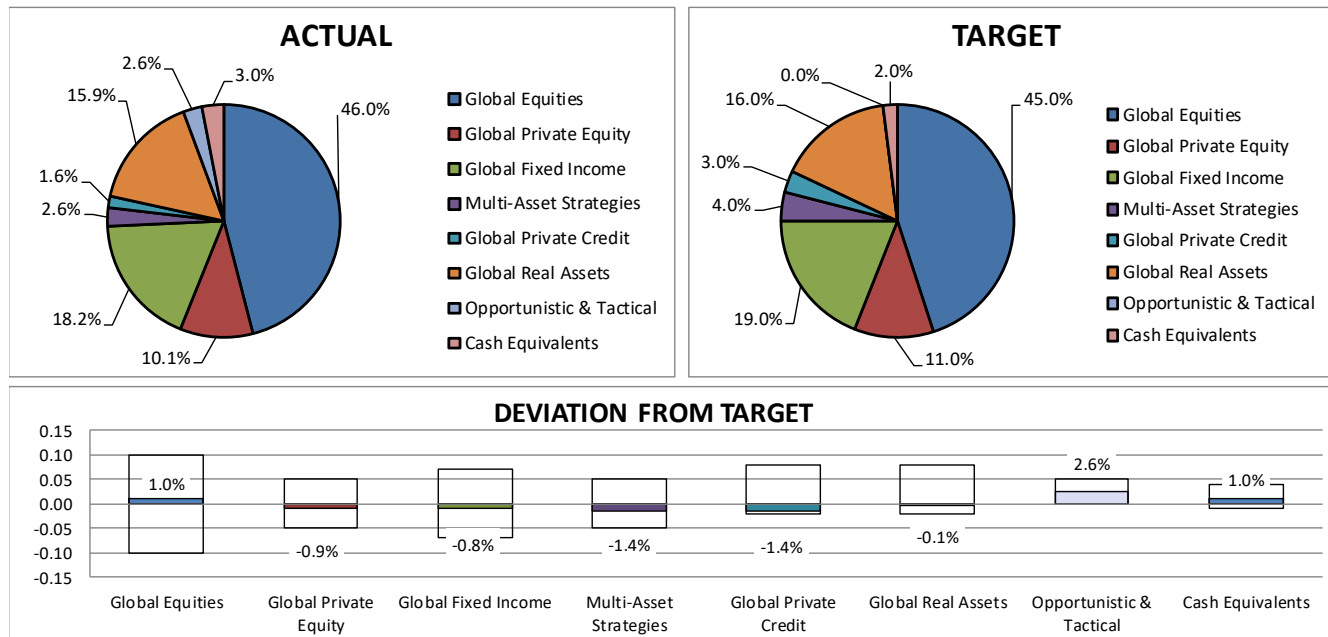
## Ohio SERS Investment Report

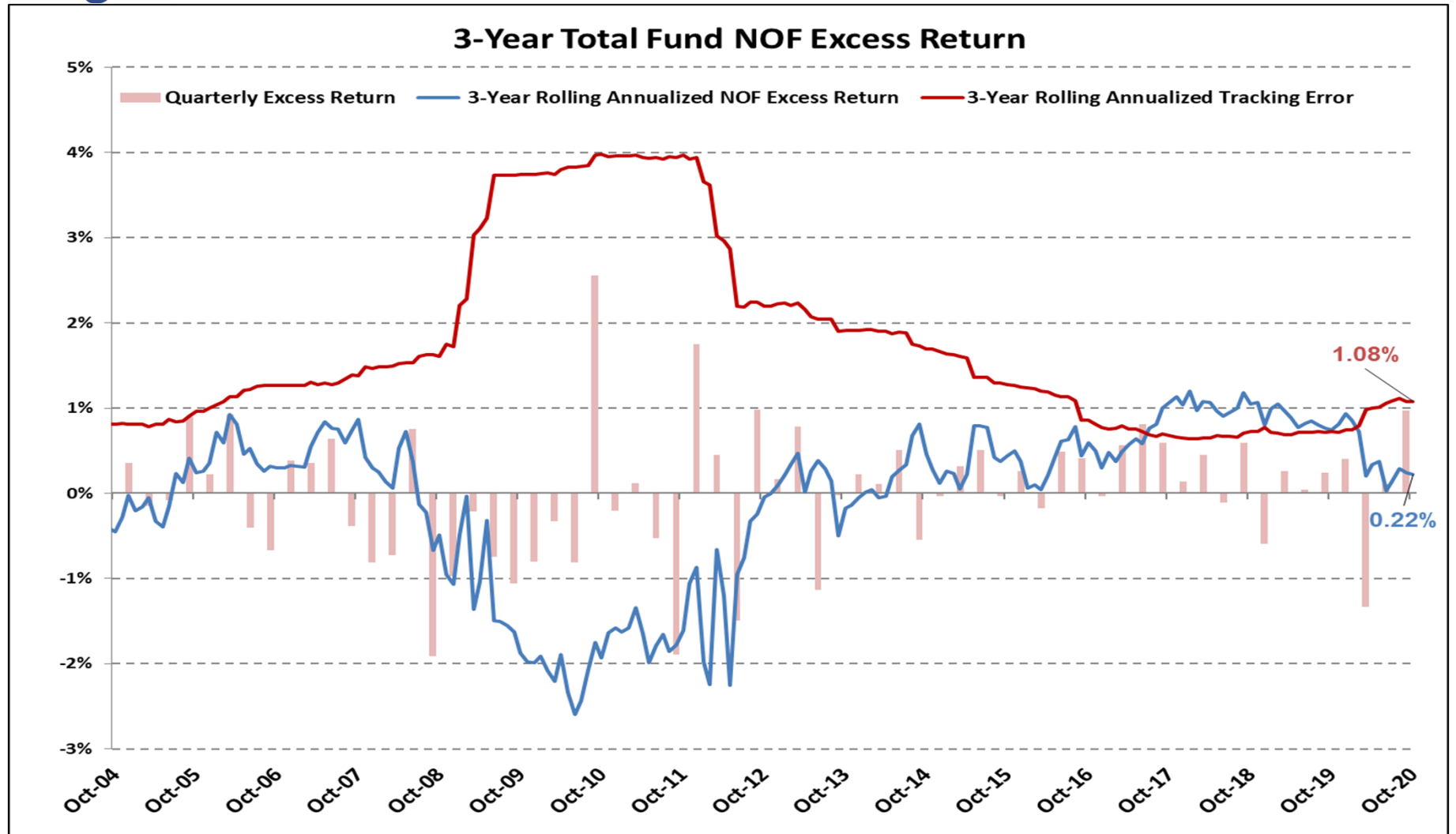
Month Ending: 10/31/2020

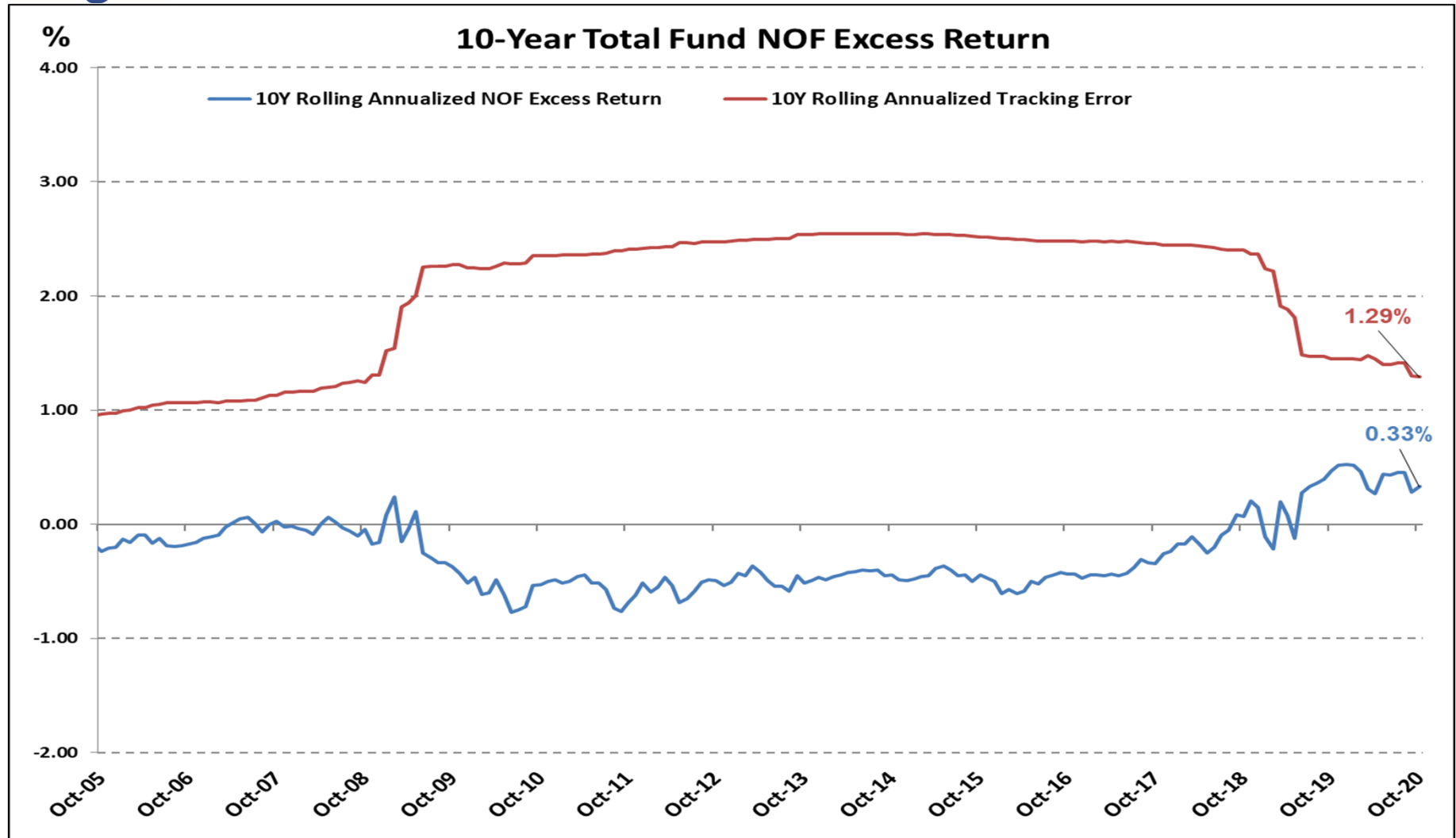
### Total Fund: Asset Allocation & Valuation

Asset Class	Market Value \$	Actual	Target	Range
Global Equities	6,883,521,675	46.0%	45.0%	35% - 55%
US Equity	3,672,376,836	24.5%	22.5%	15% - 30%
Non-US Equity	3,211,144,839	21.4%	22.5%	15% - 30%
Global Private Equity	1,515,482,222	10.1%	11.0%	8% - 16%
Global Fixed Income	2,725,139,915	18.2%	19.0%	12% - 26%
Multi-Asset Strategies	385,923,338	2.6%	4.0%	0% - 4%
Global Private Credit	238,592,769	1.6%	3.0%	3% - 7%
Global Real Assets	2,383,333,312	15.9%	16.0%	14% - 20%
Opportunistic & Tactical	390,818,349	2.6%	0.0%	0% - 5%
Cash Equivalents	454,566,166	3.0%	2.0%	0% - 5%
Short-Term	426,632,663	2.8%	2.0%	
Russell EA Overlay	-2,989,293	0.0%	0.0%	
Direct Rebalance Overlay	-1	0.0%	0.0%	
Currency Overlay	30,922,798	0.2%	0.0%	
<b>Total Fund</b>	<b>14,977,377,747</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS









## Ohio SERS Investment Report

Month Ending: 10/31/2020

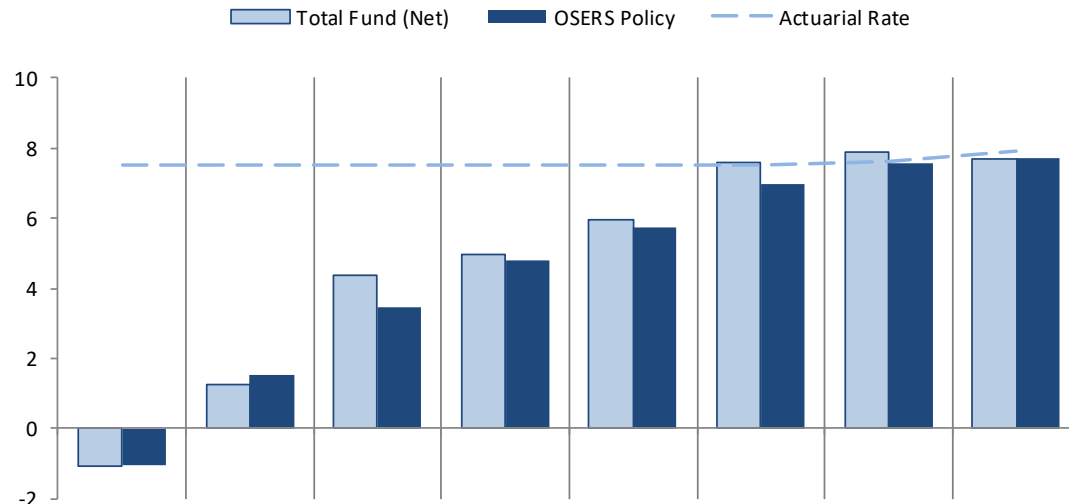
### Total Fund Performance

#### Current Benchmark:

22.5% Russell 3000  
 22.5% MSCI ACWI ex US Index  
 (net dividends)  
 11% Burgiss All Private Equity  
 benchmark (1q lag) (BAPE)  
 19% Bloomberg Barclays  
 Aggregate Bond  
 16% NCREIF Property (1q lag)  
 4% HFRI Fund of Funds  
 Composite plus 1%  
 3% LIBOR + 4.5%  
 2% Citigroup 30 Day US T-Bill

#### Actuarial Rate

(7.5% adopted 4/21/16)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	(1.05)	1.69	4.53	5.58	6.63	8.26	8.63	8.08
Total Fund (Net)	(1.07)	1.23	4.36	4.98	5.97	7.58	7.91	7.57
OSERS Policy	(1.03)	1.50	3.44	4.80	5.74	6.97	7.58	7.71
Value Added (Net of Fee)	(0.04)	(0.27)	0.91	0.17	0.22	0.61	0.33	(0.14)

Source: BNY Mellon GRS

\*ITD is Inception date 10/1/1994 (26 years and 1 months)



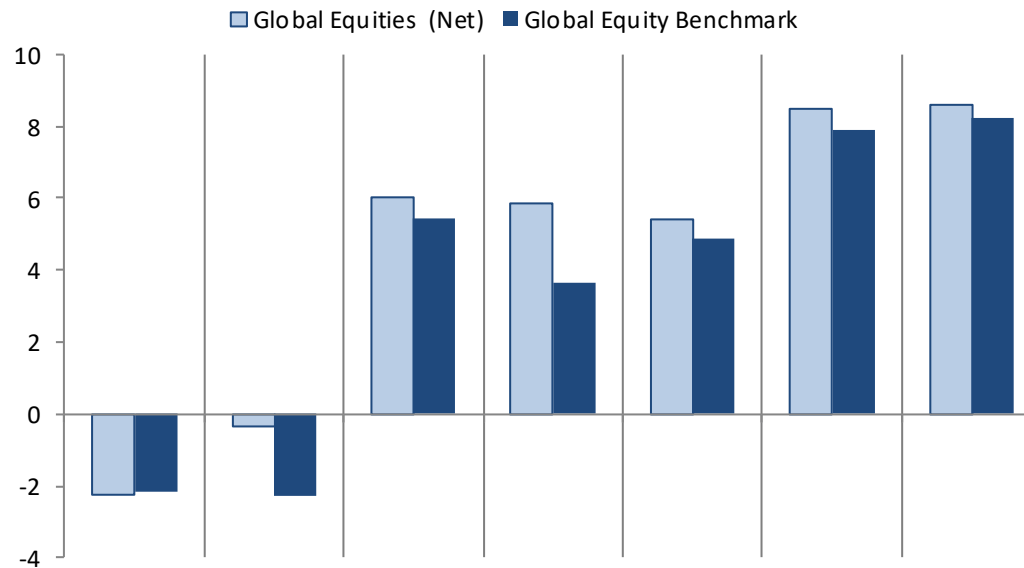


## Global Equities Performance

**Current Benchmark:**

50% Russell 3000

50% MSCI ACWI ex US Index  
(net dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	(2.22)	(0.12)	6.11	6.16	5.75	8.82	8.99
Global Equities (Net)	(2.25)	(0.37)	6.02	5.85	5.43	8.48	8.62
Global Equity Benchmark	(2.15)	(2.25)	5.41	3.65	4.88	7.89	8.25
MSCI ACWI	(2.41)	(0.68)	5.65	5.42	6.08	8.70	8.48
Value Added (Net of Fee)	(0.09)	1.87	0.61	2.20	0.55	0.59	0.37

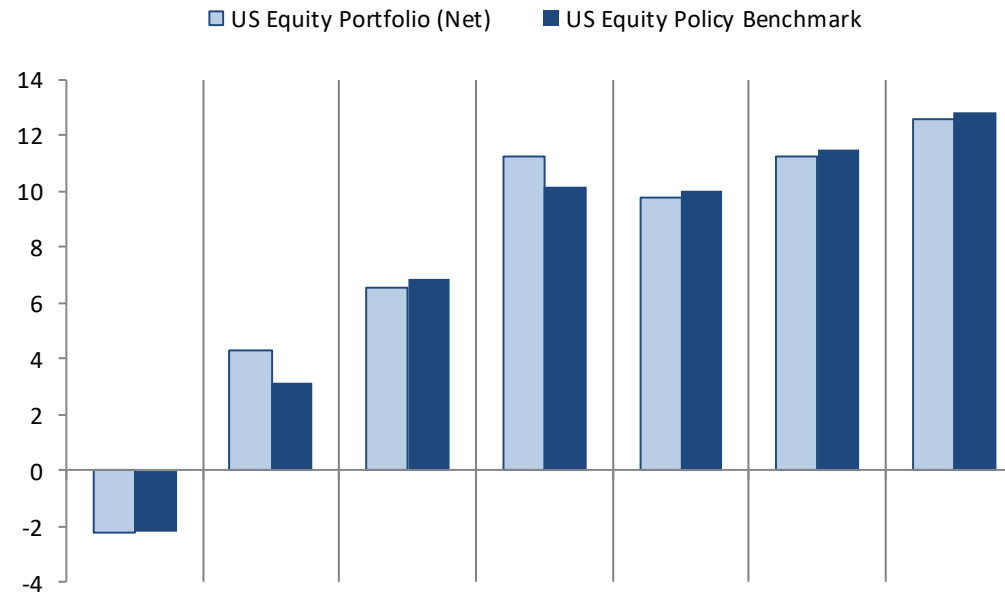
Source: BNY Mellon GRS



## US Equity Performance

**Current Benchmark:**

*Russell 3000*



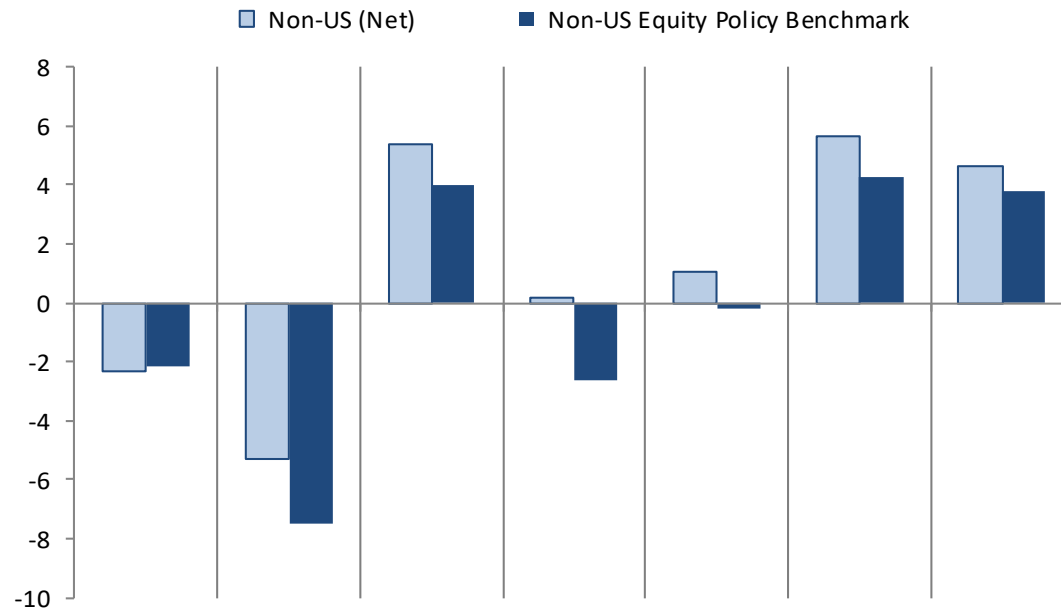
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
US Equity Portfolio (Gross)	(2.19)	4.47	6.61	11.47	10.01	11.47	12.90
US Equity Portfolio (Net)	(2.21)	4.30	6.57	11.26	9.79	11.22	12.59
US Equity Policy Benchmark	(2.16)	3.14	6.85	10.15	10.04	11.48	12.80
Value Added (Net of Fee)	(0.05)	1.17	(0.28)	1.12	(0.26)	(0.27)	(0.21)

Source: BNY Mellon GRS



## Non-US Equity Performance

**Current Benchmark:**  
*MSCI ACWI Ex US Index*  
*(Net dividends)*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Non-US (Gross)	(2.26)	(4.98)	5.51	0.56	1.48	6.08	5.09
Non-US (Net)	(2.30)	(5.32)	5.37	0.14	1.05	5.65	4.65
Non-US Equity Policy Benchmark	(2.15)	(7.47)	3.97	(2.61)	(0.19)	4.26	3.75
Value Added (Net of Fee)	(0.15)	2.15	1.40	2.76	1.24	1.39	0.91

Source: BNY Mellon GRS



## Ohio SERS Investment Report

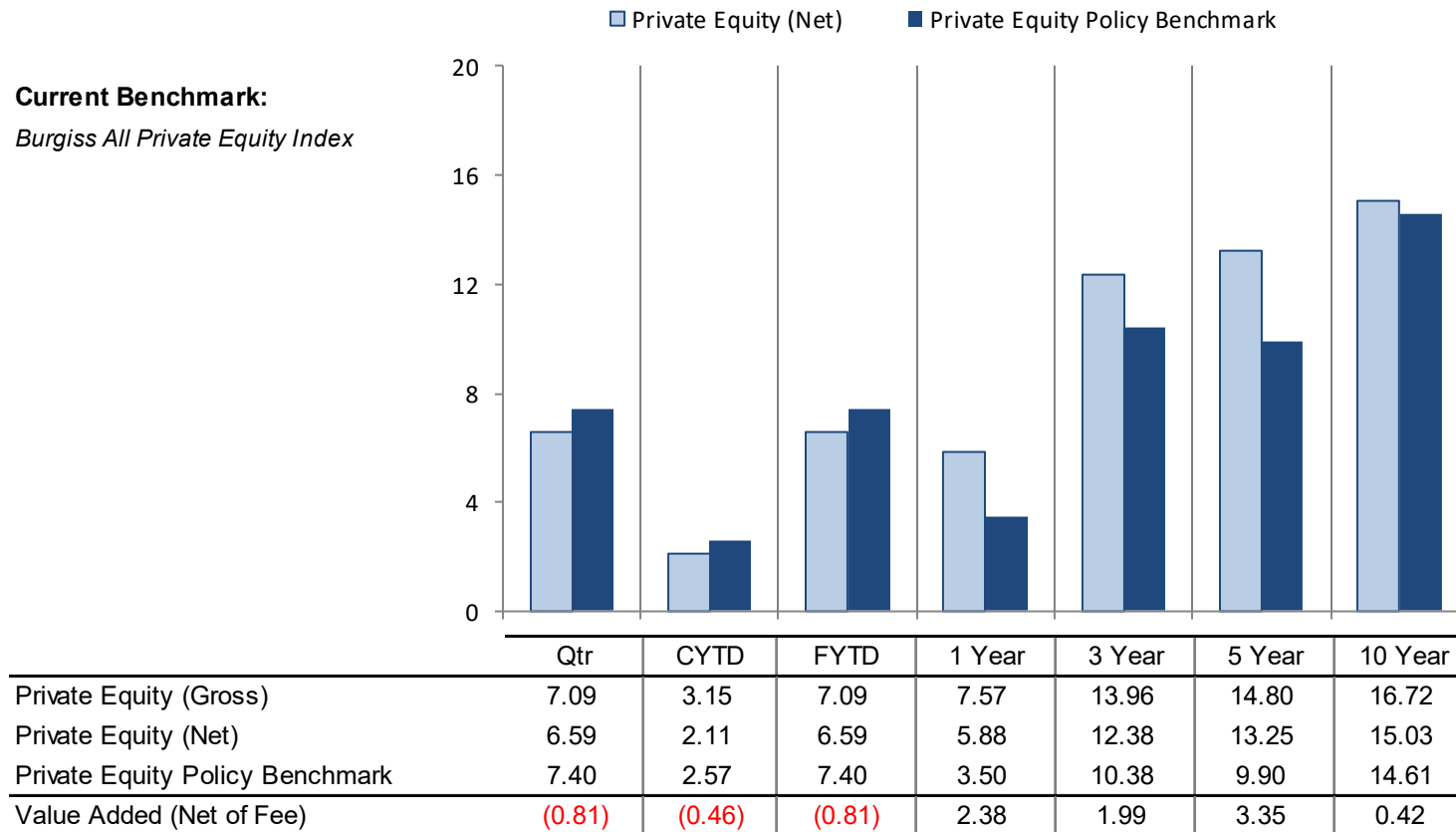
Month Ending: 10/31/2020

### Global Private Equity Performance

Results as of: 09/30/2020

#### Current Benchmark:

Burgiss All Private Equity Index



Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

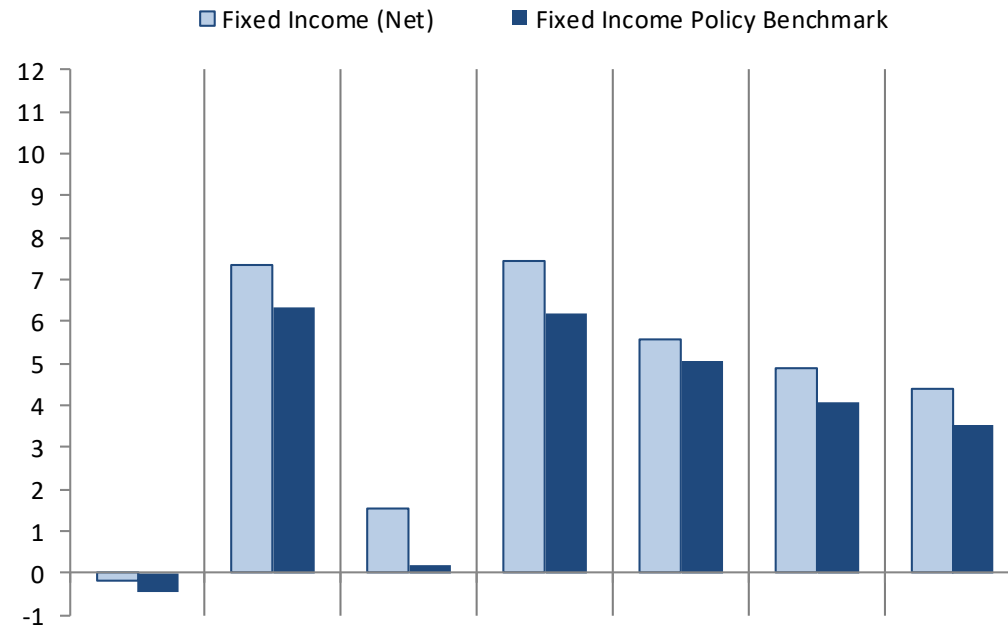
Global Private Equity performance is reported one quarter in arrears.



## Global Fixed Income Performance

**Current Benchmark:**

*Bloomberg Barclays Aggregate  
Bond Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(0.14)	7.54	1.62	7.67	5.80	5.11	4.64
Fixed Income (Net)	(0.16)	7.35	1.53	7.43	5.58	4.89	4.41
Fixed Income Policy Benchmark	(0.45)	6.32	0.17	6.19	5.07	4.08	3.55
Value Added (Net of Fee)	0.29	1.03	1.36	1.25	0.52	0.81	0.86

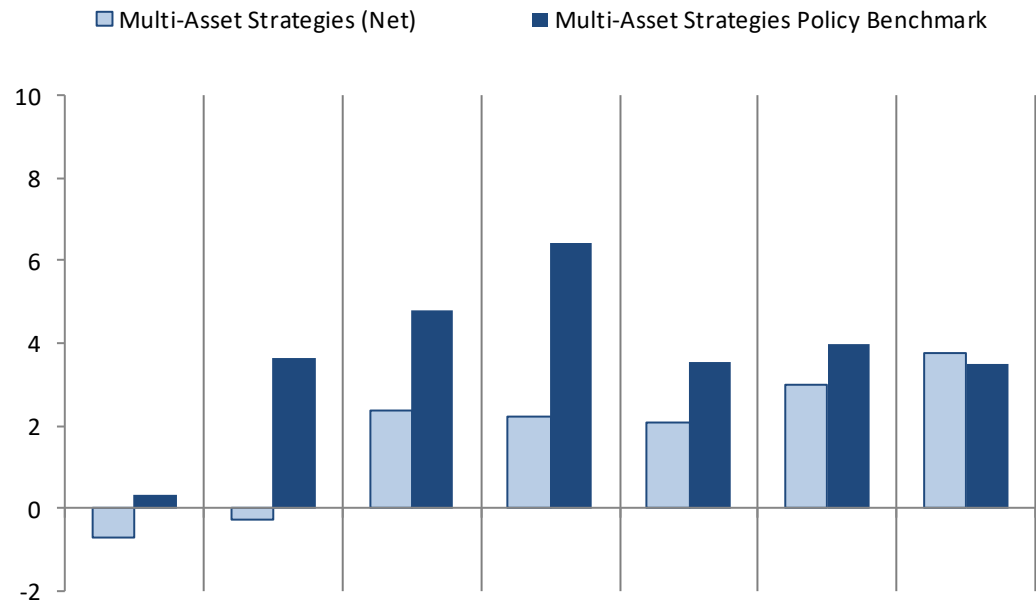
Source: BNY Mellon GRS



## Multi-Asset Strategies Performance

### Current Benchmark:

HFRI Fund of Funds Composite  
plus 1%



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Multi-Asset Strategies (Gross)	(0.75)	0.49	2.49	3.20	3.32	4.32	5.25
Multi-Asset Strategies (Net)	(0.70)	(0.26)	2.35	2.23	2.09	3.00	3.74
Multi-Asset Strategies Policy Benchmark	0.33	3.63	4.82	6.44	3.57	3.96	3.49
Value Added (Net of Fee)	(1.03)	(3.89)	(2.46)	(4.21)	(1.48)	(0.96)	0.25

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

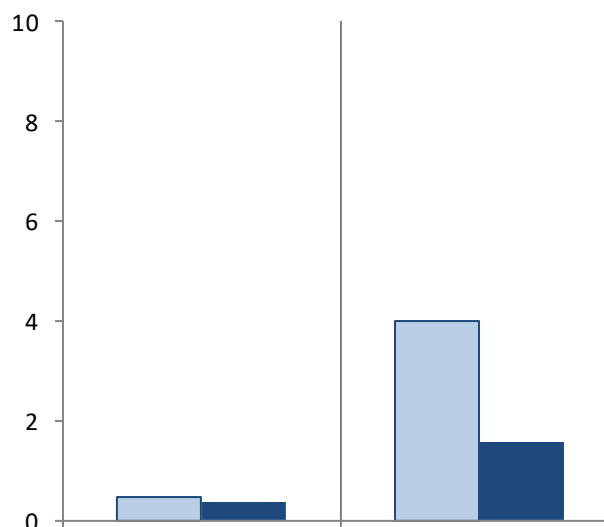


## Global Private Credit

**Current Benchmark:**

*3 Month LIBOR plus 4.5%*

■ Global Private Credit (Net)  
■ Global Private Credit Policy Benchmark



	1 Month	FYTD
Global Private Credit (Gross)	0.48	4.45
Global Private Credit (Net)	0.49	3.99
Global Private Credit Policy Benchmark	0.39	1.58
Value Added (Net of Fee)	0.10	2.41

Source: BNY Mellon GRS

*The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.*



## Ohio SERS Investment Report

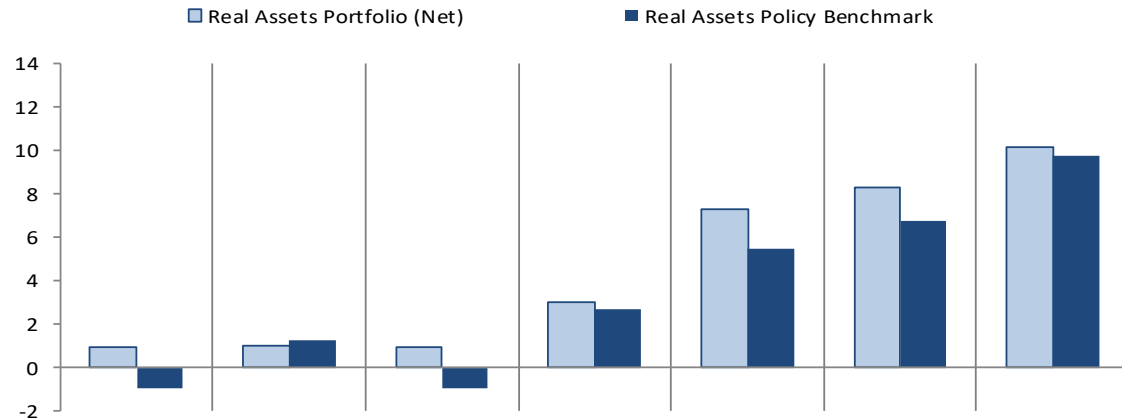
Month Ending: 10/31/2020

### Global Real Assets Performance

Results as of: 09/30/2020

**Current Benchmark:**

NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	1.13	1.52	1.13	3.79	8.31	9.33	11.28
Real Assets Portfolio (Net)	0.91	1.00	0.91	3.03	7.28	8.27	10.11
Real Assets Policy Benchmark	(0.99)	1.26	(0.99)	2.69	5.44	6.77	9.70
Real Assets Value Added (NOF)	1.90	(0.25)	1.90	0.34	1.84	1.50	0.41
Real Assets Core (Net)	(1.22)	1.55	(1.22)	3.27	6.74	7.89	10.81
Real Assets Policy Benchmark	(0.99)	1.26	(0.99)	2.69	5.44	6.77	9.70
Real Assets Core Value Added (NOF)	(0.23)	0.29	(0.23)	0.58	1.30	1.12	1.11
Real Assets Non-Core (Net)	0.05	(0.75)	0.05	4.11	7.35	8.02	9.60
Real Assets Policy Benchmark	(0.99)	1.26	(0.99)	2.69	5.44	6.77	9.70
Real Assets Non-Core Value Added (NOF)	1.04	(2.01)	1.04	1.42	1.91	1.25	(0.10)
Real Assets Infrastructure (Net)	7.65	2.87	7.65	4.81	11.17	n/a	n/a
Real Assets Policy Benchmark	(0.99)	1.26	(0.99)	2.69	5.44	n/a	n/a
Real Assets Infrastructure Value Added (NOF)	8.64	1.61	8.64	2.12	5.73	n/a	n/a

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Assets performance is reported one quarter in arrears.

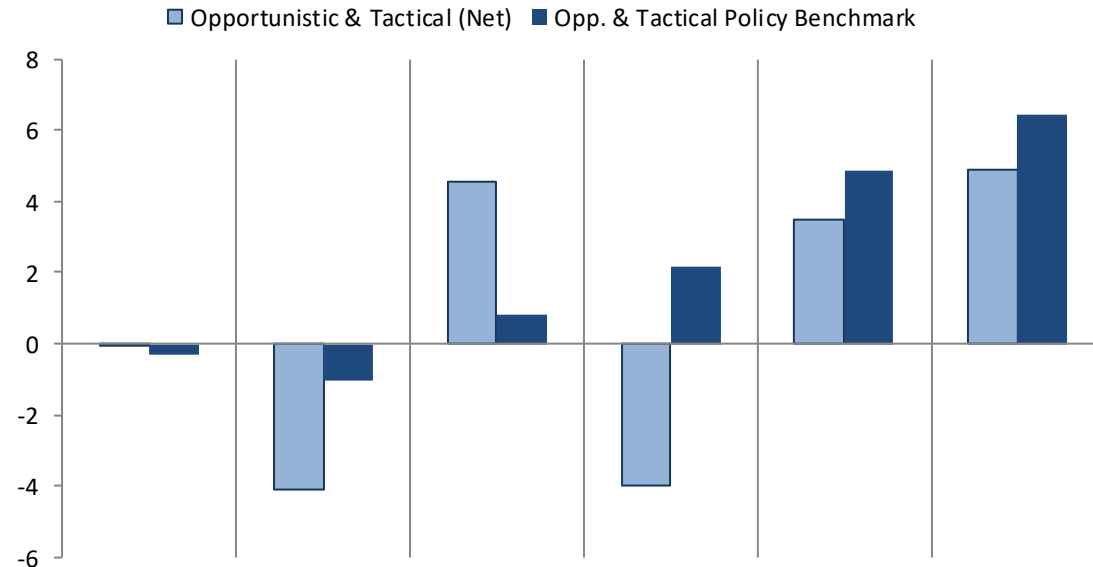




## Opportunistic & Tactical Performance

**Current Benchmark:**

*Bloomberg Barclays Aggregate  
Bond Index + 2%*

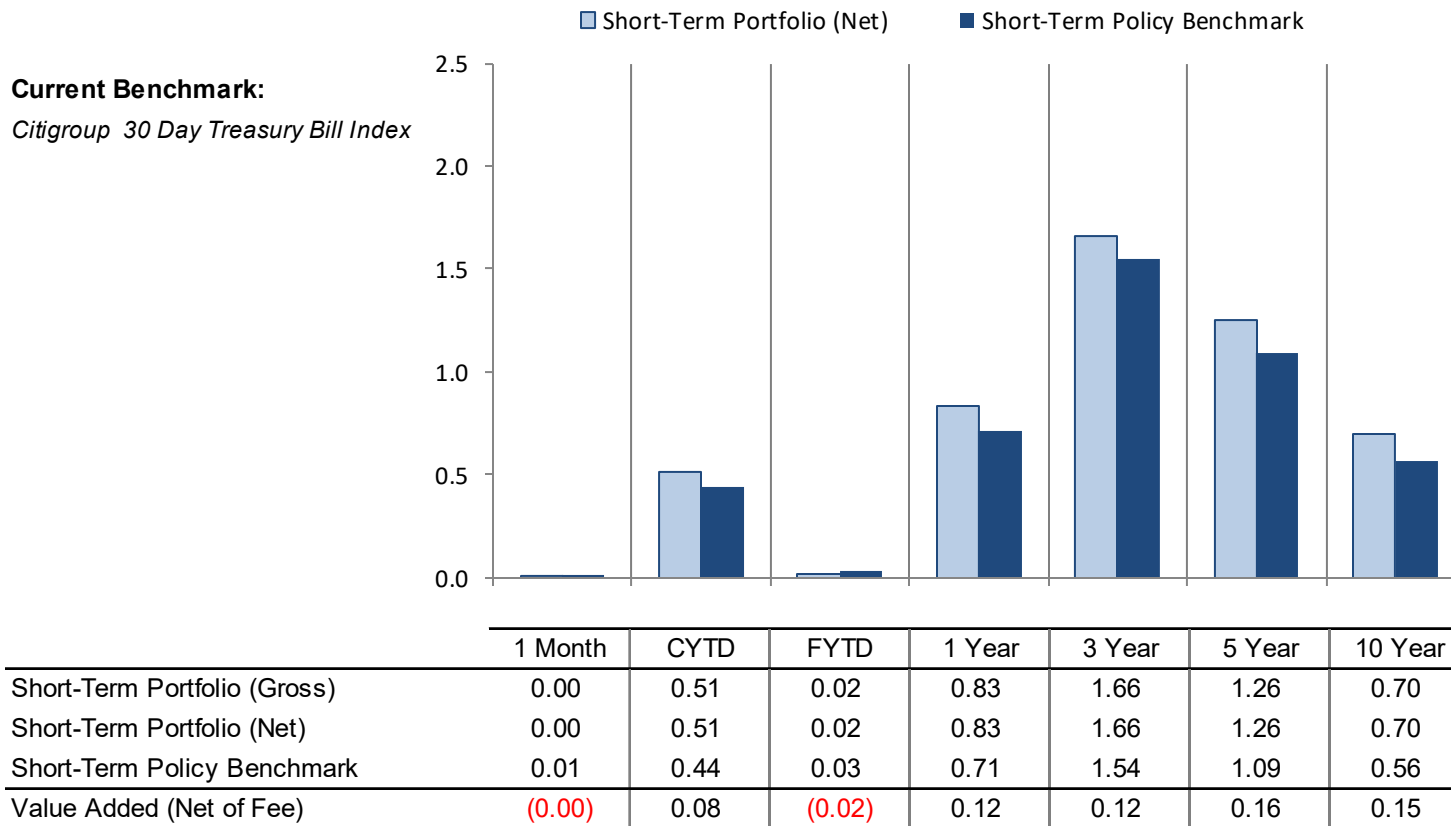


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Opportunistic & Tactical (Gross)	(0.06)	(2.87)	4.98	(2.49)	5.06	6.34
Opportunistic & Tactical (Net)	(0.06)	(4.09)	4.55	(3.98)	3.48	4.91
Opp. & Tactical Policy Benchmark	(0.28)	(1.06)	0.83	2.16	4.84	6.42
Value Added (Net of Fee)	0.22	(3.03)	3.72	(6.14)	(1.36)	(1.51)

Source: BNY Mellon GRS



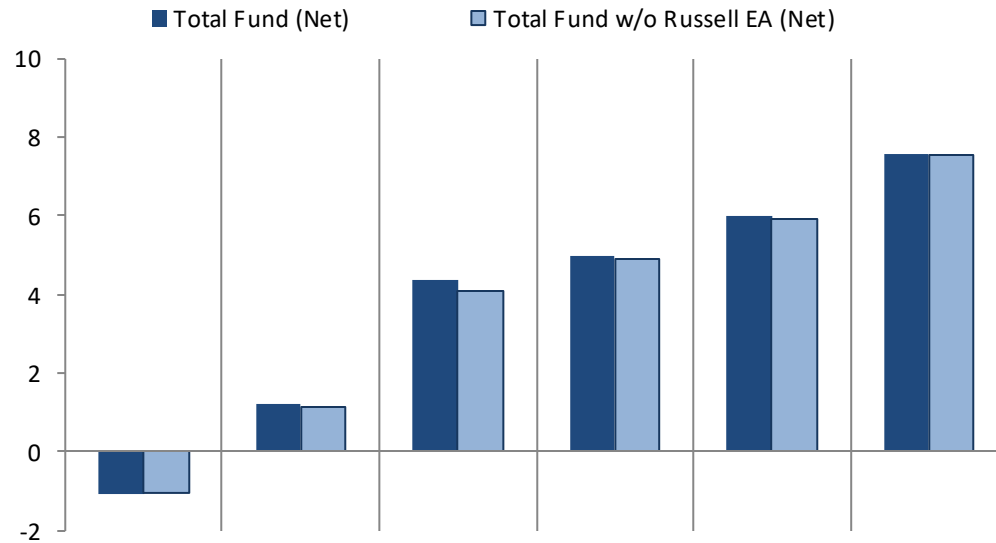
## Short-Term Performance



Source: BNY Mellon GRS



## Russell EA Overlay Performance

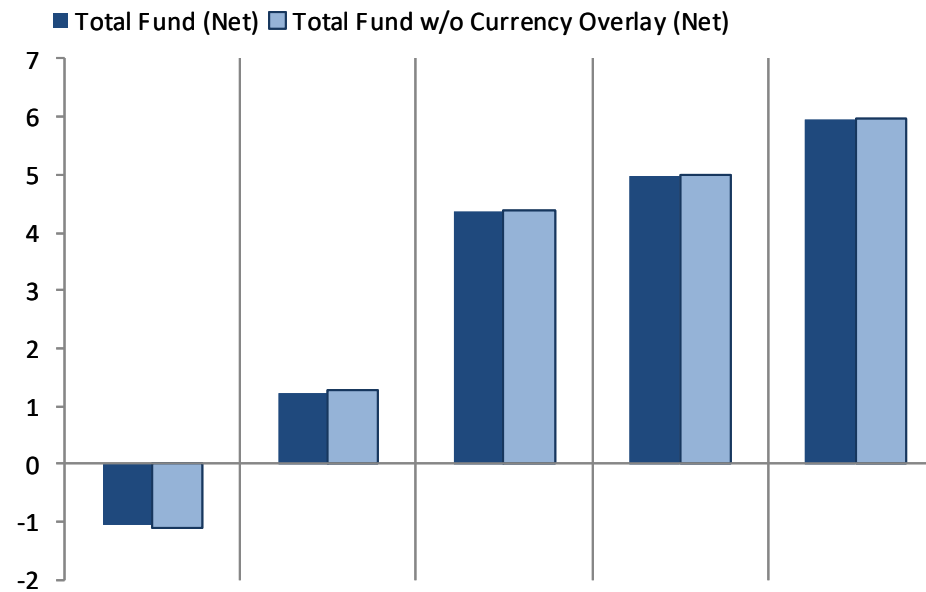


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	(1.05)	1.69	4.53	5.58	6.63	8.26
Total Fund w/o Russell EA (Gross)	(1.05)	1.62	4.25	5.51	6.57	8.21
Total Fund (Net)	(1.07)	1.23	4.36	4.98	5.97	7.58
Total Fund w/o Russell EA (Net)	(1.07)	1.16	4.08	4.91	5.92	7.54
Russell EA Overlay Impact (Net of Fee)	0.00	0.07	0.28	0.07	0.05	0.04

Source: BNY Mellon GRS



## Currency Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year
Total Fund (Gross)	(1.05)	1.69	4.53	5.58	6.63
Total Fund w/o Currency Overlay (Gross)	(1.09)	1.71	4.57	5.62	6.62
Total Fund (Net)	(1.07)	1.23	4.36	4.98	5.97
Total Fund w/o Currency Overlay (Net)	(1.11)	1.28	4.40	4.98	5.99
Currency Overlay Impact (Net of Fee)	0.04	(0.05)	(0.04)	0.00	(0.02)

Source: BNY Mellon GRS



### Proposed Investment Agenda – Next Meeting

Annual Portfolio Review – Real Assets

Wilshire Quarterly Performance Report (December 31, 2020)

Quarterly Investment Report (December 31, 2020)

# Memo

**To:** Retirement Board  
**From:** Hai Yen Le  
**cc:** Richard Stensrud, Karen Roggenkamp, Farouki Majeed  
**Date:** November 4, 2020  
**Re:** **Quarterly Risk Report for period ending September 30, 2020**

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This memo summarizes the main risk characteristics of SERS' Total Fund based on September 30th, 2020 holdings and current market environment. The risk report is attached for your reference.

Total fund expected risk spiked up since March reaching a historic high of 17.3% in May, reflecting the high volatility of equity and credit markets in this period of economic uncertainty. Forecast risk has since moderated to 15.2% in September (reference slides 3 and 7 in the attached risk report). The Total Fund's risk level is expected to gradually decrease from high level as market volatility subsides to more normal levels.

The Total Fund's risk structure by risk contribution from asset class portfolios shows small changes. The Global Equity contributed 60% which increased 3% from the previous quarter, mostly due to 1% increase in public equity allocation. The Private Equity portfolio contributed 16% of the Total Fund's volatility. The risk contributions of these two equity portfolios are larger than their weights in the Total Fund as they are more volatile than other asset classes (reference slide 2). The risk contribution from Fixed Income was 4.5% which is significantly lower than its 18% weight in the Total Fund. Fixed Income's risk diversification stems from its lower risk and lower correlation with equities compared to other asset classes in the Total Fund. The Real Asset portfolio contributed 16% risk and its weight was close to 16%. Real Assets is risk neutral relative to its weight. The Private Credit portfolio, a newly added asset class by the Asset Allocation Policy, was 1.5% of the Total Fund, but its risk contribution was 0.9% only, thus the asset class also brought risk diversification benefit to the Total Fund. The Private Credit Portfolio showed exposures to private credit risk and fixed income risk.

The Total Fund's risk structure by risk contribution from major risk factors has been stable. Equity factors contributed 76.5% of the Total Fund's risk (reference slide 3). Equity factors are concentrated in the Global Equity and Private Equity portfolios. Other significant risk factors are private real estate and credit risk included in the fixed income factor group. A new private credit factor risk is shown on the report; nevertheless its contribution is 2 bps only.

The forecast active risk relative to the policy portfolio was 99 bps, significantly decreased from the previous quarter, and stayed well below the 3% limit of the Risk Policy (reference slide 4). The 58bps decrease of the active risk over the quarter was attributed to closure of the tactical allocation positions initiated in February and March. Those positions were fully exited in late August with gains.

Please let staff know if you have any questions. Thank you.



BARRAONE – RISK MANAGEMENT SYSTEM

# **SERS RISK REPORT**

**For the period ending  
September 2020**

Prepared by:  
Hai Yen Le, Investment Officer - Risk Management & Analytics

Meeting Date: December 2020

*Serving the People Who Serve Our Schools*



# SERS Total Fund Risk

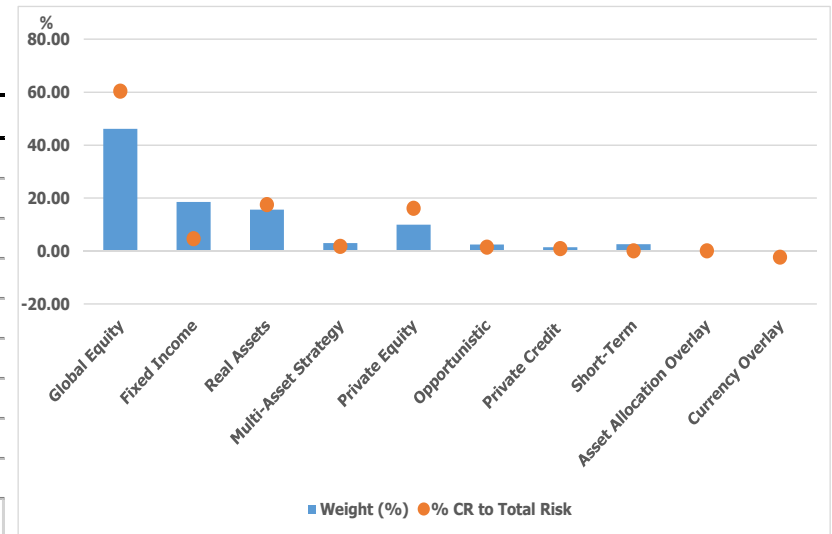
## Risk Summary

Statistic	Value
Total Risk	15.23
Benchmark Risk	14.88
Active Risk	0.99
Portfolio Beta	1.02
Effective Duration	1.17

## Asset Class Contribution to Risk

Asset Class	Weight (%)	Total Risk	Risk Contribution	% CR to Total Risk
<b>Total</b>	<b>100.00</b>	<b>15.23</b>	<b>15.23</b>	<b>100.00</b>
Global Equity	46.40	20.35	9.18	60.30
Fixed Income	18.00	5.71	0.69	4.54
Real Assets	15.80	19.96	2.65	17.43
Multi-Asset Strategy	3.02	9.59	0.26	1.72
Private Equity	10.04	28.37	2.46	16.12
Opportunistic	2.51	10.11	0.22	1.43
Private Credit	1.47	13.71	0.13	0.86
Short-Term	2.59	0.00	0.00	0.00
Asset Allocation Overlay	0.00	0.00	0.00	0.00
Currency Overlay	0.20	6.70	-0.36	-2.40

## Asset Class Allocation



Note: Total Risks of the Overlay Programs are on the notional values

Source: MSCI BarraOne – September 2020 data



# SERS Total Fund – Risk by Factors

Asset Class	Commodity Factor Contribution	Currency Risk Contribution	Fixed Income Factor Contribution	Equity Factor Contribution	Private Equity Factor Contribution	Private Credit Factor Contribution	Private Real Estate Factor Contribution	Portfolio Risk Contribution
Asset Allocation Overlay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currency Overlay	0.00	-0.36	0.00	0.00	0.00	0.00	0.00	-0.36
Fixed Income	0.00	0.02	0.64	0.03	0.00	0.00	0.00	0.69
Global Equity	0.00	0.41	0.00	8.74	0.00	0.00	0.00	9.18
Multi-Asset Strategies	0.00	0.00	0.01	0.25	0.00	0.00	0.00	0.26
Opportunistic	0.00	0.01	0.12	0.08	0.00	0.00	0.00	0.22
Private Credit	0.00	0.01	0.11	0.01	0.00	0.01	0.00	0.13
Private Equity	0.00	0.06	0.06	2.15	0.18	0.01	0.00	2.46
Real Assets	0.00	0.02	0.09	0.39	0.00	0.00	2.15	2.65
Short-Term	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Fund</b>	<b>0.00</b>	<b>0.17</b>	<b>1.02</b>	<b>11.64</b>	<b>0.18</b>	<b>0.02</b>	<b>2.15</b>	<b>15.23</b>
Total Fund - 3 Month Change	0.00	0.07	-0.17	-1.25	-0.03	n/a	-0.20	-1.54
Total Fund - 12 Month Change	0.00	-0.14	0.95	5.15	0.07	n/a	1.40	7.50

Source: MSCI BarraOne – September 2020 data

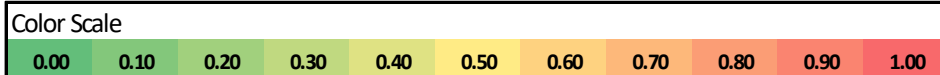
# SERS Total Fund - Active Risk

Asset Class	Active Weight	Allocation Risk Contribution	Selection Risk Contribution	Active Risk Contribution
Asset Allocation Overlay	0.00	0.00	0.00	0.00
Currency Overlay	0.20	0.00	0.03	0.03
Fixed Income	-1.00	0.02	0.28	0.30
Global Equity	1.40	0.03	0.13	0.16
Multi-Asset Strategies	-1.00	0.03	0.06	0.08
Opportunistic	2.50	-0.12	0.13	0.01
Private Credit	-1.50	0.08	0.10	0.18
Private Equity	-0.90	-0.06	-0.02	-0.08
Real Assets	-0.20	0.01	0.33	0.34
Short-Term	0.59	-0.03	0.00	-0.03
<b>Total Fund</b>		<b>-0.05</b>	<b>1.04</b>	<b>0.99</b>
Total Fund - 3 Month Change		-0.63	0.05	-0.58
Total Fund - 12 Month Change		-0.17	0.52	0.36

Source: MSCI BarraOne – September 2020 data

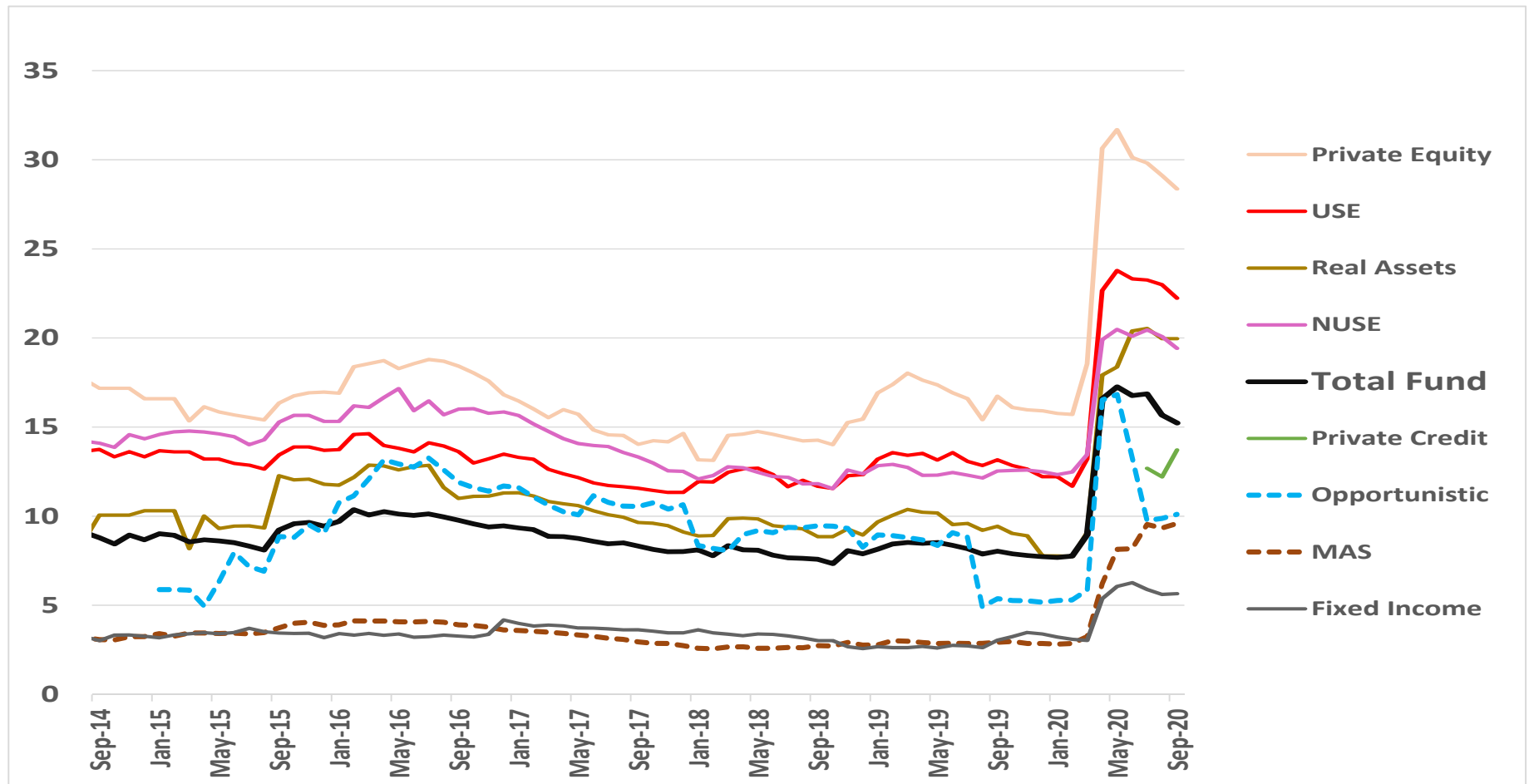
# Asset Class Correlation

Portfolio	US Equity	Non-US Equity	Fixed Income	Multi-Asset Strategy	Private Equity	Real Assets	Opportunistic	Short-Term Cash	Private Credit
US Equity	1.00								
Non US Equity	0.89	1.00							
Fixed Income	0.56	0.58	1.00						
Multi-Asset Strategy	0.91	0.87	0.54	1.00					
Private Equity	0.80	0.76	0.48	0.75	1.00				
Real Assets	0.76	0.71	0.62	0.70	0.63	1.00			
Opportunistic	0.79	0.79	0.72	0.75	0.76	0.72	1.00		
Short-Term Cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	
Private Credit	0.55	0.58	0.58	0.52	0.67	0.52	0.76	0.00	1.00



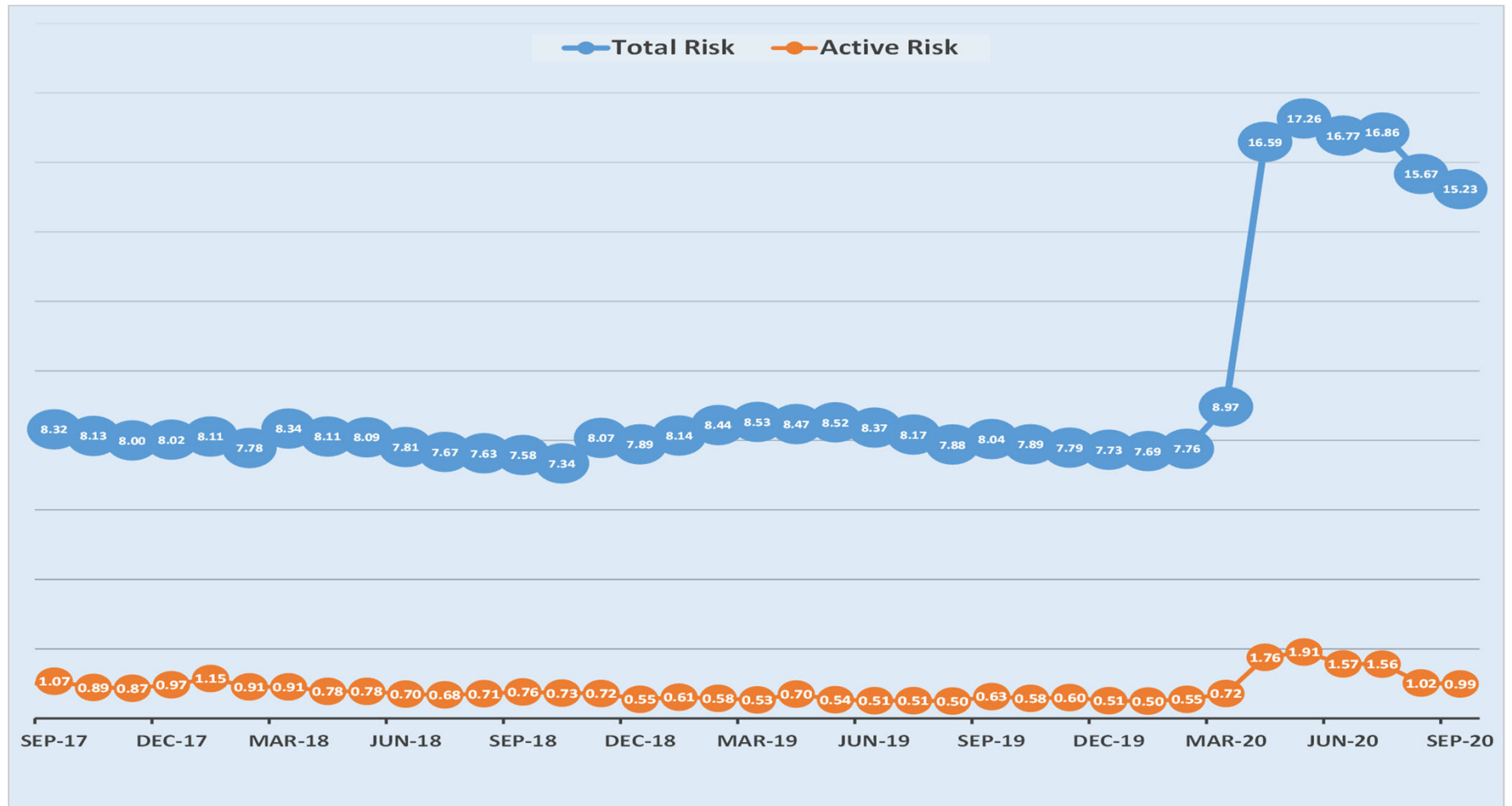
Source: MSCI BarraOne – September 2020 data

# Forecast 1 Year Total Risk



Source: MSCI BarraOne - September 2020 data

# Total Fund Forecast Risk



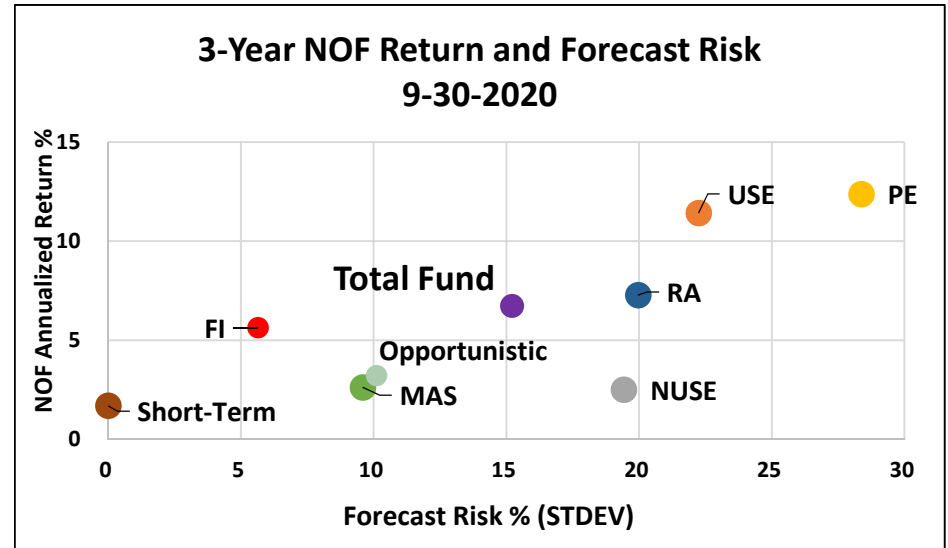
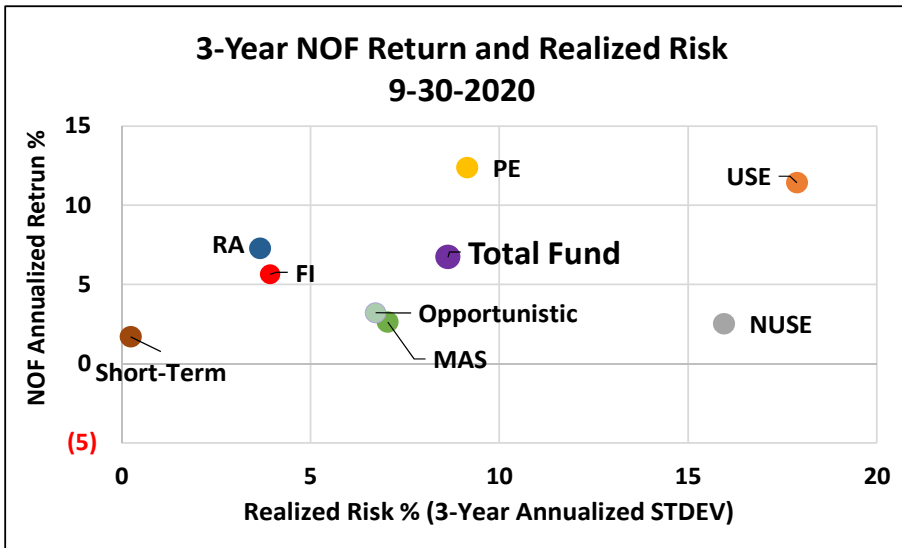
Source: MSCI BarraOne - September 2020 data

# Ten Worst Scenarios

Scenario	Portfolio P&L	Benchmark P&L	Market Change(\$)
2007-2009 Subprime and Credit Crisis	-33.53%	-32.30%	(5,096,272,986)
2008 - 2009 Global Financial Crisis	-27.06%	-26.28%	(4,113,734,461)
2008 Lehman Bust	-24.83%	-23.70%	(3,774,823,792)
\$200 per Barrel - Oil Supply Shock	-11.51%	-11.33%	(1,749,297,266)
Eurozone Breakup - Greece 18% recovery	-11.41%	-12.01%	(1,733,794,119)
1987 Market Crash (Aug. to Nov.)	-10.95%	-10.26%	(1,664,034,849)
2007-2008 Equity Slow Grind	-10.84%	-10.17%	(1,648,233,898)
2011 US Debt Ceiling Act	-9.28%	-9.14%	(1,410,072,724)
1998 Russian Financial Crisis	-8.60%	-7.53%	(1,307,601,974)
Eurozone Breakup - Greece 30% recovery	-7.87%	-8.55%	(1,195,750,013)

Source: MSCI BarraOne - September 2020 data

# Realized Risk vs. Forecast Risk



	<u>3 Years NOF Return</u>	<u>Realized STDEV</u>	<u>Forecast STDEV</u>
Total Fund	6.72	8.65	15.23
USE	11.42	17.88	22.24
NUSE	2.51	15.95	19.42
Private Equity	12.38	9.15	28.37
FI	5.64	3.93	5.65
Multi-Asset Strategies	2.62	7.04	9.59
Real Assets	7.28	3.67	19.96
Short-Term	1.70	0.24	0.00
Opportunistic	3.21	6.73	10.11

## SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

## SUMMARY OF INVESTMENT TRANSACTIONS

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of October 1, 2020 through October 30, 2020 hereby be approved. A detailed list of these transactions is found in the Board Agenda posted prior to the December 2020 Retirement Board Meeting.

## A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 14.2
Non-US Equities	135.2
Fixed Income	312.0
Multi-Asset Strategies	2.3
Private Equity Capital Calls	26.8
Real Asset Capital Calls	6.9
Opportunistic	4.4
Global Private Credit	13.0
Cash Equivalents	207.4

## B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$16.8	\$ 5.5
Non-US Equities	136.7	5.6
Fixed Income	299.3	3.5
Multi-Asset Strategies	78.7	32.7
Private Equity distributions	24.1	n/a
Real Asset distributions	13.5	n/a
Opportunistic	n/a	n/a
Global Private Credit	n/a	n/a
Cash Equivalents	156.9	n/a



## **EXECUTIVE DIRECTOR'S UPDATE**

- CAFR Highlights

# Memo

**To:** SERS Retirement Board  
**From:** Richard Stensrud  
**cc:** Chris Collins  
**Date:** December 4, 2020  
**Re:** Annual Federal Update from Carol Drake

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Each December, SERS' external federal legislative consultant provides an in-person update to the Retirement Board of the prior year's public pension plan issues, and expected federal activity for the coming year.

Carol Drake of Carlow Consulting will join us on Thursday and we look forward to her presentation. If I can assist you with any information, please let me know.

## MEMORANDUM

To: Chris Collins, SERS Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: December 2, 2020

Re: Federal Legislative and Regulatory Report

### **OVERVIEW**

**Highlights for November and early December included:** the compressed calendar of activities for the House and Senate before the end of the year and in January; lingering legal challenges to suits filed by President Trump over the election of President-elect Joe Biden; a potential bipartisan bill with a framework that could provide more stimulus dollars to address the impact of COVID-19; the issuance of an Executive Order by the President to limit investments in certain Chinese companies and House action on a passed Senate bill relating to foreign companies; advocacy to address the Windfall Elimination Provision (WEP) before the end of the year; discussions on appropriations to fund the federal government after December 11, to include language supporting Limited Wraparound Plans; and the U.S. Supreme Court's oral argument on the Affordable Care Act.

### **Key dates for December 2020 and January 2021 include:**

- December 11- the Continuing Resolution expires. Congress and the administration need to fund the federal government into 2021.
- December 11- the House is tentatively scheduled to adjourn until January 3, 2021.
- December 14- the Electoral College, made up of 538 electors, selected by their state political parties and the District of Columbia, will meet. Each elector casts one vote and a presidential candidate needs 270 votes to win the election. Ohio has 18 electors.
- December 18- the Senate is tentatively scheduled to adjourn until January 3, 2021.
- January 3- the 117<sup>th</sup> Congress is seated, with House members serving from January 3, 2021 until January 3, 2023.
- January 5- Runoff elections will be held for two Georgia Senate seats.
- January 6- the House and Senate meet jointly for the official count of electoral votes.
- January 20- the 46<sup>th</sup> President and Vice President take their oaths of office at Noon.

**Former Vice-President Joe Biden has been declared the unofficial winner of the presidential election, receiving over 80 million popular votes compared to almost 74 million for President Donald Trump.** The Electoral College votes are the deciding factor. The President has not conceded the race and has multiple lawsuits pending in states where he is alleging election irregularities. On Tuesday, December 1, U.S. Attorney General William Barr said in an interview with the Associated Press, "There's been one assertion that would be systemic fraud and that would be the claim that machines were programmed essentially to skew the election results. And the DHS and DOJ have looked into that, and so far, we haven't seen anything to substantiate that."

### **The 117<sup>th</sup> Congress has been reported to be the most diverse group of House members in history.**

There are more women, LGBTQ and minority members. According to The Hill, the "diversity in both the House and Senate comes from Democrats, but Republicans will be adding more racial minorities and women to their ranks in 2021 as well. The record of at least 134 women makes up only about a quarter of the membership of Congress." The full article may be read here:

<https://thehill.com/homenews/campaign/524889-next-congress-set-for-record-diversity>

**The House of Representatives will vote in January whether to retain Speaker Nancy Pelosi (D-CA), who was elected Speaker again by the Democratic Caucus in November.** Speaker Pelosi said that

this upcoming term would be her last as the Speaker. While the Democrats retained the House majority, they did lose several seats to Republicans. A simple majority of votes will secure the position for her.

**The House of Representatives returned on Monday, November 30, with the first voting day on Wednesday, December 2.** The House has tentatively scheduled the last day for Friday, December 11. However, if negotiations for funding the federal government and a stimulus package for COVID relief are still being held, the House is not expected to adjourn until these issues are resolved one way or another. One hearing of interest is scheduled before the House adjourns "sine die":

- Committee on Oversight and Reform  
Virtual Hearing - Ensuring the 2020 Census Count is Complete and Accurate  
December 3, 2020 at 10:00 a.m.

**Speaker Pelosi and Democrats have identified several priorities for the House,** including a deal to fund the federal government after December 11; ways to build on the Affordable Care Act to increase subsidies and extend them to higher-income earners who are often priced out of the marketplaces; a COVID-19 stimulus package similar to the House version; and changes to the tax code that Democrats believe favors large corporations over citizens.

**Several Ohio House members are or were being considered for positions of leadership in the next Congress or administration.** Rep. Marcia Fudge (D-OH) has been mentioned as a possible chair of the House Committee on Agriculture and more recently, as a person on the list for Secretary of Agriculture in the Biden administration. Rep. Fudge would be the second African American and first African American woman to lead the Department of Agriculture. If she is named by President-elect Biden, Rep. Fudge would oversee school meals and major agricultural programs. Several groups of constituents and organizations have supported Rep. Fudge's candidacy.

**Rep. Marcy Kaptur (D-OH) was on the short list for chair of the Committee on Appropriations.** During a Democratic Steering and Policy Committee meeting on December 1, Rep. Rosa DeLauro (D-CT) prevailed in a vote to be the next chairwoman of the Committee. The full Democratic Caucus will vote on Thursday and is expected to support Rep. DeLauro, however, Rep. Kaptur is still seeking the position.

**Rep. Bob Latta (R-OH) wanted to serve as the Ranking Member on the Committee on Energy and Commerce next year.** Rep. Bill Johnson (R-OH) wanted to move up to the Ranking Member on the House Committee on the Budget and Rep. Mike Turner (R-OH) was hoping to serve as the Ranking Member of the House Committee on Armed Services. Rep. Steve Chabot (R-OH) could retain the title of Ranking Member of the Committee on Small Business. Rep. Jim Jordan (R-OH) would like to remain the Ranking Member on the Committee on the Judiciary. Rep. Joyce Beatty (D-OH) announced her candidacy for chair of the Congressional Black Caucus.

**The Senate returned on Monday, November 30 and is tentatively scheduled to adjourn on Friday, December 18.** Hearings of interest include:

- Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Spending Oversight and Emergency Management  
Virtual Hearing- Hearing to examine state and local cybersecurity, focusing on defending our communities from cyber threats amid COVID-19.  
December 2, 2020 at 2:30 p.m.
- Committee on Agriculture, Nutrition and Forestry  
Virtual Hearing- Hearing to examine agricultural research and securing the U.S. food supply.  
December 2, 2020 at 2:30 p.m.

**Senate Majority Leader Mitch McConnell (R-KY) was reelected to his Senate seat and could retain his leadership position in the next session.** Whether Republicans remain in the majority will not be known until the two run-off Senate elections in Georgia are held in early January. If Georgians elect the two Democratic candidates, the Senate would be split 50-50 and Vice President-elect Kamala Harris would be the tie breaker. If the Republicans win at least one seat, they would retain a one-vote majority.

**The Senate Committee on Appropriations is working through its twelve (12) final spending bills for the year.** Senator Richard Shelby (R-AL), chairman of the Committee, indicated that an omnibus spending bill, reaching up to \$1.4 trillion, may be considered. Whether stimulus dollars will be included in the final version is part of the discussion with leadership. One of the bills, the Labor, Health and Human Services, Education, and Related Agencies 2021 budget, has already been passed by the House, which included the Limited Wraparound language. The Senate and House bills include more funding for agency programs that will continue to address the pandemic. For example, the Department of Health and Human Services (HHS), Centers for Disease Control and Prevention (CDC), and the National Institutes of Health (NIH) would receive increases.

**If the House, Senate and administration are not able to reach a long-term funding deal, a short-term appropriation package lasting until February or March 2021 could be negotiated to avoid a government shutdown.** Republicans and Democrats are concerned that a shutdown could impact the Georgia Senate runoff elections. President Trump has threatened to veto the Defense authorization bill unless it contains a repeal of the Section 230, the internet immunity shield for tech companies over content created by their users. This was a surprise because previously, the President said he might veto the bill if it contained language requiring the removal of Confederate names from military bases. The border wall project is another funding priority for the President.

**Republican Senators have thrown a twist into 2021 priorities. Senator Lindsey Graham (R-SC) may become the next chairman of the Committee on the Budget if Republicans remain in the majority.** In an interview, Senator Graham said that he would like to create a Commission to propose ways to reduce the deficit, address the country's debt and begin discussions to reform entitlement programs. Senate Democrats have pointed out that spending packages passed during the Trump administration totaled over \$2.8 trillion. They believe that the Biden administration should have the ability to address the pandemic, the debt ceiling later next year and federal spending in alignment with his priorities.

#### **PRESIDENT-ELECT BIDEN PRIORITIES**

**President-elect Biden moved quickly to establish a transition team, announce proposed appointments to his White House staff and several Cabinet positions.** President-elect Biden has identified several priorities for his administration including:

- Pandemic support for state and local governments which would receive "immediate assistance," vaccination protocols, unemployment benefits, protection for renters and those with mortgages in foreclosure, funding for education and school supplies and reopening needs;
- Health care, including support for the ACA and to some degree, a public option;
- Environment and climate change initiatives, including reentering the Paris climate accord;
- Economic relief including monetary and fiscal policies, spending on infrastructure and clean energy;
- Foreign policy and trade deals, ending punitive tariffs and reestablishing better relationships with allies, realignment with the World Health Organization;
- Tax increases on corporations and high earners, Social Security taxes to impose the 12.4% payroll tax (half of which is paid by the taxpayer) on all income above \$400,000;
- Repeal the ban on immigration and reinstate Dreamers under DACA;
- Action to end President Trump's Executive Orders and roll back last minute rules in the agencies.

**According to his transition website, Biden also plans to expand testing, increase production of protective gear for health workers, develop guidelines for reopening schools and businesses, and prepare for the distribution of vaccines.** The link is here: [President-Elect Joe Biden: Official Transition Website \(buildbackbetter.gov\)](https://www.buildbackbetter.gov)

#### **CORONAVIRUS LEGISLATION AND VACCINE UPDATE**

**The chairman of the Federal Reserve, Jerome Powell, has expressed concerns since November that the "the recent rise in new COVID-19 cases both here in the United States and abroad is particularly concerning" to the central bank and dangerous to the fragile U.S. economy. As we**

have emphasized throughout the pandemic the outlook for the economy is extraordinarily uncertain, and will depend in large part on the success of efforts to keep the virus in check.”

**As of this date, neither Republicans nor Democrats have been able to find common ground on a fifth stimulus package before Congress adjourns for the year.** Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) have been talking with a bipartisan group of members, including Rep. Anthony Gonzalez (R-OH), on a \$908 billion package, to bring a “targeted, effective COVID-19 aid bill in the lame-duck session.” Several extenders will expire at the end of the year, including the waiver of required minimum distributions from retirement accounts. In a CNBC interview, Senator Portman announced that he has been participating in Johnson & Johnson's vaccine trials. There is still no agreement on a bill.

**Operation Warp Speed, the administration’s public-private partnership to develop a coronavirus vaccine, has had a string of successes in November.** Moderna’s coronavirus vaccine has been reported to be nearly 95 percent effective thus far. Pfizer and its German partner, BioNTech, reported that the coronavirus vaccine they developed was more than 90 percent effective. Oxford-AstraZeneca also announced a vaccine that could be less expensive than Pfizer’s and Moderna’s. The next steps include approval by the FDA, which is expediting its efforts, and then distribution through an established protocol setting forth who is eligible for the vaccines first.

**As reported, Reps. Anthony Gonzalez (R-OH) and Marcia Fudge (D-OH) introduced H.R. 7029, a bill to facilitate the re-opening of schools through study of children's role in transmitting SARS-CoV-2, and for other purposes.** The bill has 25 cosponsors now, including Reps. Tim Ryan (D-OH), David Joyce (R-OH), Joyce Beatty (D-OH), and Steve Stivers (R-OH). The bill is aimed to help schools reopen safely in the fall by providing much needed research on the role children play in transmitting the COVID-19 virus.” The bill has not moved and may need to be reintroduced next year for further consideration.

#### **FINANCIAL SERVICES**

**One concern for institutional investors relates to whether the President-elect will support the passage of a bill to create a Financial Transaction Tax (FTT).** Early in his candidacy, President-elect Biden appeared to support a FTT, along with Senators Elizabeth Warren (D-MA) and Bernie Sanders (I-VT). Bills in Congress, such as H.R. 2923, the “Inclusive Prosperity Act of 2019,” H.R. 1516, the “Wall Street Tax Act of 2019,” in which Rep. Tim Ryan (D-OH) is a cosponsor, and S. 647, the companion Senate bill to the “Wall Street Tax Act of 2019,” have been introduced but not moved out of their respective Committee assignments. The bills are opposed by the U.S. Chamber of Commerce and other national business organizations.

**On October 27, Rep. Patrick McHenry (R-NC) introduced H.R. 8695, the “Protecting Retirement Savers and Everyday Investors Act.”** The bill would impose a limitation on taxation and fees on transactions by certain securities industry participants, and for other purposes. The bill has two cosponsors, none from Ohio, and has not moved from the Committee on the Judiciary.

**Some states, most notably New Jersey, have begun considering legislation to institute a tax on any transaction processed through financial infrastructure in the state, equal to 1/100 of a cent per transaction.** The bill is expected to raise \$500 million for the state’s coffers, however, financial institutions and affected businesses are considering whether to move from New Jersey to avoid the tax. The bill has a sunset provision that would limit the tax to two years, however, businesses that relocate from New Jersey will likely not return.

#### **EDUCATION**

**Reps. Marcia Fudge (D-OH) and Joyce Beatty (D-OH) cosponsored H.R. 8664, the “Personal Protective Equipment (PPE) for Safe Schools Act,” with 37 other cosponsors.** The legislation would provide funding to school districts across the country to pay for PPE, cleaning supplies, technical training, and additional staff support needed to keep students, educators, and communities safe. The bill would provide funds to local educational agencies for personal protective equipment for educators and other staff, and students.

**H.R. 8039, introduced by Rep. Marcia Fudge (D-OH), would require the Bureau of Consumer Financial Protection to assess the use of certain educational data in determining the creditworthiness of an applicant, and for other purposes.** Rep. Joyce Beatty (D-OH), Marcy Kaptur (D-OH) and Mike Turner (R-OH) are cosponsors. It has been referred to the Committee on Financial Services and has not moved. It will need to be introduced in the next session.

#### **SERS ADVOCACY ON THE LIMITED WRAPAROUND PLAN AND PDPRA**

**Chris Collins, SERS Government Relations Officer and I have continued outreach to the delegation offices during the pandemic to discuss the continued support for Limited Wraparound Plans, the concerns with the final rebate rule, and how EGWPs will be impacted.**

**The Senate has not finished its appropriations bills at this time, although Senator McConnell (R-KY) has expressed a desire to pass all the appropriations bills before the end of the year.** The language contained in the House appropriations bill should be included in the final Senate version like last year. SERS and I will continue to pursue legislative authority under the bipartisan bill, H.R. 4763.

**With respect to the Senate bill, S. 2543, the “Prescription Drug Pricing Reduction Act of 2019,” or PDPRA, SERS has continued to express concerns with the proposed language that references changes to the law that will impact EGWPs, changes to Medicare, and the utilization of pharmacy benefit managers, among other changes.** The Public Sector HealthCare Roundtable has been holding calls on these issues. SERS and I have been communicating with the offices of Senators Sherrod Brown (D-OH) and Rob Portman (R-OH).

#### **WINDFALL ELIMINATION PROVISION (WEP)**

**There has been no movement on either bill introduced by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) to address WEP reform, both Representatives introduced a bipartisan bill to support retirement security at the end of October.** The bill did not address any changes to Social Security. In our call with a staff member who works for the Subcommittee on Social Security, she indicated that WEP reform is a priority and the effort will continue in the next session.

**Chairman Neal (D-MA) introduced his WEP reform bill, H.R. 4540, the “Public Servants Protection and Fairness Act” last September.** The bill has 150 cosponsors now, including Reps. Marcy Kaptur (D-OH), Tim Ryan (D-OH), Joyce Beatty (D-OH) and Marcia Fudge (D-OH). Rep. Lloyd Doggett (D-TX) is the latest cosponsor. Rep. Brady’s bill, H.R. 3934, still has 48 cosponsors, including Reps. Gonzalez (R-OH), Turner (R-OH) and Latta (R-OH).

**H.R. 141, the “Social Security Fairness Act of 2019,” which addresses the full repeal of WEP and GPO, now has 263 cosponsors,** including nine Ohio members, Reps. Tim Ryan (D-OH), David Joyce (R-OH), Steve Stivers (R-OH), Bob Gibbs (R-OH), Marcy Kaptur (D-OH), Michael Turner (R-OH), Marcia Fudge (D-OH), Joyce Beatty (D-OH) and Troy Balderson (R-OH). It has still not moved and will need to be introduced in the next session.

**Senator Sherrod Brown (D-OH) introduced the Senate companion bill, S. 521, the “Social Security Fairness Act,” last February.** The bill would fully repeal the WEP and GPO. There are still 38 cosponsors, including 31 Democrats, 5 Republicans and 2 Independents. Senator Rob Portman (R-OH) is not one of the cosponsors and there has been no action in the Senate Committee on Finance.

#### **RETIREMENT SECURITY**

**S. 945, the “Holding Foreign Companies Accountable Act,” was taken up by the House on November 27 and passed by voice vote on December 2.** The bill was passed unanimously in the Senate on May 20, 2020. It is a bill to “amend the Sarbanes-Oxley Act of 2002 to require certain issuers to disclose to the Securities and Exchange Commission information regarding foreign jurisdictions that prevent the Public Company Accounting Oversight Board from performing inspections under that Act. The measure is more restrictive than a proposed rule at the SEC, which would require audit inspection as a condition of continued listing on a stock exchange. The bill summary provides:

The legislation, if it becomes law, would give Chinese companies and their auditors three years to comply with inspection requirements before they could be kicked off the New York Stock Exchange or Nasdaq Stock Market. Chinese officials have criticized the bill, saying that there are better ways to resolve differences between Washington and Beijing over audit inspections, and that delisting Chinese companies would harm U.S. capital markets.

**The President issued an Executive Order on Chinese companies on November 12 that limits U.S. investments in Chinese securities which have ties with or are controlled by the Chinese military and takes effect January 11, 2021. The Order stated:**

I, DONALD J. TRUMP, President of the United States of America, find that the People's Republic of China (PRC) is increasingly exploiting United States capital to resource and to enable the development and modernization of its military, intelligence, and other security apparatuses, which continues to allow the PRC to directly threaten the United States homeland and United States forces overseas, including by developing and deploying weapons of mass destruction, advanced conventional weapons, and malicious cyber-enabled actions against the United States and its people.

The full Order may be read here: [Executive Order on Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies | The White House](#)

#### **SOCIAL SECURITY ADMINISTRATION (SSA)**

**President Trump's order for a payroll tax deferral from September to December was temporary.** Employees that took advantage of the deferral have until April 30, 2021, to pay the taxes back.

**AARP has begun an advocacy outreach effort to Congress to seek changes to protect future recipients of Social Security who turned age 60 this year.** In its announcement, AARP noted that the contributions that are paid in to Social Security are then adjusted by the Average Wage Index (AWI) in the year that people turn 60. AARP said, "Since wages are down, the AWI is much lower due to the economic fallout from COVID-19 — and would permanently cut Social Security benefits for these workers through no fault of their own."

**Senator Sherrod Brown (D-OH) introduced S. 4830, the "Fairness for Seniors and People with Disabilities During COVID-19 Act of 2020," on October 21, to provide protections to Social Security and Supplemental Security Income beneficiaries relating to extra payments due to the COVID-19 pandemic, and for other purposes.** The bill was referred to the Senate Committee on Finance. Both Senator Brown and Senator Rob Portman (R-OH) are members of the Committee.

**H.R. 860, the "Social Security 2100 Act," has not advanced even with 208 cosponsors as of this date, all Democrats.** All the members of Ohio's Democratic delegation are cosponsors, Reps. Joyce Beatty, Marcia Fudge, Tim Ryan, and Marcy Kaptur. The identical Senate bill is S. 269, introduced by Senator Richard Blumenthal (D-CT). Senator Chris Van Hollen (D-MD) is a cosponsor.

**H.R. 2302, the "Protecting and Preserving Social Security Act," introduced by Rep. Theodore Deutsch (D-FL) still has only eight cosponsors,** including Rep. Marcy Kaptur (D-OH). This bill, like H.R. 860, would make improvements in the old-age, survivors, and disability insurance program and provide for Social Security benefit protection. It has not moved either and will need to be reintroduced.

#### **HHS/ MEDICARE AND MEDICAID**

**In the waning days of the Trump administration, HHS and CMS are moving forward with the rule relating to the Executive Order which created the "most favored nation" status to lower certain Medicare drug prices to match prices in other wealthy countries.** An interim final rule was issued which drug companies have already said they would challenge.

**In another last minute development, the Office of Management and Budget (OMB) finalized the proposed HHS rule on the "Removal of Safe Harbor Protection for Rebates Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection for Certain Point-of-Sale Reductions**



### **in Price on Prescription Pharmaceuticals and Certain Pharmacy Benefit Manager Service Fees.”**

One of the requirements from the President’s Executive Order was that the final rule should not increase premiums for seniors, federal spending, out-of-pocket costs, among other requirements. HHS Secretary Azar explained his support for the final rule and why it was not contra to the Executive Order. He said:

My extensive experience in this field, coupled with the fifteen year history of the program, supports my projection that there will not be an increase in federal spending, patient out-of-pocket costs, or premiums for Part D beneficiaries under the Final Rule implementing the Executive Order. The rule will make beneficiary medications more affordable and lead to lower cost sharing for patients as chargebacks will decrease the costs they ultimately pay at the pharmacy counter by up to thirty percent of the drug’s list price.

**The rule was published in the Federal Register on November 30, which means that the final rule is effective on January 29, 2021, except for the amendments to [42 CFR 1001.952\(h\)\(5\)](#), which are effective on January 1, 2022.** The final rule could be challenged in court or the Biden administration may be interested in talking with plan sponsors like SERS, to discuss the negative impact of the rule.

### **The America’s Health Insurance Plan (AHIP) issued a statement upon release of the final rule:**

Americans want more affordable health care and prescription drugs. But as the Administration’s own actuaries found, the rebate rule will increase Medicare premiums for all seniors by 25%, give drug makers another \$100 billion bailout, and have taxpayers foot the bill for higher costs. It is inconceivable that the Administration would now do a complete about face and violate its own Executive Order by asserting that the rule would not increase federal spending, beneficiary premiums, or patients’ total out-of-pocket costs. This rule threatens health care affordability just as Americans are continuing to battle the COVID-19 crisis and its impact on their health and financial stability.

**Medicare premiums and deductibles for Part A and Part B will increase slightly in 2021, as announced by the Centers for Medicare and Medicaid Services (CMS).** Standard monthly premiums for Part B will cost \$3.90 more, rising to \$148.50 in 2021, up from \$144.60 in 2020. Annual Part B deductibles will rise \$5 next year to \$203, up from this year’s \$198.

**New Mexico Governor Michelle Lujan Grisham and former Surgeon General Vivek Murthy have been identified as possible appointees for President-elect Biden’s Secretary of HHS.**

**H.R. 1346, the “Medicare Buy-In and Health Care Stabilization Act of 2019,”** a bill to provide individuals who are ages 50 to 64 to buy into Medicare, and S. 470, the “Medicare at 50 Act,” the companion Senate bill which Senator Sherrod Brown (D-OH) co-sponsored, have not advanced.

### **HEALTH CARE**

**Open enrollment for individuals or families to enroll or change their healthcare plans will end on Tuesday, December 15.** Information on the Affordable Care Act (ACA) and how to select a plan is available on [www.healthcare.gov](http://www.healthcare.gov).

**The bill sponsored by Rep. Marcy Kaptur (D-OH) and Rep. Bob Gibbs (R-OH), H.R. 7292, to amend title XVIII of the Social Security Act to provide for forgiveness of certain accelerated and advance payments under parts A and B of the Medicare program, has not moved.** There are eight delegation cosponsors, including Reps. Balderson, Gonzalez, Ryan, Beatty, Fudge, Turner, Joyce, and Stivers.

### **PRESCRIPTION DRUGS**

**On November 24, Purdue Pharma pled guilty to criminal charges over its efforts to market the prescription painkiller, OxyContin, which became a symbol of the opioid crisis.** U.S. District Judge Dan Polster, based in Cleveland, is presiding over more than 2,500 federal lawsuits brought by cities, counties and tribal lands against pharmaceutical companies that manufactured and distributed opioids.

**The bill introduced by Rep. Dave Joyce (R-OH), H.R. 5239, the “Prescription Drug Price Reporting Act,”** cosponsored by Rep. Anthony Gonzalez (R-OH), would require reporting on prescription

**drug expenditures under group health plans and prescription drug price changes.** The companion bill in the Senate is S.1664. The bill would create a public, consumer-friendly federal database of drug pricing information and compels drug companies to explain any price increases. Neither bill has moved.

#### **DEPARTMENT OF LABOR (DOL)/ EMPLOYEE BENEFITS SECURITY ADMINISTRATION**

**The final rule for investments by plan fiduciaries relating to environmental, social and governance (ESG) investing was published in the Federal Register on November 13, which means that it will become effective 60 days later, on January 12, 2021.** There is a special provision allowing plans until April 30, 2022 to make any necessary QDIA changes to comply with the final rule.

#### **SECURITIES AND EXCHANGE COMMISSION (SEC)**

**On November 24, the SEC announced that it voted to propose amendments to Securities Act Rule 701, which provides an exemption from registration for the issuance of compensatory securities by non-reporting issuers, and Form S-8, the Securities Act registration statement for compensatory offerings by reporting issuers. Chairman Clayton said:**

Today's proposed amendments seek to modernize our requirements for including company securities in worker-company compensation arrangements so that workers have the opportunity to share in the growth of the business.

**Chairman Jay Clayton confirmed that he will conclude his tenure at the end of this year.** The release may be read here. <https://www.sec.gov/news/press-release/2020-284>  
Commissioner Hester Pierce has been suggested as an interim chair.

#### **U.S. SUPREME COURT**

**The Supreme Court heard oral argument on the Affordable Care Act on November 10.** A majority of the Justices in the *California v. Texas* case to decide the constitutionality of the Affordable Care Act seemed hesitant to strike the law down entirely. A final ruling is not expected before March.

#### **OTHER NEWS**

**The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) announced their intention to merge into a unified organization, the Value Reporting Foundation,** providing investors and corporates with a comprehensive corporate reporting framework across the full range of enterprise value drivers and standards to drive global sustainability performance. The merger directly responds to calls from global investors and corporates to simplify the corporate reporting landscape, providing the market with a clear solution for communicating about the drivers of enterprise value.

**On November 18, German stock exchange operator, Deutsche Boerse, announced it had acquired an 80% stake in Institutional Shareholder Services (ISS) for \$1.8 billion.**

#### **ACTIVITIES:**

1. Reviewed the Senate appropriations bills, HHS final rule and Biden transition information.
2. Participated in calls with SERS, the Public Sector HealthCare Roundtable and Kentucky Teachers.
3. Participated in the GR Network call and a call with Social Security Subcommittee staff.
4. Monitored bills from the Committees on Ways & Means, Energy and Commerce, Appropriations, Finance, and others related to public pensions, COVID-19, retirement security, health care, prescription drugs, Social Security and kept informed of relevant House and Senate Committee hearings and witnesses. Monitored the U.S. Supreme Court for important cases.
5. Reviewed bills that were introduced or cosponsored by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
6. Reviewed notices or proposed rules from the SEC, DOL, HHS/CMS, and regulatory agencies.
7. Monitored organizations, such as the Social Security Administration, American Benefits Council, AHIP, BMA, AARP and other entities on pension, investment, and/or health-care-related issues.
8. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, Public Sector HealthCare Roundtable, Social Security, and prepared the Federal Legislative Report.

# SERS Federal Legislative and Regulatory Update

**December 17, 2020**

Carol Nolan Drake, JD  
SERS Federal Liaison  
Carlow Consulting, LLC



# SERS Federal Legislative and Regulatory Update

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- 2020 Year in Review
- 117<sup>th</sup> Congress and incoming Biden Administration
- 2021 Priorities:
  - Windfall Elimination Provision
  - Health Care- Under 65 Retirees, Lower Cost for Prescription Drugs
  - Limited Wraparound Plans
  - Investing in the Capital Markets- Financial Transaction Tax. Foreign Companies
  - Regulatory Environment- SEC





# Considerations for Advocacy in 2021



- Considerations:
  - Vaccination Distribution
  - House and Senate Physicians will determine constituency visits
  - Ohio delegation offices will follow the protocols
  - Advocacy will continue with Zoom calls, emails, letters and in-person visits once the House and Senate offices reopen
  - Relationships remain important

# Questions?

**Thank you and Happy Holidays!**



**STATE LEGISLATION BOARD REPORT**  
**133<sup>rd</sup> General Assembly**  
**(Prepared by Chris Collins as of December 4, 2020)**

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**HB326 PUBLIC EMPLOYEE RETIREMENT-DISABILITY BENEFIT** Adam Miller (D – Columbus) To allow a Public Employees Retirement System or School Employees Retirement System disability benefit recipient elected to certain offices to continue receiving a disability benefit during the term of office.

Current Status: 11/12/2019 House Insurance, (First Hearing)

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**HCR13 GENDER REPRESENTATION** Thomas West (D- Canton), Sara Carruthers (R-Hamilton) - To encourage equitable and diverse gender representation on the boards and in senior management of Ohio companies and institutions.

Current Status: 11/12/2019 House Civil Justice, (Second Hearing)

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**HB46 STATE GOVT EXPENDITURE DATABASE** Dave Greenspan (R- Westlake) - To require the Treasurer of State to establish the Ohio State Government Expenditure Database

Current Status: 12/01/2020 Senate General Government and Agency Review, (Ninth Hearing)  
All Testimony

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**HB530 OPERS PROTECTION** Diane Grendell (R- Chesterland) - Regarding state retirement system fiduciary duties, Public Employees Retirement System management fees and employee pay, and creating the Committee on Pension Salaries and Fees

Current Status: 03/10/2020 Referred to Financial Institutions Committee

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**HB514 BROADCAST RETIREMENT BOARD MEETINGS** Brigid Kelly (D - Cincinnati) Haraz Ghanbari (R – Perrysburg) - To require the state retirement systems to publicly broadcast board meetings.

Current Status: 12/01/2020 House Financial Institutions, (First Hearing)

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**HB515 RETIREMENT SYSTEMS - FINANCIAL DISCLOSURES** Brigid Kelly (D - Cincinnati) Haraz Ghanbari (R – Perrysburg) - To require the boards of the state retirement systems to disclose certain financial information regarding alternative investments.

Current Status: 12/01/2020 House Financial Institutions, (First Hearing)

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**HB516 FORMER STATE RETIREMENT PERSONNEL** Brigid Kelly (D - Cincinnati) Haraz Ghanbari (R – Perrysburg) Regarding the prohibition against the state retirement systems doing business with a former state retirement system employee, officer, or board member.

Current Status: 12/01/2020 House Financial Institutions, (First Hearing)

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**HB197** OMNIBUS MEASURES ON CORONAVIRUS Jena Powell (R-Arcanum) Derek Merrin (R-Monclova) To continue essential operations of state government and maintain the continuity of the state tax code in response to the declared pandemic and global health emergency related to COVID-19, to make appropriations, and to declare an emergency.

Current Status: 03/27/2020 SIGNED BY GOVERNOR; eff. 3/27/20

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**HB404** GOVERNMENT RESPONSES Susan Manchester (R-Lakeview) Rose Sweeney (D-Cleveland) To continue essential operations of state and local government in response to the declared pandemic and global health emergency related to COVID-19 and to declare an emergency.

Current Status: 11/23/2020 SIGNED BY GOVERNOR; eff. Immediately

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**FEDERAL LEGISLATION BOARD REPORT**  
**116<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of December 4, 2020)**

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**H.R. 141**

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/31/2019 Referred to the Subcommittee on Social Security

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 263 co-sponsors; nine Ohioans

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**S. 521**

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 02/14/2019 Referred to Committee on Finance

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 38 co-sponsors.

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**H.R.3934**

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTIONS: House - 07/24/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with non-covered employment, and for other purposes.

COMMENT: 48 co-sponsors; three Ohioans

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**H.R.4540**

SPONSOR: Rep. Richard Neal (D-MA)

LAST ACTIONS: House - 09/27/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with non-covered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 150 co-sponsors; four Ohioans

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**H.R.4763**

SPONSOR: Rep. Kaptur, Marcy (D-OH)

LAST ACTIONS: House - 10/18/2019 Referred to the House Committee on Energy and Commerce.

CAPTION: To extend the limited wraparound coverage pilot program for an additional 5 years, and for other purposes.

COMMENT: Eight co-sponsors, all of whom are Ohioans.

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**H.R.748**

SPONSOR: Courtney, Joe (D-CT)

LAST ACTION: 03/27/2020 Became Public Law No: 116-136.

CAPTION: CARES Act (Coronavirus Aid, Relief, and Economic Security Act)

COMMENT: Initially introduced as a repeal of the health care “Cadillac Tax.” 369 co-sponsors; 14 Ohioans. Ultimately became vehicle for COVID-19 relief legislation.

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**S. 2543**

SPONSOR: Grassley, Chuck (R-IA)

LAST ACTION: Senate - 09/25/2019 Placed on Senate Legislative Calendar under General Orders. Calendar No. 225.

CAPTION: The Prescription Drug Pricing Reduction Act (PDPRA)

COMMENT: This bill alters several programs and requirements relating to the prices of prescription drugs under Medicare and Medicaid. No co-sponsors.

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**H.R. 3 –**

SPONSOR: Pallone, Frank (D-NJ)

LAST ACTION: Senate - 09/08/2020 Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 521.

CAPTION: The Elijah E. Cummings Lower Drug Costs Now Act.

COMMENT: This bill establishes several programs and requirements relating to the prices of prescription drugs, health care coverage and costs, and public health. 106 co-sponsors.

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**School Employees Retirement System of Ohio**Summary of administrative operation expenses during the period **November 1, 2020 - November 30, 2020.**

<b>Account</b>	<b>Amount</b>
Salaries & Wages	1,077,614.16
Salaries & Wages - Overtime	3,815.61
Vacation Leave Expense	95,162.06
Sick Leave Expense	29,635.46
Employer Contributions - PERS	157,956.80
Group Life	8,242.52
Long Term Disability	2,365.04
Short Term Disability	2,521.03
Group Health Claims	213,720.33
Group Health - Admin Fees	8,630.46
Prescription Claims	76,266.93
Group Health - Stop Loss	13,278.70
Vision Claims	2,934.74
Vision Admin Fees	171.27
Group Health - Employee Cost	(26,870.52)
Group Health - Wellness Incentive	3,999.84
Group Health - Tobacco Premiums	(840.00)
Medicare Premium - Employer	17,013.57
Workers Compensation	(20,171.00)
Deferred Compensation Match	4,845.00
Actuarial Services	48,352.00
Audit	40,638.00
Custodial Fees - Investment Accounting	44,256.47
Custodial Banking	16,166.24
Master Recordkeeper Fees	42,335.21
Investment Advisory Fees	54,166.67
Performance/Analytics Fee	37,401.66

Other Prof. Inv. Related Consulting	15,957.50
Bloomberg Terminal Rentals	19,243.34
Medical Consultant	3,333.34
Special Counsel	17,955.54
Technical	25,107.50
Other Professional Services	28,146.91
Postage	932.90
Telecommunications Services	18,289.06
Printing Paper	1,660.86
Communications & Publications	3,445.65
Software Maintenance	36,980.93
Software Subscriptions	8,035.98
Hardware <\$5,000	834.92
Software <\$25,000	9,904.67
Equipment Repairs & Maintenance	39,342.65
Office Supplies & Expenses	22.50
Records Storage	1,516.47
Seminars & Conferences	7,892.00
Travel & Transportation	659.37
Subscriptions	332.91
Memberships	400.00
Operations Maintenance	2,831.76
Staff Support	9,841.12
Recruiting Expenses	11,203.85
Interior Landscaping	3,360.37
Vehicle Expense	920.99
Board Member - School Board Reimb.	665.61
Reimbursement of Leased Svcs	(25,416.67)
<b>Total Administrative Expenses</b>	<b>2,197,010.28</b>

**School Employees Retirement System of Ohio**  
**REVIEW OF ADMINISTRATIVE EXPENSES**  
**November 2020**

The following are preliminary administrative operation expenses of the School Employees Retirement System of Ohio during the period **November 1, 2020 - November 30, 2020**

<b>Account</b>	<b>Vendor</b>	<b>Amount</b>
Salaries & Wages		
	ADP, LLC	537,741.34
	ADP, LLC	539,872.82
	Account Totals:	1,077,614.16
Salaries & Wages - Overtime		
	ADP, LLC	1,619.09
	ADP, LLC	2,196.52
	Account Totals:	3,815.61
Vacation Leave Expense		
	ADP, LLC	95,162.06
	Account Totals:	95,162.06
Sick Leave Expense		
	ADP, LLC	29,635.46
	Account Totals:	29,635.46
Employer Contributions - PERS		
	Ohio Public Emp. Retirement System	79,096.73
	Ohio Public Emp. Retirement System	78,860.07
	Account Totals:	157,956.80
Group Life		
	American United Life Insurance Company	8,242.52
	Account Totals:	8,242.52
Long Term Disability		
	American United Life Insurance Company	2,365.04
	Account Totals:	2,365.04
Short Term Disability		
	American United Life Insurance Company	1,260.50
	American United Life Insurance Company	1,260.53
	Account Totals:	2,521.03
Group Health Claims		
	Aetna Daily Wires - ESERS	212,292.33
	SaveonSP, LLC	1,428.00
	Account Totals:	213,720.33
Group Health - Admin Fees		
	Aetna Admin - ESERS	8,630.46
	Account Totals:	8,630.46

Prescription Claims	Express Scripts - ESERS	1,728.20
	Express Scripts - ESERS	15,629.92
	Express Scripts - ESERS	16,213.53
	Express Scripts - ESERS	16,846.39
	Express Scripts - ESERS	56,875.11
	Express Scripts - ESERS	(31,026.22)
	Account Totals:	76,266.93
Group Health - Stop Loss	Sunlife Financial	13,278.70
	Account Totals:	13,278.70
Vision Claims	VSP - (OH)	2,934.74
	Account Totals:	2,934.74
Vision Admin Fees	VSP - (OH)	171.27
	Account Totals:	171.27
Group Health - Employee Cost	Employee Premiums	(884.98)
	Employee Premiums	(12,985.73)
	Employee Premiums	(12,999.81)
	Account Totals:	(26,870.52)
Group Health - Wellness Incentive	ADP, LLC	1,996.62
	ADP, LLC	2,003.22
	Account Totals:	3,999.84
Group Health - Tobacco Premiums	ADP, LLC	(420.00)
	ADP, LLC	(420.00)
	Account Totals:	(840.00)
Medicare Premium - Employer	ADP, LLC	8,926.18
	ADP, LLC	8,087.39
	Account Totals:	17,013.57
Workers Compensation	Ohio Bureau Of Workers Compensation	(20,171.00)
	Account Totals:	(20,171.00)
Deferred Compensation Match	ADP, LLC	2,430.00
	ADP, LLC	2,415.00
	Account Totals:	4,845.00
Actuarial Services	Cavanaugh MacDonald Consulting, LLC	48,352.00
	Account Totals:	48,352.00
Audit	RSM US LLP	40,638.00
	Account Totals:	40,638.00

Custodial Fees - Investment Accounting	Huntington National Bank	25,000.00
	BNY Mellon Asset Servicing	19,256.47
	Account Totals:	44,256.47
Custodial Banking	Huntington National Bank	15,633.26
	Treasurer of State - Warrants	532.98
	Account Totals:	16,166.24
Master Recordkeeper Fees	BNY Mellon Asset Servicing	42,335.21
	Account Totals:	42,335.21
Investment Advisory Fees	Aksia	16,666.67
	Wilshire	37,500.00
	Account Totals:	54,166.67
Performance/Analytics Fee	BNY Mellon Asset Servicing	34,401.66
	Wilshire Associates Incorporated	3,000.00
	Account Totals:	37,401.66
Other Prof. Inv. Related Consulting	MSCI ESG Research LLC	15,957.50
	Account Totals:	15,957.50
Bloomberg Terminal Rentals	Bloomberg Finance LP	19,243.34
	Account Totals:	19,243.34
Medical Consultant	Borchers, M.D., Glen G.	3,333.34
	Account Totals:	3,333.34
Special Counsel	Bailey Cavalieri, LLC	437.50
	Frost Brown Todd, LLC	2,800.00
	Ice Miller LLP	13,420.54
	Newhouse,Prophater,Kolman&Hogan LLC	1,260.00
	Standley LawGroup LLP	37.50
	Account Totals:	17,955.54
Technical	Sagitec Solutions, LLC	25,107.50
	Account Totals:	25,107.50
Other Professional Services	Contoural, Inc.	10,546.50
	Drake, Carol N.	3,333.33
	LexisNexis Risk Data Management, Inc	7,058.42
	NASRA	100.00
	Vorys Advisors LLC	3,333.33
	Vorys Advisors LLC	3,333.33
	Wickert, Kimberly	442.00
	Account Totals:	28,146.91

Postage

Columbus Courier & Freight LLC	212.74
Pitney Bowes Inc.	59.73
Pitney Bowes Inc.	74.40
Pitney Bowes Inc.	252.47
Unishippers Association	120.12
Unishippers Association	213.44
Account Totals:	932.90

Telecommunications Services

AT&T	40.10
Black Box Network Services	5,320.00
CenturyLink	3,957.32
Nextel Communications	113.40
TBG Conferencing	858.72
Time Warner Cable	6,147.27
Verizon Wireless	263.81
Verizon Wireless	1,588.44
Account Totals:	18,289.06

Printing Paper

Millcraft Paper Co.	1,660.86
Account Totals:	1,660.86

Communications & Publications

Baise Quality Printing	3,445.65
Account Totals:	3,445.65

Software Maintenance

Shi International Corp.	1,980.93
Sagitec Solutions, LLC	35,000.00
Account Totals:	36,980.93

Software Subscriptions

ADP, LLC	2,843.31
KLDiscovery	1,275.00
Liquid Web Inc	263.50
Shi International Corp.	1,855.25
Wellable LLC	510.00
Wellness IQ	842.66
Zoom	446.26
Account Totals:	8,035.98

Hardware < \$5,000

Amazon.com	44.18
Dell Marketing LLP	790.74
Account Totals:	834.92

Software < \$25,000

Shi International Corp.	9,904.67
Account Totals:	9,904.67



Equipment Repairs & Maintenance	Canon Financial Services, Inc	1,647.27
	Digital Print Solutions	418.71
	LD Products Inc.	311.96
	LD Products Inc.	58.39
	LD Products Inc.	33.98
	Quadient	35,382.61
	Quadient	456.57
	Ricoh USA, Inc	389.58
	Ricoh USA, Inc	392.94
	Ricoh USA, Inc	250.64
	Account Totals:	39,342.65
Office Supplies & Expenses		
	Amazon.com	22.50
	Account Totals:	22.50
Records Storage		
	Vital Records Holdings, LLC	1,516.47
	Account Totals:	1,516.47
Seminars & Conferences		
	Employers Resource Association	350.00
	Global Arc	50.00
	Government Finance Officers Association	270.00
	Ohio State University	225.00
	Professional Association for SQL Server	2,297.00
	Public Pension Financial Forum	4,550.00
	Western PA Chapter of the APA	150.00
	Account Totals:	7,892.00
Travel & Transportation		
	Gray, Vatina	17.46
	Haller, James	56.11
	Kroger	47.56
	Lavash Cafe	276.00
	Moss, Catherine	59.97
	Nanak Cakes & Pastries	87.78
	Phillips, Barbra	76.31
	Rossler, James	38.18
	Account Totals:	659.37
Subscriptions		
	Constant Contact	125.00
	Pluralsight	159.42
	Shutterstock, Inc.	29.00
	Wall Street Journal	19.49
	Account Totals:	332.91
Memberships		
	Public Pension Financial Forum	400.00
	Account Totals:	400.00

Operations Maintenance		
	Amtrec, LLC	1,666.00
	AT&T	226.64
	Northeast Ohio Natural Gas Corp.	137.12
	South Central Power Company	802.00
	Account Totals:	2,831.76
Staff Support		
	Certif-A-Gift Company	530.00
	Cintas Corporation	527.90
	Culligan Bottled Water of Columbus	42.90
	Franklin Services	231.96
	Giant Eagle	35.99
	Matrix Integrated Psychological Services	590.70
	ThrivePass	588.00
	Unisan, LLC	99.88
	Wellness IQ	4,069.50
	Williams, Todd	10.00
	Employee Reimbursement	1,539.29
	Employee Reimbursement	1,575.00
	Account Totals:	9,841.12
Recruiting Expenses		
	ADP Screening & Selection Services	113.80
	Indeed	315.05
	LinkedIn Corporation	10,775.00
	Account Totals:	11,203.85
Interior Landscaping		
	Ambius Inc. (05)	3,360.37
	Account Totals:	3,360.37
Vehicle Expense		
	ACA Auto Club of America	479.80
	BP Oil Company	29.51
	Moo Moo Car Wash	21.00
	Ohio Treasurer of State - BMV	390.68
	Account Totals:	920.99
Board Member - School Board Reimb.		
	Ashland City School District	665.61
	Account Totals:	665.61
Reimbursement of Leased Svcs		
	OSERS Broad St. LLC	(25,416.67)
	Account Totals:	(25,416.67)
<b>Total Administrative Expenses</b>		<b>2,197,010.28</b>

**FY2021 Administrative Budget**  
**Board Expense to Budget Reporting**  
**Year-to-Date Through November 30, 2020**

Major Category/Sub-Major Category	Line Item	Vendor	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Item Description
<b>PROFESSIONAL SERVICES</b>			<b>\$ 6,764,785</b>	<b>\$ 2,151,164.18</b>		
ACTUARIAL ADVISORS			<b>\$ 390,660</b>	<b>\$ 110,304.00</b>		
	Actuarial	Cavanaugh Macdonald	344,660	110,304.00	Y	Actuarial Consultant
AUDITING			<b>\$ 195,020</b>	<b>\$ 121,899.20</b>		
	Auditing	RSM US LLP	145,020	121,238.00	Y	External Auditor
BANKING FEES			<b>\$ 1,257,223</b>	<b>\$ 403,920.54</b>		
	Custodial Banking		1,106,543	344,684.25	Y	
		Huntington/Fifth Third	450,000	109,528.60	Y	Domestic Custodian
		BNYM	656,543	235,155.65	Y	International Custodian
	Administrative Banking	Huntington National Bank	150,680	59,236.29	Y	Banking Services
INVESTMENT RELATED			<b>\$ 2,818,137</b>	<b>\$ 983,034.76</b>		
	Master Recordkeeper		1,151,600	405,720.61	Y	
	Investment Consulting & Advisory Services		825,000	270,833.35		
		Aksia	375,000	83,333.35	Y	Investment Consulting
		Wilshire	450,000	187,500.00	Y	Investment Consulting
	Performance Analytics Services		704,820	306,480.80		
		Barra-One Risk Mgmt Sys	254,000	119,222.50	Y	Investment Risk Analytics
		BNY Mellon GRS	414,820	172,008.30	Y	Investment Performance Analytics
TECHNICAL			<b>\$ 2,063,745</b>	<b>\$ 532,005.68</b>		
	Special Counsel		226,000	96,353.89	Y	
	Technical		1,252,300	240,076.18		
		IBM	118,000	59,000.00	Y	Data Warehouse
		Sagitec	583,200	153,311.18	Y	SMART Development Resources
	Other Professional Services		585,445	195,575.61		
		Contoural	100,000	37,513.50	Y	Record Retention Project
<b>OTHER OPERATING EXPENSE</b>			<b>\$ 3,004,049</b>	<b>\$ 920,490.43</b>		
COMPUTER SUPPORT SERVICES			<b>\$ 1,808,505</b>	<b>\$ 920,490.43</b>		
	Hardware Maintenance		189,771	146,166.65	Y	
	Software Maintenance		972,185	536,207.43		
		Hyland	111,500	107,310.62	Y	ImageNow
		Dell	188,830	195,590.32	Y	Microsoft Enterprise Agreement
		Sagitec	420,000	140,000.00	Y	SMART Silver Support
	Software Subscription		548,572	238,116.35	Y	

**PROJECT ITEMS**

Major Category/Sub-Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Item Description
<b>PROFESSIONAL SERVICES</b>						
TECHNICAL						
	Technical					
		AWS/Cloud Compute - POC	100,000	-	Y	Consulting Services
		SMART Mobile Application	100,000	-	Y	Consulting Services
	Other Professional Services					
		Pension/HC Sustainability	100,000	-	Y	Consulting Services

## SERS

UNBUDGETED PROJECT ITEMS						
Major Category/Sub-Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Reallocation
<b>COMMUNICATIONS EXPENSE</b>			\$ -	\$ 5,320.00		
TELECOMMUNICATIONS SERVICES			\$ -	\$ 5,320.00		
	Telecommunications Services					
		VOIP Expansion - Needed to provide improved member service/reduce voice mails	-	5,320.00	N	Travel & Transportation
<b>OTHER OPERATING EXPENSE</b>			\$ -	\$ 13,943.64		
COMPUTER SUPPORT SERVICES			\$ -	\$ 13,943.64		
	Hardware <\$5,000					
		VOIP Expansion - Needed to provide improved member service/reduce voice mails	-	13,943.64	N	Travel & Transportation

## OSERS BROAD STREET, LLC

UNBUDGETED PROJECT ITEMS						
Major Category	Line Item	Project	FY2021 Budget	YTD Expense	Budgeted Y/N?	Expense Reallocation
<b>ADMINISTRATIVE SERVICES</b>			\$ -	\$ 13,559.00		
	Hardware <\$5,000					
		Board Room Tech Upgrade - to add virtual capabilities (Zoom) for public and Board members	-	13,559.00	N	Unidentified at this time

## SCHOOL EMPLOYEES RETIREMENT SYSTEM

# Memo

**To:** SERS Retirement Board

**From:** Tracy Valentino

**Date:** December 2, 2020

**Re:** 2021 Qualified Excess Benefit Arrangement (QEBA) Budget

SERS established a separate plan, effective January 2003, to provide for the payment of a retiree's service retirement benefit that otherwise would have been payable by the System except for the limitations of Internal Revenue Code Section 415(b). This code section limits the amount of annual benefit that a defined benefit plan, such as SERS, can pay to a retiree. However, IRC §415(m) allows governments to set up a qualified excess benefit arrangement (QEBA) to pay the excess amount. SERS' Qualified Excess Benefit Plan is funded on a calendar year basis from contributions from the retiree's last employer. Estimated expenses for administering the plan are included in the annual funding request.

Each year a budget is prepared using the new IRS plan limits, calculating current QEBA recipients' projected benefits, adding new QEBA recipients and projecting the cash balance remaining in the QEBA account at year end. For the plan year 2021, we are requesting that \$369,000 of employer contributions be assigned to the QEBA Fund.

**2021 QUALIFIED EXCESS BENEFIT PLAN BUDGET (QEBA)**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to assign \$369,000 of employer contributions from the last employer of retirees covered by the SERS Qualified Excess Benefit Plan to the QEBA Fund for calendar 2021. The QEBA Fund is authorized to pay benefits of approximately \$363,000 to qualified retirees; with the balance allocated to QEBA Fund operating expenses.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

# Memo

To: Retirement Board  
From: SERS Legal Department  
CC: Richard Stensrud  
Date: December 4, 2020  
Re: Administrative Rules

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One category of resolutions on Administrative Rules is on the December Board Agenda.

- I. **Approval to file with JCARR the following rules as no change rules under the five-year review of rules:**
- **3309-1-12 Contributing service credit; determination of**
  - **3309-1-44 Purchase of service credit; pregnancy and adoption resignation**
  - **3309-1-56 Alternative retirement programs**
  - **3309-1-58 Retirement of member pursuant to section 3309.343 of the Revised Code**
  - **3309-1-63 Plan F - multiple beneficiaries**

Please call Dawn Viggiano at 614-595-6825 if you have any questions before the meeting.

## **FIVE YEAR REVIEW AND FILING OF NO CHANGE ADMINISTRATIVE RULES**

Legal Counsel discussed with the Retirement Board filing with JCARR the following rules as no change rules: 3309-1-12 Contributing service credit; determination of; 3309-1-44 Purchase of service credit; pregnancy and adoption resignation; 3309-1-56 Alternative retirement programs; 3309-1-58 Retirement of member pursuant to section 3309.343 of the Revised Code; 3309-1-63 Plan F - multiple beneficiaries.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that rules 3309-1-12, 3309-1-44, 3309-1-56, 3309-1-58, and 3309-1-63 be filed with JCARR as no change rules as discussed.

### **3309-1-12 Contributing service credit; determination of.**

- (A) Any contribution or contributions received for a particular month, beginning with September 1, 1937 and ending June 30, 1955, for credit to a member's savings account shall receive .125% of a year's service credit for that particular month, provided, that no more than one year of service credit shall be granted for all service rendered in any one fiscal year.
- (B) Any contribution or contributions received for a particular month, subsequent to June 30, 1955, but prior to July 1, 1977, for credit to a member's savings account, shall receive one-ninth of a year's service credit for that particular month, provided that not more than one year of service credit shall be granted for all service rendered in any one fiscal year.
- (C) Service credit granted under the provisions of paragraphs (A) and (B) of this rule, shall be subject to such adjustment by the retirement board as provided by law.
- (D) Contributing service credit for school employment rendered on or after July 1, 1977 shall be credited to members as follows:
  - (1) A full year of service credit will be credited for one hundred twenty or more days of paid school employment during a year.
  - (2) For less than the above described one hundred twenty days during a year, a fraction of a year credit shall be credited, and shall be determined by dividing the actual number of days paid in a year by one hundred eighty days.
- (E) Contributing service as a school board member or governing board member will be credited as provided in paragraph (D) of this rule. A day of "paid school employment" for a board member shall mean any day for which the board member was compensated for attending a regular or special meeting of the board or an approved training program. Payment or reimbursement of fees or expenses by the school district or educational service center does not constitute compensation.
- (F) The number of days and the number of hours of paid school employment shall be certified by the employer in a manner specified by the retirement board.
- (G) A "year" shall mean the period July first through the following June thirtieth.
- (H) Any portion of a day paid shall be considered a full day.



- (I) Credit for school service rendered before July 1, 1977 shall continue to be determined pursuant to paragraphs (A) to (C) of this rule.

Effective: 11/3/08  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.30; 3309.012  
Prior Effective Dates: 12/24/76, 2/18/77, 2/1/92, 2/6/98, 10/28/02

**3309-1-44 Purchase of service credit; pregnancy and adoption resignation.**

A member who resigned due to pregnancy or adoption of a child may purchase service credit for such period(s) of resignation during which no contributions were made to the system and no service credit granted under any other section of the Revised Code in accordance with section 3309.473 of the Revised Code and this rule.

(A)

- (1) The member must have resigned from a contributing position under Chapter 3309. of the Revised Code due to pregnancy or adoption of a child;
- (2) The member must have returned to a contributing position under Chapter 3309. of the Revised Code not later than the first day of classes of the third school year following the date of the resignation; and
- (3) The member must have earned a minimum of one year of school employees retirement system contributing service credit after the resignation.

(B)

- (1) A member who meets the requirements of paragraph (A) of this rule shall apply to the system to purchase service credit for a period of resignation on a form provided by the system;
- (2) The member shall provide, with the application to purchase service credit, documentation satisfactory to the system that the resignation was due to pregnancy or adoption of a child. Such documentation may include, but is not limited to:
  - (a) In case of resignation due to pregnancy, copies of the member's child's birth certificate, copies of hospital or medical records, or an attending physician's statement; or
  - (b) In the case of resignation due to adoption, copies of the adoption decree.
- (3) The employer who accepted the resignation shall certify on a form provided by the system, the date of the member's resignation and the reason, if any, given for the resignation;
- (4) For each year of service credit purchased, the member shall pay to the system for credit to the member's accumulated account an amount equal to the member's retirement contributions for full-time employment for the first year of contributing service subsequent to the member's return from the period of resignation, plus

interest thereon compounded annually at a rate set by the board of the school employees retirement system from the date of the member's return to contributing service to the date of payment.

- (5) For each year of service credit purchased, the employer who accepted the resignation shall pay to the system an amount equal to the employer contribution for full-time employment for the member's first year of contributing service subsequent to the member's return from the period of resignation, plus interest thereon compounded annually at a rate set by the board of the school employees retirement system from the date of the member's return to contributing service to the date of payment. Payment shall be made:
  - (a) In one lump-sum payment from the employer directly to the school employees retirement system; or
  - (b) By authorization of the employer from the amounts allocated to the employer under Chapter 3317. of the Revised Code.
- (C) A member who meets the foregoing requirements is eligible to purchase service credit for the lesser of the actual period of time from the resignation to the return to employment in a contributing position or two years.

Effective: 5/11/06  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.473  
Prior Effective Dates: 5/2/01

**3309-1-56 Alternative retirement programs.**

- (A) For the purpose of this rule:
  - (1) "Administrative employee" means an administrative employee as defined in division (A) of section 3305.05 of the Revised Code for whom the school employees retirement system would be the applicable state retirement system.
  - (2) "Eligible employee" means an employee as defined in division (C) of section 3305.01 of the Revised Code for whom this retirement system would be the applicable state retirement system.
  - (3) "Election period" means:
    - (a) For administrative employees who made elections under division (B) of section 3305.051 of the Revised Code, the one hundred twenty days after the employee's first day on the institution's payroll.
    - (b) For administrative employees who made elections under division (C) of section 3305.051 of the Revised Code, the one hundred twenty days after the effective date of the alternative retirement program adopted by the institution.
    - (c) For eligible employees who make elections under division (B)(1) of section 3305.05 of the Revised Code, the one hundred twenty days after August 1,

2005.

- (d) For eligible employees who make elections under division (B)(2) or (B)(3) of section 3305.05 of the Revised Code, the one hundred twenty days after the employee's first day on the institution's payroll.
- (4) "Employee" means either an administrative employee or an eligible employee.
- (5) "Institution" means a public institution of higher education as defined in division (A) of section 3305.01 of the Revised Code.
- (B) Within thirty days of its adoption of an alternative retirement plan under Chapter 3305. of the Revised Code, an institution shall file notice with the retirement system of its adoption of the plan. The notice shall:
  - (1) Be given in the manner and form prescribed by the retirement system.
  - (2) Include a copy of the plan adopted.
  - (3) Include a report in the manner and form prescribed by the retirement system of all current employees.
- (C)
  - (1) Each institution of higher education that employs an employee eligible to elect an alternative retirement program shall:
    - (a) Notify the retirement system at the time it employs the employee, but in no event later than ten days after the employee's first day on the institution's payroll.
    - (b) Notify the retirement system at the time an employee of the institution changes to a classification which qualifies the employee to elect an alternative retirement plan but in no event later than ten days after the effective date of the employee's reclassification.
  - (2) The notice required under paragraph (C)(1) of this rule shall be given in the manner and form prescribed by the retirement system, and shall include the employee's name, address, social security number, date of birth, sex, annual compensation, first date on the institution's payroll, and any other information required by the school employees retirement system.
- (D)
  - (1) Elections by an employee of an alternative retirement plan shall be made on forms provided by the retirement system and completed by the employee and the institution.
  - (2) Not later than ten days after an election is filed with the institution, the institution shall file a certified copy with the retirement system.
- (E)
  - (1) Elections made by employees under divisions (B)(2) and (B)(3) of section 3305.05

or division (B) of section 3305.051 of the Revised Code will be implemented no later than thirty days after a certified copy of the employee's election is filed with the retirement system.

- (2) The election, when implemented, shall be effective as of the first day upon which the employee appears on the institution's payroll or was reclassified to a position as an administrative or eligible employee.
- (3) Once an election is filed with the system, it is not affected by the death of the employee and it shall be implemented and effective as set forth in this rule.

(F)

- (1) Elections made by employees under division (B)(1) of section 3305.05 of the Revised Code will be implemented no later than thirty days after a certified copy of the employee's election is filed with the retirement system.
- (2) The election, when implemented shall be effective as of the day the employee's election is irrevocable:
- (3) Once an election is filed with the system, it is not affected by the death of the employee and it shall be implemented and effective as set forth in this rule.

(G)

- (1) Elections made by administrative employees under division (C) of section 3305.051 of the Revised Code will be implemented no later than thirty days after the certified copy of the employee's election is filed with the retirement system.
- (2) The elections when implemented shall be effective as of the following dates:
  - (a) On March 31, 1998 where the public institution's alternative retirement program is established on or after December 8, 1998 but no later than March 31, 1999; or
  - (b) On the first day of the month in which the public institution's alternative retirement program is established where the program is established after March 31, 1999.
- (3) Once an election is filed with the system, it is not affected by the death of the employee and it shall be implemented and effective as set forth in this rule.

(H)

- (1) Employee and employer contributions for an employee shall be collected and remitted to the retirement system until an election is implemented pursuant to paragraph (E)(1), (F)(1) or (G)(1) of this rule.
- (2) Those employee and employer contributions received after the effective date of an election as determined by this rule for an employee who elects an alternative retirement plan shall be refunded as unauthorized contributions to the provider identified as provided in paragraph (D) of this rule. The amount of employer contributions refunded shall be less the amount due pursuant to division (D) of the section 3305.06 of the Revised Code.

(I)

- (1) An application under division (B) of section 3309.42 of the Revised Code for payment of a member's accumulated contributions to the provider of an alternative retirement plan shall be made in a manner and form prescribed by the retirement system.
- (2) The institution shall certify:
  - (a) The name and address of the institution's plan administrator; and
  - (b) The plan is eligible to receive a trustee-to-trustee transfer from the retirement system which is a plan qualified under Internal Revenue Code section 401(a).
- (3) The death of the employee prior to payment of the accumulated contributions to an alternative retirement plan cancels the application for payment.

(J) Not later than the fifteenth day of each month following a month in which an institution employed an employee who elected an alternative retirement, plan the institution shall:

- (1) Remit to the retirement system the contributions required under division (D) of section 3305.06 of the Revised Code.
- (2) Submit a report on all employees who have elected an alternative retirement plan in a form and manner prescribed by the retirement system.

Effective: 8/11/05

Promulgated Under: 111.15

Statutory Authority: 3309.04

Rule Amplifies: 3305.05, 3305.051, 3305.052, 3305.06, 3309.011, 3309.42

Prior Effective Dates: 8/10/98, 4/11/99, 5/2/01

**3309-1-58 Retirement of member pursuant to section 3309.343 of the Revised Code.**

(A) For purposes of section 3309.343 of the Revised Code and this rule:

- (1) "Active position" means a position a member worked in the month before retirement and for which contributions were being received by a state retirement system at the time of retirement pursuant to section 3309.343 of the Revised Code.
- (2) "SERS annual compensation" means a member's compensation for an active position reported by an employer to the school employees retirement system for the most recent twelve-month period. If the compensation has been reported for less than a twelve-month period, the system shall convert the compensation to an annual basis.
- (3) "Other retirement system annual compensation" means a member's annual earnable salary or compensation for an active position as certified to this system by the public employees retirement system or the state teachers retirement system.
- (4) "Highest annual compensation" means the highest of the SERS annual compensation or the other retirement system annual compensation for an active position.

- (5) "Position" means employment for which a member is covered and contributes to a state retirement system.
- (6) "State retirement system" means the school employees retirement system, the public employees retirement system or the state teachers retirement system.
- (7) "Other retirement system" means the public employees retirement system or the state teachers retirement system.

(B)

- (1) When a member holds more than one active position in this system, no active positions in an other retirement system, and is electing to take a retirement benefit pursuant to section 3309.343 of the Revised Code, the member shall:
  - (a) Apply for a benefit pursuant to section 3309.35, 3309.36, or 3309.46 of the Revised Code, for the active position which has the highest SERS annual compensation; and
  - (b) Select which other active position or positions upon which the member shall continue to contribute to this system.
- (2) In computing the benefit described in paragraph (B)(1) of this rule all service credit in this system shall be used.

(C)

- (1) When a member holds one or more active positions in this system and one or more active positions in an other retirement system, and the active position which has the highest annual compensation is in this system, the member shall:
  - (a) Apply for a benefit pursuant to section 3309.35, 3309.36, or 3309.46 of the Revised Code, for the active position which has the highest annual compensation; and
  - (b) Select which other active position or positions upon which the member shall continue to contribute to this system or to an other retirement system.
- (2) In computing the benefit described in paragraph (C)(1) of this rule, all service credit in any state retirement system shall be used.

- (D) Employment in any position covered by this system that begins subsequent to the effective retirement benefit date under section 3309.343 of the Revised Code shall be subject to section 3309.341 of the Revised Code, and rule 3309-1-50 of the Administrative Code.

Effective: 10/11/18  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.43  
Prior Effective Dates: 5/2/2001, 5/11/2006, 7/10/2016

- (A) Amounts due to a retirant receiving a retirement allowance under the plan described in division (B)(3)(e) of section 3309.46 of the Revised Code and unpaid at death shall be paid to the retirant's surviving beneficiaries under the plan on a prorated basis based on the monthly benefit payable to the beneficiary compared to the total monthly benefits payable to all beneficiaries.
- (B) Beneficiaries designated in a plan described in division (B)(3)(e) of section 3309.46 of the Revised Code shall be prioritized for purposes of calculation.
- (1) A beneficiary who is a former spouse whom the member has been ordered to provide a specified amount to in an order described in division (B)(1)(b)(ii) of section 3309.46 of the Revised Code shall have priority over all other beneficiaries. When a member is subject to more than one order described in division (B)(1)(b)(ii) of section 3309.46 of the Revised Code, the former spouses shall be entitled to beneficiary priority in order of earliest retention by the retirement system.
  - (2) A current spouse shall have priority over any beneficiaries who are not the subject of an order described in division (B)(1)(b)(ii) of section 3309.46 of the Revised Code.
  - (3) The member shall designate the priority of any beneficiary who is not a former spouse and the subject of an order described in division (B)(1)(b)(ii) of section 3309.46 of the Revised Code or a current spouse.
- (C) In no event shall a member have more than four beneficiaries under the plan described in division (B)(3)(e) of section 3309.46 of the Revised Code.

Effective: 10/27/06  
 Promulgated Under: 111.15  
 Statutory Authority: 3309.04  
 Rule Amplifies: 3309.44, 3309.46

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

# Memo

**To:** SERS Board

**Cc:** Richard Stensrud and Karen Roggenkamp

**From:** John Grumney

**Date:** 12/1/2020

**Re:** Superannuation - Adjustments

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Dear Board Members,

During the November Board meeting, Mr. Wilson identified a member on the Superannuation Benefits Board report whose monthly payment was significantly higher than others on the report. As such, it was suggested this payment be researched for accuracy. After a closer look at the account, it was determined the amount for this individual appearing on the report was overstated. Further investigation identified a broader reporting issue. Since April of 2017, there have been 13,132 cases of Superannuation Benefits submitted to the Board for approval. Of those 13,132 cases, we found that 325 or 2.5% of those benefits were incorrectly displayed on the report.

First and foremost, please know this is strictly a reporting error and not a payment error. All of the 325 members are receiving the correct benefit payment amount. Below is what we know about the issue and its resolution.

What we know:

1. The issue occurred when a member benefit was calculated between cut-off (when we stop processing benefits for the current month) and the end of that month.
2. After analysis and review, the reporting problem occurred between April 2017 and November 2020. 325 of the 13,132 member benefits submitted to the Board for approval were overstated compared to their actual paid benefit. As noted above, these 325 members were calculated between cut-off and the end of the month.



3. The inflated amount for the affected members was caused by the report parameters including both the estimated payment amount (the amount new retirees are paid before the final certifications and contributions are received from the employer) and the final calculated amount and combining them; essentially “doubling” the amount on the report the Board approves. The overstated amounts reported did not demonstrate a pattern or consistency that would have made identifying the problem overly apparent. Of the 7 accounts reported since April 2017 with a monthly benefit of \$10,000 or more, 5 were listed incorrectly.
4. The members are being paid the correct amount. It is the monthly report that is incorrect.

What we are doing:

1. The members that were reported incorrectly have been identified. Their names, original Board report date, the original overstated amount, and the correct payment amounts for those individuals will be presented on a separate report for Board approval at the December Board meeting.
2. IT has made changes to the query to prevent this from happening in the future. IT, Member Services, and SERS Auditor have all tested the change.
3. SERS Auditor, Jeff Davis, has reviewed the corrected list and going forward will evaluate the report for accuracy by selecting a small sample of entries on the report for review.
4. Member Services has temporarily suspended authorizing benefits between cut-off and the end of the month. Benefit recipients after cut-off will be included in the following month's report.
5. In order to safe guard report accuracy, Member Services will manually monitor the details of the report through the end of the fiscal year.

As you are aware, statute requires the Board to approve changes made to benefit amounts. Each month the Board receives a monthly “Special Cases” report to approve changes made to already approved “Final” benefit amounts. These changes occur when SERS receives updated contribution information from an employer or other retirement system. Since April of 2017, there have been 390 special cases (3%) of the total number of cases submitted to the Board for approval. Since the amounts on the superannuation report were overstated, the Board will need to take similar action for the 325 cases noted above.

In addition to addressing the overstated amounts, I thought this would be a good time to highlight the steps we take when calculating a member's benefit. Since paying our members

is the most important thing we do, our operational processes include functions to assure the accuracy of these calculations.

1. We have a two-step calculating process; a member transaction involving a paid benefit includes both a calculator and an auditor. For example, if a member requests an estimate, then retires based on that estimate, seven different people would be looking at their retirement benefit amount before they are paid.

Estimate = Calculator and Auditor  
Application = Calculator and Auditor  
Calculation = Calculator and Auditor  
Payment Account = Auditor

2. SMART has edits built into the calculation process to help prevent incorrect data from being entered.
3. SERS' Auditor performs regular audits of Member Services' calculation process.

I apologize for the incorrect reporting that has been presented to you. As I hope you know, we are very conscientious about the quality of work you and our members receive. Please know we have taken the appropriate steps to make sure this reporting error has been resolved.

Please let me know if you have any questions.

**CERTIFICATION OF CANDIDATES – EMPLOYEE MEMBER SEATS**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that having met the eligibility requirements of Chapter 3309 of the Ohio Revised Code, and having received sufficient and proper petitions to meet the requirements of Section 3309.07 of the Ohio Revised Code, James Haller and Barbra Phillips are certified as nominated to run for the two employee member seats for the term July 1, 2021 to June 30, 2025. In accordance with Section 3309.071 of the Ohio Revised Code, since only two candidates have been nominated by petition for the two open seats, no election is required. James Haller and Barbra Phillips shall take office as if elected for the term July 1, 2021 to June 30, 2025. In accordance with Section 3309-1-04 of the Ohio Administrative Code, the Secretary of State's Office has reviewed the certification that James Haller and Barbra Phillips are qualified to run for the employee member seats.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

**CERTIFICATION OF CANDIDATE – RETIREE MEMBER SEAT**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that having met the eligibility requirements of Chapter 3309 of the Ohio Revised Code, and having received sufficient and proper petitions to meet the requirements of Section 3309.07 of the Ohio Revised Code, Frank Weglarz is certified as nominated to run for the retiree member seat for the term July 1, 2021 to June 30, 2025. In accordance with Section 3309.071 of the Ohio Revised Code, since only one candidate has been nominated by petition for the open seat, no election is required. Frank Weglarz shall take office as if elected for the term July 1, 2021 to June 30, 2025. In accordance with Section 3309-1-04 of the Ohio Administrative Code, the Secretary of State's Office has reviewed the certification that Frank Weglarz is qualified to run for the retiree member seat.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

# Memo

**To:** Retirement Board  
**From:** Holly Cox  
**cc:** Richard Stensrud, Karen Roggenkamp, John Grumney  
**Date:** December 4, 2020  
**Re:** **Board Resolution – Medical Advisory Committee Chairman Increase**

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We are proposing an increase in the fee paid to Medical Advisory Committee Chairman Dr. Glen Borchers to \$3,750.00 per month effective January 1, 2021. Currently, Dr. Borchers receives \$40,000 in annual fees; this proposed change will increase his annual fees to \$45,000.

In addition to the disability applications and re-examinations previously reviewed, the Chairman has also reviewed re-examinations under the any occupation standard. These cases are complex, and he has provided guidance and medical expertise as SERS has developed this review process implemented as a result of pension reform changes.

As a reminder, the Medical Advisory Committee Chairman has not received an increase in fees since first becoming Chairman on December 1, 2015.

**MEDICAL ADVISORY COMMITTEE CHAIRMAN TERM AND FEE**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to extend the contract with Dr. Glen Borchers as Chair of the Medical Advisory Committee through the end of calendar year 2025 and to increase the fee paid to Dr. Borchers to \$3,750.00 per month effective January 1, 2021. Be it further provided that the Executive Director is authorized to execute the contract after review by legal counsel.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M / P.M**

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

**RETURNED TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

### **APPROVAL OF DISABILITY BENEFITS**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and that the persons named below be granted a disability benefit.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____



### **TERMINATION OF DISABILITY BENEFITS**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the disability benefit for the persons below be terminated.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

## **DISAPPROVAL OF APPEAL OF TERMINATION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the appeal on termination of the persons named below be disapproved.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

### **APPROVAL OF APPEAL OF TERMINATION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the appeal on termination of the persons named below be approved.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Hugh Garside	_____	_____	_____

## **INTERNAL AUDIT REPORT**

### **Internal Audit Update**

**CALENDAR DATES FOR FUTURE BOARD MEETINGS**

**CALENDAR DATES FOR 2021**

**AUDIT COMMITTEE MEETINGS**

March 17 - 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

March 18 - 7:30 a.m. (Thurs.)

**BOARD MEETINGS**

February 18 and 19 (Thurs. and Fri.)

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**CALENDAR DATES FOR 2021**

**AUDIT COMMITTEE MEETINGS**

March 17 - 2:30 p.m. (Weds.)  
June 16 - 2:30 p.m. (Weds.)  
September 15 - 2:30 p.m. (Weds.)  
December 15 - 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

March 18 - 7:30 a.m. (Thurs.)  
June 17 - 7:30 a.m. (Thurs.)  
September 16 - 7:30 a.m. (Thurs.)  
December 16 - 7:30 a.m. (Thurs.)

**BOARD MEETINGS**

February 18 and 19 (Thurs. and Fri.)  
March 18 and 19 (Thurs. and Fri.)  
April 15 and 16 (Thurs. and Fri.)  
May 20 and 21 (Thurs. and Fri.)  
June 17 and 18 (Thurs. and Fri.)  
July 15 and 16 (Thurs. and Fri.)  
September 16 and 17 (Thurs. and Fri.)  
October 21 and 22 (Thurs. and Fri.)  
November 18 and 19 (Thurs. and Fri.)  
December 16 and 17 (Thurs. and Fri.)

**\*\*NOTE: The above dates are *tentative*.**

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**

**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

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**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the Board adjourn to meet on Thursday, December 17, 2020 for their regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ p.m.

\_\_\_\_\_  
Hugh Garside, Jr.

\_\_\_\_\_  
Richard Stensrud, Secretary