Retirement Board Agenda
June 16, 2022

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PLEDGE OF ALLEGIANCE

1. Roll Call
2. **CONSENT AGENDA (R)**
   - Approval of **May 19, 2022** Minutes
   - Summary of Investment Transactions – **April 1, 2022 through April 30, 2022**
   - Retirement Report
     - o Superannuation and Survivor Benefits
     - o Special Cases
   - Disability Report
     - o Approval of Disability Benefits
     - o Termination of Disability Benefits – Any Occupation
     - o Approval of Appeal of Termination – Any Occupation
     - o Disapproval of Appeal of Termination – Any Occupation

INVESTMENT REPORT
3. Annual Investment Plan – FY23 (R)
4. Monthly Investment Report

EXECUTIVE DIRECTOR'S REPORT
5. Executive Director's Update
6. Review of Administrative Expenses
7. FY 2023 Administrative Budget (R-3)
8. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee (R)

HEALTH CARE REPORT
9. Approval of 2023 Health Care Premiums and Plan Design Changes (R)
10. Approval of 2023 Dental and Vision Premiums (R)
11. Premium Discount Program (R)

RETIREMENT REPORT
12. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits *(if needed)* (R)

COMPENSATION COMMITTEE REPORT
13. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

AUDIT COMMITTEE UPDATE
14. FY 2023 Internal Audit Plan and Audit Committee Update
15. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

BOARD COMMUNICATION AND POLICY ISSUES
16. Board Officer Elections
17. Calendar Dates for Future Board Meetings
18. Continued or New Business
    - Board Information Requests and Follow-up Items

ADJOURNMENT (R)

FY2022 SERS Board Roll Call

Roll Call:

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

CONSENT AGENDA

1. Minutes of the **May 19, 2022** Retirement Board meeting
2. Summary of Investment Transactions – **April 1 to April 30, 2022**
3. Retirement Report
    a. Superannuation and Survivor Benefits
    b. Special Cases
4. Disability Report
    a. Approval of Disability Benefits
    b. Termination of Disability Benefits – Any Occupation
    c. Approval of Appeal of Termination – Any Occupation
    d. Disapproval of Appeal of Termination – Any Occupation

APPROVAL OF CONSENT AGENDA

________________ moved and ____________ seconded the motion to approve the Consent Agenda, which includes the following items:

5. Minutes of the **May 19, 2022,** Retirement Board meeting
6. Summary of Investment Transactions – **April 1, 2022 to April 30, 2022**
7. Retirement Report
    a. Superannuation and Survivor Benefits
    b. Special Cases
8. Disability Report
    a. Approval of Disability Benefits
    b. Termination of Disability Benefits – Any Occupation
    c. Approval of Appeal of Termination – Any Occupation
    d. Disapproval of Appeal of Termination – Any Occupation

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Jeffrey DeLeone	_________	_________	_________
Hugh Garside	_________	_________	_________
James Haller	_________	_________	_________
Matthew King	_________	_________	_________
Catherine Moss	_________	_________	_________
James Rossler	_________	_________	_________
Frank Weglarz	_________	_________	_________
Daniel Wilson	_________	_________	_________
Barbra Phillips	_________	_________	_________

SERS Retirement Board Meeting Minutes

May 19, 2022

The nine hundredth and forty-ninth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, May 19, 2022.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 a.m. with the Pledge of Allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Barbra Phillips, Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, and Daniel Wilson. Also attending in person was Lisa Reid, representative of the Ohio Attorney General's Office and various members of the SERS staff. Attending virtually was several SERS staff members and members of the public.

Consent Agenda

The consent agenda for May 19, 2022, included:

- Minutes from the **April 21, 2022, Board Meeting**
- Summary of Investment Transactions for the period of **March 1, 2022, through March 31, 2022.**
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report - Approval of Disability Benefits, Disapproval of Disability Benefits, Disapproval of Appeal for Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination– Any Occupation, and Approval of Appeal of Termination on Personal Appearance – Any Occupation

Catherine Moss moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, May 19, 2022. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

Investment Report

Quarterly Performance Report – Wilshire Associates

Joanna Bewick of Wilshire Associates provided an executive summary of the investment performance as of March 31, 2022. Ms. Bewick reported that SERS total fund continues to consistently beat benchmarks and total value add is 2.3% over the benchmark.

Despite the -1.50% investment performance for the quarter, SERS' portfolio performance against its benchmark was positive. Ms. Bewick noted SERS' consistency of performance over the last 20 quarters in which there were only three that were below the benchmark. Bewick also said that SERS' diversified portfolio was well positioned to counter the effects of inflation. Over the last year, staff reduced exposure to equities and increased exposure to private equity, private credit, commodities, and real assets, all of which perform better during inflationary periods.

In response to Board questions about what staff could do to further position the portfolio to withstand inflationary pressures, Ms. Bewick stated SERS' policy allocation remains good with exposure to equities below that of its peers, and it has significant cash available to purchase equities if opportunities arise. CIO Farouki Majeed also noted that staff will continue to "work the edges" of its portfolio allocations but that big changes are not necessary.

SERS' historical Total Fund returns continue to rank in the top 10% of peer groups over the 1-, 3-, 5-, and 10-year periods. Over one year, SERS ranked 6th; over three years, SERS ranked 6th; over five years, SERS ranked 3rd, and over 10 years, SERS ranked 2nd.

SERS Retirement Board Meeting Minutes

May 19, 2022

Annual Overlay Program Review

Farouki Majeed, SERS Chief Investment Officer, provided an update on the annual Overlay Program. Mr. Majeed reported the overlay program is designed to directly enhance Total Fund performance and is not funded through asset class policy allocations. It is a zero net exposure, long/short program requiring only a small cash funding for futures/forwards collateral and margin requirements. Exposures are managed within a notional dollar limit and active risk targets. The program's performance objective is to add 10 to 20 basis points to Total Fund performance on a three-to-five-year time horizon within a 1% tracking error limit. The Overlay Program consists of two sub-programs, Tactical Asset Allocation (TAA) and Active Currency.

As of March 31, 2022, the TAA program has added six basis points of excess return annually to the total fund since inception. Overall, the active currency program has realized a net loss of $16.6 million since inception due to two legacy mandates, but the remaining manager, P/E Global, has generated inception-to-date gains of $4.4 million.

Mr. Majeed stated the cumulative gains of the Overlay Program are $49.1 million as of March 2022. Below is a summary of the Overlay Program's performance on Total Fund performance.

Overlay Program Impact (Net-of-Fees)	**FYTD Return**	**1 Yr Return**	**3 Yr Return**	**5 Yr Return**
Tactical Allocation - Impact to Total Fund	0.08	0.10	0.07	0.06
Currency Overlay - Impact to Total Fund	0.13	0.12	(0.06)	(0.02)
Total Overlay Impact to Total Fund	**0.21**	**0.22**	**0.01**	**0.04**

Annual Portfolio Review – Private Equity

SERS Chief Investment Officer Farouki Majeed and SERS Investment Staff Adam Messerschmitt presented the Private Equity portfolio review for 2021. Mr. Majeed reported as of February, the portfolio was $690.6M and is comprised of 18 funds. This represents 3.9% of the total fund. Staff continues to focus on increasing the allocation to 5% by making new investments that fit within SERS' investment policy, ensuring appropriate risk and return characteristics are present with the new target allocation, and making new investments that generate consistent income for the Total Fund.

Quarterly Investment Report

SERS Chief Investment Officer, Farouki Majeed, advised the board that he would skip the quarterly investment report as much of the information was already covered in the Quarterly Performance report provided by Wilshire Associates.

Annual Investment Plan – FY23 Draft Discussion

Mr. Majeed continued his presentation and discussed the SERS Annual Investment Plan for FY23. The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer prepare and present to the Board for its approval an Annual Investment Plan (Plan).

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, last year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2023. Implementation Guidelines for each asset class portfolio were included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits.

Mr. Majeed continued stating this Plan is meant to be a living document subject to adjustment during the year. If circumstances change or opportunities arise during the year, items will be discussed with the Board which may lead to intra-year changes to the Plan or Strategy Statements.

Mr. Majeed reported SERS major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term, continue to implement the asset allocation framework and targets approved by the Board and implement the leverage program as conditions and return expectations improve, and research new strategies in renewable energy, infrastructure, and commodities and implement on a selective basis.

Mr. Majeed concluded his report by stating as of March 31, 2022, SERS' Total Fund had net returns of 10.65% over five years and 9.47% over ten years exceeding the actuarial rate of 7.00%. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs. The economic environment and market outlook have changed significantly in 2022, posing downside risks to investment returns. Inflation has spiked to 8.5% and the 10-year yield has increased to 2.8% in short order. This likely will cause GDP growth to slow and higher discount rates will depress asset valuations. Expected returns will be lower than the returns experienced over recent periods.

Investment Department Incentive Program

Mr. Majeed continued by discussing the FY23 Investment Incentive Plan. The purpose of the Incentive Plan ("Plan") is to provide a compensation package that allows SERS to recruit and retain talent in the Investment Department that is necessary to maximize investment returns. The objectives of the Plan are to reinforce a performance philosophy and attract and retain high quality talent. The performance period for purposes of the Plan will coincide with SERS' fiscal year, i.e. July 1 through June 30 of each year.

Mr. Stensrud added there are no changes to the plan and this is a continuation of the plan presented last year. Mr. Stensrud continued stating the calculation is done by a 3rd party and reviewed by our internal auditor. The plan is objectively obtained and is not a result of staff input. This is based on a consistent contribution of value add by investment staff. As stated by Farouki, increasing the fund by 1% above benchmark is adding $170 million to the fund. We believe this is a tremendous return on investment as the Investment staff have introduced added value to the fund. This investment incentive plan is a prudent approach and is appropriate with added oversight. Mr. Stensrud wanted to emphasize this is not the investment staff rewarding themselves.

After several questions and a brief discussion, Hugh Garside moved and James Rossler seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2023, which replaces the Fiscal Year 2022 Investment Department Incentive Plan approved May 20, 2021. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

Executive Director's Report

ORSC

Richard Stensrud, SERS Executive Director, reported the ORSC met on May 12, 2022. Mr. Stensrud presented a draft FY23 budget to the Council at the May meeting. However, the bulk of discussion at the meeting was on the quarterly investment performance presented by RVK. The next regularly scheduled meeting is Thursday, June 9th subject to the call of the chair.

Advocacy Groups

Mr. Stensrud continued, reporting the annual OASBO/SERS update with their Legislative and Education Finance Committees was held as a virtual event on May 6th and 53 OASBO members attended via Zoom. This number exceeds the number of attendees normally expected to attend in person and was the highest turnout for an OASBO meeting.

SERS Retirement Board Meeting Minutes

May 19, 2022

SERS staff provided a system overview and update about current issues and provided a look ahead. SERS Board Members Matthew King and James Rossler attended, and both agreed the information presented was well received and both thought the presentation was outstanding.

Mr. Stensrud also noted the SERO Annual Meeting took place on May 10th. This was the first time they had gathered in person in three years. SERS Health Care Director Christi Pepe and Mr. Stensrud provided an overview of the system and the health care program. Board Member Frank Weglarz attended the meeting and noted SERS staff who attended arrived early, were available to answer questions, and provided such a great presentation that that wasn't much need for follow-up questions. Mr. Weglarz reported the SERS staff did a great job.

Ohio General Assembly

Mr. Stensrud reported that work continues as SERS staff monitors the activities of the Ohio General Assembly as they approach their planned summer break. Mr. Stensrud also reported that efforts to introduce and pursue legislation on the SERS CBBC (Contribution-Based Benefit Cap) proposal are ongoing. SERS staff hope to have some positive news soon on this front.

Federal Legislation

Mr. Stensrud reported there are no new developments on the WEP reform front and other WEP and GPO repeal bills don't appear to have any momentum currently. There does not appear to be a way to "piggyback" onto another bill as there is not an agreement between both sides. SERS staff will continue to monitor WEP activity and will update the board with any new developments.

Medicare Part B Premiums

Mr. Stensrud reported SERS staff continue to monitor any news from CMS regarding any possible adjustments to the Medicare Part B premium. The rate for 2022 was a significant increase from last year due to anticipated use of a new Alzheimer's drug which has somewhat been mitigated through federal action. This new drug will not be getting coverage. It has been suggested that these recent developments might lead CMS to revise the current premium moving forward. SERS staff will keep the board informed of any changes.

Mr. Stensrud also reported that SERS health care staff has prepared comments for submission to the Federal Trade Commission (FTC) in response to a request for feedback on the practices of Pharmacy Benefit Managers (PBM). Most of the FTC submissions have been critical of many of the practices of PBMs relating to individual experiences and the relationships with independent pharmacies. SERS comments focus on the ways PBMs have helped facilitate the prescription drug coverage plan and added value to our health care program. This program is helpful to our retirees and our benefits. SERS wants to educate congress on the good being done by PBMs. SERS staff will keep the board informed of any updates.

Board Smart Training Session

Mr. Stensrud continued his report stating recently, board members had a training session with the leaders of Board Smart. Board Smart is the only comprehensive governance online learning resource specifically for public pension trustees and executives. This portal was created by experts who understand the unique issues faced by public retirement plans. A few SERS board members attended the 1st training session and felt the training seems to be a valuable learning tool and the board looks forward to additional training opportunities.

Enterprise Risk Management Testing

SERS ERM staff performed a series of exercises on May 18 to test the cloud based back up system. The testing involved several members of IT staff and Risk Management team. Testing was very successful and will continue as the ERM team and IT builds out the program. SERS hopes to never need the program but will continue to develop it in case the need arises.

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Chief Financial Officer Interviews

SERS leadership staff have been having panel interviews with potential CFO candidates to replace the current CFO, Tracy Valentino, who is retiring this summer. There is a great candidate pool in place and progress is being made. SERS leadership wants to build on past success from a fiscal standpoint and looks forward to presenting a final candidate to the board in the next month or two.

Member Webinars and Employer Trainings

SERS staff have hosted several member webinars and employer trainings with more in the future. Some upcoming trainings are:

- Live Employer Webinars
  - June 14 – Pick Up Plans – Will cover the basics on types of plans, requirements, and procedure for notifying SERS via the eSERS online portal.
  - August 30 – Covered Membership – Will discuss SERS covered membership guidelines.
- eSERS Live Demos
  - Monthly eSERS training via webinar demonstration will take place on June 8, August 3 (possible hands-on format at SERS), and October 11.
- Soundbite Webinars (Short webinars on timely topics)
  - July 27 – Year End Processes – Will cover process requirements and timelines for ER statements and ER surcharge.
- Employer 101 Workshops – Will cover all aspects of employer requirements. These workshops target new payroll personnel and veteran payroll staff who want a refresher course)
  - June 28 – West Chester
  - July 12 – Beachwood
  - July 13 – Perrysburg
  - August 2 – Columbus (SERS Offices)

Mr. Stensrud also stated member webinars were held on May 11 and May 14. Each webinar had over 100 attendees. One member provided positive feedback, stating *"Thank you for doing this. My wife attended with me, and she said she wished her company would have offered something like this when she retired. They were on their own."* Board member James Rossler also provided positive feedback, stating *"SERS came and did a presentation (for his school district) and it was phenomenal. SERS staff did a great job and we really appreciated the in-person meeting with staff."*

Mr. Stensrud concluded, stating SERS will remain committed to being a high-touch, transparent organization.

The board took a break at 10:08 a.m.

The board reconvened at 10:16 a.m.

Executive Session

Catherine Moss moved and James Haller seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

The board convened in executive session at 10:17 a.m.

The board reconvened in open session at 10:43 a.m.

SERS Retirement Board Meeting Minutes

May 19, 2022

Healthcare Report

Christi Pepe, SERS Director of Health Care Services, introduced Alisa Bennett, FSA, President, and Consulting Actuary from Cavanaugh McDonald, who presented 2023 health care rates for SERS' self-insured medical plans and prescription drug coverage.

Ms. Bennett reviewed the data and assumptions to calculate the 2022 base rates. Last year, Ms. Bennett said a blended two-year period of medical and prescription data was used due to the COVID-19 pandemic.

Based on more recent data, Ms. Bennett noted that COVID-19 is expected to have a minimal impact on 2022 and 2023 costs. However, the impact of long-term COVID patients remains unknown.

Ms. Bennett continued her presentation and provided recommendations for 2023 rates. It was noted that the new Express Scripts contract, which is projected to reduce program prescription drug costs in 2023, was incorporated into the proposed rates.

Ms. Pepe, followed Ms. Bennett's presentation with a program status update, rate expectations, and other considerations for 2023.

Ms. Pepe noted that the Health Care Fund has grown due to program and contract changes made during the past five years, along with good investment returns in FY 2021. The March fund value is at $612 million. Annual projected expenses remain steady.

Reduced enrollment in the non-Medicare plan continues to help control costs; in particular, transitioning enrollees out of the non-Medicare group plan into Medicare and the Wraparound HRA has been helpful. The Wraparound HRA's current enrollment level saves the health care program $2.4 million annually.

Dental and vision plan enrollment continues to grow year to year. Rates for these two plans remain the same for 2023, along with no plan changes.

Medical plan premium expectations are that Aetna non-Medicare and Medicare plan premiums will remain unchanged for 2023. However, a 1% premium increase for the non-Medicare AultCare PPO plan is proposed.

Proposed benefit changes for the Aetna Medicare Plan (PPO) include lower primary care office visit and outpatient short-term rehabilitation co-pays. In addition, for the non-Medicare Wraparound HRA, the staff recommendation is to increase the benefit limit to the new federally authorized amount of $1,950.

Ms. Pepe introduced two Premium Discount proposals for Board input. The first is to increase the qualifying income for the SERS Premium Discount program to 175% of the FPL from 150%. For an individual to qualify at 175%, household income would be at or below $23,783 annually.

The second proposal is to allow applicants to continue premium discount enrollment year after year without reapplication. A review found that 98% of enrollees are determined eligible year after year. Of the 2% (approximately 15 people) who were ineligible following eligibility, a new Social Security benefit or Social Security increase was the primary reason. Still, the annual income for these individuals remained less than $23,000.

Final rates, program and benefit changes will be brought before the Board in June.

Executive Director's Report (continued)

SERS Mission and Values Statement

Mr. Stensrud continued and provided an update on the SERS Mission and Values statement(s). SERS has had Mission, Vision and Values statements for over 20 years. The original versions were adopted in 2002 and were modified in 2005/2006 and 2013. A Core Beliefs statement was added in 2013. The originating source of the changes in the statements has varied (sometimes Staff, sometimes the Board, and in 2005/2006, a consultant facilitated effort with focus groups including advocacy groups). In all cases the revised language was presented to the Board for approval or endorsement. The current versions of the Mission, Vision, Values and Core Beliefs have been in effect since 2013.

Mr. Stensrud provided some additional information regarding the evolution of these statements over time:

- The Mission statement adopted in 2005/2006 was as follows: "The mission of SERS is to provide our members, retirees, and beneficiaries with pension benefit programs and services that are soundly financed, prudently administered, and delivered with understanding and responsiveness."

- The Mission statement adopted in 2013 (still in effect) is: "To provide our membership with valuable lifetime pension benefit programs and services."

- The Values statement adopted in 2005/2006 was:

    - Member and Retiree Focus
    - Integrity
    - Open Communication
    - Continuous Innovation
    - Teamwork

- The Values statement adopted in 2013 (still in effect) is:

    - Focus
    - Accountability
    - Communication
    - Collaboration
    - Innovation

- The Core Beliefs were added in 2013 for the purpose of providing more specific guidelines for Staff action. The rationale was that both the Values and the Core Beliefs are Staff-directed, but the Values represent higher level aspirations, and the Core Beliefs express more specific standards/expectations. The Core Beliefs are:

    - We are here to serve.
    - We are open and honest.
    - We are professional.
    - We are dedicated.
    - We are enthusiastic.
    - We are high performers.
    - We are valuable partners.
    - We are member advocates.
    - We are innovators.
    - WE ARE SERS.

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As part of the Review/Renew/Reconnect analysis that was initiated upon return to onsite operations, a mixed team of Staff (drawn from across departments and across position levels) was tasked with assessing whether any changes should be considered with respect to the Mission, Vision, Values and Core Belief statements. No changes were proposed to the Mission, Vision and Core Belief statements, but the team has proposed changes to the Values statement. The proposed new Values statement is:

- Focus on Service
- Be Accountable
- Support Collaboration
- Respect Differences and Practice Inclusion
- Remain Resourceful and Embrace Change

Mr. Stensrud asked the board if they would prefer to discuss the changes at a later sustainability session. After discussion, the board decided it would be best to wait until the CBBC legislation is approved then schedule a sustainability session to revisit this topic at a later date.

SERS FY23 Administrative Budget Review

SERS Chief Financial Officer, Tracy Valentino, provided the board with a draft version of the FY2023 SERS administrative budget for their consideration. Ms. Valentino stated the FY23 draft budget presentation is not a request for approval. This FY23 draft budget presentation is an opportunity for the board to review the budget policy, what the budget proposal is, and for staff to answer any questions board members may have.

Ms. Valentino reminded the board that no action is required at today's meeting. Ms. Valentino reported many things are affecting the 2023 budget; some of those things are the SERS Compensation Study, the Technology Committee and the recommendations coming from the Technology committee. However, SERS staff has remained transparent and has had several conversations with the board and provided presentations over the last several months that will eliminate any surprises.

After a robust discussion, the board thanked Ms. Valentino for her presentation.

Final Filing of Proposed Administrative Rule

Mr. Stensrud introduced SERS Legal Counsel, Dawn Viggiano. Ms. Viggiano discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-10 Mandatory direct deposit, that has been reviewed by JCARR and is ready for final adoption by the Board. This rule change requiring direct deposit for members allows SERS to save money on postage and printing and provides a secure way to send funds to members. At the present time, there are still 600 paper checks still being mailed out; a few years ago, it was over 2,000. SERS has been successful migrating members to direct deposit as this benefits the members by having certainty that payments will be received.

Catherine Moss moved and Frank Weglarz seconded that proposed amended rule 3309-1-10 be adopted. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

SERS Retirement Board Meeting Minutes

May 19, 2022

Board Communication and Policy Issues

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 **

AUDIT COMMITTEE MEETINGS

June 15, 2022 - 2:30 p.m. (Weds.)
September 14, 2022 - 2:30 p.m. (Weds.)
December 14, 2022 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 16, 2022 - 7:30 a.m. (Thurs.)
September 15, 2022 - 7:30 a.m. (Thurs.)
December 15, 2022 - 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

June 16, 2022 - 12:30 p.m. (Thurs.)
September 15, 2022 - 12:30 p.m. (Thurs.)
December 15, 2022 - 12:30 p.m. (Thurs.)

BOARD MEETINGS

June 16-17, 2022 – 8:30 a.m. (Thurs. and Fri.)
***** July 22, 2022 – 8:30 a.m. (Friday) *****
September 15-16, 2022 – 8:30 a.m. (Thurs. and Fri.)
October 20-21, 2022 – 8:30 a.m. (Thurs. and Fri.)
November 17-18, 2022 – 8:30 a.m. (Thurs. and Fri.)
December 15-16, 2022 – 8:30 a.m. (Thurs. and Fri.)

NOTE: The above dates are **tentative.

****** The July 2022 board meeting will take place on Friday, July 22, 2022, instead of Thursday. ******

Continued or New Business

The Board continued with the review of continued or new business.

Adjournment

Barbra Phillips moved to adjourn to meet on Thursday, June 16, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The board meeting adjourned at 12:49 p.m.

____
Barbra Phillips, Board Chair

____
Richard Stensrud, Secretary

Board Meeting Agenda Item

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be Reported to the Retirement Board for Ratification in June

The following is a summary of the investment transactions made during the period of April 1, 2022 through April 30, 2022. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	$ 247.5
Fixed Income	311.4
Private Equity Capital Calls	41.3
Real Asset Capital Calls	65.3
Opportunistic & Tactical	1.4
Global Private Credit	10.4
Cash Equivalents	485.2

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	$ 326.7	$ 42.2
Fixed Income	290.3	(7.0)
Private Equity distributions	38.4	n/a
Real Asset distributions	60.0	n/a
Opportunistic & Tactical	1.2	0.1
Global Private Credit	n/a	n/a
Cash Equivalents	296.6	n/a

School Employees Retirement System

Memo

To: Retirement Board

From: Farouki Majeed

cc: Richard Stensrud, Karen Roggenkamp

Date: June 3, 2022

Re: **Global Equity Annual Investment Plan Updates for the June Board**

Staff has proposed changes in the Annual Investment Plan (AIP) for Global Equity from the May draft. These new AIP changes are highlighted in green with the old changes from May highlighted in yellow. Below is background on the Global Equity program and an explanation of the new June AIP changes:

Background

SERS had maintained a 50% US and 50% Non-US equity split for many years within the 45% Global Equity policy allocation. The US/Non-US weighting was changed effective January 1, 2021 to 55% US, 30% Non-US Developed Markets and 15% Emerging Markets to align more closely with the MSCI All Country World Index (ACWI). The US equity weight has now increased to 61% in the MSCI ACWI Index.

Changes

1. Given that the US equity weight has now increased to 61% in the MSCI ACWI, Staff desires to align the equity portfolio to match a world benchmark.
2. Rather than adjust equity weights periodically, it is sensible to change to the ACWI index as the benchmark for the Global Equity asset class.
3. Within Global Equity, Staff proposes to expand the mandate of an existing manager, Arrowstreet, from ACWI Ex-US to the ACWI index. The manager has a successful track record managing to the global index. Arrowstreet is also SERS largest active equity manager with a September 1, 2004 since inception net of fee excess return of 2.95% over the ACWI Ex-US benchmark.
4. The remainder of the Global Equity portfolio will consist of US and Non-US mandates such that the overall structure will be aligned with the ACWI index.

If anyone has any questions prior to the Board meeting, please email me at fmajeed@ohsers.org.

ANNUAL INVESTMENT PLAN FY 2023

____________________________ moved and _________________________ seconded the motion to approve the Annual Investment Plan for fiscal year ending June 30, 2023, which replaces the FY 2022 Annual Investment Plan, originally approved June 17, 2021.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Hugh Garside	______	______	______
Barbra Phillips	______	______	______

DRAFT – 06/16/2022

2023

ANNUAL INVESTMENT PLAN

For the Year Ended June 30, 2023

School Employees Retirement System of Ohio

Serving the People Who Serve Our Schools®

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
ANNUAL INVESTMENT PLAN
For the year ended June 30, 2023

Prepared by SERS Investment Staff
300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
www.ohsers.org
Serving the People Who Serve Our Schools®

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Executive Summary

EXECUTIVE SUMMARY

The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer prepare and present to the Board for its approval an Annual Investment Plan (Plan). The following document outlines the recommended Plan for Fiscal Year (FY) 2023.

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, last year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2023. Implementation Guidelines for each asset class portfolio are included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits. **This Plan is meant to be a living document subject to adjustment during the year.** If circumstances change or opportunities arise during the year, items will be discussed with the Board which may lead to intra-year changes to the Plan or Strategy Statements.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The general objectives of the Investment Department for FY2022 were as follows:

- *Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.*

Total Fund returns exceeded the policy benchmark for all periods over ten years. For FYTD, Total Fund return of 5.32% as of March 2022 exceeded the benchmark by 2.50%. For three years the return was 12.33% which exceeded the benchmark by 1.40%, and for five years the return was 10.65% with 1.22% excess return. The excess returns have been generated with modest active risk.

- *Continue to implement the asset allocation framework and targets approved by the Board in FY2020, specifically, increase allocations to Private Credit, Private Equity and Real Assets on a selective basis.*

Asset allocation implementation is nearly complete. Required implementation was to increase Real Assets from 15% to 17%; Private Equity from 10% to 12% and Private Credit from 0% to 5%. As of March 31, 2022, the allocation to Real Assets was at 18.5%, Private Equity was 12.1% and Private Credit was at 3.9%. Private Credit is expected to reach 5% by the end of FY2022. In FY2022, the Board approved a Total Fund leverage strategy with a limit of 10%. This program will be implemented when economic and financial conditions become more stable.

- *Research new strategies in renewable energy, infrastructure, and commodities and implement on a selective basis.*

In FY2022, Staff implemented two portfolios to further diversify the Total Fund and provide direct inflation hedging. One is an actively managed commodities portfolio and the other is a portfolio with a mixture of TIPS, gold and commodities implemented through ETFs. These allocations are accounted for within the Opportunistic bucket along with other tactical and diversifying assets and contributed positively to Total Fund returns.

- *Re-engage the investment team as they return to the office to maintain strong investment culture and teamwork.*

The team performance was highly productive during the remote working phase in terms of approving new investments and monitoring the portfolio. Since returning to the office in July, team development activities were conducted to maintain team culture and cohesion.

FY2023 OBJECTIVES

- Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.

- Continue to implement the asset allocation framework and targets approved by the Board and implement the leverage program as conditions and return expectations improve.

- Research new strategies in renewable energy, infrastructure, and commodities and implement on a selective basis.

EXECUTIVE SUMMARY

CONCLUSION
As of March 31, 2022, SERS' Total Fund had net returns of 10.65% over five years and 9.47% over ten years exceeding the actuarial rate of 7.00%. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs.

The economic environment and market outlook have changed significantly in 2022, posing downside risks to investment returns. Inflation has spiked to 8.5% and the 10-year yield has increased to 2.8% in short order. This likely will cause GDP growth to slow and higher discount rates will depress asset valuations. So, expected returns will be lower than the returns experienced over recent periods.

Staff appreciates the support and guidance received from the Board in FY2022 and looks forward to working with the Board in FY2023 for another successful year.

ACKNOWLEDGEMENTS
SERS is very fortunate to have an experienced and deep Investment Staff. The following individuals contributed to this report.

- Economic Outlook – Farouki Majeed and Hai Yen Le
- Global Equities – Judi Masri and Dustin Matthiessen
- Global Private Equity – Steve Price and Phil Sisson
- Global Fixed Income – Jason Naber
- Global Private Credit – Adam Messerschmitt
- Global Real Assets – Paul Cheng and Michael Browning
- Cash Equivalents & Securities Lending – Jason Naber
- Opportunistic and Tactical – Farouki Majeed, Phil Sisson, Michael Browning, Dustin Matthiessen and Adam Messerschmitt
- Overlay Program – Farouki Majeed, Jason Naber and Judi Masri
- Investment Risk Management and Analytics – Hai Yen Le and Michael Browning
- Investment Operations – Terri Martin and Katie Swank

We would appreciate the opportunity to review the Annual Investment Plan with you at the June 2022 Board meeting. If you have any questions or comments before then, please let me know.

Respectfully submitted,

[redacted]

Farouki A. Majeed
Chief Investment Officer

Global Economic Outlook

GLOBAL ECONOMIC OUTLOOK

In 2021, the global economy recovered from the 2020 recession with a strong growth rate of 6.1%. The US growth rate was also solid at 5.9%. Accommodative monetary policy as well as fiscal stimulus in the US and other major economies during the pandemic were major supports for global recovery while issues related to the pandemic such as global supply chain disruption, materials and labor shortage were the main impediments in 2021.

Goods, labor and commodities shortages induced by the COVID-19 pandemic, combined with increased demand stemmed from the economic recovery, pushed inflation higher across the globe in 2021. US inflation was 4.7% while the euro area saw an inflation of 5.0% in 2021. According to the World Bank, 71% of emerging and developing economies faced an inflation rate of above 5% in 2021. The Russian-Ukraine war, which erupted in February 2022, added pressure to inflation, further increasing energy and food prices. US inflation reached a twenty year high of 8.5% in March 2022, caused by both supply constraints and higher demand from a combination of growth and fiscal stimulus.

The US labor market recovered strongly, adding 6.7 million jobs in 2021 and 1.7 million jobs in Q1 2022. The unemployment rate decreased from 6.7% in December 2020 to 3.9% in December 2021 and 3.6% in March 2022. In the US, a healthy labor market and solid economic growth have created favorable conditions for the Fed to shift monetary policy from expansionary to contractionary to combat historically high inflation. The Fed ended its bond-buying program and initiated the first interest rate hike of 25 bps in March 2022, while signaling more rate hikes to come in 2022. This has led to tightening monetary conditions. The 10-year rate increased from 0.93% in December 2020 to 1.52% in December 2021 and 2.93% by April 19, 2022.

In 2021, US equity markets rallied strongly, gaining 25.66%, exceeding returns of non-US markets. Non-US developed markets returned 12.63% while the emerging markets lost 2.54% in 2021. However, equity markets were down globally in Q1, 2022 due to increased inflation, the Russian-Ukraine war and the Fed's monetary policy shift. US consumer sentiment stayed below the historical average throughout 2021 and decreased further to 62.7 in February 2022, the lowest level since November 2011, due to higher inflation and slower economic growth concerns.

Economic forecasts from the Blue Chip Consensus (US) and the International Monetary Fund (IMF) are presented below:

US ECONOMY

The Blue Chip consensus expects the US economic recovery to moderate in the second half of 2022 and slow further in 2023. The US growth rate is expected to be 3.2% for 2022 and 2.3% for 2023.

According to the Blue Chip Economic forecasts, the unemployment rate is expected to decline to 3.6% in 2022 and 3.5% in 2023, indicating a tight labor market that will continue to add up-ward pressure on wages, thus contributing to keeping inflation high (Table 1). Inflation is expected to decrease to 6.8%% in 2022 then decline to 3.0% in 2023. The yield on 10-year US Treasuries is expected to be 2.4% in 2022 and increase further to 2.9% in 2023. US corporate profits are expected to weaken to $6.0 trillion in 2022 and $2.4 trillion in 2023 from $25.0 trillion in 2021.

Table 1

Period	Unemployment Rate (%)	Inflation Rate CPI (%)	T-Bill 3-Mo. (%)	T-Note 10-Yr. (%)	Corporate Profits (Cur. $)
2018	3.9	2.4	2.0	2.9	8.3
2019	3.7	1.8	2.1	2.1	2.7
2020	8.1	1.2	0.4	0.9	-5.2
2021	5.4	4.7	0.0	1.4	25.0
2022 Consensus Forecast	3.6	6.8	1.2	2.4	6.0
2023 Consensus Forecast	3.5	3.0	2.4	2.9	2.4

Source: Blue Chip Economic Indicators, April 2022

GLOBAL ECONOMIC OUTLOOK

GLOBAL ECONOMY

The IMF forecasted global GDP growth is to slow down to a moderate level of 3.6% in 2022 and maintain the same level for 2023 (Table 2). For 2022, emerging and developing economies are expected to grow slightly faster than advanced economies as the former's expected growth rate is 3.8% while the latter's is 3.3%. For 2023, the emerging and developing economies are projected to strengthen their growth advantage as their growth is expected to accelerate to 4.4% while the advanced economies are expected to decelerate to 2.4%.

Table 2

Annual GDP Growth (in percent)	2021	2022 (projected)	2023 (projected)
World	6.1	3.6	3.6
US	5.7	3.7	2.3
Advanced Economies (including US)	5.2	3.3	2.4
Emerging and Developing Economies	6.8	3.8	4.4

Source: International Monetary Fund World Economic Outlook, April 2022

Portfolio Strategy

PORTFOLIO STRATEGY – Total Fund Asset Allocation

Actual asset allocation relative to policy target is shown in the table below:

	Target	Range	Actual		
			3/31/2022	7/1/2021	7/1/2020
Global Equities	45%	35-55%	44.4%	48.6%	45.5%
Global Private Equity	12%	8-16%	12.1%	10.4%	9.8%
Global Fixed Income	19%	12-26%	12.8%	15.1%	17.2%
Global Real Assets	17%	14-20%	18.5%	14.8%	15.7%
Global Private Credit	5%	3-7%	3.9%	2.4%	n/a
Multi A et Strategie	n/a	n/a	n/a	n/a	7 1%
Opportunistic	0%	0-5%	4.9%	4.3%	2.6%
Cash	2%	0-5%	3.3%	4.4%	2.1%
Total Fund	**100%**		**100.0%**	**100.0%**	**100.0%**

Staff has had a bias toward a neutral weight in Global Equities, an underweight in Global Fixed Income, overweight in Opportunistic investments and overweight in cash in FY 2022. These tactical allocation decisions contributed to total fund excess returns, while a majority of the excess return of 1.74% for FY 2022 through March was from selection effects in Private equity, Real Assets, Private credit and Opportunistic as these asset classes exceeded their respective benchmarks.

Both Global Equity and Global Fixed which together account for nearly 65% of the Total Fund, have had negative returns in FY 2022 as inflation has spiked and interest rates have tightened causing valuations to compress. Further tightening is expected by the Fed through calendar year 2022 and this would mean that interest rates across the yield curve would increase and slow the economy and profit growth of companies. Staff believes it would be appropriate to maintain both equity and fixed income relative to targets in this environment until there is moderation of inflation and interest rates.

PORTFOLIO STRATEGY - Global Equities

INVESTMENT STRATEGY
SERS invests in equity securities to earn a premium over government treasury bonds, which is compensation for assuming the relatively higher risk inherent in public equity securities. Global equities add diversification, liquidity and inflation protection to the SERS portfolio.

SERS' Statement of Investment Policy sets the Global Equities target allocation as follows:

	Total Fund Target	Permissible Range
Global Equities	45%	35% - 55%

The performance objective of the Global Equity portfolio is to exceed the return of the MSCI All Country World Net Total Return Index (USD) by 30 basis points net of management fees. ~~are as follows:~~

- ~~Global Equities: Exceed the return on the combined US Equity and Non US Equity composite benchmark composed of 60% Russell 3000 Index, 30% MSCI World ex USA Net Total Return Index (USD) and 10% MSCI Emerging Markets Net Total Return Index (USD), net of manager fees. The target excess return is 25 basis points over three year rolling periods.~~

- ~~US Equities: Exceed the return on the Russell 3000 Index, net of manager fees. The target excess return is 10 basis points over three year rolling periods.~~

- ~~Non US Developed Market Equities: Exceed the return of the MSCI World ex USA Net Total Return Index (USD), net of manager fees. The target excess return is 50 basis points over three year rolling periods.~~

- ~~Non US Emerging Market Equities: Exceed the return of the MSCI Emerging Market Net Total Return Index (USD), net of manager fees. The target excess return is 50 basis points over three year rolling periods.~~

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION
FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Monitor the portfolio for possible performance enhancement. Compare SERS active managers to peers and conduct any manager searches, if appropriate.*

The US Equity portfolio has underperformed its benchmark by 14 basis points in FYTD through March 2022. The allocation to passive management within the US Equity large cap composite has been increased from 77.45% as of June 30, 2021 to 82.92% as of March 31, 2022 with the aim of reversing the longer term underperformance and to meet the modest excess return goal cited above. Both the large and small cap composites outperformed their related style benchmark, but the small cap overweight led to underperformance since small cap returns were much lower than large cap in this period. Staff reduced small cap exposure during the FY from a 4% overweight to a 2.5% overweight, intending to stay slightly overweight as small caps are inexpensive versus large caps, however, small cap had a negative return.

After outperforming in FY2021, the Non-US Equity Developed market portfolio is underperforming by 154 basis points FYTD through March. Three, five and ten-year net excess returns remain positive, FYTD underperformance has been impacted by emerging market exposure, overweighting small cap and an underperforming growth mandate.

After outperforming in FY2021, the Non-US Equity Emerging market portfolio is underperforming by 217 basis points FYTD through March. Three, five and ten-year net excess returns remain positive. Emerging markets have experienced greater volatility and drawdown in FY2022 caused by the increase in inflation, the Russia–Ukraine war and Covid lockdowns in China. We expect the relative performance to improve in coming quarters. As macro and geopolitical risks are priced into markets manager performance is expected to rebound.

Staff will continue to pay more attention to the allocation within the portfolios relative to the benchmark exposures to better manage performance.

PORTFOLIO STRATEGY - Global Equities

- *Complete the Non-US Equity Developed Market Small Cap and Emerging Market Dedicated China A-Share searches. Research and identify other new and innovative investment opportunities with managers who offer compelling return expectations.*

The Non-US Equity Developed Market Small Cap Investment Management Agreement (IMA) was signed effective October 1, 2021. The mandate was funded in March 2022 with an initial $50 million due to high market volatility. Staff will fund an additional $25 million over the next six months.

The Emerging Market Dedicated China-A Share strategy was funded with an initial $50 million in October 2021 after the MSCI China Net Total Return USD Index declined 16.67% from January through September 2021 due to new Chinese technology regulation, COVID zero tolerance policy and real estate bank financing concerns. However, this Index declined another 12.39% from October 2021 through February 2022. Staff has a favorable outlook on this investment over the long term.

Staff is focused on diversifying the SERS US Equity small cap composite before considering other mandates. A new US small cap growth mandate was approved in March 2022 to reduce return volatility.

- *Ensure the global equity portfolio has appropriate risk and return characteristics.*

The US Equity portfolio's overall active risk declined while beta increased from 0.97 last year to 0.98 mainly due to increasing passive management by 6.9%. The portfolio is still defensive as SERS' US large cap active managers have a beta of 0.81, unchanged from prior year. This low large cap active beta helped the portfolio in the current FY market downturn with our large active managers outperforming the index by 1.77% FYTD through March 2022.

The Non-US Equity Developed portfolio active risk declined during the year from 1.74 to 1.58 and beta declined from 1.00 to 0.98. Staff expects the lower market risk to be beneficial in the current volatile environment for European equities.

The Non-US Equity Emerging Market portfolio active risk increased from 2.54% to 2.75% as of January 2022. Managers moved to a more defensive position reducing portfolio beta from 1.03 to 0.96. This defensive positioning helped the portfolio to outperform during the market downturn through December 2021, but Omicron and the Russia-Ukraine war hurt performance in Q1 2022. Emerging Markets trade at only 12 times earnings and we expect our managers to recover from the first quarter 2022 losses.

- *Regularly evaluate and rebalance the Global Equity Portfolio to ensure that country exposure, management mix, capitalization weight, and style orientation are appropriate and make recommendations as necessary.*

In the US portfolio, $135 million in net redemptions occurred during FY22 through March. The majority of redemptions occurred to reduce the 4% small cap overweight down to a 2.5% overweight as large caps have been favored. Large cap growth exposure was also reduced to increase the value style tilt, as growth stocks have sold off sharply in the recent downturn.

In Non-US Equity Developed Markets, $305 million in net redemptions occurred during FY22 through March. Staff redeemed $105 million from an ACWI mandate to harvest gains after the manager posted a 14.46% net excess return for FY21 and help reduce emerging market exposure. An additional $255 million was redeemed from passive management to fund operational expenses and allocate to new active strategies hired over the last two fiscal years. The Developed market passive allocation was reduced from 30.3% as of June 30, 2021, to 24.9% as of March 31, 2022 as active management has outperformed over longer time periods. The allocation changes have tilted the portfolio to a value style, which is expected to help performance.

In Non-US Equity Emerging Markets, $75 million was redeemed from our current emerging market managers during the first nine months of FY22 due to Staff's negative outlook. This was offset by the new $50 million China A-Share funding.

- *Review IMAs and Investment Guidelines on the review schedule and make necessary adjustments as needed.*

PORTFOLIO STRATEGY - Global Equities

One Non-US Developed Market equity manager IMA was fully renegotiated in the current fiscal year. Two US Equity managers had new amendments added this fiscal year. One of these new amendments changed the manager's benchmark from the S&P 500 to the Russell 1000, better aligning the mandate with SERS index suite. The other US Equity amendment updated a manager's guideline to reflect higher market capitalization in today's market.

CURRENT MARKET CONDITIONS AND OUTLOOK

Cumulative Periods through March 31, 2022		Annualized Returns (in percent)			
	FYTD	1 Year	3 Year	5 Year	10 Year
Russell - 3000 Index	3.40	11.92	18.24	15.40	14.28
Russell - 3000 Growth Index	1.33	12.86	22.68	20.16	16.64
Russell - 3000 Value Index	5.64	11.10	12.99	10.16	11.61
Russell - 1000 Index	4.36	13.27	18.71	15.82	14.53
Russell - 2000 Index	(9.66)	(5.79)	11.74	9.74	11.04
MSCI - AC World Index ($Net)	(0.11)	7.28	13.75	11.64	9.99
MSCI - AC World Ex-USA Index ($Net)	(6.60)	(1.48)	7.51	6.76	5.55
MSCI - World Ex USA Index ($Net)	(2.46)	3.04	8.55	7.14	6.25
MSCI - Emerging Markets Index ($Net)	(15.62)	(11.37)	4.94	5.98	3.36

Source: Wilshire Compass — Fiscal years begin July 1 and end on June 30

Global equity markets experienced strong returns of 19.04% for calendar year 2021 before a sharp first quarter 2022 decline reducing the 1-Year return ending March 2022 to 7.28%. The US market is the top performer amongst world equities again for the last year, keeping its lead over all time periods. After posting a FY21 return of 40.90%, emerging markets began declining during the summer of 2021 while the US and Developed ex-US maintained positive returns for the full CY21. The combination of Omicron, inflation worries, and the Russia-Ukraine war hit all markets hard for the first quarter of 2022 with Non-US Developed posting a (4.81%) return, US declining (5.28%) and Emerging performing the worst at (6.97%) for the quarter. A more detailed summary follows for US and Non-US markets.

The Russell 3000 broad market US index posted a strong 25.66% for CY21 where US large cap outperformed small caps by 11.63%. Somewhat surprisingly, the market shook off the COVID Delta variant threat along with inflation fears in CY21. Value and growth styles changed leads during the year with value leading early in 2021, followed by growth being favored with the Delta variant onslaught. Value made a comeback by year-end and kept its lead into 2022 with talks of possible interest rate increases to combat inflation. First quarter brought a host of problems with inflation fears, the new Omicron variant and the Russia-Ukraine war. This led to the worst quarterly return of (5.28%) in two years as volatility spiked, bringing the US FYTD return down to 3.40% through March. US sector returns over the year ending March 31, 2022 has energy as the best performing sector with a 64.82% return. Communication services was the worst performing sector with (3.30%) return.

Non-US Equity Developed Markets posted a (2.46%) return FYTD through March as COVID and the Russian-Ukraine war impacted these markets worse than the US. Longer-term returns (out to 10-years) are behind the US by roughly 8 - 10% due to currency impacts and global market preference for technology-oriented US growth companies since the credit crisis. Developed Markets ex-US had dispersed sector returns with energy leading, posting a 38.66% return, and consumer discretionary posting the worst return of (9.22%) for the one-year ending March 31, 2022.

Non-US Equity Emerging Markets declined 15.62% for FYTD, after posting a 40.90% return for FY21. Emerging markets suffered as China markets declined due to its zero tolerance COVID policy, new technology regulations and real estate bank concerns. A strong commodity environment has not lifted emerging market returns as a strong US dollar and the Ukraine war has added more pain to the situation. Thus, Emerging markets lag Developed Market ex-US in all longer time periods and lag US markets by double digits in all periods. Like Developed Markets ex-US, energy was Emerging Markets top performer with a 16.02% return and consumer discretionary posted the worst return of (38.87%) for the one-year ending March 31, 2022.

PORTFOLIO STRATEGY - Global Equities

Market volatility may continue due to higher interest rates in an attempt to combat inflation, supply-chain disruption from the pandemic and the Russia-Ukraine war. Thus, global equity returns are expected to be low, but positive over the next year as GDP is still expected to grow. The IMF expects Global GDP to grow 3.6% this year while US GDP is expected to grow 3.7% in 2022. Emerging market securities are the most inexpensive, trading at about 12 times earnings followed by developed market ex-US companies trading at 14 times earnings. US markets are the most expensive trading at 20 times earnings, but US companies are still reporting healthy earnings. US consumers also show strong spending trends led by the US housing market, which may help equities.

PORTFOLIO STRUCTURE

At the end of March, Global Equity was underweight the 45% target allocation by 0.59% as follows:

- The US portfolio was 1.74% overweight relative to its 55% Global Equity target allocation,

- The Non-US Developed Market portfolio was underweight by 0.28% relative to its 30% Global Equity target allocation and

- The Non-US Emerging portfolio was underweight by 1.46% relative to its 15% Global Equity target allocation.

Global Equities will likely remain underweight early into the next FY as equities are expected to be volatile. Redemptions will occur for pension benefits and for alternative capital calls as these asset classes ramp up allocations. FYTD, $465 million in Global Equity redemptions have occurred.

Both the US and Non-US portfolios have moved from a small growth bias towards a value tilt. Value exposure will gradually increase, depending on market conditions. We also remain overweight to small capitalization stocks, which is expected to continue as small caps are inexpensive. This overweight to small caps has hurt Global Equity returns this FY, so some small cap exposure has been reduced. The US portfolio is currently 74.0% passively allocated, which may gradually increase. In Non-US, we are 24.9% passive in Developed markets and 100% active in Emerging markets as active management is expected to be more successful in Non-US Equities.

FY2023 OBJECTIVES

Staff will focus on the following objectives during FY2023:

- Monitor the portfolio for possible performance enhancement.

- Complete the US Equity Small Cap Growth and Core manager searches.

- Transition the GE portfolio's structure from regionally specific mandates and benchmarks to global mandates and a global benchmark, the MSCI ACWI. The transition includes allocating to global mandates and converting the regional market allocations to MSCI ACWI geographic allocation ranges. ~~Transition the portfolio to a 60% US, 30% Non US Developed and 10% Emerging Market allocation. Regularly evaluate and rebalance the Global Equity Portfolio to ensure that country exposure, management mix, capitalization weight, and style orientation are appropriate and make recommendations as necessary.~~

- Manage the Global Equity portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.

- Engage with Wilshire on a portfolio structure review. Global Equity will be reviewed for appropriate US and Non-US allocations, correct benchmarks, active-passive allocation and detailed manager alignment. Make portfolio adjustments, as necessary.

- Review IMAs and Investment Guidelines on the review schedule and make necessary adjustments as needed.

PORTFOLIO STRATEGY – Global Private Equity

INVESTMENT STRATEGY

SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

SERS' Statement of Investment Policy sets the Private Equity target allocation as follows:

	Target	Permissible Range
Global Private Equity	12%	8% - 16%

The performance objective for Private Equity is to provide returns in excess of the Burgiss All Private Equity Benchmark.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Private Equity portfolio and fiscal year commitments to reflect the increased investment allocation of 12% of the Total Fund by the end of fiscal year 2022, subject to identifying opportunities that meet SERS' investment criteria.*

The Private Equity allocation has reached the 12% target with increased commitments since 2020. Staff has been actively working toward this goal and to date nearly $610 million has been committed to eight private equity funds and four co-investments.

- *Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.*

To date, eight commitments have been made to private equity funds with an average management fee of 1.4%. Additionally, four commitments were made to co-investments that have no management fees or carried interest. Together the average management fee on all approved commitments is 1.0%. These private equity commitments are diversified by investment strategy, sector focus and geography.

- *Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.*

Staff reviewed several co-investment opportunities throughout the fiscal year. Four opportunities met SERS criteria and were approved in fiscal year 2022. The Private Equity portfolio has a total of nine co-investments totaling $96 million. The co-investments are in various stages of their life cycle and are generating an IRR of 26% and a 2.4x multiple of invested capital as of December 31, 2021.

- *Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio. Current areas of interest under consideration include China and Asia focused private equity, niche venture capital, GP led secondaries and investments managed by emerging and minority managers.*

Staff reviewed over 100 investment offerings during the fiscal year 2022. Two opportunities with new managers met the investment criteria and SERS committed a total of $125 million to these funds in fiscal year 2022.

PORTFOLIO COMPOSITION

	Allocations as of March 31 2022	Target Ranges
Buyout	77%	55% - 95%
Venture Capital	3%	0% - 10%
Special Situations	16%	5% -25%
Co-Investments	4%	0% - 25%
Domestic	77%	55% - 95%
International	23%	5% - 45%

PORTFOLIO STRATEGY – Global Private Equity

CURRENT MARKET CONDITIONS AND OUTLOOK

Despite continued economic uncertainty surrounding the COVID-19 pandemic, 2021 was a banner year for private equity. Private equity deal values and exits roared to new heights, general partners had the second-best year for fund raising in the industry's tracked history and private equity funds accelerated their distributions to limited partners while continuing to deliver solid returns. All this was accomplished while navigating the challenges of a high valuation environment that has raised the bar for investors looking to create value. Taking a closer look at the data we see 2021 set a record as the level of transactions rose to $1.1 trillion, well above the previous record of $804 billion set in 2006 and twice as much as the $570 billion completed in 2020. The volume of deals completed in 2021 rose by 16% to 4,300. The $1.1 trillion record was driven by primarily by the average deal size climbing by 57% in 2021 to $1 billion. This is reflective of a growing trend in the marketplace that has larger firms seeking out bigger transactions so that they can move the needle in their large and mega sized funds. The increase in deal flow is a direct result of the abundance of low-cost debt financing and the estimated $3.3 trillion of dry powder available across all fund types and all geographies at the end of 2021. The intense competition for assets has led to growth in purchase price multiples and made it very difficult for private equity firms to find and purchase companies. Purchase price multiples have risen from approximately 9.0 times earnings in 2011 to an average of 12.3 times earnings in 2021. Nevertheless, the same factors that complicated deal making paved the way for an excellent exit market for private equity funds in 2021. Over 1,500 exits were completed in 2021 for a total value of $957 billion. This set a record and more than doubled the $427 billion reported in 2020. Private equity funds raised more than $1.2 trillion, up 16% from 2020. Buyout funds once again led the way closing on over $387 billion of new commitments, however, this total was aided by the number of large and mega buyout funds raised during the year. The level of investment activity at increased purchase valuations and steady uplift in dry powder once again underscores the importance of identifying and backing high quality private equity managers that remain disciplined in their process, due diligence and selection criteria throughout investment cycles.

Nonetheless, as illustrated in the below table, Private Equity continues to generate solid performance over all periods.

Annualized Returns (in percent)) for Periods Ended March 31, 2022				
Fund Type	**1-Year**	**3-Years**	**5-Years**	**10-Years**
SERS Private Equity	42.12	26.94	23.37	19.56
Burgiss Benchmark	25.74	21.79	18.58	16.86

Source: Burgiss All Private Equity Index

After a record setting year in 2021, the outlook for private equity in 2022 remains positive. In the near term, the industry could be influenced by a wide range of factors that may include the economic effects of exiting a global pandemic, increased valuations, slower economic growth and global trade implications. Although it is too early to tell what impact these issues may have on the private equity market. In general, it is expected that fundraising and exit activity will continue at or near their current levels in 2022 as sellers seek to take advantage of increased valuations and investor appetite for private equity continues to rise. As mentioned earlier, the increased price expectations for sellers has resulted in the average private equity firm paying a higher price to acquire new portfolio companies. However, private equity firms with finely tuned strategies and repeatable value-creation models will prosper. Top quartile private equity managers find ways to overcome problems, generate returns for their limited partners and earn the capability to raise additional funds.

With this in mind, the outlook for the SERS Private Equity portfolio is favorable. Current market conditions reflect positively on the style of investing employed by the general partners that make up the core of the SERS Private Equity portfolio. Quality investments can be identified in the current market; however, finding these companies requires patience, discipline and the ability to fully understand the operations of the target company. The full impact of the pandemic, global trade implications lower economic growth on private equity remains to be seen. However, navigating through the pandemic to date has required firms to pay close attention to portfolio operations and in some cases reassess their approach to value creation. Top private equity firms understand and displayed their ability to create and maintain value in portfolio companies under difficult conditions early in 2020, generating an opportunity for investors to separate the top private equity firms more easily from the rest of the pack. SERS' Private Equity portfolio is comprised primarily of general partners who have demonstrated their ability to identify, create value and exit companies in all market environments. In an effort to ensure the portfolio is properly positioned for future uncertainty, our goals for the fiscal year include: continuing to identify and invest with operationally focused managers who primarily target the middle market and avoid the competition in the large and mega space; increasing exposure to attractive investments that meet our criteria and offer lower costs through co-investments; and ensuring that we stay on top of market trends and opportunities by continuing to research and seek out managers offering investment strategies that deliver private equity like returns with differentiated and unique strategies. Additionally, as the Total Fund moves into what many believe will be a low return environment, we will seek to increase the allocation level of Private Equity to its new target of 12% to obtain the benefit of this higher returning asset class to the Total Fund level. This will however take time as Private Equity is a long-term asset class where manager selection is critical and additional capital takes more time to deploy.

FY2023 OBJECTIVES

Staff will focus on the following objectives during FY2023:

- Manage the Private Equity portfolio and fiscal year commitments to reflect the increased investment allocation of 12%, subject to identifying opportunities that meet SERS' investment criteria.

- Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.

- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.

- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.

PORTFOLIO STRATEGY - Global Fixed Income

INVESTMENT STRATEGY
SERS invests in fixed income assets for the primary purpose of risk diversification and decreasing the overall risk of the investment plan. Fixed income assets may include sovereign debt securities, global corporates, securitized securities, private placements, convertibles, derivatives and currency.

SERS' Statement of Investment Policy sets the Fixed Income target allocation as follows:

	Target	Permissible Range
Global Fixed Income	19%	12% – 26%

The performance objective for the Fixed Income portfolio is to exceed the Bloomberg US Aggregate Bond Index, net of manager fees, by 60 basis points over rolling three-year periods.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION
The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Ensure the Fixed Income portfolio has appropriate risk and return characteristics given credit spreads have already recovered to pre-pandemic levels and interest rates are expected to continue rising.*

Although the portfolio has a negative return of -5.81%% through March 2022, the portfolio is outperforming the benchmark by six basis points on a fiscal year-to-date basis. Rising US Treasury yields in anticipation of future interest rate hikes has been the main driver of the negative return with the US Treasury 10-year yield rising from 1.47% in June 2021 to the current 2.34% at the end of March. The US Treasury Index fell -5.33%. The portfolio underweight to interest rate duration during the fiscal year was a positive contributor to performance. Allocations to high yield, long/short and structured credit were also additive to performance while emerging market debt was a detractor.

- *Tactically manage the allocations to core, core plus and tactical and diversifying sectors to enhance risk and return. Continue to research other potential new and innovative investment opportunities.*

The following allocation changes were implemented:

1. In August, the credit dislocation strategy, funded in 2020, returned capital to investors as the opportunities presented by market dislocation were no longer available. The strategy realized an 11% return for the one-year period. This strategy was held in the tactical and diversifying sector.
2. In October, the existing emerging market debt manager was replaced with a new manager for $80 million due to longer term underperformance and high excess volatility relative to the benchmark. In addition, a small redemption from a core manager was made to rebalance the manager's size relative to the other core managers.
3. Due to significant underperformance in 2021, the fixed income arbitrage strategy in the tactical sector was fully redeemed at the end of December. In addition, a small redemption from the emerging market macro strategy was made due to underperformance. Both of these strategies are held in the tactical and diversifying sector and reduced the sector's overall portfolio allocation.
4. In early February, $25 million was withdrawn from a core manager to lower the exposure to a less diversified manager focused on investment grade corporate credit due to relative underperformance versus the benchmark.
5. In April, $50 million was reallocated from a core plus manager to a core manager and the high yield strategy in order to reduce the duration and emerging market debt exposure of the portfolio.

- *Review IMAs and Investment Guidelines to make necessary adjustments.*

Two core plus manager contracts were renegotiated during the fiscal year according to the normal five year contract renegotiation schedule. In addition, the contract for the new emerging market debt manager was negotiated and funded in October.

PORTFOLIO STRATEGY - Global Fixed Income

CURRENT MARKET CONDITIONS AND OUTLOOK

The Bloomberg US Aggregate Bond Index returned -5.87% for FY2022 through March. All of the major sectors of the index have negative returns for the fiscal year due to high inflation, expectations for multiple rate hikes in 2022, the end of quantitative easing and start of quantitative tightening later this year, and the Russian invasion of Ukraine. The worst performing sector has been investment grade debt at -7.48%. The higher duration of investment grade corporates relative to the benchmark in a rising rate environment has been the primary driver of the underperformance while spread widening has also contributed. In contrast, high yield corporate debt’s shorter duration, low default rates and higher yields have led the sector to outperform with a return of -3.31%. Agency mortgages outperformed the index returning -5.23%, but the sector has started to come under pressure as the Fed ended its quantitative easing program in March. Emerging market debt has struggled during the fiscal year with the blended local and hard currency debt index returning -11.3% through March. The biggest impact has come from the Russian-Ukraine war, which caused commodity prices to increase, benefitting commodity producers, but hurting commodity importers. Additionally, in 2021 emerging market central banks started raising rates to fight rising inflation.

The outlook for fixed income markets remains challenging due to growing headwinds for growth, broad and persistent inflation, hawkish monetary policy and the geopolitical tensions in Europe. The Federal Reserve is expected to increase the policy rate by 200-250 basis points and start reducing the balance sheet this year, which will negatively impact bond yields. Agency mortgages are expected to remain under pressure as the market will need to absorb record agency mortgage supply when the Fed begins reducing the size of its balance sheet later this year. Higher interest rates will also impact demand for new mortgages. Investment grade corporates’ fundamentals remain healthy despite broad financial market volatility, but elevated monetary policy and geopolitical risks make the outlook less certain going forward. High yield looks attractive with yields above 6% and strong fundamentals as default rates remain low, ratings are trending positively and companies have refinanced a significant amount of debt at lower rates over the last couple of years. The emerging market outlook remains challenged with rising global yields and geopolitical uncertainties leading to lower global growth expectations and higher volatility in these markets.

PORTFOLIO STRUCTURE

The Fixed Income portfolio is currently weighted 46% core, 42% core plus and 12% to tactical and diversifying strategies. The portfolio currently has a yield of 3.21% relative to the benchmark yield of 2.91% with an average investment grade credit rating of A+, which is two grades lower than the benchmark rating of AA. As the Federal Reserve is now expected to continue hiking interest rates over the next several years, the portfolio duration is 0.88 years shorter than the benchmark duration. We expect to keep the portfolio duration shorter as interest rates continue to rise.

The portfolio is underweight US government assets and overweight credit sectors to earn additional yield over the benchmark. Specifically, the portfolio has the biggest overweights to the emerging market debt, high yield and asset backed sectors while underweight agency mortgages. The underweight to mortgages was in anticipation of the Federal Reserve ending the quantitative easing in March and starting to reduce the size of its balance sheet by selling US Treasury and mortgages later in 2022. The portfolio also has a small overweight to bank loans, which have a floating interest rate that makes them less sensitive to rising interest rates.

FY2023 OBJECTIVES

Staff will focus on the following objectives in FY2023:

- Manage the portfolio structure and risk relative to the benchmark as the central banks around the globe embark on a rate hiking cycle and quantitative tightening over the next several years.

- Tactically manage the allocations to core, core plus and tactical and diversifying sectors to enhance the risk and return tradeoff. Continue to research other potential new and innovative investment opportunities to mitigate the impact of rising interest rates and diversify sources of return.

- Review IMAs and Investment Guidelines to make any necessary adjustments.

PORTFOLIO STRATEGY – Global Private Credit

INVESTMENT STRATEGY

SERS invests in private credit to provide risk adjusted returns in excess of those offered by publicly traded fixed income securities and to generate a consistent stream of income.

SERS' Statement of Investment Policy sets the Global Private Credit target allocation as follows:

	Target	Permissible Range
Global Private Credit	5%	3% - 7%

The performance objective for Global Private Credit is to produce net of fee returns in excess of the 90-day Treasury bill rate + 4.5%.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Increase the Private Credit allocation toward 3% of the Total Fund by making new investments that fit the SERS' investment policy, subject to identifying opportunities that fit SERS' investment criteria.*

At the end of 2021, the Global Private Credit allocation increased to 3.4% of Total Fund and exceeded the interim target of 3%. Staff expects to reach the target allocation of 5% by the end of fiscal year 2023. To date, Staff has executed nearly $1.2 billion in new capital commitments and total unfunded capital commitments has increased to $1 billion. Of the new capital commitments executed, $225 million was completed during fiscal year 2022. As the portfolio nears the target allocation, deployment will slow to a more normal pace.

- *Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the new target allocation.*

Staff has executed $982 million in capital commitments to investments that fall within the direct lending sub-asset class and $175 million within the stressed/distressed sub-asset class. The portfolio continues to grow towards the target allocation of 5% and all sub-asset classes fall within the ranges stated in the implementation guidelines. In addition, Staff has executed investments that are diversified across industries, geographies, and contain various types of private credit instruments. Most of the new investments have been made within the direct lending sub-asset class, which is primarily comprised of investments that are senior in the capital structure of a company, contain a contractual income component, are structured with robust covenants to protect investors, and have priority over a company's cash flows or other assets in the event of a default.

- *Make new investments that serve a primary purpose of the Private Credit allocation to generate consistent income for the Total Fund, while considering different strategies that add further diversification to the portfolio, such as venture debt, specialty finance, emerging markets, or other niche categories.*

All the investments that have been executed or considered for the Private Credit portfolio include an income component, which is expected to comprise the largest part of the investment return. Most of the underlying investments within private credit funds include a contractual cash payment that is distributed to investors in the form of income on a quarterly basis. During the fiscal year, Staff reviewed numerous differentiated strategies that could provide additional diversification benefits to the portfolio and will continue to consider new strategies that could be a fit for the portfolio.

- *Monitor the USD LIBOR transition to SOFR and implement the replacement benchmark at the appropriate time.*

The replacement of the benchmark has completed. In February 2022, the Board approved a benchmark change from the 3-month LIBOR + 4.5% to the 90-day Treasury bill rate + 4.5%.

CURRENT MARKET CONDITIONS AND OUTLOOK

The private credit market continued to grow in 2021 and reached an estimated $1.2 trillion in assets under management at the end of the year. The private credit market has been growing at an estimated 13.5% annually over the last decade and is forecast to reach nearly $2.7 trillion by the end of 2026. It is likely that private credit will become one of the largest private asset classes in the next five years. During 2021, nearly $200 billion was raised within private credit funds, which was approximately a 14% increase from 2020. The number of funds raised during the year decreased, however, the size of funds increased as deal sizes became larger. This trend has continued in recent years as larger companies look to the private markets for capital. The direct lending strategy raised $112 billion during the year, which was the largest increase to date given the continued growth of the economy and pick up in private equity activity. Fundraising activity declined for distressed and special situation strategies that experienced larger inflows during 2020 as a result of the market disruption brought about by the pandemic. During 2021, many private credit managers saw a reversal of valuation markdowns related to the pandemic, but the long-term impacts of certain portfolio companies is still undetermined. While deal activity continued to rise during 2021, it slowed in Europe throughout the year. Nonetheless, the changing banking regulatory environment in Europe continues to promote the growth in private lending as traditional banks reduce exposure.

The Private Credit asset class performed as expected during 2021. In particular, the income focused direct lending strategy delivered an estimated 8.8% yield to investors, which was an attractive premium over the US high yield market of 4.0%, the US investment grade market of 2.1%, and the US 10-year Treasury of 1.7%. The US leveraged loan market stabilized after a volatile 2020, with yields beginning to increase at the end of 2021 as the expectation for rising rates increased.

The outlook for the private credit market is positive with considerable growth expected through 2026. However, the market environment is shifting as the US Federal Reserve increases interest rates in the US to combat rising inflation and the potential for slowed economic growth. While rising rates may negatively impact other assets classes, it can add to returns within the private credit asset class since many loans are structured with a floating rate. The increase in interest rates may impact the borrowers, leading to an increase in default rates. Therefore, it is increasingly important for private lenders to conduct a rigorous underwriting process on portfolio companies to ensure borrowers can withstand the impacts of a rising interest rate environment. Nonetheless, private equity dry powder remains high and deal activity is expected to be strong, providing lending opportunities within the private credit market. There also continues to be a growing need for larger borrowers to access the private markets for several reasons, including the speed and certainty of execution of loan documents. As the number of larger companies transition from the broadly syndicated loan market to private credit markets, direct lenders continue to absorb that market share. This secular shift in borrower activity is expected to continue, which can lead to an increase in the size of executed deals and the size of funds raising capital from investors.

FY2023 OBJECTIVES

Staff will focus on the following objectives in FY2023:

- Increase the Private Credit allocation to 5% of the Total Fund by making new investments that fit the SERS' investment policy, while managing the portfolio in conjunction with the pace of capital drawdowns for existing commitments.

- Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.

- Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.

- Consider differentiated strategies that can add further diversification to the portfolio while also contributing to the portfolio's return and cash yield.

- Continue to look for co-investment opportunities with existing managers that could be a fit for the portfolio and that increase the portfolio's cash yield.

PORTFOLIO STRATEGY - Global Real Assets

INVESTMENT STRATEGY

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

SERS' Statement of Investment Policy sets the Global Real Assets target allocation as follows:

	Target	Permissible Range
Global Real Assets	17%	14% - 20%

The performance objective for Global Real Assets is to produce net of fee returns in excess of the NCREIF Property Index ("NPI"), one quarter in arrears, over a market cycle, with the income component of the return comprising a significant portion of the total return.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Formulate and implement a one-year plan to achieve and maintain a 17% allocation to Real Assets.*

The Real Assets portfolio ended 2021 with a Total Fund allocation of 16.8%. The Real Asset portfolio was able to increase the allocation throughout 2021 and nearly reached the target allocation because the Real Asset portfolio had approximately $444 million of capital called, and Staff made new commitments totaling $375 million during 2021. Staff will make appropriate allocation decisions to maintain the 17% Total Fund allocation.

- *Tactically manage real estate and infrastructure allocations to improve portfolio structure and returns without increasing risk.*

The Real Asset portfolio had about $444 million of capital called during 2021. The majority ($403 million) of the capital called during 2021 was invested in core fund strategies. Of the $375 million in new commitments during 2021, the majority ($240 million) was to core strategies. A full redemption was made from an underperforming real estate debt fund. The emphasis remains on operating assets, with the current exposure at 93%, vs non-operating assets at 7%.

- *Evaluate new investment strategies for the Real Assets portfolio such as energy transition, secondaries, co-investment funds, and ESG focused funds.*

Staff evaluated many new mandates for the portfolio and made commitments to three new investment strategies during the year. Staff made commitments to a new global transition fund, a single-family rental fund, and a digital infrastructure fund during FY2022. The new commitments will add exposure to new asset types in the Real Asset Portfolio.

- *As the Real Assets portfolio has been built out, switch focus to actively soliciting co-investment opportunities with existing managers.*

Staff reviewed several co-investment opportunities with existing general partners during 2021. Staff successfully executed one co-investment in a cell towers platform during 2021.

CURRENT MARKET CONDITIONS AND OUTLOOK

Across most property types, real estate returns were strong in 2021, rebounding from their pandemic lows. SERS' Real Assets portfolio returned 17.24% net of fees in 2021 versus a benchmark NPI return of 12.15% gross of fees, producing an excess return of 5.09%. The income return gross of fees during 2021 was 4.71%.

In general, 2021 was a cautiously optimistic year for real estate. Real estate returns are typically driven by demographics, economic growth, interest rates, and property type fundamentals. That was also true in 2021, as property types with strong fundamentals like industrial, life science, and multi-family continued to post strong net operating income (NOI) growth and asset appreciation. Property types like hotels and retail that suffered in 2020 generally saw recovery in occupancy and asset valuation. Urban-based apartments began to see an uptick in rents and occupancy in 2021 as workers returned to city-based offices.

The shift to work from home has changed the way businesses and employees use offices. However, the easing of COVID-related restrictions, "Zoom fatigue," and employers' mandates for office return resulted in many employees returning to the offices at least on a part-time basis by end-2021, with many organizations operating under a hybrid model of work from home / work in office. Office vacancy rates increased to about 16% at the end of 2021 (vs 15% in 2020). Rental collections for office remained strong during the pandemic because of long-term leases signed prior to the pandemic. Several key metrics to monitor is office tenants' lease renewal activity – square footage leased and rents – as they assess the amount of space they need in a hybrid work environment.

Retail was severely impacted by the lockdowns during the pandemic but began its recovery in 2021. A number of recent retail transactions suggest that a troughing process has occurred. While many fundamental challenges still face this sector, there was sufficient value and "green shoots" in the sector that buyers resurfaced.

Industrial was the biggest winner during the pandemic as more consumers chose to place orders online and have items delivered. As e-commerce sales continue to grow, the demand for industrial warehouses will continue to support future returns. Vacancy for industrial properties is at an all-time low of 3.2%. NOI growth for 2021 was very impressive, generally in the mid to high teens on a year-to-year basis.

Valuations for most properties increased in 2021 as transaction volumes began to recover. SERS remains overweight in the industrial and multifamily property types and underweight in office and retail. SERS' portfolio also has properties that are not in the benchmark, such as self-storage, single-family rentals, and senior housing, which provide diversification and enhanced returns.

Infrastructure assets across sectors also saw robust rebound. The strongest recovery occurred in those sectors hit the hardest during the pandemic – transportation and energy. Although passenger volumes and energy consumption are still below 2019 pre-pandemic levels, they have rebounded from their spring 2020 lows and continue to climb. Recent transactions in the transportation space (e.g. airports) suggest that investors are looking out to 2024-25 forecasts for normalized volumes / revenues for their valuation. Although the energy transition continues to take shape, potential dislocations in energy markets arising from the Ukraine situation reminds investors of the global economy's reliance on fossil fuels and strategic importance of certain midstream energy assets.

Sectors that demonstrated resilience during 2020 like utilities, digital infrastructure, and renewables still saw solid operating and financial results in 2021. The observable increase in sector focused fund offerings – and high LP commitments – for digital infrastructure and renewables / energy transition point to secular shifts in investors sentiments and that these sectors will increasingly become more mainstream.

Inflation, rising discount and cap rates, higher financing costs, ongoing COVID-variants, and geopolitical uncertainty must all be considered as we navigate 2022. In the US, most real estate properties benefit from continued strong fundamentals or rebound from 2020 lows. SERS' emphasis on core strategies that focus on income returns should provide some insulation from these uncertainties. As well, new allocations to digital infrastructure and single-family rentals, both of which benefit from favorable secular trends managed by sector-focused managers, position the portfolio well.

Real Assets returns will mostly be driven by income in 2022 and total returns for the benchmark are anticipated to be approximately 9.5% per an industry consensus forecast. Infrastructure ended 2021 with an allocation of ~28% of the Real Assets portfolio with the expectation for a higher allocation in FY2022 as capital commitments are called by managers. SERS' exposure to digital infrastructure, renewables, social, and healthcare are more defensive assets with contracted cash flows. The ongoing recovery should continue to boost asset values in real estate property types such as retail and office, and infrastructure sectors like transportation and energy.

FY2023 OBJECTIVES

Staff will focus on the following objectives in FY2023:

- Formulate and implement a portfolio allocation strategy that factors in macroeconomic risks in an inflationary environment with rising geopolitical uncertainty.
- Formulate and implement a one-year plan to achieve and maintain a 17% allocation to Real Assets.
- Tactically manage the existing real estate and infrastructure allocations to improve portfolio structure and achieve favorable risk-adjusted returns.
- Evaluate new investment strategies for the Real Assets portfolio such as niche real estate property types, non-US real estate, energy transition, agriculture / timber, listed infrastructure funds, and secondaries.
- Actively pursue co-investment opportunities with existing Real Assets managers.

PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

INVESTMENT STRATEGY
SERS invests in cash equivalents for the purpose of earning market returns on cash held for benefits and expenses and to provide short-term cash needed to fund other asset classes. Cash Equivalents are fixed income assets with maturities of less than 270 days and may include US government, asset-backed, corporate and high quality money market-type securities.

SERS' Statement of Investment Policy sets the Cash Equivalent target allocation as follows:

	Target	Permissible Range
Cash Equivalents	2%	0% – 5%

The performance objective for Cash Equivalents is to exceed the return on 30-day US Treasury Bills.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that generates additional income for the plan by temporarily lending equity and fixed income securities. All loans are collateralized with cash at 102-105% of security market value and reinvested in government money markets and repurchase agreements. Loans to approved borrowers are limited to 25% of the average monthly market value of the loan from the prior year. Fixed income security loans require a ten basis point minimum spread at loan initiation. The program is implemented through a third-party lending agent and collateral reinvestment manager.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION
The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Research and monitor money market funds.*

Staff continued to invest the daily short-term cash in the Fidelity Government Portfolio and the Federated Hermes Prime Obligations money markets. Since mid-November, only the Fidelity Government Portfolio has been utilized due to the impact of the falling NAV of Federated's Prime Obligation Fund outweighing the income earned.

- *Evaluate opportunities to improve the Cash Management process and maintain liquidity needs for the portfolio.*

Improvements to the cash forecasting process to include extended projections for capital calls and distributions for the increased commitments to private equity, real assets and private credit.

- *Monitor the Securities Lending program for opportunities to generate incremental income and ensure that it is operating within the program implementation guidelines.*

The Securities Lending program continues to add additional income through lending otherwise idle securities held by the custodian. Lending income was lower during the fiscal year due to lower demand for SERS securities inventory and the conservative reinvestment collateral guidelines that permits reinvestment to US Treasuries and repurchase agreements only.

CURRENT MARKET CONDITIONS AND OUTLOOK
Money market yields started rising in March 2022 with a 25 basis-point hike and are expected to continue rising as the markets have now priced in a further 200-250 basis points through the end of 2022. As rates increase, money markets will earn higher income. In anticipation of rate hikes, the portfolio's weighted average maturity is anchored in the 25-30 day range. Prime money markets are seeing a pickup in the issuance of short-term commercial paper and other prime instruments offering attractive rates, but are not going too far out on the maturity spectrum due to the uncertainty of the yield curve.

FY2023 OBJECTIVES
Staff will focus on the following objectives in FY2023:

- Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.
- Evaluate opportunities to improve the Cash Management process and maintain liquidity needs for the portfolio.
- Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.

PORTFOLIO STRATEGY – Opportunistic & Tactical

INVESTMENT STRATEGY

SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg US Aggregate Bond Index + 2% for investments that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities. Such investments may involve capitalizing on short-term market dislocations or other unique situations or innovative strategies including tactical allocation.

SERS' Statement of Investment Policy sets the Opportunistic investments target allocation as follows:

	Target	Permissible Range
Opportunistic Investments	0%	0% – 5%

The performance objective for Opportunistic investments is to exceed the return of the Bloomberg US Aggregate Bond Index + 2%.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Search for possible Opportunistic investments for the Fund that are expected to exceed the Bloomberg US Aggregate Bond Index + 2%, with an emphasis on high yielding investments. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that focus on climate sustainability as well as commodity-focused strategies that can serve as an inflation hedge. Investments that pass initial screening will undergo detailed due diligence prior to staff recommendation.*

Four new investments totaling $250 million have been added to the portfolio this fiscal year, The first investment is to a commodities strategy that is focused on providing inflation protection. Two private debt funds were added to the portfolio. One is focused on providing loans to European-based companies and the other provides loans and other solutions to healthcare companies. The most recent investment is to a risk parity manager whose objective is to deliver stable returns across a variety of economic environments.

- *Actively manage the liquid portion of the portfolio to improve the risk and return profile.*

Staff continues to closely monitor and manage the liquid portion of the portfolio, which has grown in recent years. The portfolio is comprised of six funds that offer liquidity on a regular basis.

CURRENT MARKET CONDITIONS AND OUTLOOK

The Opportunistic portfolio consists of funds that seek to take advantage of market dislocations, or which do not fit within the risk and return objectives of other asset classes. The return objective of the portfolio is to outperform the Bloomberg US Aggregate Bond Index + 2%. The portfolio is positioned to take advantage of a market experiencing higher inflation and slowing economic growth. Current strategies include distressed assets, structured credit, long/short multi strategy funds, commodities, and risk parity.

In addition to the opportunities discussed above, staff continues to evaluate new strategies that can take advantage of rapidly changing market conditions. In March 2022, the fed funds rate was increased for the first time since 2018 with several more increases expected this year. Real GDP growth is projected to slow this year as a result of slowing consumer demand, global supply disruptions, and the risks of Russia's invasion of Ukraine, Against this backdrop, staff is actively managing the existing portfolio and researching new strategies that could benefit from this environment.

FY2023 OBJECTIVES

Staff will focus on the following objectives in FY2023:

- Search for possible Opportunistic investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and inflation protection. Investments that pass initial screening will undergo detailed due diligence prior to staff recommendation.

- Actively manage the Opportunistic allocation to improve portfolio structure and returns without increasing risk.

PORTFOLIO STRATEGY – Overlay Program

INVESTMENT STRATEGY

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying assets and currency exchange rates to enhance the Total Fund portfolio efficiency. The overlay program includes tactical asset allocation and active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through active allocations (long/short) across stocks and bonds thereby exploiting short-term macro market dislocations. The active currency strategies aim to add value and risk diversification to the Total Fund, as well as help manage currency risk by utilizing short-term inefficiency in the foreign exchange markets and low correlation of the strategies to the major asset classes such as US equity and fixed income.

The program is fully tactical; exposures to any overlay strategies in this program are not required by the Statement of Investment Policy.

The overlay program is targeted to add 10 to 20 bps excess return to the Total Fund's performance on a three to five year horizon. Tracking errors of the tactical rebalancing strategy and the currency program are expected in the ranges of 5 to 15 basis points and 5 to 8%, respectively.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION

The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy to the Total Fund's performance.*

Russell has initiated several short-term trades fiscal year to date, each time going long US equities and short fixed income. Each trade has been profitable with total realized gains of $18 million through March and $71 million since inception. The program has added six basis points annualized to Total Fund performance over the last five years. The new tactical asset allocation manager, Alpha Engine, has been primarily short US, Non-US and emerging market equities and long fixed income with modest long positions in commodities (oil and precious metals only). This positioning has led to modest losses across all three asset classes of -$2.4 million through March.

- *Actively monitor the Active Currency Strategies to improve the program's risk and return characteristics.*

The strategy was long the US dollar relative to other major currencies like the euro, Australian dollar and Japanese yen throughout the fiscal year. Based on US dollar strength, the strategy has added $24 million in gains through March and $4 million since inception. In Q2 2022, the target volatility of the program was increased from 6% to 8% while the notional value remained $450 million.

FY2023 OBJECTIVES

Staff will focus on the following objectives in FY2023:

- Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.

- Actively monitor the Active Currency Strategies to improve the program's risk and return characteristics.

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Investment Risk Management and Analytics is responsible for the provision and communication of diligent, thorough, timely and forward-looking investment risk analytics and other investment analytics to the Board and Investment Staff.

Total Fund forecast volatility trended down during 2021 from 15.5% in January to 12.2% in December as the financial markets normalized from the 2020 downturn. The 3-years realized risk of the Total Fund also declined from 9.7% in January to 8.9% in December 2021.

The forecast risk is a forward-looking risk estimate based on a fund's current holdings at a point of time while the realized risk measures volatility of the historical return of the fund over a period of time; the former counteracts the smoothing effect of infrequent valuation of private investments that is inherent in the later. Hence, the forecast risk tends to be higher than the realized risk for a fund that includes private investments. The forward-looking risk is preferable for assessing allocation among assets and risk-return reward of an asset.

The Total Fund risk structure was stable over the year. The equity factors contributed 80%, and the remaining 20% was attributed to other factors like fixed income, private assets, and currency. The Total Fund's active risk stayed under the 3% limit stated in the Statement of Investment Policy as the 3-year realized active risk was 1.3% and forecast active risk was 1.5% in December 2021.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION
The FY2022 Annual Investment Plan objectives and related activities are as follows:

- *Provide risk forecasts and analyses of the Total Fund and asset class portfolios.*

Staff utilized the risk system to generate risk analyses of the Total Fund and asset classes. The risk analyses based on SERS' investment holdings provide forecasted volatility of returns of portfolios. The analyses also provide portfolio risk decomposition by strategies, as well as by factors.

- *Report risk of the Total Fund to the Board and Investment Committee on a quarterly basis*

The quarterly risk report on the Total Fund is provided to the Board showing risk contribution of asset class weights, and active risk of asset classes and factor risks across the portfolio. The total risk decomposition by asset classes focused on their role in the Total Fund. The total risk decomposition by factors focused on cross factor exposures, especially equity factors among the asset class portfolios as the equity factors are the largest risk driver of the Total Fund. The active risk decomposition showed risk contribution from the investment implementation, which is comprised of active allocation among the asset classes and active selection of strategies and securities.

- *Communicate asset class portfolio's risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.*

Staff discussed the risk profile of asset class portfolios with each asset class team. The discussion was focused on i) trend and level of forecast risks, ii) the portfolio's risk structure in terms of manager line-up and factor tilts and iii) the portfolio's sensitivity to market movements. The discussions assisted each asset class team in balancing their portfolio risks and minimizing unintended risk tilts.

- *Provide return attribution analysis of the Total Fund and asset classes of the Fund to the Investment Strategy Team.*

Staff reported monthly return attribution analyses of the Total Fund, analyzing effects of active weights on alpha generation of each asset class. The analyses were presented to the Investment Strategy Team. Staff also delivered to the Investment Strategy Team attribution reports of each asset class portfolio analyzing the contribution of each account within an asset class.

- *Perform other portfolio and market analyses and research as needed.*

Staff conducted analyses of the Total Fund liquidity and leverage. Staff also conducted portfolio and market analyses as needed or upon request.

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

FY2023 OBJECTIVES
Staff will focus on the following objectives in FY2023:

- Provide risk forecasts and analyses of the Total Fund and asset class portfolios.

- Report risk of the Total Fund to the Board on a quarterly basis.

- Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.

- Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.

- Perform other portfolio and market analyses and research as needed.

Investment Operations

The Investment Operations area is responsible for managing administrative activities for the Investment department, assisting the CIO and investment officers, and providing reports and information to Staff and the Board. The objectives for FY2023 remain consistent with those of FY2022 as these broad categories reflect the primary duties of Investment Operations.

REVIEW OF FY2022 OBJECTIVES AND IMPLEMENTATION
The FY2022 Annual Investment Plan objectives and related activities are as follows:

• *Coordinate, assist and participate in organizational initiatives including Policies, Procedures and Practices; fiscal budget; Subject Matter Experts (SMEs); and Corporate Emergency Preparedness Project (CEPP).*

Investment Operations assisted with the annual review and revisions to the Investment Department Policies, Procedures and Practices and participated in the system-wide Information Governance Project. Staff prepared and analyzed the fiscal budget for executive approval as well as participated in and provided feedback in relation to SME and CEPP activities.

• *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports and taking minutes.*

Operations attended all Investment Committee, Strategy Team and Board meetings. Agendas and documents were prepared and distributed, minutes were taken and distributed in a timely manner. Staff assisted with processing documents associated with hiring, terminating and redeeming of managers.

• *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, new manager searches as needed and aiding with special projects for Staff.*

Operations coordinated revisions to and produced the FY2022 Annual Investment Plan and the amended Statement of Investment Policy, onboarding of new Investment staff, and new manager searches throughout the fiscal year.

FY2023 OBJECTIVES
Staff will focus on the following objectives in FY2023:

• Coordinate, assist and participate in organizational initiatives including Policies, Procedures and Practices; Information Governance Project, fiscal budget; Subject Matter Experts (SMEs); and *Emergency Response Program (ERP).*

• Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports and taking minutes.

• Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for new Investment managers as needed, and aiding with special projects for Staff.

Implementation Guidelines

IMPLEMENTATION GUIDELINES - Global Equities

I. ROLE

The role of Global Equities is to earn the equity risk premium over US Treasury bonds by investing in common stock of publicly-listed companies.

II. ASSET ALLOCATION

	Total Fund Target	Range	
		Minimum	Maximum
Global Equity	45%	35%	55%

Global Equity is divided into two portfolios as follows:

Global Equity – Global Composite: Managers invest in securities from across all regional markets of the world including US, Non-US Developed Markets and Emerging Markets. This composite is benchmarked to the MSCI All Country World Net Total Return Index (MSCI ACWI).

Global Equity – Regional Composite: Managers invest in securities of assigned regional markets only. Staff manages the regional market allocation versus the MSCI ACWI. This composite is benchmarked to the MSCI ACWI. Typical benchmarks utilized within the regional market mandates are:

- US Equity: Russell 3000 Index
- Non-US Equity Developed Market: MSCI World ex-USA Net Total Return Index (USD)
- Non-US Equity Emerging Market: MSCI Emerging Markets Net Total Return Index (USD)

~~The US Equity, Non US Equity Developed Market and Non US Equity Emerging Market sub asset classes have the following targets and ranges within Global Equities above:~~

	~~Global Equity Target~~	~~Range~~	
		~~Minimum~~	~~Maximum~~
~~US Equity (USE)~~	~~55%~~	~~50%~~	~~60%~~
~~Non US Equity Developed Market~~	~~30%~~	~~25%~~	~~35%~~
~~Non US Equity Emerging Market~~	~~15%~~	~~10%~~	~~20%~~

III. BENCHMARK:

The Global Equity benchmark is the MSCI All Country World Net Total Return Index (USD). ~~a composite benchmark comprised of:~~

~~US Equity Portfolio~~	~~55%~~	~~Russell 3000 Index~~
~~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)~~

IV. PERFORMANCE OBJECTIVE

The annualized return objective, net of management fees, for both Global Equity portfolios is 30 basis points over the MSCI ACWI. ~~is as follows:~~

	~~Excess Return Target (over 3 year rolling periods)~~
~~US Equity Portfolio~~	~~10 basis points over USE benchmark~~
~~Non US Developed Market Equity Portfolio~~	~~50 basis points over the Non USE developed market benchmark~~
~~Non US Emerging Market Equity Portfolio~~	~~50 basis points over the Non USE emerging market benchmark~~
~~Global Equity Portfolio~~	~~28 basis points over Global Equity composite benchmark in Section III. Benchmark above~~

IMPLEMENTATION GUIDELINES - Global Equities

V. PORTFOLIO DESIGN AND CONSTRUCTION:

The *Global Composite* portfolio is currently run by one manager who selects securities from across the world, making their own active decisions between US, Non-US Developed Markets and Emerging Markets. This is a 100% active portfolio with a +/- 10% country range limit versus the MSCI ACWI.

The *Regional Composite* portfolio is constructed using a multi-manager line-up of US, Non-US Developed and Emerging Market mandates and a combination of active and passive strategies to deliver risk-adjusted performance relative to respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees. ~~The USE and Non USE developed and emerging market portfolios are constructed using a multi manager line up and a combination of active and passive strategies to deliver risk adjusted performance relative to their respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees.~~

VI. PERMISSIBLE INVESTMENTS

Security Type	US Equity Portfolio	Non-US Equity Portfolio
Common Stock	Y	Y
Stock Treated as Common Stock	Y	Y
Cash / Treasuries	Y	Y
Preferred Stock	Y	Y
Convertible Rights	Y	Y
Warrants	Y	Y
Depository Receipts	Y	Y
REITS	Y	Y
Rule 144a Issues	Y	Y
Private Placement	Y	Y
IPOs	Y	Y
Commingled Funds	Y	Y
Exchange Traded Funds	Y	Y
Futures	Y	Y
Options	Y	Y
Currency Forwards	N	Y
Currency Futures	N	Y
Currency Options	N	Y
Country Funds	N	Y

VII. RISK MANAGEMENT

	Active Risk Target
Global Equity – Global Composite	Tracking Error of 3.0% with a range of 3.0% to 7.0%
Global Equity – Regional Composite	Tracking Error of 1.5% within a range of 0.50% to 2.5%
~~US Equity Portfolio~~	~~Tracking Error of 1.0% with a range of 0.0% to 1.5%~~
~~Non US Equity Developed Market Portfolio~~	~~Tracking Error of 1.5% within a range of 0.0% to 3.0%~~
~~Non US Equity Emerging Market Portfolio~~	~~Tracking Error of 2.5% within a range of 0.0% to 4.0%~~

IMPLEMENTATION GUIDELINES - Global Equities

Below are the guidelines for the *Global Equity – Regional Composite* Portfolio:

US Equity Implementation Guidelines			
	Investment Benchmark	**Global Equity Target Allocation**	**Permissible Range**
US Equity Allocation	Russell 3000 Index	MSCI ACWI US Allocation ~~55%~~	+/- 5% ~~50% - 60%~~
Portfolio Structure			
Capitalization			
Large Cap Equity	Russell 1000 Index	Neutral to BM	+/- 5%
Large Cap Active	Manager Specific	-	0% - 25%
Large Cap Passive	Russell 1000 Index	-	75% - 100%
Small Cap Equity	Russell 2000 Index	Neutral to BM	+/- 10%
Small Cap Active	Manager Specific	100%	n/a
Style			
Growth	Manager Specific	Neutral to BM	+/- 5%
Value	Manager Specific	Neutral to BM	+/- 5%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the US equity benchmark.

Non-US Equity Implementation Guidelines			
	Investment Benchmark	**Global Equity Target Allocation**	**Permissible Range**
Non-US Equity Developed Markets	MSCI World ex-USA Net Total Return Index (USD)	MSCI ACWI Non-US Developed Market Allocation ~~30%~~	+/- 5% ~~25 - 35%~~
Non-US Equity Emerging Markets	MSCI Emerging Markets Net Total Return Index (USD)	MSCI ACWI Emerging Market Allocation ~~15%~~	+/- 5% ~~10 - 20%~~
Broad Market Exposure			
~~ACW ex US +~~ Developed Markets Active	Manager Specific	- ~~70%~~	75-100% ~~60% - 80%~~
Developed Markets Passive	MSCI World ex US Index ($net)	- ~~30%~~	0-25% ~~20% - 40%~~
Emerging Markets Active	Manager Specific ~~MSCI Emerging Markets Index ($net)~~	100%	+/- 5% ~~+/- 10%~~
Portfolio Structure			
Capitalization			
Large Cap Equity	Manager Specific	BM Weight	+/- 10%
Small to Mid-Cap Equity	Manager Specific	BM Weight	+/- 10%
Small Cap Equity	Manager Specific	BM Weight	+/- 10%
Micro Cap Equity	Manager Specific	BM Weight	+/- 5%
Style			
Growth	Manager Specific	Neutral to BM	+/- 10%
Value	Manager Specific	Neutral to BM	+/- 10%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the Non-US developed and emerging market equity benchmarks.

IMPLEMENTATION GUIDELINES – Global Private Equity

I. ROLE

SERS invests in Private Equity to provide returns in excess of those provided by publicly-traded equities to compensate for private equity's liquidity and concentration risk.

II. ASSET ALLOCATION

The Private Equity target asset allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 12% allocation target to Private Equity with a range of 8% - 16%.

III. BENCHMARK

Private Equity performance is benchmarked to the Burgiss All Private Equity benchmark.

IV. PERFORMANCE OBJECTIVE

The performance objective for Private Equity is to provide net returns in excess of the Burgiss All Private Equity Benchmark. Over time periods of five years and longer Private Equity net returns are expected to exceed SERS Global Equity portfolio by 2%.

V. PORTFOLIO DESIGN AND CONSTRUCTION

Capital allocation among the various market segments is a critical driver for the long- term success of the Private Equity portfolio. Capital allocation risk is controlled in a portfolio structure incorporating long-term sub asset target allocations.

Long-term sub-asset target exposure is detailed below:

	Range	
	Minimum	**Maximum**
Buyout		
Small/Middle	50%	70%
Large/Mega	5%	25%
Total Buyout	55%	95%
Venture Capital	0%	10%
Special Situations	5%	25%~~35%~~
Total		
Domestic	55%	95%~~85%~~
International	5%~~15%~~	45%
Total		
Primary Commitments	75%~~80%~~	100%
Fund of Funds	0%	15%
Co-Investments	0%	25%~~10%~~
Total		

The portfolio is tilted toward buyout investments and does not have a target allocation to venture capital due to higher risk and manager selection issues. Within buyouts, the preference is for small and middle market managers with a significant value creation approach and de-emphasizes larger firms with a financial engineering approach.

IMPLEMENTATION GUIDELINES – Global Private Equity

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Discretionary Managers investing in Private Equity Partnerships	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Buyouts	Y
Venture Capital	Y
Special Situations (secondary interests, distressed debt or equity, mezzanine, co-investments, energy, etc.)	Y

Buyout
<u>Net Expected Return 10-15%, Moderate Risk</u>
Capital is typically invested in more established companies, those further along the business life cycle having relatively predictable cash flows and the ability to raise capital along the entire capital structure, including secured and unsecured debt. Buyouts are targeted to represent 75% of the Private Equity portfolio.

Venture Capital
<u>Net Expected Return: 15-25%, High Risk</u>
Venture capital equity is targeted at companies in the earliest phases of a business life cycle. Companies may be classified as seed, early, middle and late stage and are characterized by their inability to access public equity and other forms of capital such as secured and unsecured debt. These companies have uncertain revenues and a need for cash to build their businesses and are subject to high failure rates. Venture capital is targeted to represent 0% of the portfolio.

Special Situations
<u>Net Expected Return: 10-20%, Moderate Risk</u>
Many private equity opportunities have characteristics of buyout or venture capital but have enough differences as to require separate classification. These investments include energy, distressed debt, mezzanine, opportunity and secondary funds. Special situations is targeted to represent 25% of the portfolio.

Co-Investments
<u>Net Expected Return: 15-20%, Moderate Risk</u>
Co-Investments are direct investments in a single asset of a multi-asset fund, made alongside the Fund's investment in the asset. Typically, co-investments are offered on more attractive economic terms and shorter time frames than those of the Fund. Co-Investments are targeted to represent up to 10% of the portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private equity is industry diversification as well as extensive due diligence of prospective investments. Monitoring is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with private equity investments and the method of control.

Liquidity Risk
Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.

Geographic Risk
Geographic risk is controlled through a long-term international target exposure of 25% by market value.

Vintage Risk
Vintage reflects the year of first capital draw and vintage risk refers to the variability of private equity commitments over time. The investment-pacing model controls the short and long-term private equity commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk
Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in our private equity portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 20% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk
Firm risk is the exposure to a private equity general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk
The Private Equity program accepts the currency risks consistent with the geographic constraints. Private equity partnerships generally do not hedge currency risk and the private equity program will not implement currency hedges.

Industry Risk
Typically, private equity partnerships are permitted to invest in a wide variety of industries. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk
General partners invest capital from private equity partnerships throughout the capital structure of firms. The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction.

IMPLEMENTATION GUIDELINES – Global Fixed Income

I. ROLE

The primary role of diversified fixed income is to reduce the overall risk of the investment plan. Fixed income securities should provide stable income returns through yield oriented assets. Fixed income provides risk reduction through lower correlations to the investment program.

II. ASSET ALLOCATION

The Global Fixed Income allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 19% market value exposure to Global Fixed Income with a range of 12% - 26%.

III. BENCHMARK

Global Fixed Income performance is benchmarked to the Bloomberg ~~Barclays~~ US Aggregate Bond Index.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Global Fixed Income portfolio is 60 basis points net of fees above the benchmark over rolling three year periods and is comprised of the following strategies:

Strategy	Expected Excess Return	Tracking Error	Benchmark
Core	20 basis points	N/A	Bloomberg ~~Barclays~~ US Aggregate Bond Index
Core Plus	60 basis points	N/A	Bloomberg ~~Barclays~~ US Aggregate Bond Index
Tactical & Diversifying	200 basis points	N/A	Bloomberg ~~Barclays~~ US Aggregate Bond Index
Total Portfolio	60 basis points	0 – 5%	Bloomberg ~~Barclays~~ US Aggregate Bond Index

V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS seeks to obtain broad fixed income market exposure to gain diversification while receiving income. The portfolio is 100% externally managed in active strategies, in broad mandates of core, core plus, and Tactical & Diversifying strategies. Core mandates invest primarily in benchmark type securities. Core sector weightings can deviate from the benchmark, depending on the external manager's market views and strategies. Core plus mandates allow investments in all sectors of the Bloomberg ~~Barclays~~ US Aggregate Bond Index with additional allocations to the extended sectors of high yield, Non-US debt and emerging market debt. The Tactical & Diversifying sector invests in return seeking or diversification enhancing strategies and can provide high excess returns. The sector invests in emerging market debt, high yield, long/short credit and fixed income relative value arbitrage strategies.

Below are the current sector exposure limits:

Strategy	Range: Minimum	Range: Maximum
Core	30%	70%
Core Plus	25%	50%
Tactical & Diversifying	0%~~5%~~	20%

IMPLEMENTATION GUIDELINES – Global Fixed Income

VI. PERMISSIBLE INVESTMENTS

Security Type	Core	Core Plus	Tactical & Diversifying
Governments			
US Treasuries, TIPS and Agencies	Y	Y	Y
Sovereigns/Quasi-Sov. in US $	Y	Y	Y
Sovereigns/Quasi-Sov. in local currency	N	Y	Y
Corporates			
US Corporates	Y	Y	Y
Non-US Corporates in US $	Y	Y	Y
Non-US Corporates in local currency	N	Y	Y
High Yield	N	Y	Y
Bank Loans	N	Y	Y
Structured Credit			
Mortgages	Y	Y	Y
Asset Backed	Y	Y	Y
Collateralized Loan Obligations	N	Y	Y
~~**Municipals**~~	~~Y~~	~~Y~~	~~Y~~
Other			
144 (A)s	Y	Y	Y
Commingled Funds	Y	Y	Y
Convertibles	N	Y	Y
Currency	N	Y	Y
Derivatives	N	Y	Y
Equity	N	Y	N
Exchange Traded Funds	Y	Y	Y
Money Markets	Y	Y	Y
Municipals	Y	Y	Y
Repurchase Agreements	Y	Y	Y

VII. RISK MANAGEMENT

For strategies held in separate accounts, the following risk factors are controlled through limits specified in each manager's Investment Manager Agreement (IMA) and Investment Guidelines. Duration, sector and credit risk are reviewed on a total portfolio basis quarterly by SERS:

Interest Rate
Controlled by duration band limits around the benchmark duration.

Yield Curve Risk
Controlled by duration band limits around the benchmark duration.

Sector Risk
Riskier sectors like high yield, non-US, non-agency mortgages and CMBS are controlled around set limits with each individual manager. Portfolios are allowed 25% maximum exposure to any one industry.

IMPLEMENTATION GUIDELINES – Global Fixed Income

Credit Risk
Portfolios must maintain a minimum exposure to investment grade securities. In addition, each manager of individual portfolios has an established average weighted credit quality that must be maintained at all times.

Currency Risk
Currency is not hedged at the overall portfolio level. Managers who demonstrate skill are allowed to purchase non-US securities on a hedged or unhedged basis or take direct currency positions without owning securities.

Issuer Risk
Issuer limits are specified in each IMA investment guidelines.

Liquidity Risk
Accounts have a maximum 144(A) limit without registration rights.

Active Risk
Normal tracking error is expected to be 2-4% over any rolling three-year time horizon. During periods of increased volatility, tracking error should not exceed 5% over any rolling three-year time horizon.

IMPLEMENTATION GUIDELINES – Global Private Credit

I. ROLE

The role of SERS' Private Credit portfolio is to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent stream of income.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the private credit target allocation at 5%, with a range of 3% to 7%. ~~The target allocation for Global Private Credit during the ramp up period is set at 3% with an interim range of 1% to 7% for fiscal year 2022 and will increase to the policy target allocation of 5% for fiscal year 2022.~~

III. BENCHMARK

The private credit benchmark is the ~~3 month LIBOR~~ 90-day Treasury bill rate + 4.5%.

IV. PERFORMANCE OBJECTIVE

The performance objective of the Private Credit portfolio is to provide net returns in excess of the SERS Global Fixed Income portfolio over time periods five years and longer, with the income component of the return comprising a significant portion of the total return.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Private Credit portfolio is designed to gain exposure to various aspects of the private credit market with a focus on consistent income generation. It is expected that a greater portion of the Private Credit portfolio will be allocated to direct lending investments with higher expected cash yields.

Long-term sub asset target exposure is detailed below:

		Range	
	Target	Minimum	Maximum
Direct Lending	80%	60%	100%
Mezzanine	0%	0%	10%
Stressed/Distressed	10%	0%	15%
Structured Credit/Other	10%	0%	15%
Total	100%		
Domestic	60%~~50%~~	40%	85%
International	40%~~50%~~	15%	60%
Total	100%		
Primary Commitments	100%	80%	100%
Secondaries	0%	0%	10%
Co-Investments	0%	0%	10%
Total	100%		

The portfolio is tilted toward direct lending investments and does not have a target allocation to mezzanine due to the structure of investments typically containing a ~~larger portion of equity and a~~ less predictable cash income component than direct lending.

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Direct Lending	Y
Mezzanine	Y
Stressed/Distressed	Y
Structured Credit and Other	Y

Direct Lending
Net Expected Return 6-8%, Moderate Risk
Direct Lending represents loans made directly to small to medium size companies; secured by assets/cash flows/contracts, etc. depending on the type of loan. Direct Lending is targeted to represent 80% of the Global Private Credit portfolio.

Mezzanine
Net Expected Return: 8-12%, High Risk
Mezzanine debt is subordinated to senior loans and typically is structured as an unsecured fixed or floating rate loan with an equity component. Mezzanine is targeted to represent 0% of the Global Private Credit portfolio.

Stressed/Distressed
Net Expected Return: 12-25%, High Risk
Stressed/Distressed debt represents loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. Stressed/Distressed is targeted to represent 10% of the Global Private Credit portfolio.

Structured Credit & Other
Net Expected Return: 5-20%, Moderate to High Risk
Structured credit includes investments in collateralized loan obligation tranches and other asset backed securities. Other Private Credit investments include specialty financing, non-performing loans, and other investment types that do not fit within the other categories. Structured credit & other is targeted to represent 10% of the Global Private Credit portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private credit is extensive due diligence of prospective investments and diversification. The following sections identify the most significant risks of private credit investments and the method of control.

Credit Risk
Credit risk is the primary risk associated with the asset class. Thorough due diligence of investments will be completed to ensure the general partners have sufficient measures in place to monitor and assess the risks involved with underlying investments, as well as the capabilities to structure loans with adequate covenants to protect the lender.

Interest Rate Risk
Interest rate risk is inherent within the Private Credit portfolio since investments are typically structured as floating rate credit instruments and interest rates will fluctuate over time. The risk is managed by the general partners through the structuring process to ensure appropriate interest rate floors and other measures are in place to manage an acceptable level of interest income.

Liquidity Risk
Private credit investments are illiquid but have shorter holding periods than other private security types, with 3 – 5 years being a typical holding period. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed through the portfolio construction process by limiting the amount of exposure to more illiquid areas of private credit, such as distressed debt.

Geographic Risk
International exposure refers to non-US investments and is limited to 60% of the portfolio.

Vintage Risk
Vintage reflects the year of first capital draw and vintage risk refers to the variability of private credit commitments over time. The investment-pacing model controls the short and long-term private credit commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk
Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in the Private Credit portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 35% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk
Firm risk is the exposure to a private credit general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk
The Private Credit program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Industry/Sector Risk
Typically, private credit partnerships are permitted to invest in a wide variety of industries and sectors. Industry/Sector risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk
The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction. Leverage at an individual fund level is managed through the portfolio construction process.

Valuation Risk
The valuation frequency for private credit is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

IMPLEMENTATION GUIDELINES – Global Real Assets

I. ROLE

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global real assets target allocation at 17%, with a permissible range of 14% to 20%.

III. BENCHMARK

The global real assets benchmark is the NCREIF Property Index (NPI), one quarter in arrears.

IV. PERFORMANCE OBJECTIVE

The performance objective for Global Real Assets is to produce net of fee returns in excess of the benchmark over a market cycle, with the income component of the return comprising a significant portion of the total return.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Global Real Assets portfolio is designed to achieve the performance objective, to manage risks and to focus on the overall role of global real assets within the Total Fund. SERS' Global Real Assets Implementation Guidelines set the private market, public market and asset type exposures for Global Real Assets, as shown in the table below.

Strategy	Target	Range	
		Minimum	Maximum
Private Core Real Estate	60%	40%	80%
Private Non-Core Real Estate	5%~~10%~~	0%~~5%~~	15%~~20%~~
Private Infrastructure	30%~~25%~~	15%	40%
Public Market Real Assets	5%	0%	10%

Core real estate investments include substantially leased or fully operational institutional quality properties or projects located in developed markets. The revenue streams from core real estate are generally long duration and comprise a majority of the asset's total return. Core real estate strategies are typically implemented through open-end commingled funds.

Non-core real estate investments include value-added and opportunistic strategies in which properties or projects are re-leased, re-developed, or newly constructed, particularly in developing or transitional markets. This strategy has a higher return expectation, but has higher reliance on capital appreciation (vs income return)~~also comes with greater risk due to the uncertainty of cash flows~~. Non-core real estate strategies are typically implemented through closed-end commingled funds.

Private infrastructure typically involves the movement of goods, people, water and energy (definition provided by JP Morgan Asset Management). The sectors include, but are not limited to, power (including renewables), energy, utilities, transportation, communication, social infrastructure sectors. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed end commingled funds, as well as co-investments. ~~sectors include but are not limited to transportation, communication, social and regulated assets. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed end commingled funds.~~

Public market real assets are securities of companies whose primary source of revenue comes from the operation of tangible assets, including, but not limited to, real estate (REITs), listed infrastructure, natural resources and master limited partnerships. While more liquid in nature, public market real assets exhibit greater volatility than privately held real assets. Master limited partnerships, or MLPs, are publicly traded limited partnerships that derive most of the partnership's cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly traded company.

VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the Global Real Assets portfolio generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y
Commingled Funds	Y
Secondaries Vehicles	Y
Joint Ventures	Y
Real Estate Operating Companies (REOCs)	Y
Private Real Estate Equity and Debt	Y
Real Estate Investment Trusts (REITs)	Y
Exchange Traded Funds	Y
Private Infrastructure Equity and Debt	Y
Public Infrastructure Securities and MLPs	Y
Natural Resources and Commodities	Y

VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the Global Real Assets portfolio. The following sections identify the most significant risks with real asset investments and the method of control.

Real Estate Life Cycle Risk
Life cycle risk refers to the stage of an investment's life and generally falls into two categories, operating and non-operating. Operating investments are those that are leased or functioning at a level in which the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major releasing. A significant portion of the private market real assets portfolio will be in operating investments in order to achieve Global Real Assets' role.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%
~~Current Exposure~~	~~95%~~	~~5%~~

Real Estate Property Type Risk
Property type risk refers to the level of exposure of the major~~five~~ property type categories in the private market real estate portfolio relative to the NCREIF Property Index. Property type risk will be managed through portfolio design and the use of diversified commingled funds. At least 80% of the private market real estate portfolio will be invested in the four primary property type categories including apartment, industrial, office and retail.

IMPLEMENTATION GUIDELINES – Global Real Assets

(as of December 31, 2021)	NCREIF Property Index	~~Private Market Portfolio~~	Range
Apartment	26%~~25%~~	~~31%~~	15% - 45%~~40%~~
Industrial	28%~~21%~~	~~21%~~	15% - 45%~~40%~~
Office	30%~~35%~~	~~25%~~	15% - 40%
Retail	15%~~18%~~	~~11%~~	5% - 25%
Subtotal	*99%*	~~*88%*~~	*80% - 100%*
Hotel/Other	<1%~~1%~~	~~12%~~	5% - 20%
Total	100%	~~100%~~	

Real Estate Geographic Risk
Geographic risk can be broken down into two segments: US regional exposure and non-US exposure. US regional exposure refers to the level of exposure in the four US regions in the private market real estate portfolio relative to the NCREIF Property Index.

(as of December 31, 2021)	NCREIF Property Index	~~Private Market Portfolio~~	Range
West	41%~~40%~~	~~36%~~	20% - 50%
East	30%~~31%~~	~~36%~~	20% - 50%
Midwest	8%	~~7%~~	5% - 20%
South	21%	~~21%~~	10% - 30%
Total	100%	~~100%~~	

Global Real Assets Geographic Risk
Non-US exposure refers to the level of exposure of non-US investments in the total Global Real Assets portfolio. Non-US exposure will be limited to 35%~~30%~~ of the private market portfolio.

Liquidity Risk
Private market real asset investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or ~~more~~longer. Liquidity risk will be managed through target allocations to private and public market real assets as well as vintage year diversification. ~~through portfolio design.~~

Leverage Risk
Private market real asset investments typically are acquired with a combination of equity capital and mortgage financing. The amount of leverage per asset or pool of assets depends on debt availability, property type, tenant quality, and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external real asset managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market real assets portfolio is 50% of the gross asset value of the private market real assets portfolio. Leverage risk will be managed through target allocations and portfolio design.

Currency Risk
The Global Real Assets program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Valuation Risk
The valuation frequency for private market real assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

Manager Concentration Risk
A single manager utilizing core strategies shall not constitute more than 25% of the net assets of the Global Real Assets program. For non-core strategies, a single fund commitment shall not constitute more than 10%~~7%~~ of the net assets of the Global Real Assets program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 20% of the net assets of the Global Real Assets program.

IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending

I. ROLE

Short-Term Cash should provide liquidity for funding investment capital calls and operational expenses. Cash should be invested in conservative, low risk securities/funds to preserve capital for future expenditures and investments.

II. ASSET ALLOCATION

The Cash allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 2% exposure to cash with a range of 0% - 5%.

III. BENCHMARK

The Short-Term cash benchmark is the Citigroup 30-day Treasury Bill Index.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Short-Term portfolio is five basis points net of fees over the benchmark.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Cash portfolio is designed with preservation of capital in mind. A cash balance of one to three months of expenditures is usually maintained. A higher allocation to cash may also be used to preserve capital in volatile markets. The average weighted maturity of the portfolio will not exceed 20 days.

Risk is constantly assessed before investment purchases are made in the portfolio. Only top tier commercial paper is purchased. Money market holdings are also reviewed on a regular basis along with choosing a top tier money market provider with a deep credit analyst team and whose short-term investments are important to the organization.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that can generate additional income for the system. The program is implemented through a third-party lending agent and collateral reinvestment manager. Separately, additional securities lending income is earned by the commingled passive global equity accounts.

VI. PERMISSIBLE INVESTMENTS

Security Type	
US Treasury Bills	Y
Commercial Paper rated A-1/P-1 or higher	Y
Money Market Funds rated at least A-1/P-1	Y
Unrated Market Funds comparable to an A-1/P-1 equivalent fund	Y

VII. RISK MANAGEMENT

Liquidity Risk
The weighted average maturity shall not exceed 20 days. All money market funds must provide daily liquidity.

Credit Risk
A commercial paper issuer must be on the approved credit list or approved by the Chief Investment Officer before purchasing. Market and issuer news are reviewed daily by the Senior Investment Officer – Global Fixed Income. Money market funds must regularly send a holdings report to SERS, where it is reviewed on a regular basis.

Issuer Risk
Single issuer commercial paper investments are limited to $20 million. Related entity commercial paper investments are limited to the lower of 30% of the short-term account or $40 million. Overnight commercial paper issuer maturities are limited to $50 million.

Securities Lending Risk

All loans will be collateralized with cash at 102% for US securities and 105% for non-US securities and marked-to-market daily. Collateral will be reinvested in government money market funds and/or repurchase agreements. Loans on fixed income securities will be subject to a ten-basis point minimum spread requirement at loan initiation. Loans to approved borrowers will be limited to 25% of the average monthly market value on loan for the prior calendar year.

IMPLEMENTATION GUIDELINES – Opportunistic & Tactical

I. ROLE

The role of SERS' Opportunistic portfolio is to earn a return above the Bloomberg ~~Barclays~~ US Aggregate Bond Index + 2% by investing in assets and strategies that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the opportunistic target allocation at 0%, with a range of 0% to 5%.

III. BENCHMARK

The Opportunistic benchmark is the Bloomberg ~~Barclays~~ US Aggregate Bond Index + 2%.

IV. PERFORMANCE OBJECTIVE

The performance objective of the Opportunistic portfolio is to earn a net of fee return in excess of the Bloomberg ~~Barclays~~ US Aggregate Bond Index + 2% , with a meaningful component of the total return coming from current income.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Opportunistic portfolio may consist of a wide variety of investment types, structures and strategies targeting cash yield as well as price appreciation. Investment strategies include separate accounts, commingled funds, ETFs, co-investments and derivatives.

VI. PERMISSIBLE INVESTMENTS

Permissible investments include, but are not limited to, common stock, preferred stock, debt securities, currencies, commodities, etc.

VII. RISK MANAGEMENT

Leverage Risk
Leverage will be prudent for the given strategy and consistent with the fund's offering memorandum.

Liquidity Risk
Liquidity will be monitored regularly to ensure the portfolio can be traded or rebalanced within a reasonable timeframe. Liquidity risk will be managed through target allocations to private and public market assets as well as through portfolio design.

Currency Risk
The Opportunistic portfolio does not directly hedge foreign currency risk and relies upon its external managers to determine if such hedges are appropriate.

IMPLEMENTATION GUIDELINES – Overlay Program

I. ROLE

SERS invests in Overlay strategies that trade derivatives of the Total Fund's underlying asset exposures and currency exchange rates to enhance the Total Fund portfolio's efficiency. The Overlay program includes i) tactical asset allocation rebalance, and ii) active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through long and short positions based on short-term relative attractiveness of assets.

The active currency strategies aim to add value to the Total Fund on a risk-adjusted basis by employing long and short positions in various currency pairs based on relative attractiveness of the currencies. The strategies are expected to have low correlation to the major asset classes such as US equity and fixed income.

II. ASSET ALLOCATION

The target allocation of the tactical asset allocation and Currency program is 0% since long and short positions net out.

The tactical asset allocation program's notional exposure limit is +/-7% of the Total Fund to each of the following assets: US fixed income, US equity and Non-US equity. Since the tactical asset allocation positions are employed for short periods, the notional exposures are not subject to the policy asset allocation ranges set forth in the Statement of Investment Policy; however, the active risk contribution by the overlay program as a whole is subjected to the overall guideline on active risk for the management of the Total Fund specified in the Risk Management Policy.

The notional value of the active currency program is capped at 50% of the Non-US Equity portfolio's value.

III. BENCHMARK

The benchmark for the tactical asset allocation and Currency Overlay program is 0% since net exposure is 0%.

IV. PERFORMANCE OBJECTIVE

The Overlay program is expected to add 5 to 10 bps of excess return to the Total Fund's performance on a three to five year horizon.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The mandates are unfunded. The Overlay strategies buy (long) or sell (short) futures or forwards contacts to get exposures to desired markets in order to exploit shifts in relative valuation of assets and currencies.

The tactical rebalancing strategy's net exposures, sum of long and short positions, are valued at zero on the initiating position time. Active currency strategies can go either net long or net short US dollar. Both tactical rebalancing and active currency aggregate portfolios are constructed to have no dependency on any single risk factor.

VI. PERMISSIBLE INVESTMENTS

Tactical asset allocation: equity, fixed income, commodity and precious metals futures and options on futures.

Currency Overlay: currency forwards, currency futures, gold forwards, gold futures, and limited currency options.

VII. RISK MANAGEMENT

Counter-party risk management:

- Futures and exchange traded options are traded at exchanges thus having default risk only to the clearinghouse while having no credit risk to trade counterparties.
- Forward contacts and over-the-counter options entail default risk of the counterparties. Counterparty risk of these contracts is managed through ISDA (International Swaps and Derivatives Association) and EMIR (European Market Infrastructure Regulation) umbrella agreements with managers.

Volatility management:

- The tactical asset allocation program's tracking error range is 5 to 15 bps.
- All active currency strategies have targeted tracking error equal to or less than 8%; the aggregate active currency program's tracking error is expected to be in the range of 5 to 8%.

Liquidity:

- The use of derivatives requires initial margin as well as daily variation margin for futures. Liquidity risk will be managed by ensuring that an adequate reserve of cash is available to meet margin requirements at all times.

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Glossary

GLOSSARY

Active Risk – see Tracking Error.

Alpha – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a return in excess of the index return.

Alternative Reference Rates Committee (ARCC) – The ARCC was established by the Federal Reserve to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption of the replacement rate.

Asset Allocation – the practice of allocating a certain percentage of a portfolio between different types of investment assets, such as stocks, bonds, real estate, cash, etc. By diversifying among asset classes it is expected to create a favorable risk/reward ratio for the portfolio.

Bloomberg US Aggregate Bond Index – a market capitalization weighted US bond index published by Bloomberg LLC. Most US traded investment grade bonds are represented in the index. The Bloomberg US Aggregate Bond Index is SERS' global fixed income policy benchmark.

Basis Point – one hundredth of one percent. For example, an addition of 40 basis points to a yield of 7.50 percent would increase the yield to 7.90 percent. Basis points are normally used when quoting yields or returns, alpha, or fees paid to investment managers.

Benchmark – a measurement or standard that serves as a point of reference by which portfolio performance is measured. Benchmarks must meet standard criteria.

Burgiss All Private Equity (BAPE) – BAPE is comprised of data from more than 5,000 private equity funds contributed by limited partners that are Burgiss clients and use Burgiss' web-based institutional portfolio management platform Private i. The benchmark data is sourced from Burgiss' limited partner clients and includes complete transactional and valuation history between the limited partner and their fund investments. Burgiss publishes a detailed breakdown of the dataset every quarter allowing for increased transparency.

Citigroup 30-day T-Bill Index – an index that measures the rate of return for 30-day US Treasury Bills, which are considered representative of the performance of short-term money market instruments. The Citigroup 30-day T-Bill index is SERS' policy benchmark for Cash Equivalents.

Co-investment – a direct investment in a single asset of a multi-asset Fund, made alongside the Fund's investment in the asset; typically involves terms that are more attractive and with shorter time frames than those of the Fund.

Derivatives (Derivative Instruments) – financial instruments (securities or contracts) whose values are derived from underlying financial assets, indices or other instruments. Derivative performance is based on the performance of assets, interest rates, currency exchange rates and various domestic and foreign indices underlying the instruments. The common forms of derivatives are forward, futures, swap and options contracts.

Diversification – the method of reducing risk by distributing investment assets among a variety of investment securities which have different risk/ reward ratios.

Due Diligence – an investigation or audit of a potential or existing investment.

Equity Investment – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

Fixed Income Investment – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. May also be referred to as "debt" or "bonds."

Fund – fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., hedge fund, private equity fund, or real estate fund).

GLOSSARY

Global Equities – reflects the consolidation of what had been treated by SERS as US Equity and Non-US Equity asset classes; includes equities of US and non-US origin, equities of various capitalizations (e.g., large cap, small cap, mid cap, etc.), equities from developed, emerging and frontier markets, growth and value equities and passive and active strategies. Investments in Global Equities strategies are made in accordance with established investment guidelines, and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

Guidelines – refers to an Investment Manager's "Investment Guidelines," established between the Investment Manager and Staff as part in an investment management agreement. Guidelines may be general or specific.

Hedge Fund – a private investment partnership or an offshore investment corporation in which the general partner has made a substantial personal investment and whose offering memorandum allows for the Fund to take both long and short positions, using leverage and derivatives and invest in many markets. Hedge funds often use strategies involving program trading, selling short, swaps and arbitrage.

Investment Committee – a committee comprised of the Chief investment Officer and Investment Officers from SERS' Investment Department who possess the Ohio State Retirement System Investment Officer (SRSIO) license, with clearly defined structure, rules and procedures for reviewing and approving investments in a timely and prudent fashion.

Investment Consultant – any consultant hired by the Board or by Staff to advise or assist with the Investment Program in accordance with the Statement of Investment Policy. Board investment consultants must be approved by the Board. Staff investment consultants shall be approved by the Executive Director.

Investment Manager – a manager or potential manager of SERS assets, both public market and private market. Includes, but is not limited to managers of equity, fixed income, private equity, real estate, hedge funds, commodities and cash.

Investment Staff – members of the investment department of SERS, including the Chief Investment Officer, Investment Officers and other department personnel.

Leverage – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company's balance sheet in the form of the debt/equity ratio.

LIBOR – London Interbank Offered Rate, the interest rate that is commonly used as the benchmark reference rate for lenders. The 3-month LIBOR is a reference rate previously utilized by Staff.

Long a futures contract or a forward contract – buying exposure to the underlying assets of the contract without actually owing those assets. When the underlying assets deliver a positive return, the long position gains; when the underlying assets deliver a negative return, the reverse is true.

Morgan Stanley Capital International – All Country World Free ex-USA Index ($Net) – an equity index representing 44 developed and emerging countries. "Free" indicates the index reflects actual investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. "Net" indicates that dividends are reinvested after the deduction of withholding taxes applicable to non-resident institutional investors. The MSCI-ACWI ex-USA Index, net of dividends reinvested is SERS' policy benchmark for Non-US Equities.

NCREIF Property Index (NPI) – a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The NCREIF Property Index is a component of SERS' Global Real Estate Policy Benchmark.

Opportunistic and Tactical Investments – global opportunistic investments are tactical or non-traditional investment opportunities that may be short-term or may not fit within the generally accepted risk/return parameters of specific asset classes or strategy groupings. Such opportunities may involve capitalizing on short-term market dislocations or other such unique situations. Tactical investments may include strategies with dynamic allocations to single assets or across multiple asset types or other innovative approaches.

Options contract - a form of financial derivatives. In an options contract, two parties (buyer and seller) agree that the buyer, who pays an option premium to the seller, has the right to exercise an option whether or not to buy or sell a particular asset at a specified price at a specified future date.

Portfolio – a collection of investments owned, managed, or overseen by an individual or investment manager, a board or an organization. Portfolio can mean a manager account or subset thereof (e.g., Goldman Sachs Core Plus account), an asset class (e.g., US Equity), or the entire fund (e.g., SERS' Total Fund).

Rebalancing – adjusting asset class or portfolio allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

Russell 3000 Index – a market-value weighted equity index published by the Frank Russell Company. The index measures the performance of the 3,000 largest US companies in terms of market capitalization. The Russell 3000 Index is SERS' Domestic Equity Policy Benchmark.

Secondaries – pre-existing investor capital commitments to private funds that are purchased in the secondary market.

Secured Overnight Financing Rate (SOFR) – SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. There is a considerable volume of transactions executed that utilize SOFR and the rate is published on each business day.

Securities Lending – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer to support the firm's trading activities. Loaned securities are collateralized with cash at 102-105% of the loan exposure. The lender retains the entitlement to all the benefits of the loaned security, including dividends and interest, except the right to vote proxies. The lender has a right to recall the loan at any time.

Short a futures contract or forward contract – selling exposure to the underlying assets of the contract without transferring the ownership of those assets to the buyers. When the underlying assets deliver a positive return, the short position experiences losses; when the underlying assets deliver a negative return, the reverse is true.

Style – style refers to an investment product, strategy or style offered by an Investment Management Firm and reflects how the assets are invested. For example, value versus growth; core versus value added; quantitative versus fundamental; etc.

T-bill – refers to Treasury Bill. Staff utilizes the 90-day T-bill rate as a reference benchmark.

Total Fund – refers to SERS' total investment assets.

Tracking Error – standard deviation of the excess return of the portfolio relative to the Benchmark measured over rolling three year periods.

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Ohio SERS Investment Report

Monthly Report to the Board

For the period ending: April 30, 2022

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

Meeting Date: June 2022

Investment Agenda

- Draft of FY2023 Annual Investment Plan (possible vote)
- Investment Report (period ending April 30, 2022)

Economic and Financial Market Outlook

- The US growth rate was (1.5%) for Q1 2022 amid high inflation and supply chain disruptions. The contraction was mainly due to decline in private inventory investment, exports and government spending. Personal consumption expenditures (PCE) showed a solid increase of 3%. (*Source: Bureau of Economic Analysis)*

- US labor market added 428,000 job in April. The unemployment rate was unchanged at 3.6%, and the labor force participation rate was little changed at 62.2%, remaining below the pre-pandemic level 63.3%, indicating a tight labor market. *(Sources: Bureau of Labor Statistics and Department of Labor)*

- US inflation dipped slightly from the March high of 8.5%. Headline inflation was 8.3% and the core rate was 6.2%. The energy index increased 30.3% while the food index was up 9.4% for the last 12 months. Blue Chip Consensus projected headline to remain above 7.0% in Q2 2022 (Source: Bureau of Labor Statistics and Blue Chip Economic Indicators)

- The 10-year Treasury nominal yield increased 0.57% to 2.89% in April. The 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and the headline inflation, increased to (5.41%). The Fed increased the interest rate by 0.25% in March and 0.50% in May while signaling additional hikes to curb inflation.

- The S&P Case-Shiller 20-City home price index rose 3.1% for the month of March and 21.2 % for the last 12 months.

- The Consumer Sentiment Index released by Thomson Reuters and University of Michigan improved slightly to 65.2, remaining below the historical average level amid broad based discontent with historically high inflation levels. The US Economic Surprise index continued to be positive at 39.4. The Leading Economic Index (LEI) issued by the Conference Board was down 0.3 to 119.8 in April.

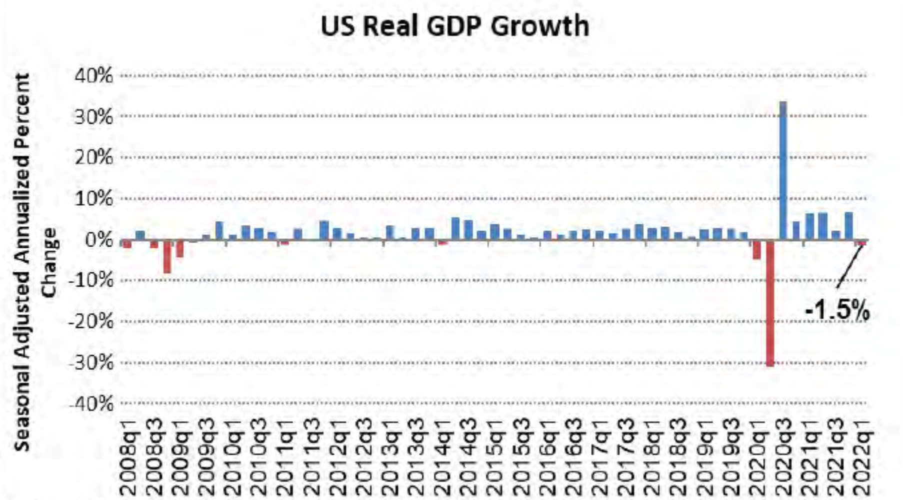
- The US manufacturing PMI remained solid, slightly down to 55.4 while the global reading declined to 52.2 in April. Global economic recovery continued as the PMI readings stayed above 50, although challenged by worldwide supply disruptions, energy and food price surges, material and labor shortages. The Russia – Ukraine war poses additional risk to the global recovery. *(Source: Institute for Supply Management, S&P Global).*

- Equity markets' volatility intensified since January and remained elevated. Equity markets worldwide were down in April, led by US market (Russell 3000) at (8.97%), followed by non-US developed markets (MSCI World ex-USA) at (6.57%), and emerging markets at (5.56%). The market valuation fell from being expensive into the historical range.

- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was also down 3.79% in April.

Notes: Acronym – PMI – Purchasing-Managers' Index

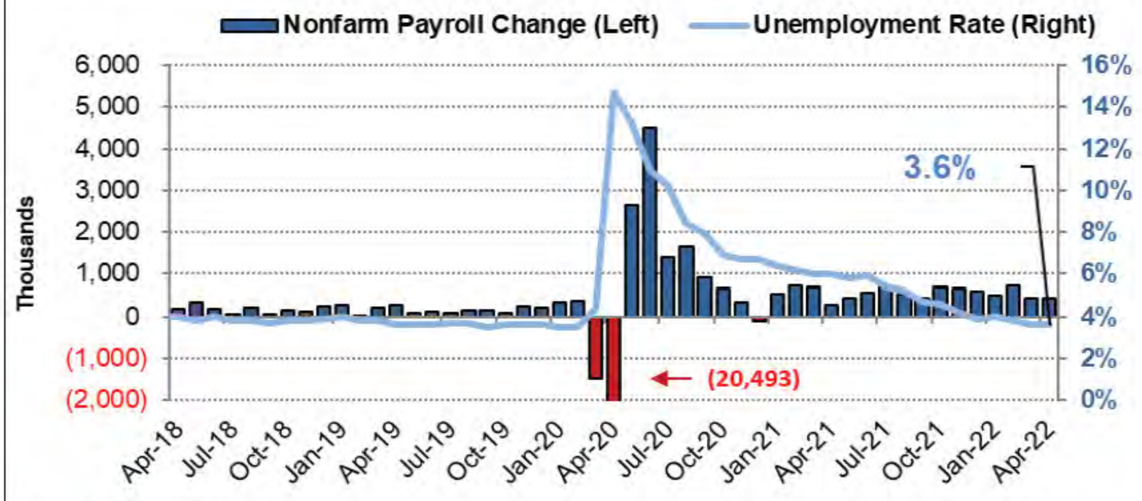
ECONOMY US Real Gross Domestic Product



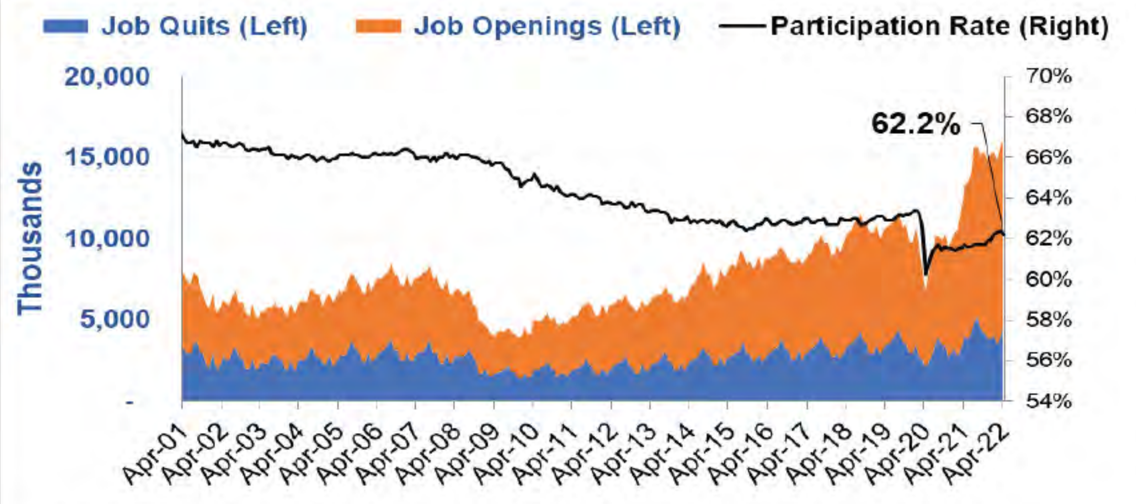
Source: Bureau of Economic Analysis

Source: U.S. Bureau of Economic Analysis

ECONOMY US Labor Market



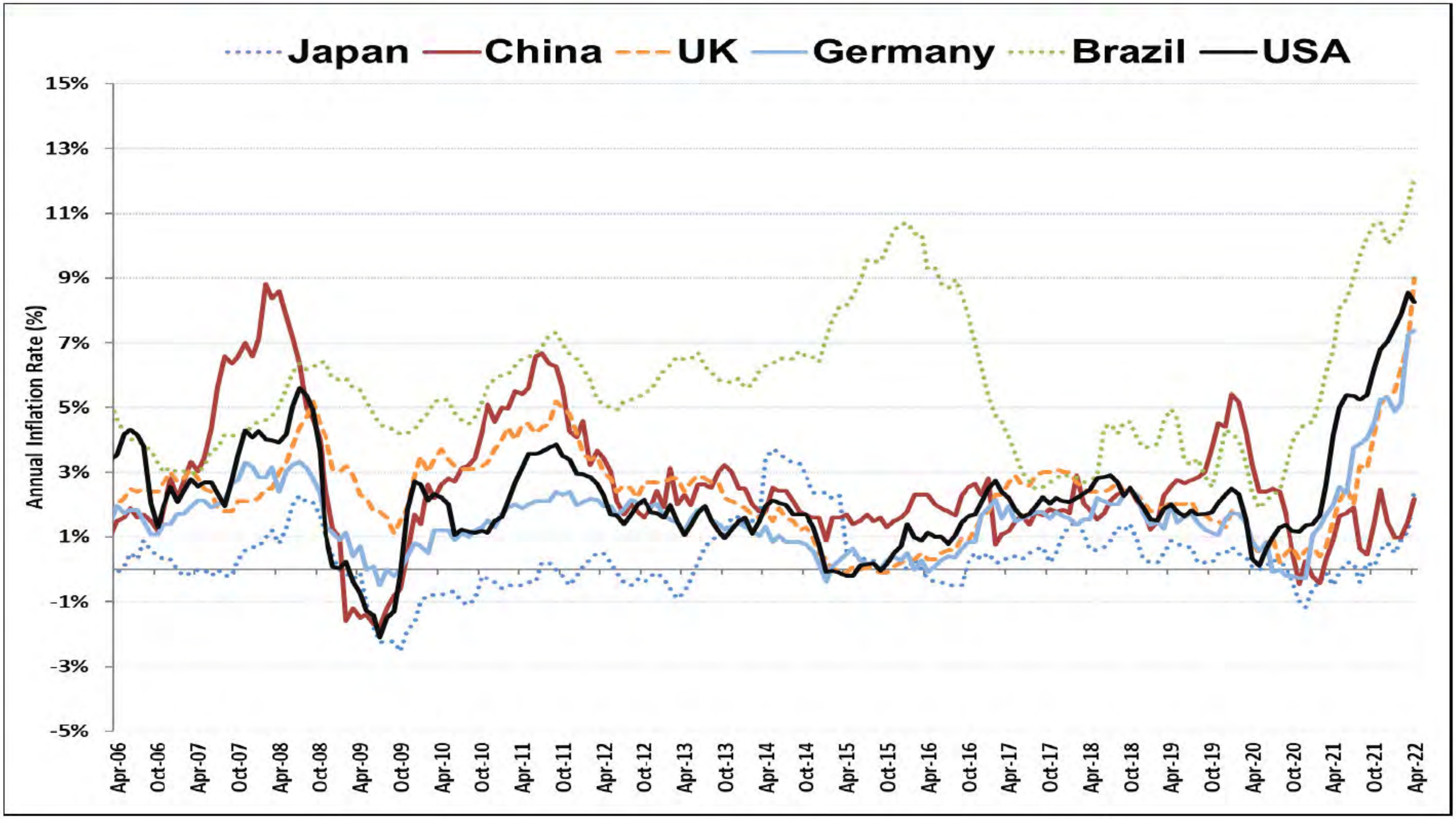
Source: Bureau of Labor Statistics



Source: https://fred.stlouisfed.org

ECONOMY

Headline Inflation



	Japan	China	UK	Germany	Brazil	USA
Apr-22	2.4	2.2	9.0	7.4	12.1	8.3

Sources: www.ons.gov.uk, www.oecd.org, www.inflation.eu, and www.tradingeconomics.com

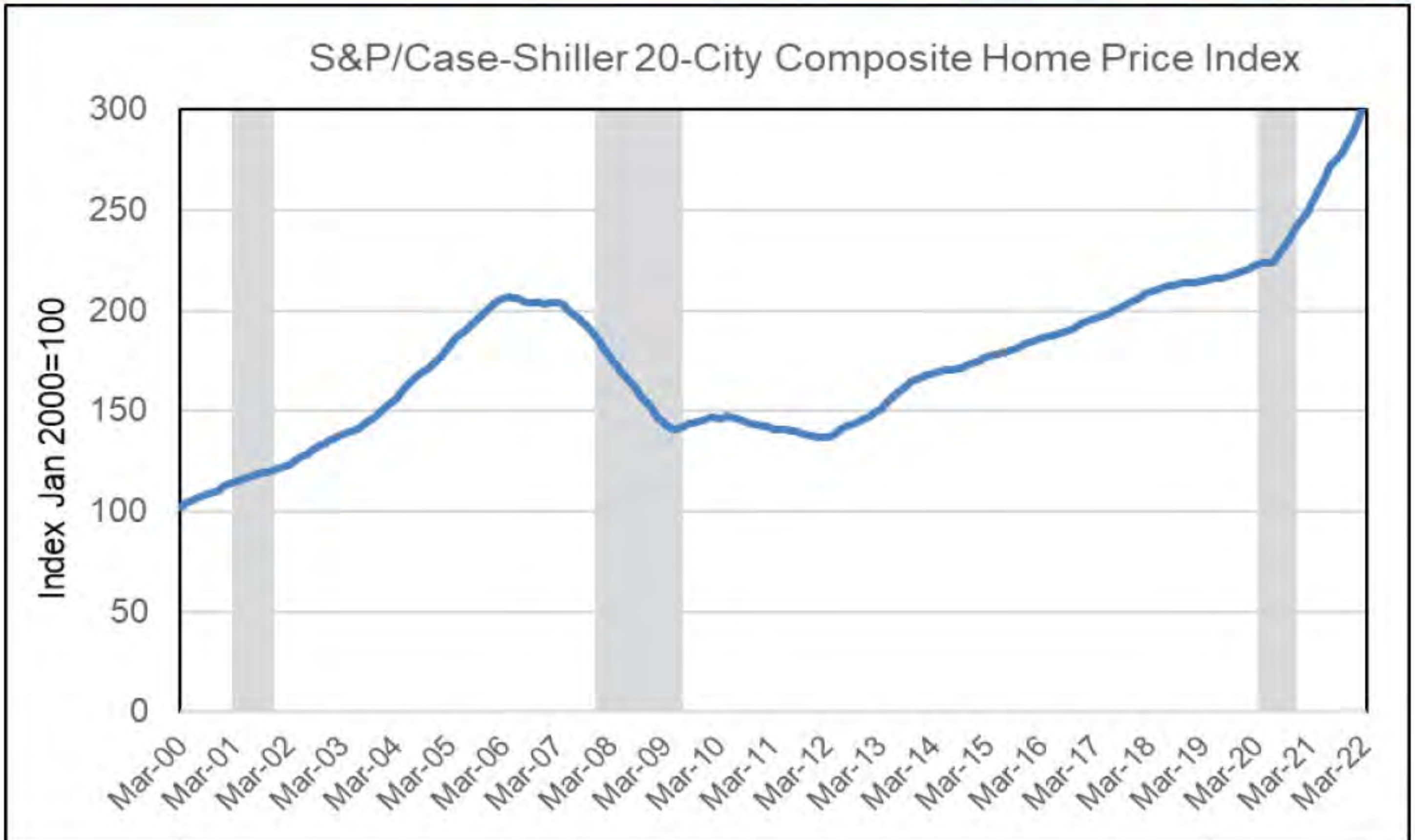
ECONOMY

US & Global Manufacturing Activities

Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI ™
Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index

ECONOMY

US Housing Market

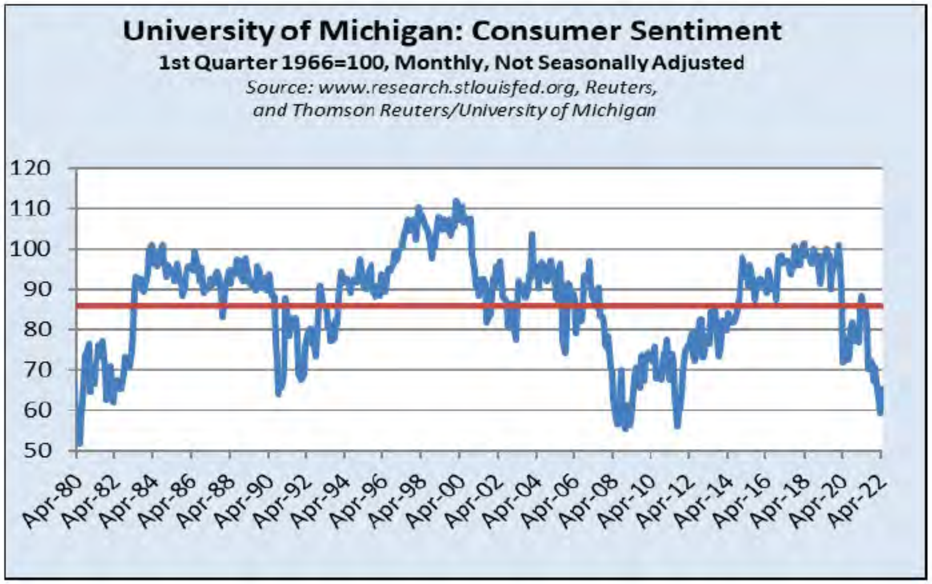


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-17	200.01
Jul-18	211.94
Jul-19	216.09
Jul-20	225.50
Jul-21	270.70
Mar-22	306.36

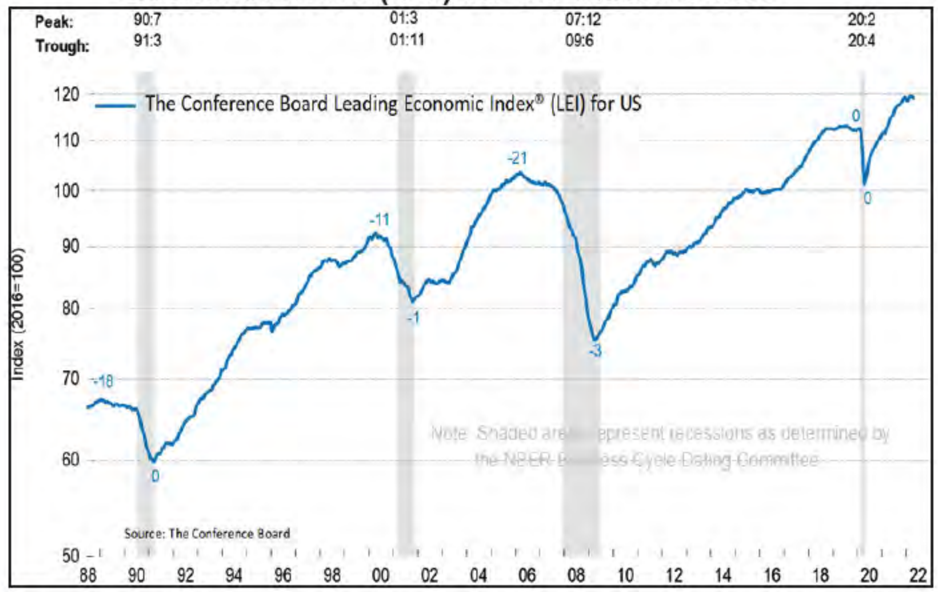
Source: www.research.stlouisfed.org

ECONOMY

Consumer Sentiment



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



Shaded areas represent US recessions

Index of Consumer Sentiment				
Mar-22	Apr-22	Apr-21	M-M Change	Y-Y Change
59.4	65.2	88.3	9.8%	-26.2%

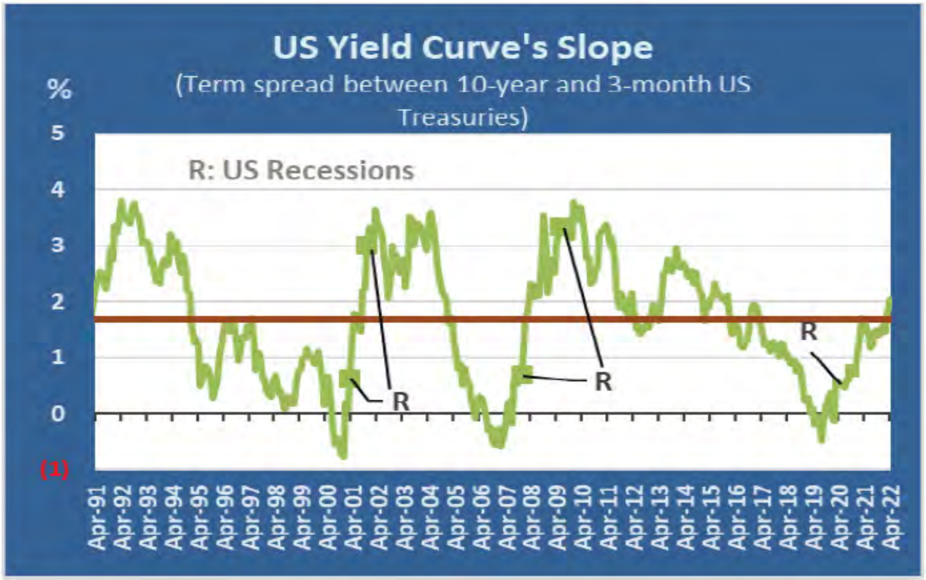
Index	Mar-22	Apr-22	Month -Month Percent Change	6-Month Percent Change (Oct-Apr)
LEI	119.5 r	119.2 p	-0.3	0.9
CEI	108.4 r	108.8 p	0.4	1.6

p Preliminary; r Revised; Indexes equal 100 in 2016

Sources: Thomson Reuters / University of Michigan

Sources: The Conference Board and advisorperspectives.com

ECONOMY

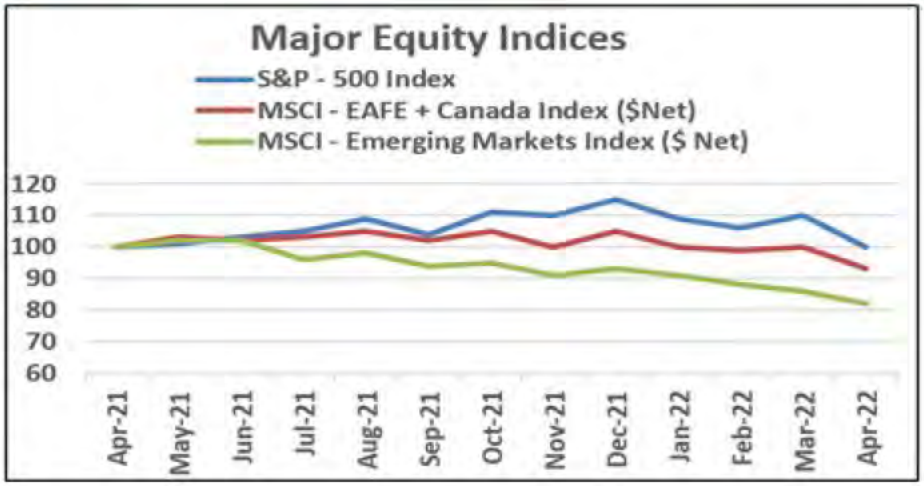


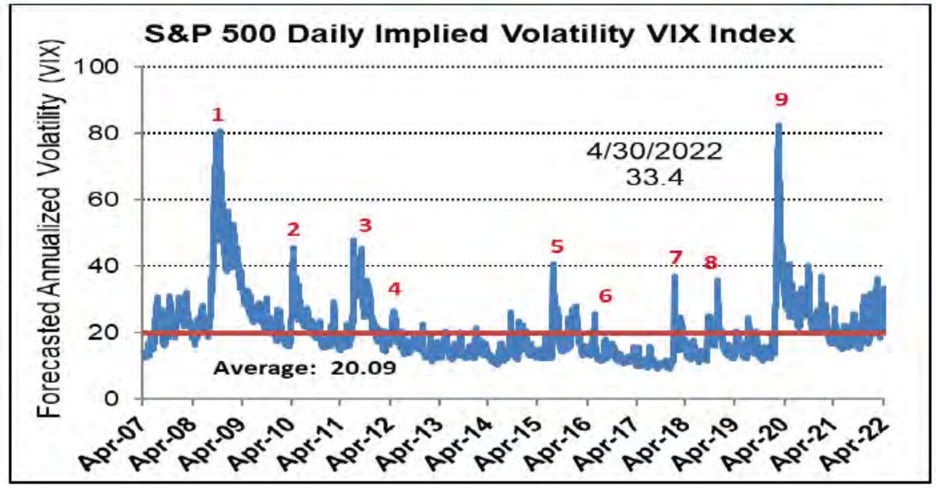
US Yield Curve's Slope
(Term spread between 10-year and 3-month US Treasuries)
%
R: US Recessions
R
5
4
3
2
1
0
(1)
Apr-91
Apr-92
Apr-93
Apr-94
Apr-95
Apr-96
Apr-97
Apr-98
Apr-99
Apr-00
Apr-01
Apr-02
Apr-03
Apr-04
Apr-05
Apr-06
Apr-07
Apr-08
Apr-09
Apr-10
Apr-11
Apr-12
Apr-13
Apr-14
Apr-15
Apr-16
Apr-17
Apr-18
Apr-19
Apr-20
Apr-21
Apr-22

US Growth Surprise
Source: Bloomberg
Citi Economic Surprise Index- US
300
200
100
0
-100
-200
Apr-06
Apr-07
Apr-08
Apr-09
Apr-10
Apr-11
Apr-12
Apr-13
Apr-14
Apr-15
Apr-16
Apr-17
Apr-18
Apr-19
Apr-20
Apr-21
Apr-22

Global Growth Surprise
Source: Bloomberg
Citi Economic Surprise Index- Global
150
100
50
0
-50
-100
-150
Apr-06
Apr-07
Apr-08
Apr-09
Apr-10
Apr-11
Apr-12
Apr-13
Apr-14
Apr-15
Apr-16
Apr-17
Apr-18
Apr-19
Apr-20
Apr-21
Apr-22

MARKETS Equity





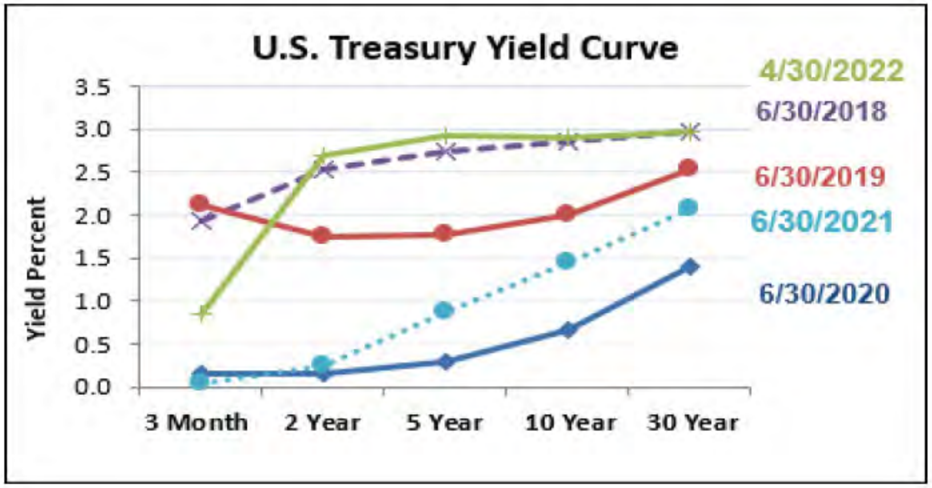
	Return as of 4/30/2022	
	1 Year	**FYTD**
S&P 500	0.21	(2.75)
MSCI - EAFE + Canada Index ($Net)	(6.66)	(8.87)
MSCI - Emerging Markets Index ($Net)	(18.33)	(20.32)

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, and Wilshire Compass

MARKETS

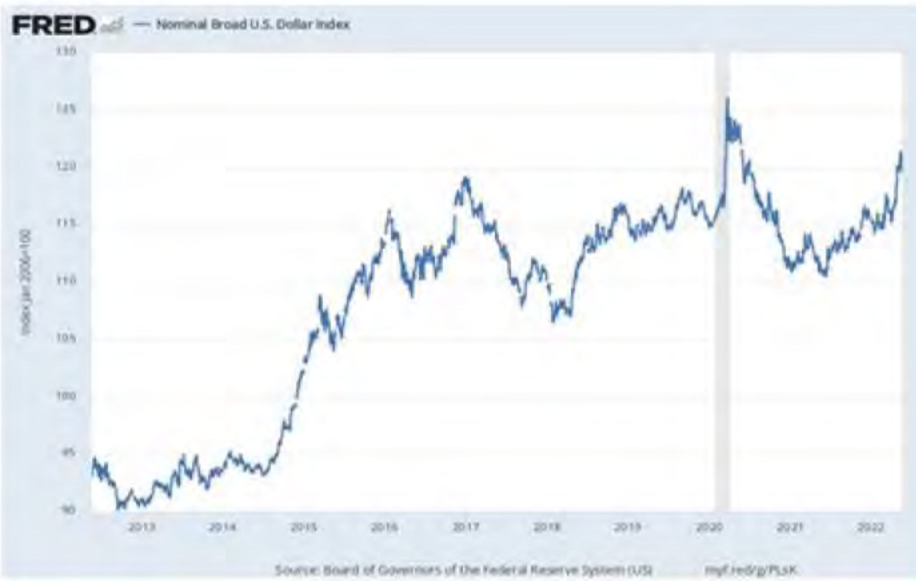
Fixed Income



Sources: Wilshire Compass, ThomsonReuters, and Bloomberg

MARKETS

Foreign Exchange

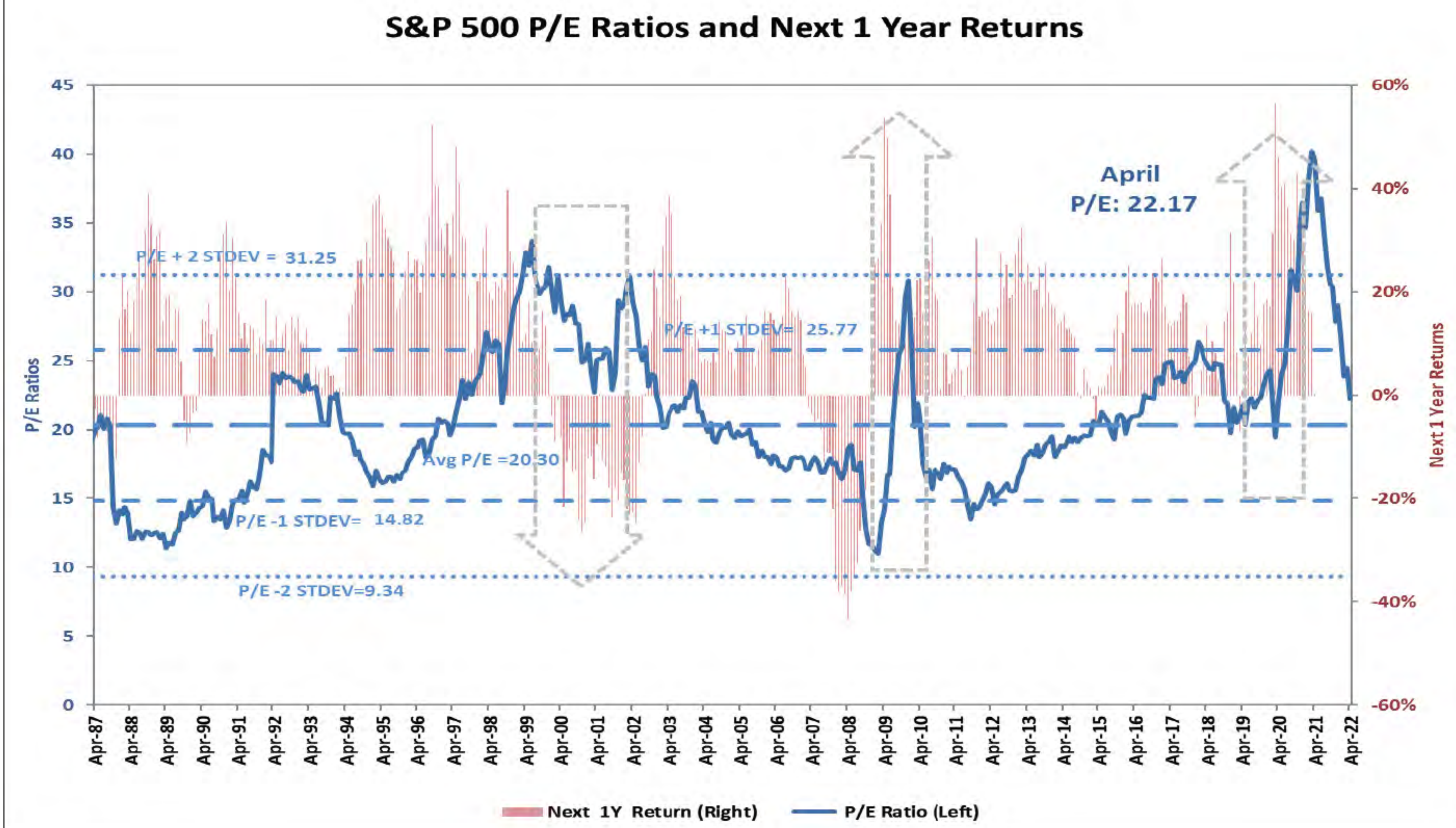


Date	Nominal Broad U.S. Dollar Index January 1997=100
June-17	111.97
June-18	113.27
June-19	114.56
June-20	120.86
June-21	112.85
April-22	119.64

Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-17	1.14
June-18	1.17
June-19	1.14
June-20	1.12
June-21	1.18
April-22	1.05

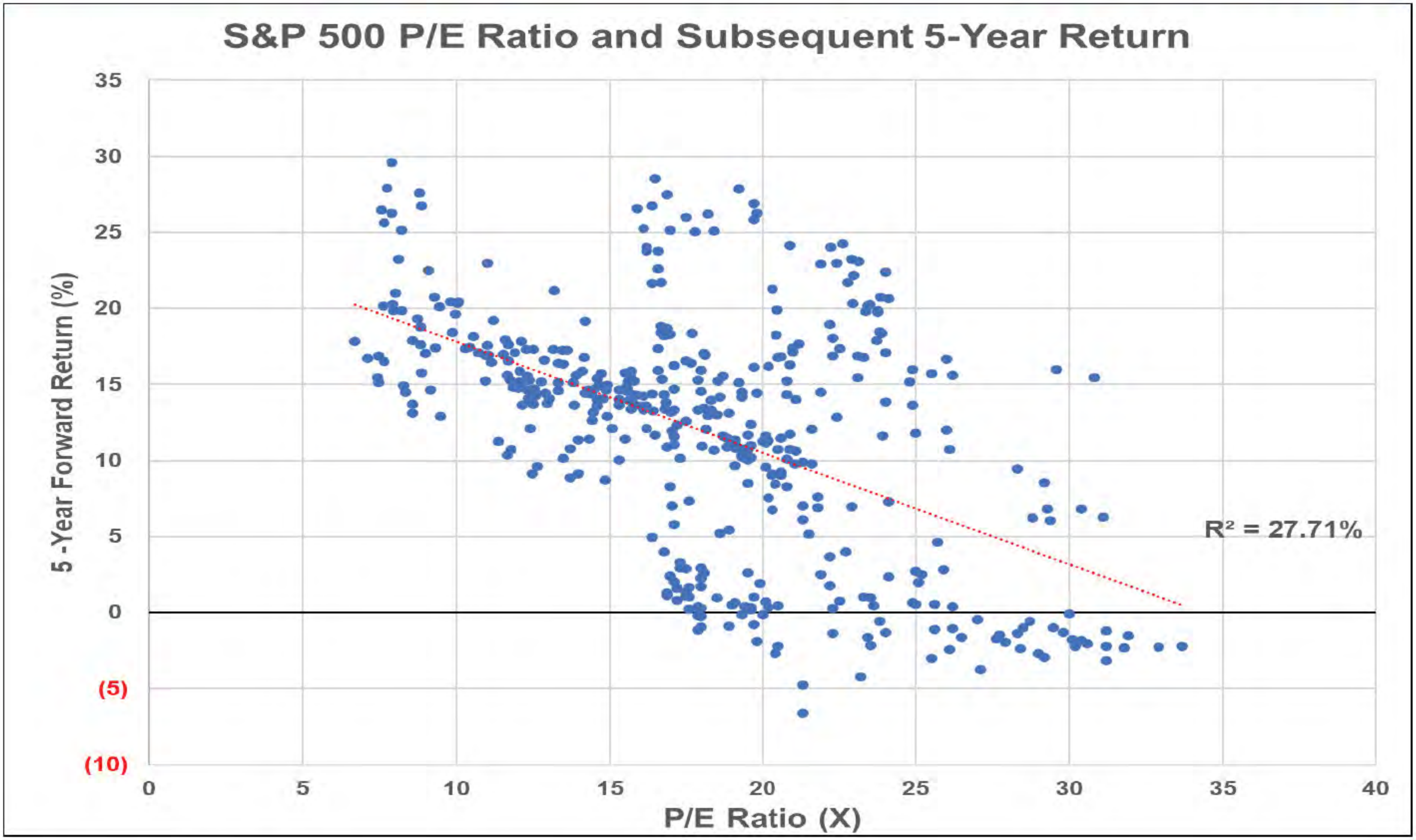
Source: www.research.stlouisfed.org

VALUATION US Equity



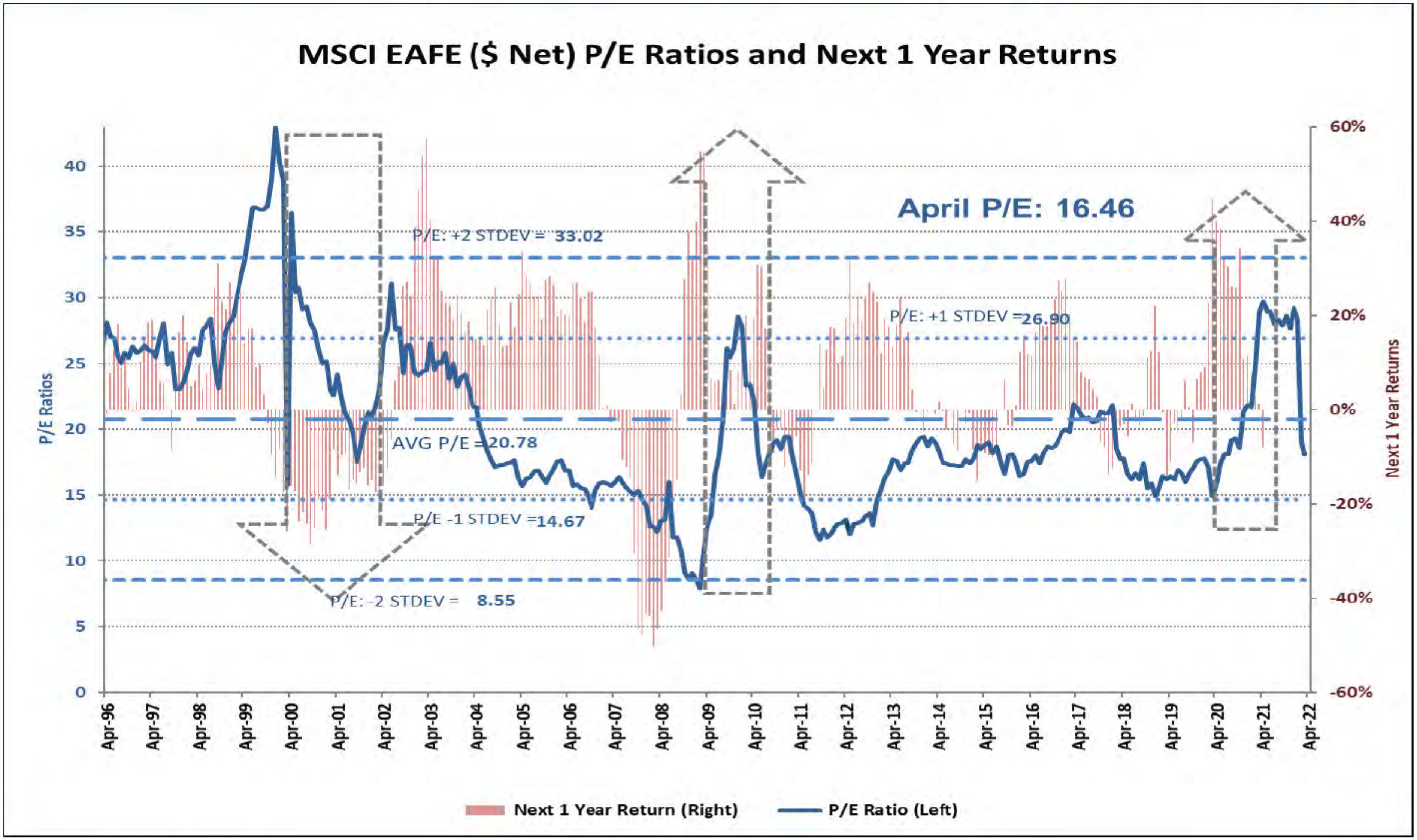
Source: Wilshire Compass

VALUATION US Equity



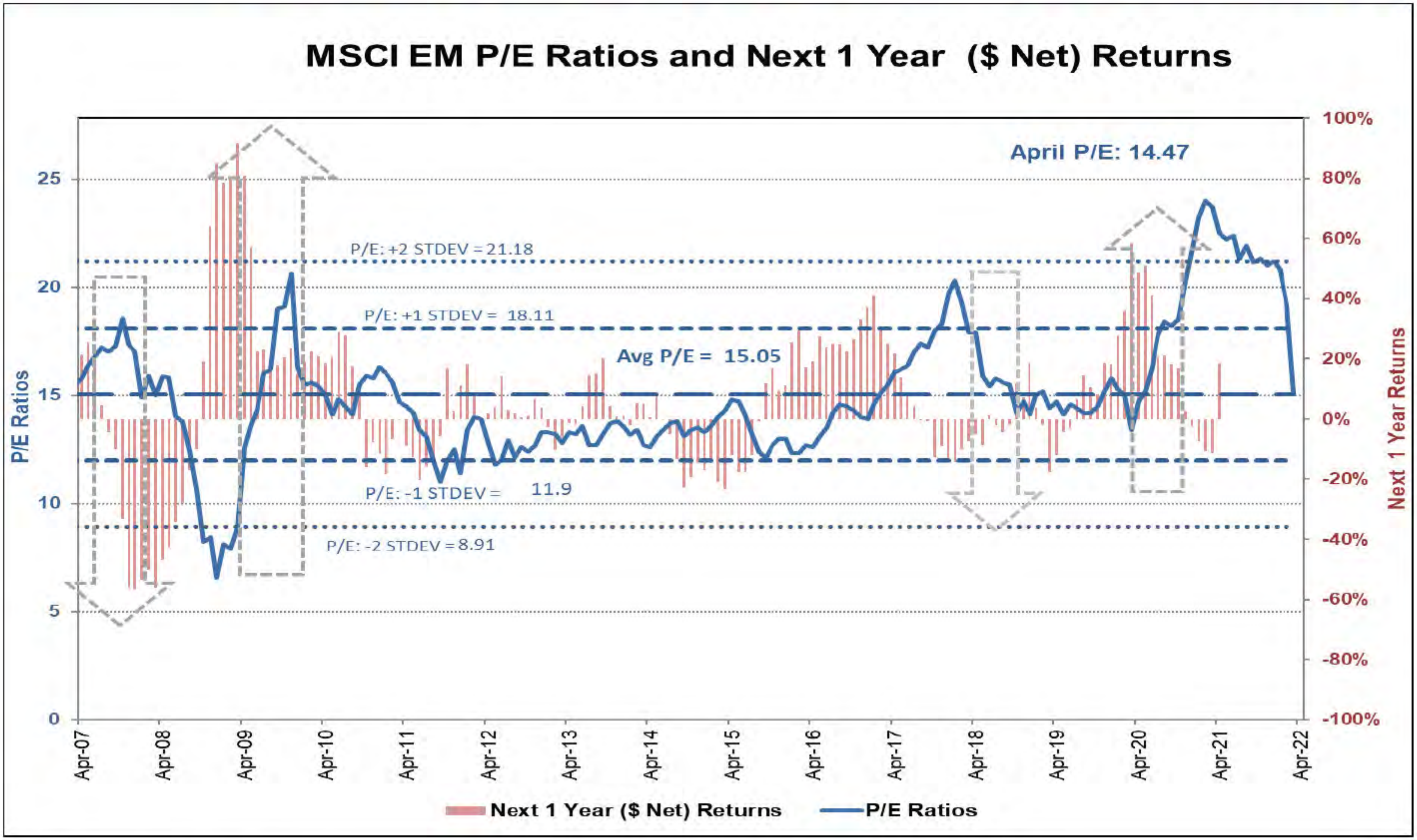
Source: Wilshire Compass

VALUATION Non US Developed Market Equity



Source: Wilshire Compass

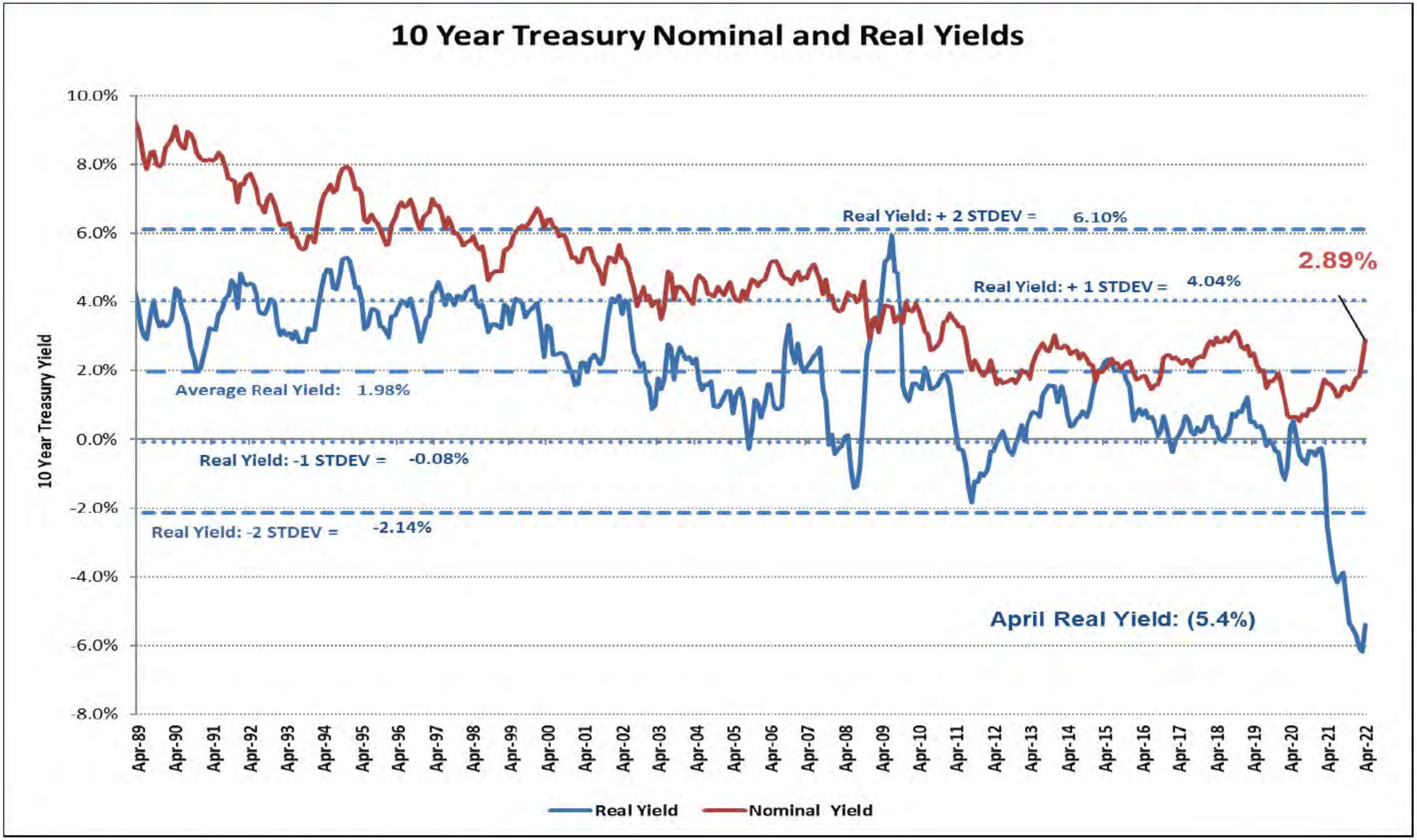
VALUATION Emerging Market Equity



Source: Wilshire Compass

VALUATION

US Treasury Bonds



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

SERS' Investment Portfolios Review

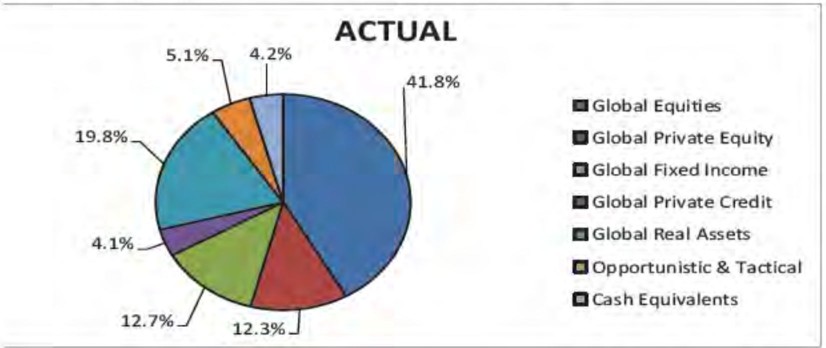
Ohio SERS Investment Report | **Month Ending: 04/30/2022**

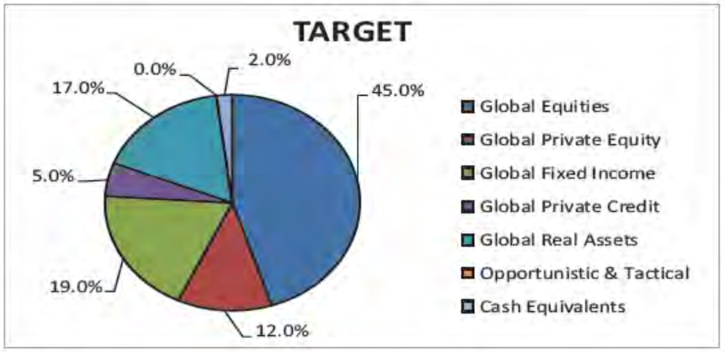
Total Fund Asset Allocation

Asset Class	Market Value $	Actual	Target	Range
Global Equities	**7,380,890,307**	**41.8%**	**45.0%**	35% - 55%
US Equity	4,125,707,098	*23.4%*	*24.8%*	*19.25% - 30.25%*
Non-US Equity Developed Market	2,506,620,964	*14.2%*	*13.5%*	*10.50% - 16.50%*
Non-US Equity Emerging Market	748,562,246	*4.2%*	*6.8%*	*5.25% - 8.25%*
Global Private Equity	**2,177,093,437**	**12.3%**	**12.0%**	*8% - 16%*
Global Fixed Income	**2,248,179,553**	**12.7%**	**19.0%**	*12% - 26%*
Global Private Credit	**715,578,907**	**4.1%**	**5.0%**	*1% -7% **
Global Real Assets	**3,490,195,650**	**19.8%**	**17.0%**	*14% - 20%*
Opportunistic & Tactical	**898,724,521**	**5.1%**	**0.0%**	*0% - 5%*
Cash Equivalents	**748,724,033**	**4.2%**	**2.0%**	*0% - 5%*
Short-Term	692,956,902	*3.9%*	2.0%	
Russell EA Overlay	-3,040,842	*0.0%*	*0.0%*	
Aegis - Alpha Overlay	3,487,248	*0.0%*	*0.0%*	
Direct Rebalance Overlay	0	*0.0%*	*0.0%*	
Transition / Operational Account	1,926,136	*0.0%*	*0.0%*	
Currency Overlay	53,394,590	*0.3%*	*0.0%*	
Total Fund	**17,659,386,409**	**100.0%**	**100.0%**	

Source: BNY Mellon GRS

* FY22 Interim range

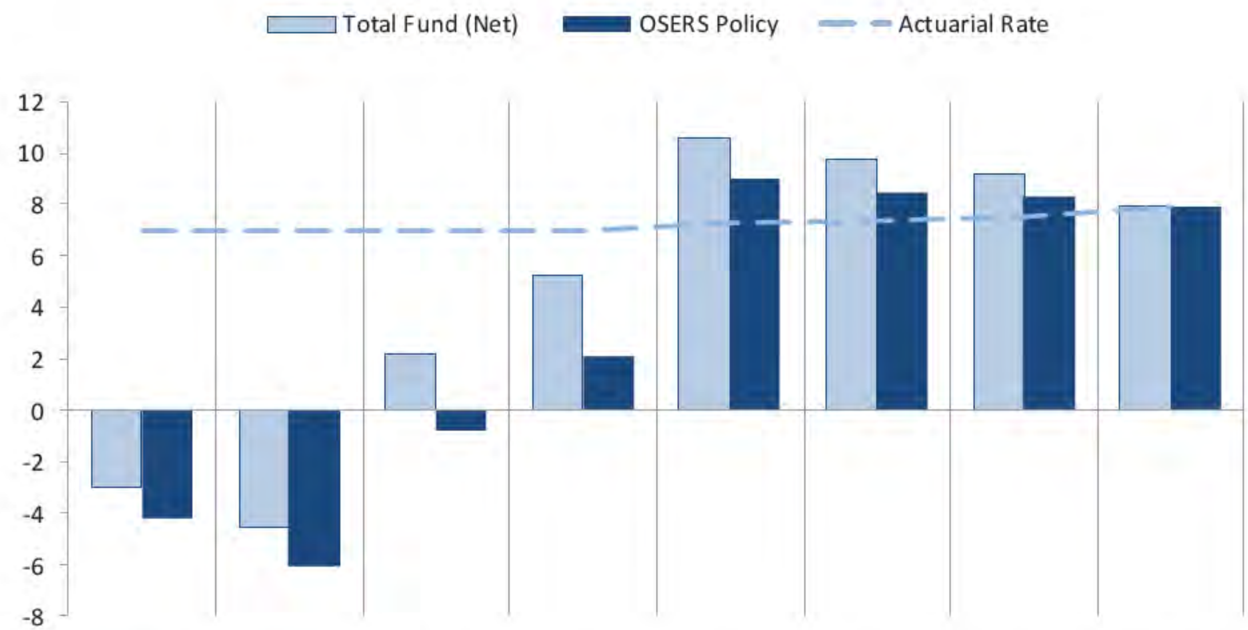




Total Fund Performance

Current Benchmark:

24.75% Russell 3000
13.50% MSCI World Ex US Index (net dividends)
6.75% MSCI Emerging Markets Index (net dividends)
12.00% Burgiss All Private Equity benchmark (1q lag) (BAPE)
19.00% Bloomberg Aggregate Bond
17.00% NCREIF Property (1q lag)
5.00% 90 Day T-Bill + 4.5%
2.00% Citigroup 30 Day US T-Bill



Actuarial Rate

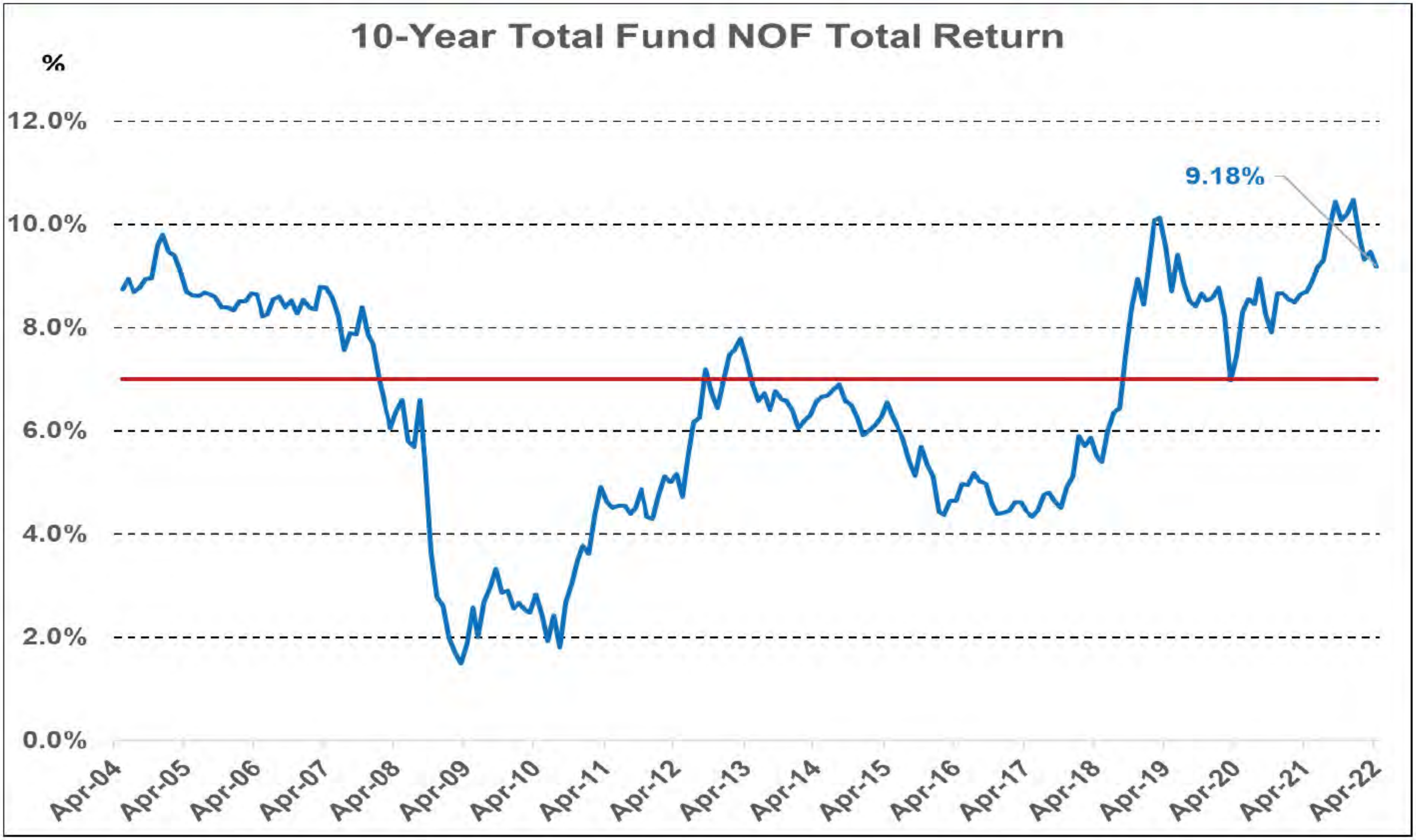
(7.0% effective 7/1/21, adopted 4/15/21)

	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	(2.97)	(4.42)	2.67	5.89	11.26	10.40	9.87	8.51
Total Fund (Net)	(2.98)	(4.57)	2.18	5.24	10.63	9.74	9.18	7.98
OSERS Policy	(4.18)	(6.09)	(0.76)	2.08	8.98	8.46	8.33	7.95
Value Added (Net of Fee)	1.20	1.52	2.93	3.16	1.65	1.27	0.85	0.03

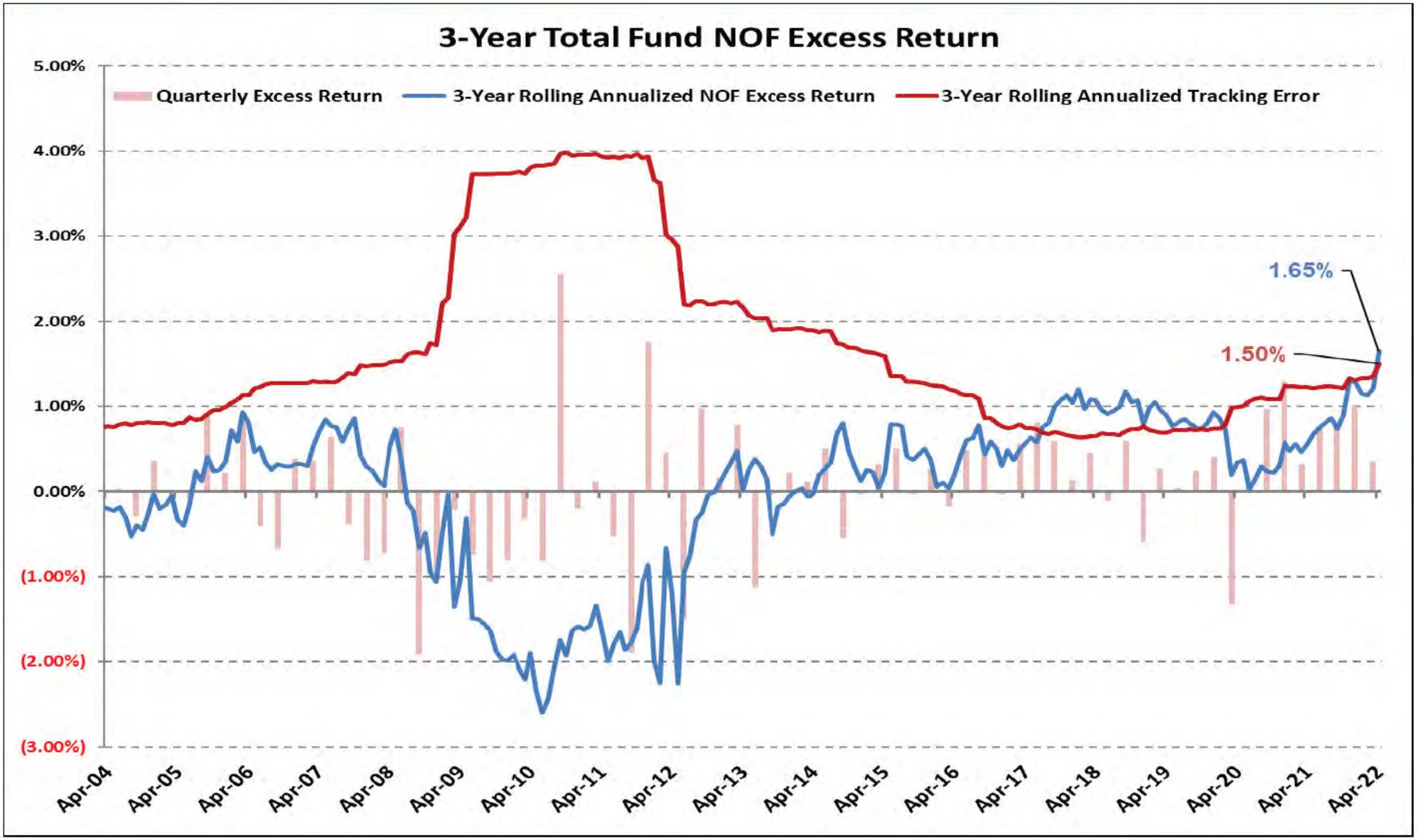
Source: BNY Mellon GRS

**ITD is Inception date 10/1/1994 (27 years and 7 months)*

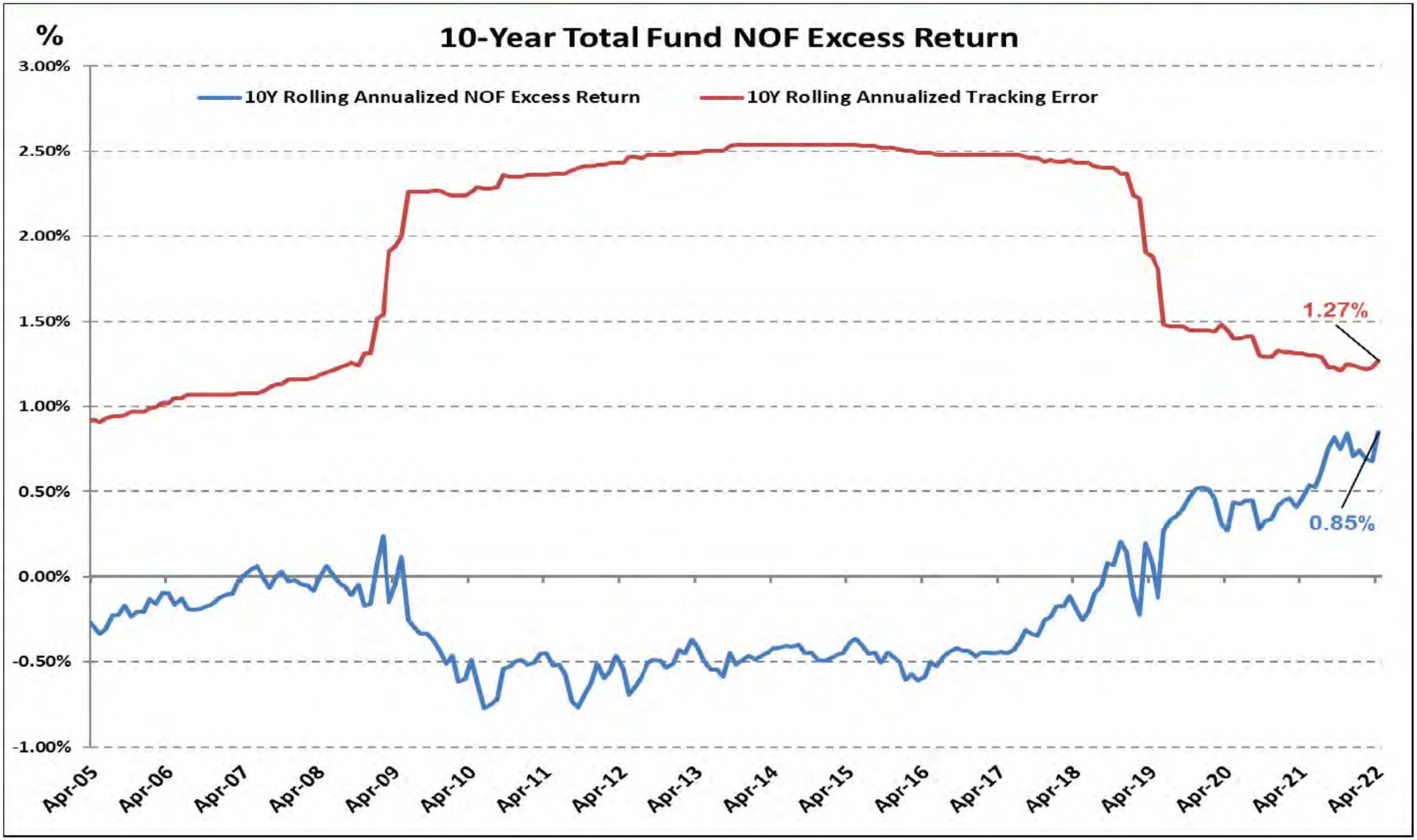
Total Fund Performance



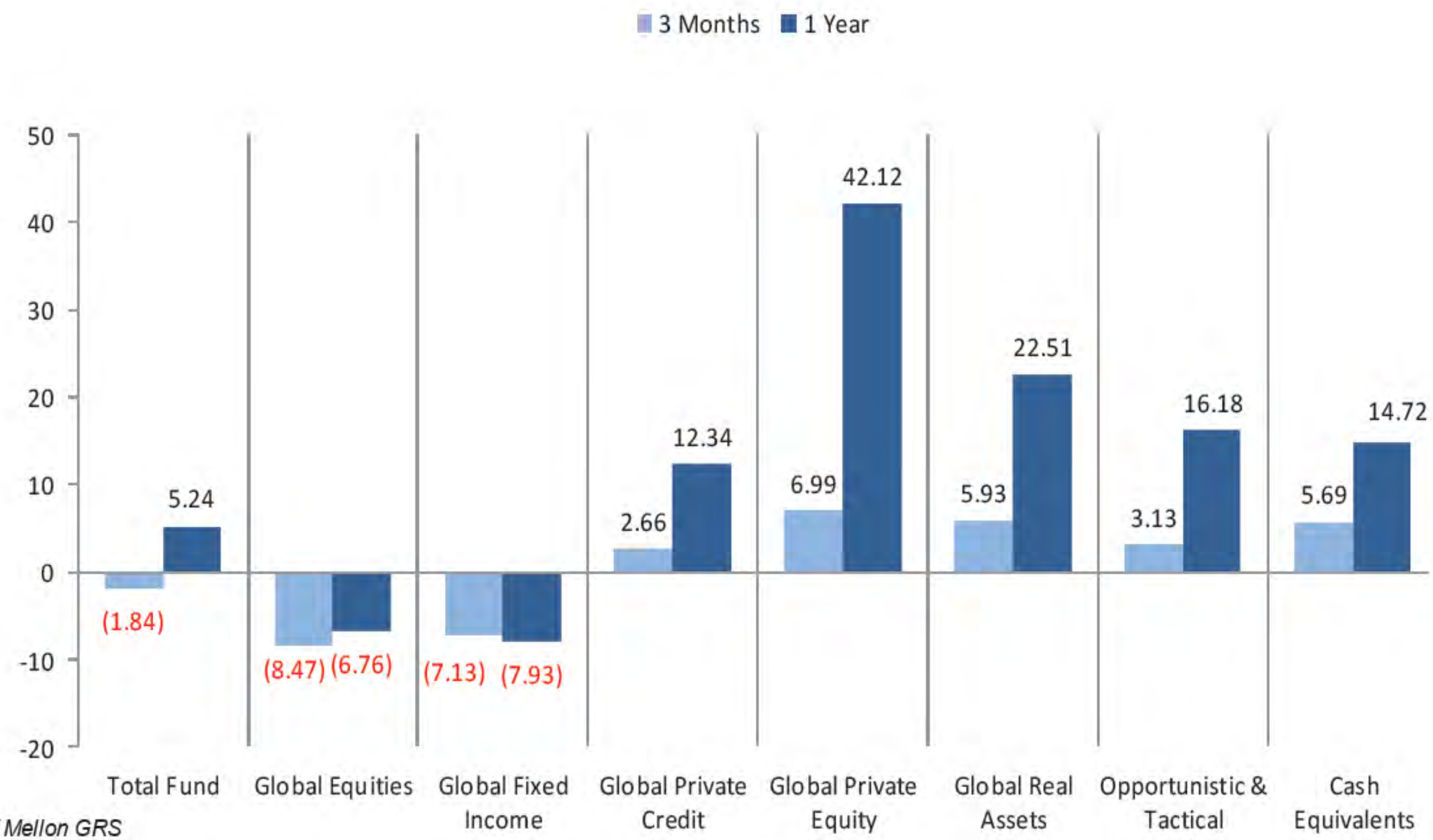
Total Fund Performance



Total Fund Performance



Total Fund and Asset Class Performance (Net)



Source: BNY Mellon GRS

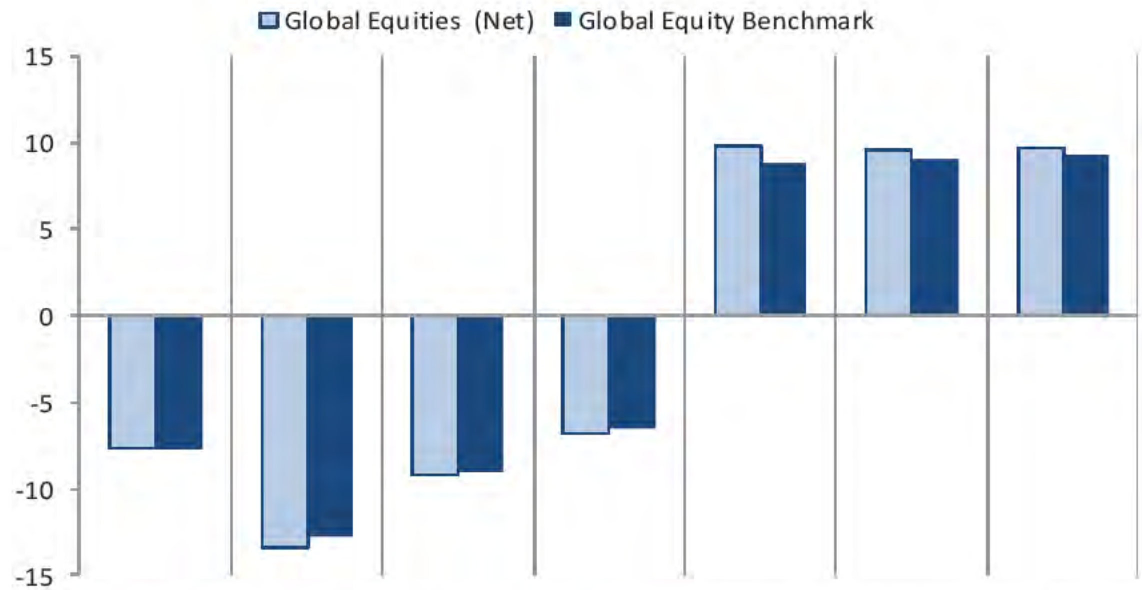
Global Equities Performance

Current Benchmark:

55% Russell 3000

30% MSCI World Ex United States Index (Net dividends)

15% MSCI Emerging Markets Index (Net dividends)

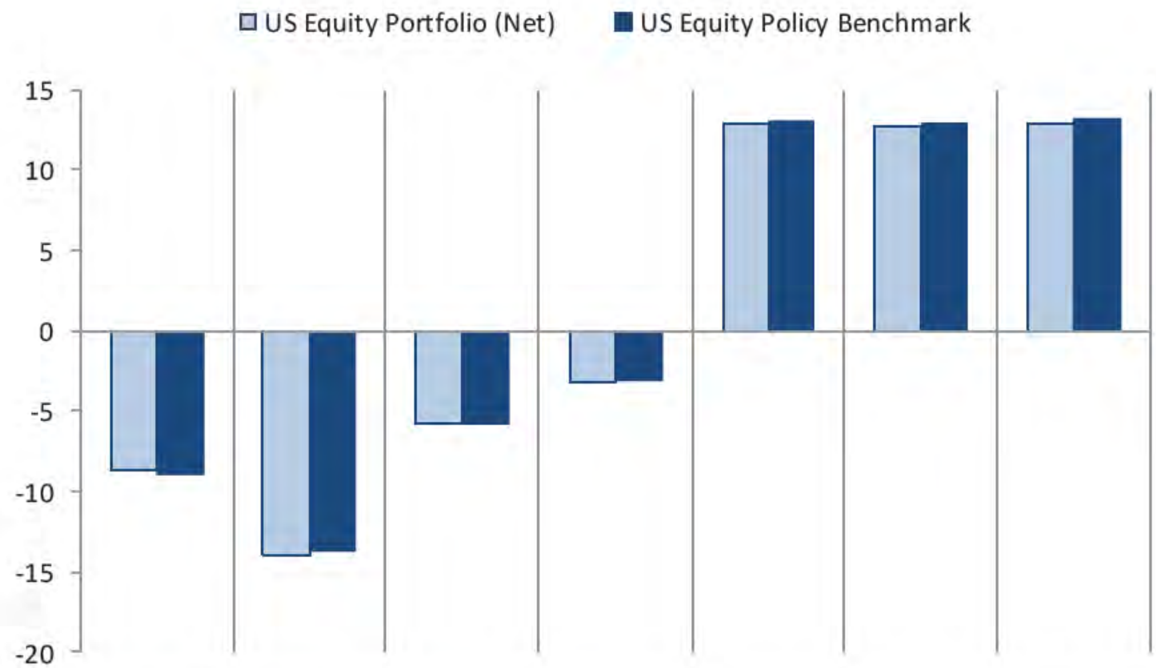


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	(7.58)	(13.33)	(8.93)	(6.48)	10.18	9.93	10.06
Global Equities (Net)	(7.60)	(13.43)	(9.16)	(6.76)	9.86	9.60	9.71
Global Equity Benchmark	(7.74)	(12.69)	(8.97)	(6.47)	8.86	9.08	9.35
MSCI ACWI	(7.97)	(12.81)	(7.79)	(5.04)	9.93	10.00	9.78
Value Added (Net of Fee)	0.14	(0.74)	(0.19)	(0.29)	1.00	0.52	0.35

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)	(8.68)	(13.87)	(5.59)	(3.04)	13.05	12.94	13.26
US Equity Portfolio (Net)	(8.69)	(13.92)	(5.71)	(3.19)	12.86	12.72	12.98
US Equity Policy Benchmark	(8.97)	(13.78)	(5.88)	(3.11)	13.11	13.01	13.29
Value Added (Net of Fee)	0.28	(0.14)	0.17	(0.08)	(0.25)	(0.29)	(0.31)

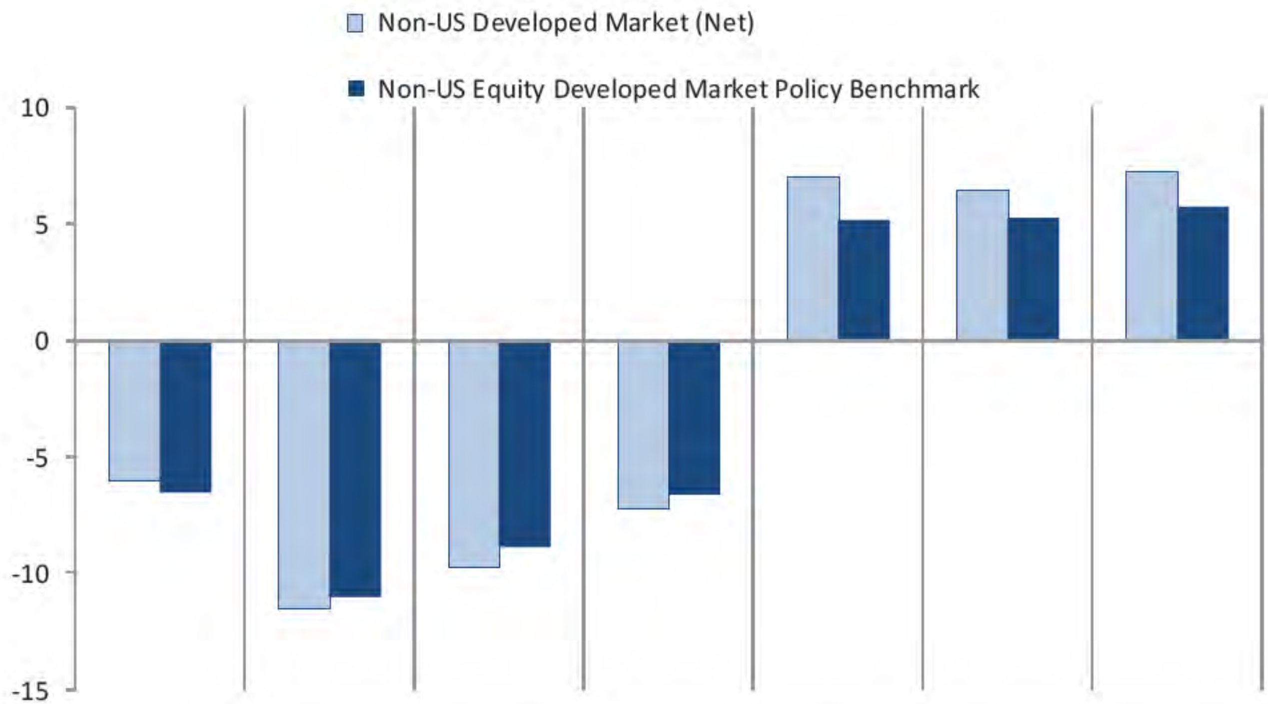
Source: BNY Mellon GRS

Non-US Equity Developed Market Performance

Current Benchmark:

MSCI World Ex United States Index

(Net dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Non-US Developed Market (Gross)	(5.97)	(11.37)	(9.45)	(6.92)	7.37	6.79	7.61
Non-US Developed Market (Net)	(6.00)	(11.54)	(9.76)	(7.29)	7.02	6.45	7.27
Non-US Equity Developed Market Policy Benchmark	(6.57)	(11.06)	(8.87)	(6.66)	5.14	5.25	5.72
Value Added (Net of Fee)	0.57	(0.48)	(0.89)	(0.63)	1.88	1.20	1.55

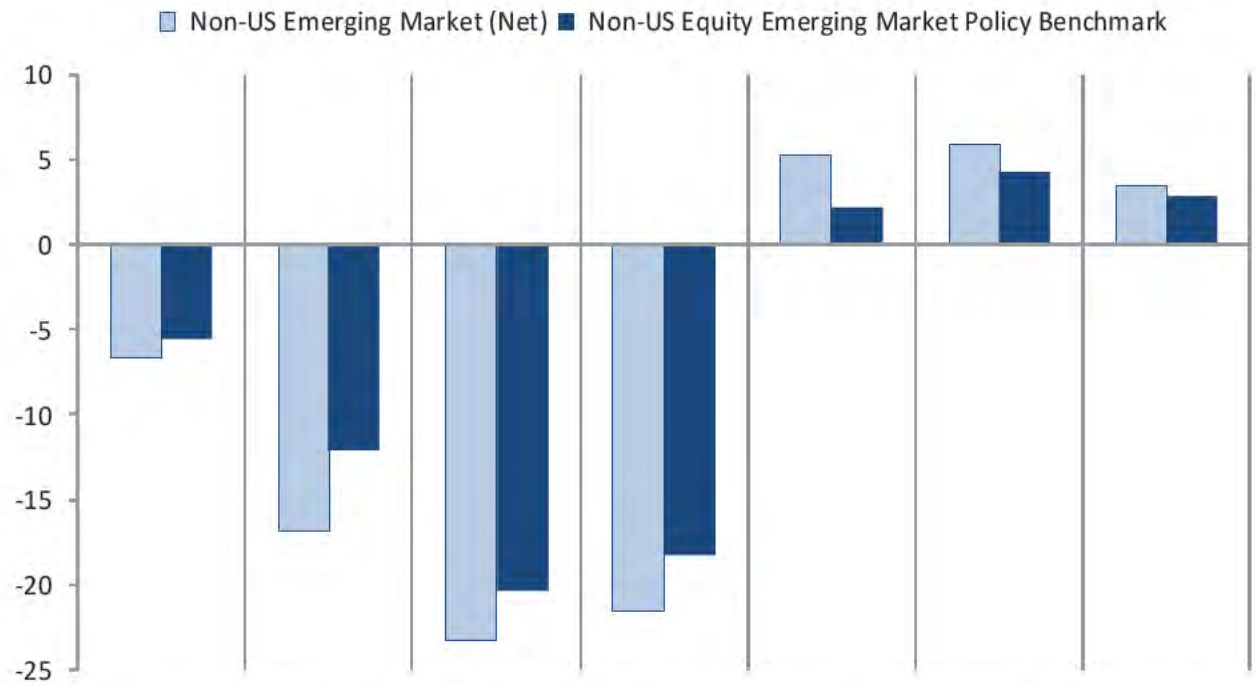
Source: BNY Mellon GRS

Non-US Equity Emerging Market Performance

Current Benchmark:

MSCI Emerging Markets Index

(Net dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Non-US Emerging Market (Gross)	(6.64)	(16.62)	(22.80)	(21.03)	6.10	6.79	4.16
Non-US Emerging Market (Net)	(6.71)	(16.85)	(23.31)	(21.66)	5.27	5.96	3.38
Non-US Equity Emerging Market Policy Benchmark	(5.56)	(12.15)	(20.32)	(18.33)	2.24	4.32	2.89
Value Added (Net of Fee)	(1.15)	(4.70)	(3.00)	(3.33)	3.03	1.64	0.49

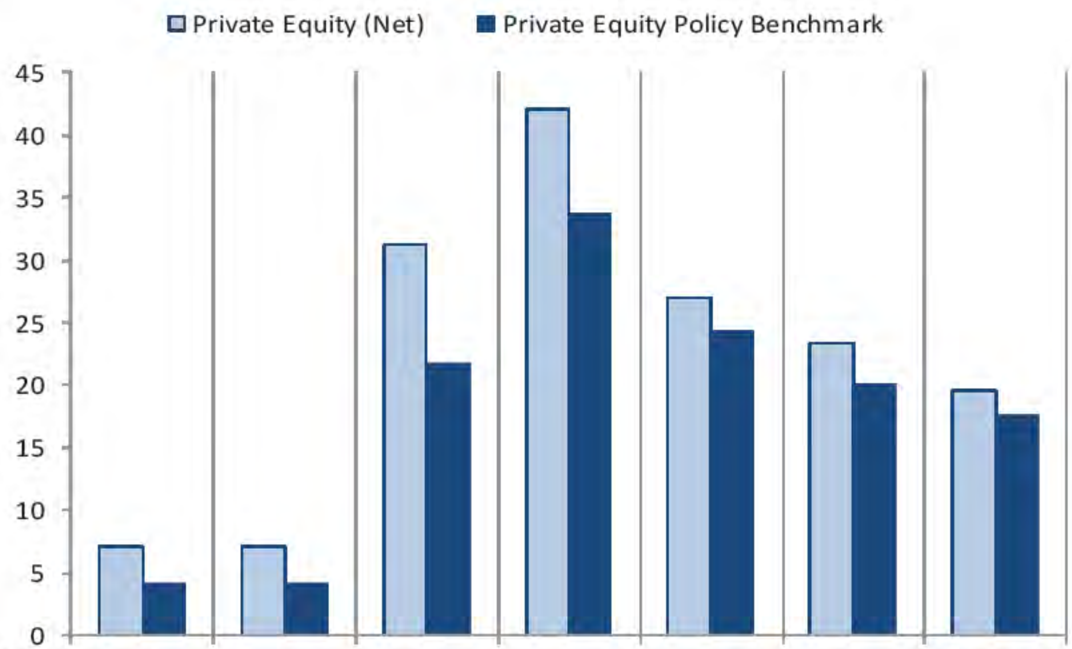
Source: BNY Mellon GRS

Global Private Equity Performance

Results as of: 03/31/2021

Current Benchmark:

Burgiss All Private Equity Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	7.29	7.29	32.70	44.53	28.80	25.10	21.28
Private Equity (Net)	6.99	6.99	31.30	42.12	26.94	23.37	19.56
Private Equity Policy Benchmark	4.22	4.22	21.79	33.82	24.37	20.08	17.60
Value Added (Net of Fee)	2.77	2.77	9.51	8.30	2.56	3.29	1.96

Source: BNY Mellon GRS

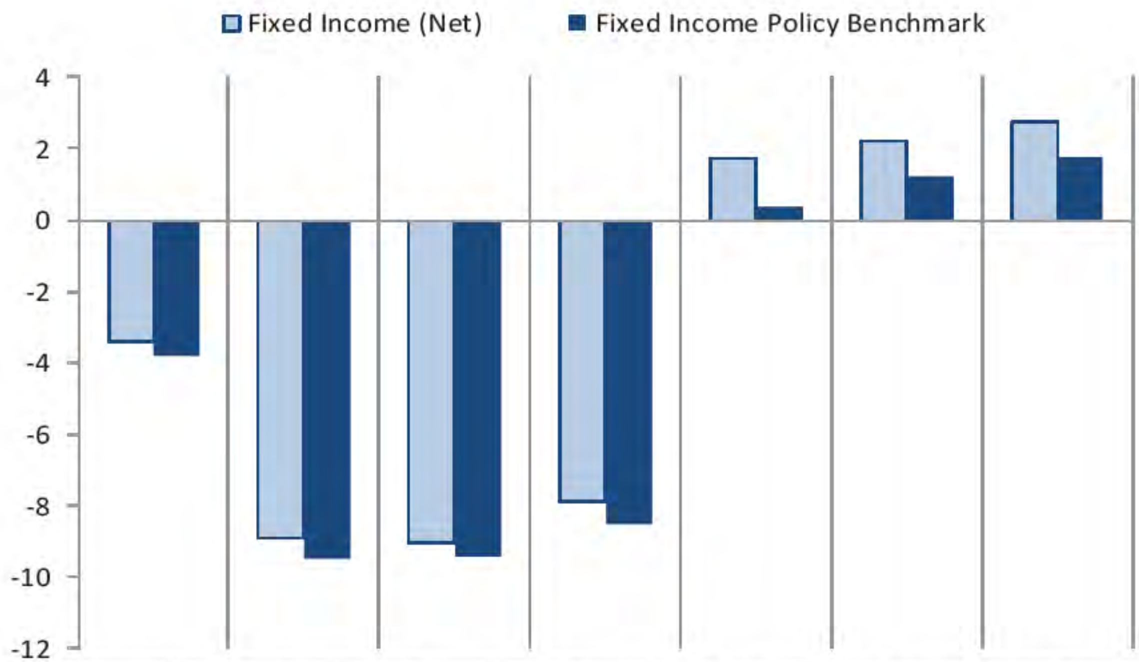
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Private Equity performance is reported one quarter in arrears.

Global Fixed Income Performance

Current Benchmark:

Bloomberg Aggregate Bond Index



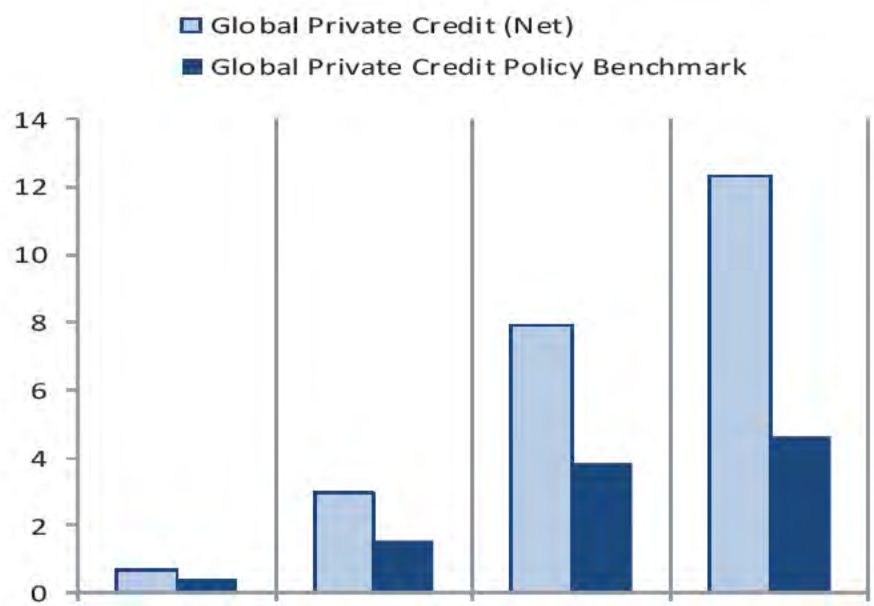
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(3.42)	(8.85)	(8.83)	(7.66)	2.00	2.44	2.97
Fixed Income (Net)	(3.44)	(8.93)	(9.05)	(7.93)	1.75	2.20	2.73
Fixed Income Policy Benchmark	(3.79)	(9.50)	(9.45)	(8.51)	0.38	1.20	1.73
Value Added (Net of Fee)	0.35	0.58	0.40	0.58	1.38	1.00	1.00

Source: BNY Mellon GRS

Global Private Credit Performance

Current Benchmark:

90 Day T-Bill + 4.5%



	1 Month	CYTD	FYTD	1 Year
Global Private Credit (Gross)	0.62	3.14	8.76	13.94
Global Private Credit (Net)	0.67	2.96	7.89	12.34
Global Private Credit Policy Benchmark	0.40	1.53	3.85	4.64
Value Added (Net of Fee)	0.27	1.44	4.04	7.69

Source: BNY Mellon GRS

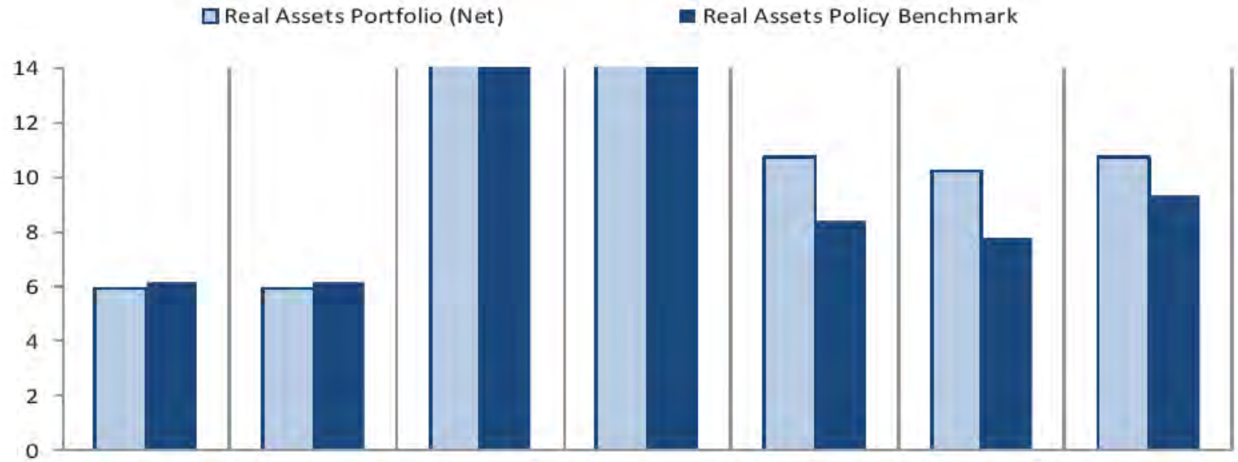
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Assets Performance

Results as of: 03/31/2022

Current Benchmark:

NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	6.15	6.15	19.01	23.78	11.63	11.26	11.85
Real Assets Portfolio (Net)	5.93	5.93	18.11	22.51	10.73	10.25	10.76
Real Assets Policy Benchmark	6.15	6.15	15.71	17.70	8.37	7.75	9.32
Real Assets Value Added (NOF)	(0.22)	(0.22)	2.40	4.81	2.36	2.50	1.44
Real Assets Core (Net)	8.83	9.03	24.24	27.72	12.47	11.23	11.76
Real Assets Policy Benchmark	6.15	6.15	15.71	17.70	8.37	7.75	9.32
Real Assets Core Value Added (NOF)	2.68	2.88	8.53	10.02	4.10	3.48	2.44
Real Assets Non-Core (Net)	4.06	4.06	17.10	18.82	9.26	9.24	10.45
Real Assets Policy Benchmark	6.15	6.15	15.71	17.70	8.37	7.75	9.32
Real Assets Non-Core Value Added (NOF)	(2.09)	(2.09)	1.39	1.12	0.89	1.49	1.13
Real Assets Infrastructure (Net)	1.57	1.57	7.76	14.57	9.83	12.07	n/a
Real Assets Policy Benchmark	6.15	6.15	15.71	17.70	8.37	7.75	n/a
Real Assets Infrastructure Value Added (NOF)	(4.58)	(4.58)	(7.95)	(3.13)	1.46	4.32	n/a

Source: BNY Mellon GRS

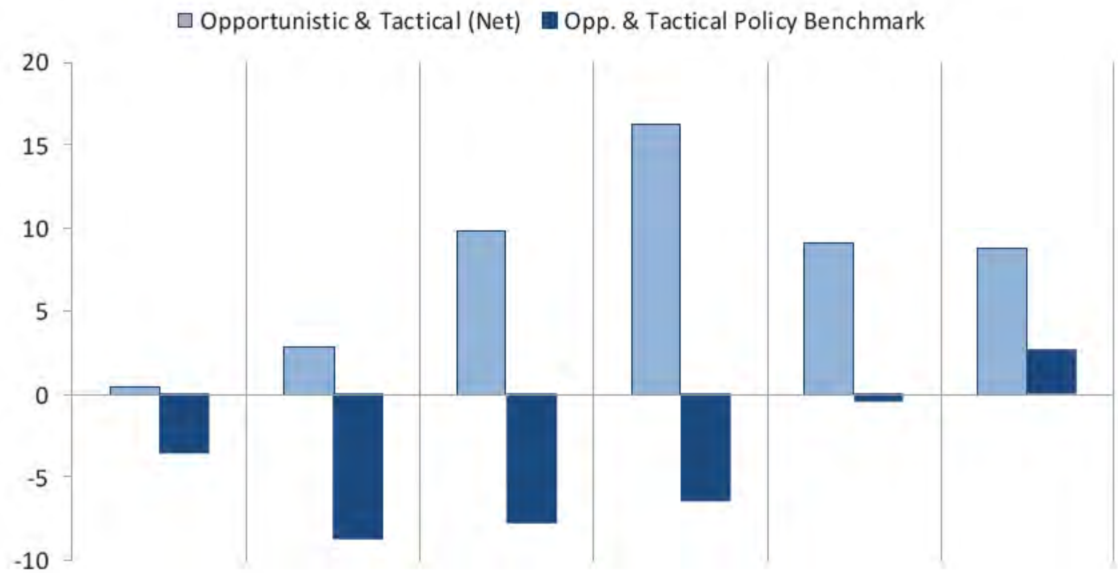
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Assets performance is reported one quarter in arrears.

Opportunistic & Tactical Performance

Current Benchmark:

Bloomberg Aggregate Bond Index + 2%



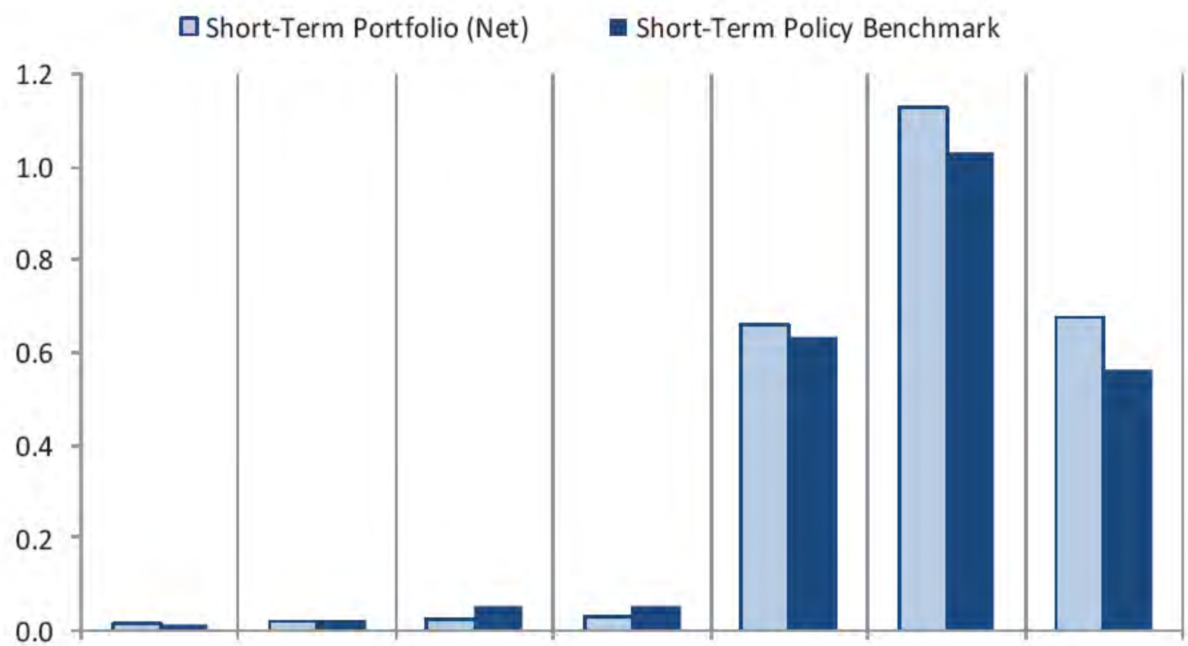
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Opportunistic & Tactical (Gross)	0.45	3.16	10.82	17.64	10.60	10.31
Opportunistic & Tactical (Net)	0.45	2.87	9.84	16.18	9.14	8.80
Opp. & Tactical Policy Benchmark	(3.55)	(8.73)	(7.76)	(6.51)	(0.46)	2.72
Value Added (Net of Fee)	4.00	11.61	17.59	22.70	9.60	6.08

Source: BNY Mellon GRS

Short-Term Performance

Current Benchmark:

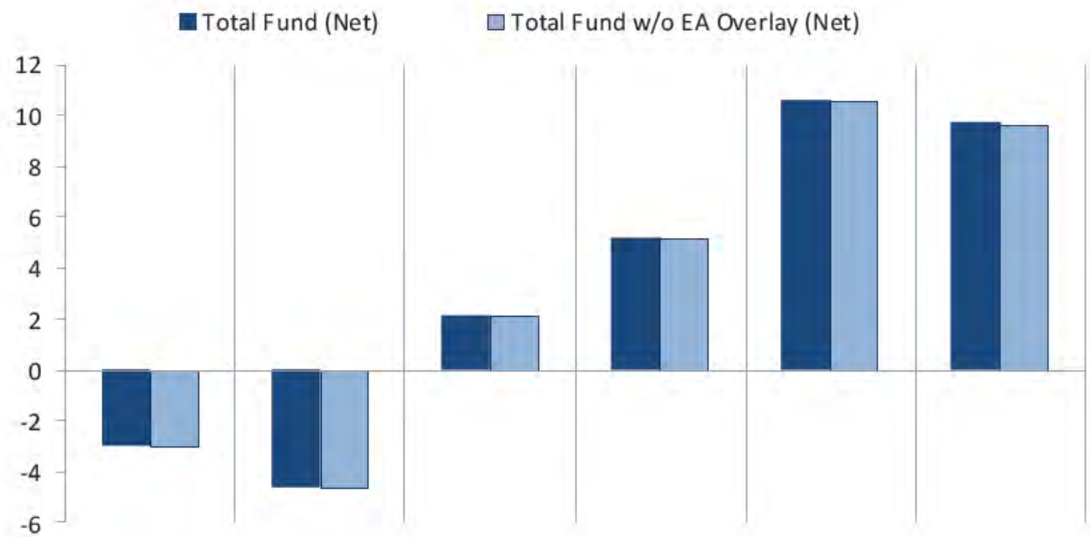
Citigroup 30 Day Treasury Bill Index



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.01	0.02	0.03	0.03	0.66	1.13	0.67
Short-Term Portfolio (Net)	0.01	0.02	0.03	0.03	0.66	1.13	0.67
Short-Term Policy Benchmark	0.01	0.03	0.05	0.06	0.63	1.03	0.56
Value Added (Net of Fee)	0.00	(0.00)	(0.03)	(0.02)	0.03	0.10	0.12

Source: BNY Mellon GRS

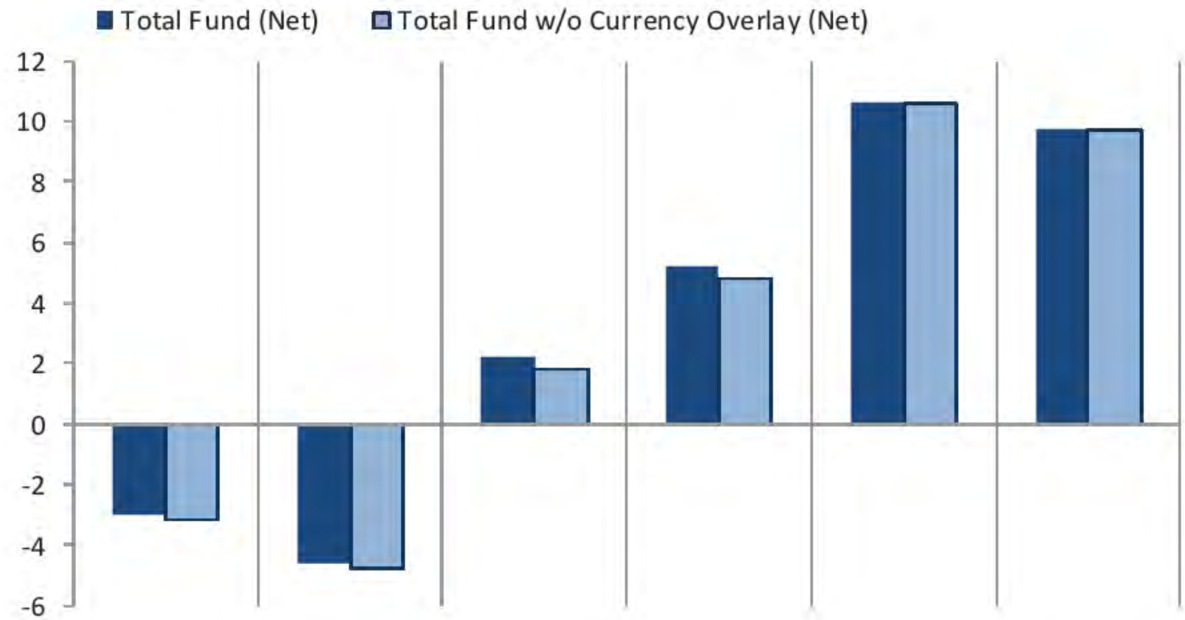
Enhanced Asset Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	(2.97)	(4.42)	2.67	5.89	11.26	10.40
Total Fund w/o EA Overlay (Gross)	(2.97)	(4.49)	2.57	5.78	11.18	10.32
Total Fund (Net)	(2.98)	(4.57)	2.18	5.24	10.63	9.74
Total Fund w/o EA Overlay (Net)	(2.98)	(4.64)	2.10	5.14	10.55	9.67
EA Overlay Impact (Net of Fee)	0.00	0.07	0.08	0.10	0.07	0.06

Source: BNY Mellon GRS

Currency Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	(2.97)	(4.42)	2.67	5.89	11.26	10.40
Total Fund w/o Currency Overlay (Gross)	(3.20)	(4.65)	2.30	5.45	11.23	10.36
Total Fund (Net)	(2.98)	(4.57)	2.18	5.24	10.63	9.74
Total Fund w/o Currency Overlay (Net)	(3.21)	(4.79)	1.81	4.80	10.61	9.71
Currency Overlay Impact (Net of Fee)	0.23	0.22	0.37	0.44	0.02	0.03

Source: BNY Mellon GRS

Proposed Investment Agenda – Next Meeting

- Investment Report (period ending May 31, 2022)

School Employees Retirement System

Memo

To: Retirement Board

From: Chris Collins

cc: Richard Stensrud, Karen Roggenkamp

Date: June 3, 2022

Re: **Federal Legislative Report**

OVERVIEW

School shooting response

President Biden renewed calls for Congress to 'stand up' to gun lobby after the Robb Elementary school shooting on May 24h where a gunman's rampage killed 19 children and two teachers. Senate Minority Leader Mitch McConnell (R-KY) said he wants Republican senators like Texas' John Cornyn to work with Democrats to find common ground on a legislative response to the shooting. But years of disagreements on gun violence solutions in the aftermath of deadly shootings across the country have led to no major reforms on the matter.

Sen. Joe Manchin (D-WV) has been the lead Democratic sponsor of a firearm purchase background check measure with Sen. Patrick J. Toomey (R-PA) that has been perhaps the closest to Senate passage in recent memory. But it only got to 54 votes in 2013, well short of the 60 needed to break a legislative filibuster.

Sen. Christopher S. Murphy (D-CT) told reporters he continued to be open to compromise legislation. But Murphy said he was not interested in a discussion that focused only on the mental health aspects of the debate over firearms. The House voted 227-203 in March 2021 to pass legislation, H.R. 8, which would expand background checks for gun sales. In December, in the wake of a school shooting in Michigan, Murphy asked for unanimous consent for the Senate to vote on the bill. Sen. Charles E. Grassley (R-IA) objected, and pointed to the Republican version of legislation on background checks, a version of which previously did not pass the Senate in 2013.

Reconciliation Update

Senate Majority Leader Chuck Schumer (D-NY) and Sen. Joe Manchin (D-WV) have been negotiating the terms of a new reconciliation package to replace the Build Back Better Act. Manchin announced back in December 2021 that he could not support the Build Back Better Act, a key pillar of President Biden's economic and social agenda. Senate Democrats were hoping for a deal to be reached on reconciliation package by Memorial Day. While talks have continued, no notable progress has been made yet and Manchin has indicated that negotiations would continue into June.

Manchin has stated that he would like to see the bill combat inflation, drug pricing, and provide funding for climate provisions. Democrats in Congress and the Administration have urged the passage of a new reconciliation package to advance Biden's climate agenda. Department of Energy Secretary Jennifer Granholm stated that tax credits are needed to charter the transition to clean energy as outlined the Bipartisan Infrastructure Law.

Manchin has been working on a separate energy package with Senate Republicans, including Lisa Murkowski (R-AK) and Kevin Cramer (R-ND). The package would focus on tax credits for clean energy sources, including wind, solar, carbon capture, and batteries. Additional focus would include reform of federal oil and gas leasing, and reduction of American dependence on foreign energy.

January 6th committee update
The House select committee investigating the Jan. 6, 2021, attack on the Capitol will have a list of subpoenas that it may never get to fully enforce before it moves forward with a series of public hearings in the next few weeks.

The committee intends to showcase what it uncovered in months of work on the events surrounding the attack, such as the more than 1,000 interviews it has conducted and thousands of documents it received from even recalcitrant witnesses. Yet the slow pace at which committees can enforce congressional oversight means some major players and key records remain out of reach, which appears to include testimony from House Minority Leader Kevin McCarthy and four other Republicans who received subpoenas nearly three weeks ago.

Experts say any effort to use the court system to force those members to testify may drag on after the committee's planned public airings of findings. The committee is "at the mercy of the congressional calendar" with midterm elections looming, according to Molly Reynolds, a senior fellow at the Brookings Institution who studies Congress and House oversight efforts.

FEDERAL APPROPRIATIONS
The House will begin its markup of appropriations for FY23 soon. House appropriators, including Chairwoman Rosa DeLauro (D-CT) and Ranking Member Kay Granger (R-TX), plan to begin their markup of the FY23 appropriations bills in June. The duo said they're aiming for votes to begin in July. Senate appropriators have recently confirmed that they aim to mark up all 12 appropriations bills in July. Senate Appropriations Chairman Patrick Leahy (D-VT) and Ranking Member Richard Shelby (R-AL) have both expressed a desire to enact funding prior to the end of the 117th Congress, when both Senators will retire. House and Senate appropriators have already conducted meetings on topline spending figures. Agency heads have been testifying before Congress on their FY23 budget requests, the hearings will continue through June.

RETIREMENT SECURITY
Senate Health, Education, Labor, and Pensions (HELP) Committee Chairwoman Patty Murray (D-WA), and Ranking Member Richard Burr (R-NC), released a discussion draft for the Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg Act, or RISE & SHINE Act that will likely serve as a piece of the Senate's SECURE 2.0 package.

The package builds off provisions in the House-passed SECURE 2.0, as well as the Retirement Improvement and Savings Enhancement Act, or RISE Act, which was introduced in the House in November, and the Retirement Security & Savings Act, reintroduced in May 2021 by Sens. Ben Cardin (D-MD) and Rob Portman (R-OH).

The RISE & SHINE discussion draft outlines a host of provisions included in previously introduced bills including allowing 403(b) plans to participate in multiple employer plans; reducing the requirement for part-time workers to participate in an employer's retirement savings plan to two years of service from three years; permitting employers to offer workplace emergency savings accounts linked to defined contribution plans; and requiring pension plan sponsors to provide participants and retirees with key information when offering lump-sum buyouts.

The draft would also allow employers every three years to automatically re-enroll workers who previously opted out of a retirement plan.

Notably, the draft does not include one of the major provisions featured in the House's SECURE 2.0 bill: requiring 401(k) and 403(b) plans to automatically enroll participants upon becoming eligible.

The HELP Committee plan is to mark-up final legislation in the coming weeks. The Senate Finance Committee is also expected to introduce its own retirement security bill. The two committee bills will likely form the basis of the Senate's SECURE 2.0 package.

SOCIAL SECURITY

Coalition to Preserve Retirement Security board meeting

SERS staff serve on the board of the Coalition to Preserve Retirement Security, which held a meeting via Zoom on May 26th to elect officers for 2022-2023 and receive an update from administrator Tom Lussier on any legislative action around mandatory coverage, Social Security reform, and WEP/GPO.

STRS Ohio Government Relations Officer Marla Bump was elected president of CPRS and Jeannine Marko Raymond of NASRA was elected Vice President. Ron Baker of Colorado PERA will continue as secretary.

As he did at the March Annual meeting of CPRS, Tom Lussier indicated that all is quiet currently on the mandatory coverage front legislatively. Although efforts continue to educate members of Congress and their staff about the issues of public employees in non-covered states.

He also indicated that there remains no movement on current efforts to repeal or reform the Windfall Elimination Provision (WEP). Full repeal legislation for both WEP and the Government Pension Offset remain stalled and there has been no movement by either Ways and Means chairman Richard Neal (D-MA) or Ranking Member Kevin Brady (R-TX) to resolve the differences between their two WEP reform bills. Although slim hope remains that there is an opportunity for compromise before the end of the congressional session as Congressman Brady is heading toward retirement. CPRS will continue to monitor the situation and keep members posted of any changes.

Social Security COLA

While the final Social Security cost of living adjustment won’t be known for several months, the latest Consumer Price Index data suggests that next year’s COLA is approaching double digits.

According to an update by The Senior Citizens League (TSCL) based on the April CPI data released May 11, the annual COLA for 2023 could be around 8.6%—which would be the highest since 1981. That’s an upward revision from an estimate the group released in March, when it predicted that the 2023 COLA could be as high as 7.6%. The final COLA for 2022 was 5.9%, which was a 40-year high.

Of course, depending on whether the Federal Reserve is successful in its attempts to crack down on inflation, this estimate will likely change over the course of the year before the final COLA is announced in October 2022.

SECURITIES AND EXCHANGE COMMISSION

The SEC May 25 proposed two new rules that would give investors more clarity about investment funds that take environmental, social and governance (ESG) factors into account. The first proposed amendment focuses on the “Names Rule,” which requires that registered investment companies with particular investment types, industries, or geographies, or with tax-exempt status, must invest at least 80% of the value of their assets consistent with their names. The Names Rule was last updated in 2001.

The other proposed rule would ramp up the required disclosures for investment advisors and funds that advertise that they take ESG factors into consideration when making investment decisions. The SEC will be accepting comments on both rules in the coming months.

HEALTH CARE

Prescription drug cost reform

Representative Susan Wild (D-PA) and 19 other frontline House Democrats sent a letter to Senate Majority Leader Chuck Schumer (D-NY) and Senate Finance Committee Chairman Ron Wyden (D-OR) calling on them to include prescription drug pricing reform provisions in a reconciliation bill. Specifically, the members requested that the bill include reforms passed by the House last fall related to limiting the cost of insulin at $35 per month, capping out of pocket costs for seniors in Medicare Part D at $2,000 per year, penalizing drug corporations that raise prices faster than the rate of inflation, and, lastly, granting Medicare the authority to negotiate the prices of certain drugs. Though negotiations over reconciliation legislative have been ongoing for more than six months, there is skepticism a package of any kind will ultimately come to fruition.

Senators Chuck Grassley (R-IA) and Maria Cantwell (D-WA) introduced the Pharmacy Benefit Manager Transparency Act of 2022 which aims to increase drug pricing transparency. The legislation would ban unfair pricing schemes, provide exceptions to liability for PBMs that pass along 100 percent of rebates to health plans or payers and fully disclose prescription drug rebates, costs, prices, reimbursements, fees and other information, and require pharmacy benefit managers (PBMs) to report how much money they make through spread pricing and pharmacy fees to the Federal Trade Commission (FTC).

Medicare Part B premiums

The Centers for Medicare & Medicaid Services (CMS) released a report that recommends cost savings from lower-than-expected Medicare Part B spending be passed along to people with Medicare Part B coverage in the calculation of the 2023 Part B premium. In November 2021, CMS announced that the Part B standard monthly premium increased from $148.50 in 2021 to $170.10 in 2022. Earlier this year, Department of Health and Human Services (HHS) Secretary Xavier Becerra instructed CMS to reassess the 2022 Part B premium amount in response to a price reduction for Aduhelm, a drug for use in treating Alzheimer's disease. Given the information available today, it is expected that the 2023 premium will be lower than 2022. The final determination will be made later this fall.

Comments on Pharmacy Benefit Managers

On May 23rd, SERS submitted comments to the Federal Trade Commission request for information on the business practices of Pharmacy Benefit Managers (PBMs) and their impact on the independent pharmacies and consumers. The Public Sector Healthcare Roundtable also submitted their own comments.

In both comment letters it was indicated that PBMs provide public sector retirees with necessary services to lower costs and navigate the complex world of prescription drug pricing. But that we remain concerned about high drug costs and urged the FTC to examine anti-competitive practices of large drug manufacturers to ensure we can continue to provide drug coverage that keeps retirees' out-of-pocket costs low.

FEDERAL LEGISLATION BOARD REPORT
117th United States Congress
(Prepared by Chris Collins as of June 3, 2022)

H.R.82

SPONSOR: Rep. Rodney Davis (R-IL)
LAST ACTIONS: House - 01/04/2021 Referred to the Subcommittee on Social Security.
CAPTION: Social Security Fairness Act of 2021

COMMENT: Repeals the GPO and WEP. 276 co-sponsors; seven Ohioans

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H.R.328

SPONSOR: Rep. Peter DeFazio (D-OR)
LAST ACTION: House - 01/15/2021 Referred to the House Committee on Ways and Means.
CAPTION: To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

COMMENT: 28 co-sponsors; one Ohioan

H.R.1319

SPONSOR: Rep. John Yarmuth (D-KY)
LAST ACTIONS: 03/11/2021 Became Public Law No: 117-2.
CAPTION: American Rescue Plan Act of 2021

COMMENT: Provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses.

H.R.2337

SPONSOR: Rep. Richard Neal (D-MA)
LAST ACTIONS: House - 04/01/2021 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 noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 187 cosponsors; three Ohioans

S.1302

SPONSOR: Sen. Sherrod Brown (D-OH)
LAST ACTIONS: Senate - 04/22/2021 Read twice and referred to the Committee on Finance.
CAPTION: A bill to amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

COMMENT: 39 cosponsors

H.R.3

SPONSOR: Rep. Frank Pallone (D-NJ)
LAST ACTIONS: House - 04/27/2021 Referred to the Subcommittee on Oversight and Investigations
CAPTION: Elijah E. Cummings Lower Drug Costs Now Act

COMMENT: 88 cosponsors; three Ohioans

H.R.5376

SPONSOR: Rep. John Yarmuth (D-KY)
LAST ACTIONS: House - 11/19/2021 Motion to reconsider laid on the table.
CAPTION: Build Back Better Act

COMMENT: This bill provides funding, establishes programs, and otherwise modifies provisions relating to a broad array of areas, including education, labor, child care, health care, taxes, immigration, and the environment.

H.R.5834

SPONSOR: Rep. Kevin Brady (R-TX)
LAST ACTIONS: House - 11/03/2021 Referred to the House Committee on Ways and Means
CAPTION: Equal Treatment of Public Servants Act of 2021

COMMENT: 52 cosponsors; four Ohioans

H.R.5723

SPONSOR: Rep. Larson, John B. [D-CT-1]
LAST ACTIONS: House - 10/26/2021 Referred to the Committee on Ways and Means, and in addition to the Committees on Education and Labor, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned
CAPTION: Social Security 2100: A Sacred Trust

COMMENT: 202 cosponsors; four Ohioans

STATE LEGISLATION BOARD REPORT
(Prepared by Chris Collins as of June 3, 2022)

134th General Assembly

HB110 OPERATING BUDGET Scott Oelslager (R- North Canton) To make operating appropriations for the biennium beginning July 1, 2021, and ending June 30, 2023, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 07/01/2021 SIGNED BY GOVERNOR; effective 7/1/21

HB14 REGARDS STATE RETIREMENT SYSTEM 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: 02/04/2021 Referred to Financial Institutions Committee

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SB233 SCHOOL NURSE LICENSURE, RETIREMENT Louis Blessing III (R - Cincinnati) Regarding licensure and state retirement system membership for school nurses.

Current Status: 02/15/2022 Senate Primary and Secondary Education, (Second Hearing)

HB416 AUTO-ENROLLMENT RETIREMENT PROGRAM FOR PRIVATE EMPLOYEES Juanita Brent, (D – Cleveland) Stephanie Howse (D – Cleveland) To establish an auto-enrollment retirement savings program for private sector employees.

Current Status: 10/27/2021 House Insurance, (First Hearing)

HB499 ALLOW ELECTED OPERS/SERS RECIPIENTS TO RECEIVE BENEFITS (Miller, A) - 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: 6/1/2022 Third Hearing, All Testimony, SUBSTITUTE BILL

HB512 POLICE, FIRE PENSION FUND (Abrams, C; Baldridge, B) - To increase employer contributions to the Ohio Police and Fire Pension Fund.

Current Status: 03/30/2022 House Insurance, (Second Hearing)

HB539 STATE RETIREMENT SYSTEMS - PUBLIC BROADCAST (Kelly, B; Ghanbari, H) - To require the state retirement systems to publicly broadcast board meetings.

Current Status: 02/15/2022 Referred to Insurance Committee

HB540 STATE RETIREMENT SYSTEMS – FINANCIAL INFORMATION (Kelly, B; Ghanbari, H) - To require the state retirement system boards to disclose certain financial information regarding alternative investments.

Current Status: 5/25/2022 - House Insurance, (First Hearing)

HB541 STATE RETIREMENT SYSTEMS – FORMER EMPLOYEES (Kelly, B; Ghanbari, H) - Regarding the prohibition against the state retirement systems doing business with a former state retirement system employee, officer, or board member.

Current Status: 5/25/2022 - House Insurance, (First Hearing)

HB601 STRS COST-OF-LIVING ADJUSTMENTS (Lightbody, M; Miller, A) - Regarding increasing contributions for employers to the State Teachers Retirement System and School Employees Retirement System, establishing minimum amounts for certain STRS cost-of-living adjustments, and eliminating an age-related eligibility criterion for retirement in STRS.

Current Status**:** 04/06/2022 House Insurance, (First Hearing)

SB308 DIVESTMENT, RESTRICTIONS-RUSSIA (Antani, N) - To prohibit state and local governments from investing in, granting incentives to, or contracting with Russia or companies based in Russia, to require Ohio's pension and other investment funds to divest from any such holdings, and to declare an emergency.

Current Status**:** 03/16/2022 Referred to General Government Budget Committee

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SB347 SERS CONTRIBUTION BENEFIT CAP (Schuring, K; Hottinger, J) - To establish a contribution based benefit cap in calculating a School Employees Retirement System member's retirement benefit.

Current Status: 05/31/2022 Referred to Insurance Committee

SB348 SERS MEMBERSHIP DETERMINATION PROCEDURE (Reineke, W) To establish a School Employees Retirement System membership determination procedure and to limit the amount that the retirement system can charge for late contributions.

Current Status: 05/31/2022 Introduced

School Employees Retirement System of Ohio

Summary of administrative operation expenses during the period May **1, 2022-May 31, 2022**.

Actuals

May-2022

Account	**Amount**
Salaries & Wages	1,097,576.85
Salaries & Wages- Overtime	3,458.95
Vacation Leave Expense	92,740.61
Sick Leave Expense	36,219.12
Employer Contributions- PERS	164,687.73
Group Life	9,245.22
Long Term Disability	3,172.16
Short Term Disability	2,527.48
Group Health Claims	361,962.58
Group Health- Admin Fees	7,476.43
Prescription Claims	96,274.91
Group Health- Stop Loss Admin	16,198.00
Vision Claims	2,558.99
Vision Admin Fees	124.56
Group Health- Employee Cost	(29,720.42)
Group Health- Wellness Incentive	3,800.00
Group Health- Tobacco Premiums	(815.71)
Medicare Premium- Employer	16,594.10

Deferred Compensation Match	4,920.00
Actuarial Services	31,424.50
Audit	22,680.00
Custodial Fees	86,130.99
Custodial Banking	13,959.64
Master Recordkeeper Fees	75,381.70
Investment Advisory Fees	54,166.67
Performance/ Analytics Fee	37,151.66
Bloomberg Terminal Rentals	13,605.00
Medical Consultant	3,750.00
Special Counsel	40,463.00
Technical	59,096.30
Other Professional Services	4,069.33
Postage	2,118.84
Telecommunications Services	13,821.53
Member/Employer Education	(254.16)
Printing Paper	4,618.85
Printing Supplies	194.57
Hardware Maintenance	11,421.84
Software Maintenance	80,316.99
Software Subscriptions	100,713.80
Hardware < $5,000	44,737.09
Equipment Repairs & Maintenance	5,897.74
Office Supplies & Expenses	396.99
Records Storage	1,380.05
Seminars & Conferences	9,573.00

Travel & Transportation	14,429.36
Subscriptions	527.98
Memberships	5,675.00
Operations Maintenance	2,628.44
Interior Landscaping	1,356.37
Vehicle Expense	14.00
Staff Support	5,931.78
Recruiting Expense	1,630.99
Board Member- School Board Reimb.	452.32
Administrative Banking Fees	250.00
Reimbursement of Leased Svcs.	(25,416.67)
Computer Hardware > $5,000	54,180.75
Total Administrative Expenses	2,667,477.80

School Employees Retirement System of Ohio
REVIEW OF ADMINISTRATIVE EXPENSES
22-May

Expense Account	Vendor		Amount
53100 - Salaries & Wages	ADP, LLC		1,097,576.85
		Subtotal	1,097,576.85
53110 - Salaries & Wages - Overtime	ADP, LLC		3,458.95
		Subtotal	3,458.95
53111 - Vacation Leave Expense	ADP, LLC		92,740.61
		Subtotal	92,740.61
53112 - Sick Leave Expense	ADP, LLC		36,219.12
		Subtotal	36,219.12
53200 - Employer Contributions - PERS	Ohio Public Emp. Retirement System		164,688.09
	Ohio Public Emp. Retirement System		(0.36)
		Subtotal	164,687.73
53300 - Group Life	American United Life Insurance Company		9,245.22
		Subtotal	9,245.22
53310 - Long Term Disability	American United Life Insurance Company		3,172.16
		Subtotal	3,172.16
53315 - Short Term Disability	American United Life Insurance Company		2,527.48
		Subtotal	2,527.48
53320 - Group Health Claims	Aetna Daily Wires - ESERS		357,803.15
	SaveonSP, LLC		4,159.43
		Subtotal	361,962.58
53321 - Group Health - Admin Fees	Aetna Admin - ESERS		7,476.43
		Subtotal	7,476.43
53322 - Prescription Claims	Express Scripts - ESERS		96,274.91
		Subtotal	96,274.91
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS		16,198.00
		Subtotal	16,198.00
53326 - Vision Claims	VSP - (OH)		2,558.99
		Subtotal	2,558.99
53327 - Vision Admin Fees	VSP - (OH)		124.56
		Subtotal	124.56
53330 - Group Health - Employee Cost	Employee Premiums		(29,720.42)
		Subtotal	(29,720.42)
53331 - Group Health - Wellness Incentive	ADP, LLC		3,800.00
		Subtotal	3,800.00
53332 - Group Health - Tobacco Premiums	ADP, LLC		(815.71)
		Subtotal	(815.71)
53340 - Medicare Premium - Employer	ADP, LLC		16,594.10
		Subtotal	16,594.10
53380 - Deferred Compensation Match	ADP, LLC		4,920.00
		Subtotal	4,920.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC		12,000.00
	Cavanaugh MacDonald Consulting, LLC		19,424.50
		Subtotal	31,424.50
54200 - Audit	Crowe LLP		22,680.00
		Subtotal	22,680.00

Expense Account	Vendor		Amount
54310 - Custodial Fees	BNY Mellon Asset Servicing/ Fifth Third Bank		86,130.99
		Subtotal	86,130.99
54320 - Custodial Banking	Treasurer of State - Warrants		482.58
	Huntington National Bank		13,477.06
		Subtotal	13,959.64
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing		75,381.70
		Subtotal	75,381.70
54420 - Investment Advisory Fees	Wilshire/ Aksia		54,166.67
		Subtotal	54,166.67
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing		34,151.66
	Wilshire Advisors, LLC		3,000.00
		Subtotal	37,151.66
54460 - Bloomberg Terminal Rentals	Bloomberg Finance LP		13,605.00
		Subtotal	13,605.00
54520 - Medical Consultant	Borchers, M.D., Glen G.		3,750.00
		Subtotal	3,750.00
54610 - Special Counsel	Ice Miller LLP		6,903.00
	Frost Brown Todd, LLC		300.00
	Calfee Halter & Griswold LLP		675.00
	Morgan, Lewis & Bockius		32,585.00
		Subtotal	40,463.00
54620 - Technical	Sagitec Solutions, LLC		46,200.00
	LexisNexis Risk Data Management, Inc		2,278.35
	Hyland LLC		687.50
	Sigital, LLC		150.00
	ComResource		4,197.50
	Velosio		866.25
	CGI, Inc.		2,640.00
	Buck Global, LLC		2,076.70
		Subtotal	59,096.30
54630 - Other Professional Services	Wickert, Kimberly		459.00
	Vorys Advisors LLC		3,333.33
	Contoural, Inc.		277.00
		Subtotal	4,069.33
55100 - Postage	Pitney Bowes Inc.		1,528.71
	Columbus Courier & Freight LLC		203.07
	Unishippers Association		387.06
		Subtotal	2,118.84
55200 - Telecommunications Services	Verizon Wireless		405.97
	TBG Conferencing		25.02
	XO Communications		1,756.94
	Nextel Communications		46.47
	AT&T		40.10
	LUMEN		3,743.91
	Spectrum		6,183.62
	Spectrum AWS		1,619.50
		Subtotal	13,821.53
55300 - Member/Employer Education	Employer Conference Fees		(360.00)
	Vaughan, Cameron		105.84
		Subtotal	(254.16)
55400 - Printing Paper	Key Blue Prints, Inc		106.85
	Sterling Paper Company		4,512.00
		Subtotal	4,618.85
55410 - Printing Supplies	Key Blue Prints, Inc		194.57
		Subtotal	194.57
56020 - Hardware Maintenance	Park Place Technologies		11,421.84
		Subtotal	11,421.84
56030 - Software Maintenance	Optiv Security, Inc.		34,972.99
	Sagitec Solutions, LLC		35,000.00
	Velosio		10,344.00
		Subtotal	80,316.99

Expense Account	Vendor		Amount
56035 - Software Subscriptions	ADP, LLC		3,567.68
	KLDiscovery		1,275.00
	Liquid Web Inc		297.24
	CDW-Government, Inc.		14,818.95
	LogMeIn		768.00
	DigiCert, Inc		670.00
	Zoom		477.81
	Citrix Systems Inc		2,121.60
	Wellable LLC		470.60
	LogicManager, Inc.		37,681.80
	Amazon Web Services		483.12
	Workday Inc.		38,082.00
		Subtotal	100,713.80
56040 - Hardware < $5,000	Amazon.com		119.94
	Dell Marketing LP		43,900.00
	B & H Photo Video		717.15
		Subtotal	44,737.09
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc		880.93
	Digital Print Solutions		2,328.58
	Canon Financial Services, Inc		2,191.27
	Key Blue Prints, Inc		185.00
	LD Products Inc.		311.96
		Subtotal	5,897.74
56130 - Office Supplies & Expenses	Meijer		26.84
	Metalcraft, Inc.		370.15
		Subtotal	396.99
56160 - Records Storage	Vital Records Holdings, LLC		1,380.05
		Subtotal	1,380.05
56210 - Seminars & Conferences	Columbus Area Chapter of APA		25.00
	Ohio State University		900.00
	NCPERS		1,800.00
	National Association of Public Pension Attorneys		995.00
	Public Retirement Information Systems Management		1,295.00
	Information Systems Audit and Control Association		995.00
	LogicManager, Inc.		799.00
	HR Certification Institute		169.00
	RainFocus, LLC		2,595.00
		Subtotal	9,573.00
56310 - Travel & Transportation	Kroger		21.11
	Rossler, James		284.64
	Haller, James		362.14
	Phillips, Barbra		358.02
	Baker, Penny		1,072.42
	Majeed, Farouki		2,475.21
	Moss, Catherine		446.64
	Wilson, Daniel L.		296.34
	King, Matt		262.40
	Patel, Jay		1,618.74
	Steiner, Mike		379.96
	Weglarz, Frank		343.14
	Murta, Scott		1,424.71
	Bradley, Susan		1,091.12
	Central Ohio ACFE Chapter		175.00
	Together & Company		480.13
	McLennan, Thomas		1,413.04
	Carrabine, Jeff		1,607.40
	School Employee Retirees of Ohio, Inc.		317.20
		Subtotal	14,429.36

Expense Account	Vendor		Amount
56410 - Subscriptions	Wall Street Journal		46.99
	Constant Contact		195.00
	Shutterstock, Inc.		29.00
	Toledo Blade		12.99
	The Business Journals		115.00
	Harvard Business School Publishing		129.00
		Subtotal	527.98
56420 - Memberships	Ohio Society of CPAs		1,315.00
	National Institute on Retirement Security		3,500.00
	Masri, Judi		385.00
	HRACO		125.00
	CAIA Association		350.00
		Subtotal	5,675.00
56610 - Operations Maintenance	AT&T		246.30
	Amtrec, LLC		1,666.00
	South Central Power Company		659.00
	Northeast Ohio Natural Gas Corp.		57.14
		Subtotal	2,628.44
56630 - Interior Landscaping	Ambius Inc. (05)		1,356.37
		Subtotal	1,356.37
56640 - Vehicle Expense	Moo Moo Car Wash		14.00
		Subtotal	14.00
56620 - Staff Support	Cintas Corporation		562.39
	ADP, LLC		3,487.14
	Panera Bread		98.88
	Premier ProduceOne		262.90
	Amazon.com		325.00
	PayFlex Systems USA, Inc.		343.00
	Matrix Integrated Psychological Services		597.30
	Potbelly Sandwich Works		255.17
		Subtotal	5,931.78
56621 - Recruiting Expense	YourMembership.com		398.00
	Government Finance Officers Association		150.00
	ADP Screening & Selection Services		8.25
	Indeed		579.74
	Wiley		495.00
		Subtotal	1,630.99
56710 - Board Member - School Board Reimb.	Ashland City School District		452.32
		Subtotal	452.32
56810 - Administrative Banking Fees	Fifth Third Bank		250.00
		Subtotal	250.00
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services		(25,416.67)
		Subtotal	(25,416.67)
15140 - Computer Hardware > $5,000	Optiv Security, Inc.		54,180.75
		Subtotal	54,180.75
	Total SERS Administrative Expense		2,667,477.80

School Employees Retirement System of Ohio

Memo

To: Retirement Board

From: Richard Stensrud, Executive Director

CC: Karen Roggenkamp, Deputy Executive Director

Date: June 1, 2022

Re: FY2023 Budget Approval

At the meeting in May, we reviewed the proposed FY2023 Administrative Budgets for SERS, OSERS Holdings, LLC, and the Five-Year Technology Enhancement Budget. At the June meeting, we are requesting approval of these three budgets through separate resolutions, as follows:

1. SERS' **Operating and Capital** budgets for the next fiscal year, totaling $35.9 million.

2. Transfer of funds to **OSERS Holdings, LLC** to cover the net operating expenses of OSERS Broad Street, LLC, in the amount of $2.1 million.

3. **Five-Year Technology Enhancement** Budget of $8.3 million for fiscal years 2023 through 2027 with Technology Committee oversight. Below is a summary of the Technology Enhancement Projects that are planned over the duration of the project, which <u>includes</u> $2.6 million planned for FY2023:

- SMART framework upgrade that provides functionality for mobile devices and other electronic and digital capabilities. The major FY2023 initiative is implementing the MVVM architecture for web applications and browser capabilities with a planned cost of $360 thousand.
- Improvements to Member and Employer Reporting portals and strengthening of security controls. This project will begin in early July with initially $200 thousand allocated, but with continual investments during the five-year period.
- Hybrid work devices and equipment to support the working environment and business continuity. The expected FY2023 amount is $125 thousand.
- Replacement of the end-of-life telecommunications system and Voice over Internet Protocols improvements. We are currently evaluating responses to request for proposal and are budgeting $250 thousand in FY2023.
- Refresh of network and wireless infrastructure, switches, servers, software, patching tools for security, and transition to virtualization host hardware. Continued sustainability of our infrastructure will be a heavy spend area in FY2023 requiring approximately $1.3 million.
- Upgrades to server hardware and backup storage capacity over the five-year period, with $136 thousand allocated in FY 2023.
- Software to support account reconciliations and financial controls for a planned amount of $250 thousand in FY2023.

If you have any questions about the resolutions, please call me at 614.222.5801.

BUDGET RESOLUTION – FY2023 SERS ADMINISTRATIVE BUDGET

_______________ moved and ______________ seconded that the following budget of $35,873,439 for the fiscal year beginning July 1, 2022, and ending June 30, 2023 be approved, with such approval effective June 30, 2022.

Expense Classification	Budget
Personnel ……………………………………………………………………….	$ 24,392,195
Professional Services (including Investment-Related Consultants) …………	6,502,883
Communications ……………………………………………………………….	1,011,873
Other Operating Expenses ………………………………………………………	3,912,379
SERS Administrative Expenses	$ 35,819,330
Administrative Capital ………………………………………………………….	54,109
Administrative Budget	**$ 35,873,439**

Be it further provided that the Board has reviewed the estimated fees and expenses for operation of the investment program and authorizes the payment of actual fees to such service providers and in such amounts as is set by the contract with the individual service providers.

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Barbra Phillips	_______	_______	______
Jeffrey DeLeone	_______	_______	______
James Haller	_______	_______	______
Matthew King	_______	_______	______
Catherine Moss	_______	_______	______
James Rossler	_______	_______	______
Frank Weglarz	_______	_______	______
Daniel Wilson	_______	_______	______
Hugh Garside	_______	_______	______

OPERATING TRANSFER RESOLUTION – FY2023

_______________ moved and ______________ seconded that SERS transfer to OSERS Holdings, LLC up to $2,118,137 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2022, and ending June 30, 2023 be approved, with such approval effective June 30, 2022. OSERS Holdings, LLC shall report quarterly to the SERS Board of Trustees on the expenditure of all funds and receipt of all revenues.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	_______	_______	_______
Hugh Garside	_______	_______	_______
James Haller	_______	_______	_______
Matthew King	_______	_______	_______
Catherine Moss	_______	_______	_______
James Rossler	_______	_______	_______
Frank Weglarz	_______	_______	_______
Daniel Wilson	_______	_______	_______
Barbra Phillips	_______	_______	_______

FIVE YEAR TECHNOLOGY ENHANCEMENT PROJECT RESOLUTION – FY2023 – FY2027

Staff discussed with the Retirement Board the Technology Enhancement Project. The purpose of this project is to deliver a series of well-planned initiatives that will enhance SERS' digital capabilities around SMART, add expanded tools for operational efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, employers, and employees.

Due to the scope of the Project, a five-year budget is recommended.

_______________ moved and ______________ seconded that a five-year $8,283,054 dollar budget for the Technology Enhancement Project be approved for fiscal years 2023 through 2027, with such approval effective June 30, 2022.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	_______	_______	______
Hugh Garside	_______	_______	______
James Haller	_______	_______	______
Matthew King	_______	_______	______
Catherine Moss	_______	_______	______
James Rossler	_______	_______	______
Frank Weglarz	_______	_______	______
Daniel Wilson	_______	_______	______
Barbra Phillips	_______	_______	______

EXECUTIVE SESSION

______________ moved and___________seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee.

IN EXECUTIVE SESSION AT________________A.M./P.M.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	_________	_________	_________
Hugh Garside	_________	_________	_________
James Haller	_________	_________	_________
Matthew King	_________	_________	_________
Catherine Moss	_________	_________	_________
James Rossler	_________	_________	_________
Frank Weglarz	_________	_________	_________
Daniel Wilson	_________	_________	_________
Barbra Phillips	_________	_________	_________

RETURN TO OPEN SESSION AT________________A.M. / P.M.

School Employees
Retirement System
of Ohio

Memo

To: SERS Board

From: Christi Pepe

CC: Richard Stensrud, Executive Director, Karen Roggenkamp, Deputy Director,
Joe Marotta, General Counsel

Date: June 3, 2022

Re: 2023 Health Care Program: Premium and Benefit Changes

This memorandum summarizes the proposed changes to the health care program for 2023.

<u>Medicare Premiums and Benefits</u>
No changes to the Aetna Medicare Advantage premium are proposed. The Medicare prescription drug network will be transitioned to Express Scripts' Medicare Premier Performance Formulary. The in-netowrk primary care physician office visit copay will decrease to $10 from $20. The in-network outpatient short-term rehabilitation benefit copay will decrease to $15 from $20.

<u>Non-Medicare Premiums and Benefits</u>

1. The Aetna Choice POS II premium will remain the same reflecting the flat trend projected by the actuary.
2. The Commercial Non-Medicare plan will be transitioned to Express Scripts' National Preferred Formulary.
3. The AultCare premium will increase by 1%.
4. The Wraparound HRA total annual reimbursement limit will increase to $1,950.

<u>Dental Plan</u>
The SERS dental benefit is offered by Delta Dental. The program is fully supported by member premium and currently, as of June 2022, has 42,575 enrollees. The benefits are not changing for 2023. Dental premiums will remain unchanged for 2023.

Vision Plan
SERS vision coverage is offered by VSP. The program is also fully supported by member premium and as of June 2022 has 33,021 enrollees. Benefits are not changing for 2023. Vision premiums will remain unchanged for 2023.

2023 Premium and Plan Changes

June 16, 2022

Christi Pepe
Director Health Care Services

Agenda

- Medicare Premiums & Benefit Changes
- Non-Medicare Premiums & Benefit Changes
- Wraparound HRA
- Dental and Vision
- Premium Discount Program Changes

Medicare Premiums

- No change to Aetna Medicare premiums
  - o Full premium remains $198
  - o Most frequently paid premium remains $84

Medicare Benefit Changes

	Current Co-Pay	Proposed Co-Pay
Primary Care Office Visit	$20	**$10**
Outpatient Short-Term Rehabilitation (speech, physical, occupational, cardiac, and pulmonary)	$20	**$15**

Non-Medicare Premiums & Benefits

- No change to Aetna Choice premiums
  - o Full premium remains $1,524
  - o Most frequently paid premium remains $333
- AultCare premium increasing by 1%
  - o Full premium to $1,106 from $1,075
  - o Most frequently paid premium is $249
- No benefit changes

Wraparound HRA Benefit

- HRA federal reimbursement limit expanded to $1,950 from $1,800
- $0 premium continues

Dental and Vision Rates

Delta Dental	2022 Premiums	2023 Premiums
Benefit Recipient	$28.25	
Benefit Recipient and one dependent	$56.50	
Benefit Recipient and two or more dependents	$84.98	

VSP Vision	2022 Premiums	2023 Premiums
Benefit Recipient	$6.17	
Benefit Recipient and one dependent	$12.35	
Benefit Recipient and two or more dependents	$14.49	

Premium Discount Program Changes

- Expand eligibility for 25% premium reduction from ≤ 150% Federal Poverty Level (FPL) to ≤175% FPL

- Eligibility for premium discount, once approved, to be continuous without annual re-application

Questions & Resolutions

School Employees Retirement System of Ohio
Serving the People Who Serve Ours Schools®

Approval of 2023 Health Care Premiums and Plan Design Changes

It was moved by ______________________ and seconded by _____________________ to approve the 2023 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2023.

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Jeffrey DeLeone	______	______	______
Hugh Garside	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Barbra Phillips	______	______	______

APPENDIX A
SERS HEALTH CARE 2023 PREMIUMS

Fully Insured Plans		2022	2023		2022	2023		2022	2023
Aetna Medicare PPO Plan	17.5%	$64	$64	**Spouse**			**Children**		
	20%	$68	$68						
	25%	$76	$76	80%	$166	$166	70%	$149	$149
	50%	$117	$117	90%	$182	$182			
	100%	$198	$198	100%	$198	$198			
Aetna Medicare Part B Only	17.5%	$127	$127	**Spouse**			**Children**		
	20%	$140	$140						
	25%	$166	$166	80%	$454	$454	70%	N/A	N/A
	50%	$297	$297	90%	$506	$506			
	100%	$558	$558	100%	$558	$558			
Aultcare PPO	17.5%	$217	$222	**Spouse**			**Children**		
	20%	$243	$249						
	25%	$295	$303	80%	$700	$720	70%	$163	$167
	50%	$555	$571	90%	$783	$805			
	100%	$1,075	$1,106	100%	$866	$891			

Self-Insured Plans		2022	2023		2022	2023		2022	2023
Aetna Choice POS II (non-Medicare)	17.5%	$296	$296	**Spouse**			**Children**		
	20%	$333	$333						
	25%	$407	$407	80%	$989	$989	70%	$296	$296
	50%	$780	$780	90%	$1,108	$1,108			
	100%	$1,524	$1,524	100%	$1,227	$1,227			
Aetna Traditional Choice (Medicare)	17.5%	$166	$166	**Spouse**			**Children**		
	20%	$184	$184						
	25%	$222	$222	80%	$632	$632	70%	$557	$557
	50%	$408	$408	90%	$706	$706			
	100%	$781	$781	100%	$781	$781			

	2022	2023
Aetna Choice POS II Administrative Fee	$25.85	$25.85
Healthscope (Wrap HRA)	$14.00	$14.00

Appendix B
2023 Plan Design Changes

Plan Design Changes Effective 1/1/2023

Wraparound HRA total annual limit will increase to $1,950 from $1,800.

Medicare Part D Plan will transition to Express Scripts Medicare Premier Performance Formulary.

Non-Medicare Commercial Pharmacy Plan will transition to Express Scripts National Preferred Formulary.

Aetna Medicare Advantage in-network PCP office visit copay will decrease to $10 from $20.

Aetna Medicare Advantage in-network outpatient short-term rehabilitation benefit copay will decrease to $15 from $20.

Approval of 2023 Dental and Vision Premiums

It was moved by ______________________ and seconded by _____________________ to approve the 2023 dental and vision premiums as described in Appendix A. The premiums are effective January 1, 2023.

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Jeffrey DeLeone	______	______	______
Hugh Garside	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Barbra Phillips	______	______	______

APPENDIX A
DENTAL AND VISION PREMIUMS

2023 Delta Dental Premium	
Benefit Recipient	**$28.25**
Benefit Recipient and one dependent	**$56.50**
Benefit Recipient and two or more dependents	**$84.98**

2023 VSP Vision Premium	
Benefit Recipient	**$ 6.17**
Benefit Recipient and one dependent	**$12.35**
Benefit Recipient and two or more dependents	**$14.49**

SERS

Memo

To: Retirement Board

From: Christi Pepe

CC: Richard Stensrud, Karen Roggenkamp, Joe Marotta

Date: June 3, 2022

Re: Health Care Premium Discount Program (Safety Net) for 2023

Summary

During the Health Care presentation, you will have before you a resolution to approve the 2023 Health Care Premium Discount Program (Safety Net).

Background

SERS introduced the Safety Net in 2004 as a means of providing health care premium relief to lower income benefit recipients. The premium discount is based on household size and income. Enrollees of the program are granted a 25% reduction of the health care premium. At the inception of the program, eligibility for the program was established using a household income threshold equal to 125% of the federal poverty level. In 2022 the threshold was increased to 150%. The Safety Net Program is brought before the Board for approval annually.

The Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare plan and to "split families" in which only one spouse is enrolled in SERS' Aetna Medicare plan.

Eligibility for the Health Care Premium Discount Program during the 2023 calendar year will be based upon the applicant's qualifying household income for calendar year 2021. Medicare Part B reimbursement is excluded from the definition of qualifying household income. In accordance with discussion at the May 2022 Board meeting, enrollees who are determined eligible based on a manual application will no longer be required to reapply for the program each year, and instead will be presumed eligible in subsequent years.

For the 2023 Plan year, if the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2022 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS. In 2023, a single person will qualify for a premium discount if their income is less than $23,783.

SERS will again automatically enroll SERS health care participants into the Premium Discount Program who have been approved by Medicare for the non-institutionalized Part D low- income subsidy.

<u>2023 HEALTH CARE PREMIUM DISCOUNT PROGRAM (SAFETY NET)</u>

The 2023 Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare Advantage plan and to "split families" in which only one spouse is enrolled in a SERS Medicare Advantage plan.

Eligibility for the Health Care Premium Discount Program during the 2023 calendar year will be based upon the applicant's qualifying household income for calendar year 2021. Medicare Part B reimbursement is excluded from the definition of qualifying household income. Members who are determined eligible by manual application will be presumed to be eligible in subsequent years.

If the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2022 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS.

If the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *more* than 175% of the 2022 federal poverty level for the household size, the applicant may request special consideration. Special consideration will be given to applicants providing written evidence satisfactory to SERS' staff that a material change in the applicant's financial circumstance subsequent to calendar year 2021 has caused the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, to become *less* than or equal to 175% of the 2022 federal poverty level for the household size.

Effective January 1, 2023, SERS health care participants approved by Medicare for the non-institutionalized Part D low-income subsidy program, which has similar household income eligibility requirements to the Premium Discount Program, will be automatically enrolled into the Premium Discount Program.

It was moved by ____________________ and seconded by _______________ to approve the 2023 Health Care Premium Discount Program.

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Jeffrey DeLeone	______	______	______
Hugh Garside	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Barbra Phillips	______	______	______

Only If Needed

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.

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	_______	_______	_______
Hugh Garside	_______	_______	_______
James Haller	_______	_______	_______
Matthew King	_______	_______	_______
Catherine Moss	_______	_______	_______
James Rossler	_______	_______	_______
Frank Weglarz	_______	_______	_______
Daniel Wilson	_______	_______	_______
Barbra Phillips	_______	_______	_______

RETURNED TO OPEN SESSION AT _______________ A.M. / P.M.

EXECUTIVE SESSION

_____________ moved and__________seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

IN EXECUTIVE SESSION AT_______________A.M./P.M.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	_________	_________	_________
Hugh Garside	_________	_________	_________
James Haller	_________	_________	_________
Matthew King	_________	_________	_________
Catherine Moss	_________	_________	_________
James Rossler	_________	_________	_________
Frank Weglarz	_________	_________	_________
Daniel Wilson	_________	_________	_________
Barbra Phillips	_________	_________	_________

RETURN TO OPEN SESSION AT_______________A.M. / P.M.

EXECUTIVE DIRECTOR COMPENSATION

The SERS Compensation Committee recommends that Executive Director Richard Stensrud receive a ___% merit increase in salary effective the first pay date in Fiscal Year 2023. _______ moved to adopt the Committee's recommendation.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	______	______	______
Hugh Garside	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Barbra Phillips	______	______	______

SERS AUDIT COMMITTEE REPORT

EXECUTIVE SESSION

______________ moved and __________ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

IN EXECUTIVE SESSION AT ______________ A.M./P.M.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	________	________	________
Hugh Garside	________	________	________
James Haller	________	________	________
Matthew King	________	________	________
Catherine Moss	________	________	________
James Rossler	________	________	________
Frank Weglarz	________	________	________
Daniel Wilson	________	________	________
Barbra Phillips	________	________	________

RETURN TO OPEN SESSION AT ______________ A.M. / P.M.

CHIEF AUDIT OFFICER COMPENSATION

The SERS Audit Committee recommends that Chief Audit Officer Jeff Davis receive a ___% merit increase in salary effective the first pay date in Fiscal Year 2023. _______ moved to adopt the Committee's recommendation.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Jeffrey DeLeone	______	______	______
Hugh Garside	______	______	______
James Haller	______	______	______
Matthew King	______	______	______
Catherine Moss	______	______	______
James Rossler	______	______	______
Frank Weglarz	______	______	______
Daniel Wilson	______	______	______
Barbra Phillips	______	______	______

BOARD OFFICER ELECTION

OFFICERS FOR SERS BOARD FY2023 (July 2022 to June 2023):

As Chairperson of the SERS Board, I open the floor for nominations for **Chair**:

Nominated ______________________________ By: ______________________________

Other Nominations ______________________________ By: ______________________________

Other Nominations ______________________________ By: ______________________________

As Chairperson of the SERS Board, I declare ____________________ CHAIRPERSON for the Fiscal Year 2023 (July 2022 to June 2023).

I open the floor for nominations for **Vice Chair**:

Nominated ______________________________ By: ______________________________

Other Nominations ______________________________ By: ______________________________

Other Nominations ______________________________ By: ______________________________

As Chairperson of the SERS Board, I declare ____________________ VICE-CHAIRPERSON for the Fiscal Year 2023 (July 2022 to June 2023).

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022

AUDIT COMMITTEE MEETINGS

September 14, 2022 - 2:30 p.m. (Weds.)
December 14, 2022 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

September 15, 2022 - 7:30 a.m. (Thurs.)
December 15, 2022 - 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

September 15, 2022 – 12:30 p.m. (Thurs.)
December 15, 2022 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

July 21-22, 2022 – 8:30 a.m. (Thurs. and Fri.)
September 15-16, 2022 – 8:30 a.m. (Thurs. and Fri.)
October 20-21, 2022 – 8:30 a.m. (Thurs. and Fri.)
November 17-18, 2022 – 8:30 a.m. (Thurs. and Fri.)
December 15-16, 2022 – 8:30 a.m. (Thurs. and Fri.)

NOTE: The above dates are **tentative.

<u>CONTINUED OR NEW BUSINESS</u>

Board Information Requested

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

1. ______________________________
____

2. ______________________________
____

3. ______________________________
____

4. ______________________________
____

5. ______________________________
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6. ______________________________
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7. ______________________________
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8. ______________________________
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9. ______________________________
____

10. ______________________________
____

ADJOURNMENT(R)

__________________ moved that the SERS Retirement board adjourn to meet on for their next regularly scheduled meeting.

The meeting adjourned at __________________ p.m.

____
Barbra Phillips - Chairperson

____
Richard Stensrud, Secretary