



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

JULY 2022

One Full-Term Employee-Member Board Seat Up for Election

One employee-member seat is up for election with the term beginning July 1, 2023, and ending June 30, 2027. Any member of SERS, other than a disability benefit recipient, is eligible to run for an employee-member seat.

To be considered for election, the following requirements must be met:

- Obtain signatures of 500 SERS members on a nominating petition provided by SERS with not less than 20 signatures of members from each of at least 10 counties where those members are employed
- Make sure that each member signing the nominating petition indicates his or her employer, county of employment, and last four digits of his or her Social Security number or SERS Member ID number
- Begin gathering signatures on or after August 1, 2022
- Return original petitions with original signatures and all original completed and required forms to the SERS office, 300 E. Broad St., Suite 100, Columbus, OH 43215-3746 no later than 4:30 p.m., EST, December 2, 2022

Members may provide only one signature; multiple submissions from one person for the same candidate will not be counted.

All ballots must be received in the SERS office no later than 4:30 p.m. EST, March 6, 2023.

Ballots will be delivered unopened to the judges appointed by the Board. The judges will make the final determination of the validity of the ballots, which will be counted on March 7, 2023, in accordance with the Board's election laws, election rule, policy, and procedure.

Anyone interested in running should contact Tim Barbour by phone at 614-222-5901 or by email at tbarbour@ohsers.org to have an election packet sent to them, or the necessary forms can be downloaded from the SERS website beginning August 1, 2022, at www.ohsers.org.

Economic and Financial Update

CIO Farouki Majeed updated the board on the economic conditions in the U.S in May, and how it affected SERS' investment strategies.

The U.S. economic conditions are beginning to show signs of weakness. While inflation continued to rise in May, consumer sentiment reached historic lows, the number of unfilled jobs increased, energy prices began to decline, and housing remained strong as year-over-year home values increased 21.2%.

All of these conditions are creating volatility in the markets. Equity returns in the U.S. and international markets have turned negative. The bond market is signaling that economic growth is slowing and the leading economic indicators (GDP, employment figures, industrial production, consumer spending, inflation, home building, home sales, construction spending, etc.) appear to be slowing.

While the U.S. market has already priced in the expected interest rate hikes by the Federal Reserve for the rest of 2022, the market has not fully priced in a recession, so that could cause another correction in stock prices if it

RETIREMENT BOARD

JEFFREY T. DELEONE
Chair, Appointed Member

FRANK A. WEGLARZ
Vice-Chair, Retiree-Member

HUGH W. GARSIDE, JR.
Employee-Member

JAMES HALLER
Employee-Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

BARBARA M. PHILLIPS
Employee-Member

JAMES A. ROSSLER, JR.
Appointed Member

DANIEL L. WILSON
Appointed Member

happens. Europe is also facing a potential recession, and due to its dependence on Russian energy, a recession there could be worse and last longer than a recession in the U.S.

Majeed says that SERS is remaining cautious in its investment strategy. Currently, the SERS portfolio is underweight in its fixed income and equity allocations and overweight in cash and opportunistic investments. Despite lower-than-expected returns over the last year, the portfolio continues to perform better than its benchmark, which is adding value to the fund. The excess return of the Total Fund is also positive over the last 10 years.

SERS' preliminary, unaudited return for FY2022 (July 1, 2021-June 30, 2022) is estimated to be -0.49%, which is below the 7.0% expected return but considerably higher than the benchmark return of -3.60%. One FY2022 anomaly that is historically unusual is that both equities and fixed income posted negative returns. Normally these portfolios do not move together. Positive returns in private equity, real assets, private credit, and opportunistic helped offset those losses.

Investment Committee Approves Private Equity Investment

The SERS Staff Investment Committee approved a commitment of \$50 million to Lightspeed Opportunities Fund II, a venture capital strategy within the private equity portfolio.

This investment will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
April 30	May 31	Difference
\$17.66 billion	\$17.80 billion	▲ \$140 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 3.23%	▼ 3.58%	▲ 11.99%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 3.74%	▲ 2.27%	▲ 2.03%

Executive Director's Update

SERS COLA Discussion to Take Place at September Meeting

SERS' COLA is based on the year-to-year change in the Consumer Price Index (June to June) for Urban Wage Earners (CPI-W), with a range of 0% to 2.5%.

Earlier this month, the U.S. Bureau of Labor Statistics announced that the CPI-W increased by 9.8% over the last 12 months.

SERS is working with its actuary and the Board will discuss the 2023 COLA at its September Board Meeting.

SERS Named Seventh Highest Private Equity Earner

The American Investment Council (AIC), a private equity advocacy and research organization, released its annual Public Pension Study this week, naming School Employees Retirement System of Ohio number seven on their list of top pension funds with the highest private equity returns.

The AIC study analyzed investment returns for 176 U.S. public pension funds, showing that private equity leads all asset classes in long-term investment performance. SERS had the seventh highest 10-year annualized return with 17.6%. The median among all public pension funds included in the study was 9%.

CIO Farouki Majeed responded to the report with the following statement:

“Ohio SERS is pleased to be ranked among the top 10 in Private Equity returns for the 10 years ending June 30, 2021, with a return of 17.6%. Our Private Equity portfolio has consistently generated the highest return in the SERS portfolio over rolling 10-year periods for many years and has contributed to the long term sustainability of the pension plan. The strategy pursued by staff in target markets has been successful and has also resulted in lower fees.”

Read the full report on the AIC [website](#).

Mandatory Direct Deposit Update

In February, SERS announced that direct deposit of all payments issued by SERS would be mandatory effective July 1, 2022. Since the announcement, SERS communicated the change with its members and retirees via newsletters, the SERS website, social media, and inserts included with check stubs.

SERS has successfully reduced the number of paper checks sent monthly from 1,600 to 86.

These 86 benefit recipients had their benefits suspended effective July 1, and SERS staff members have attempted to contact them.

This transition to mandatory direct deposit not only saves the System money but provides SERS' retirees and benefit recipients with peace of mind and certainty that their benefit will be in their account by the first business day of the month.

Mandatory Medicare Part B Enrollment Update

Last year, the Board approved an amended rule which provided that individuals who, on or after January 1, 2019, failed to enroll in Medicare Part B during their Medicare initial or special enrollment period would lose eligibility for SERS' health care coverage.

If an individual enrolls in Medicare Part B coverage but then fails to maintain the coverage, the individual must re-enroll during Medicare's first available general enrollment period.

Of the 151 health care enrollees who were required to enroll in Medicare Part B, 73 met the requirement. The 78 health care enrollees who have not met this requirement have been terminated from SERS' health care coverage.

SERS staff began outreach efforts nearly a year ago and will continue to offer assistance to the 78 impacted enrollees.

Staff Gives Back to Charity

Each year, SERS partners with Mid-Ohio Foodbank to raise funds and food for families within the community.

This year, thanks to the generosity of staff, SERS raised \$1,803, which was 72% more than 2021's total, and collected 104.6 pounds of food donations.

Board Approves Actuarial Audit Vendor

Following issuance of an RFP earlier this year and staff recommendation, the Board approved engaging with Milliman to conduct an independent audit of SERS' actuary.

SERS received qualified proposals from three firms.

The actuarial audit will review and validate the assumptions, methodology, and calculations provided by Cavanaugh Macdonald, with an analysis provided to the Board at the December meeting.

Monthly Retirement and Survivor Benefit Transactions

For July, the SERS Board approved 242 active members for service retirements, and 25 survivor benefits for spouses and/or dependents.

September Meeting Dates

There will not be a regular Board meeting in August. The next Board meeting will take place Thursday, September 15, and Friday, September 16 (if necessary), at 8:30 a.m.