



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

OCTOBER 2022

Global Private Equity Portfolio Review

Staff provided the Board with an overview of SERS' \$2.21 billion global private equity portfolio.

Currently, the portfolio consists of 24 general partners that manage 68 funds. SERS is also a participant in nine co-investments.

The role of the broadly-diversified portfolio is to provide risk-adjusted returns in excess of those provided by publicly traded equities. The global private equity portfolio is currently 13% of the Total Fund, which is 1% above the policy target of 12%.

In FY2022, the global private equity portfolio generated a 34.4% net-of-fees return, outperforming the benchmark by 12.1%.

Earlier this year, the American Investment Council (AIC), a private equity advocacy and research organization, named SERS 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%.

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

In FY2022, SERS committed \$597 million to new investments in eight broadly-diversified funds and four co-investment vehicles, engaging with two new managers. The portfolio strategy consisted of 79% buyouts, 11% special situations, 5% fund of funds, and 5% co-investments. Co-investments yielded a return of 23.8% over five years and continue to produce solid returns.

Co-investment opportunities arise when a general partner elects to make an investment that exceeds the amount they are willing to commit from their fund and invites fund investors to provide additional capital to complete the funding of that investment. Co-investments limit the partner's fund exposure and provide an opportunity for fund investors to participate in specific investments that provide diversification and additional return potential. An added benefit of participating in co-investments is that no additional management fees are incurred.

Since 2013, SERS' global private equity portfolio has matured to the point that it is self-sufficient, meaning it has provided positive cash flow to the portfolio, and there is more money coming in than going out.

Since inception, staff has focused on the fee structure and fee-saving opportunities when appropriate. In certain cases, SERS receives reduced fees for being a large investor and no fees when participating in co-investments.

Fees continue to trend downward, from a high of approximately 1.7% in FY2014 to approximately 1% in FY2022.

For FY2023, staff is focused on managing the private equity portfolio and fiscal year commitments to reflect the investment allocation of 12%; reviewing the private equity portfolio strategy and structure to improve risk and return characteristics of the portfolio; achieving fee reductions and optimizing manager counts; actively seeking

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co-investment opportunities with current managers; and researching and identifying new and innovative investment opportunities with managers who offer compelling return expectations.

Investment Committee Approves Two Private Equity Investments

The SERS Staff Investment Committee approved a €50 million commitment to Cinven VIII and a \$7 million commitment to FS VIII NearU Co-investment, both buyout strategies within the private equity portfolio.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
July 31	August 31	Difference
\$17.58 billion	\$17.32 billion	▼ \$260 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 1.63%	▼ 5.54%	▲ 9.91%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.24%	▲ 1.98%	▲ 1.81%

Myths and Misconceptions: Addressing False Claims About Cryptocurrency Investing

When dangerous and misinformed myths and misconceptions surface in the media or in SERS' own experience, Executive Director Richard Stensrud addresses the topic at a Board meeting.

This month, he addressed the recent claim that 94% of public pensions invest in cryptocurrency.

Sometimes you read something so false that you know it is not an honest mistake, said Stensrud, and that is the case here.

Recently, a retirement system critic was afforded the opportunity to publish an article in a well-known journal that included the dubious claim that "94% of public pensions gamble on cryptocurrency." To support his observations, the author cited a recent "study" by the CFA Institute.

The CFA Institute is a widely respected global non-profit organization that provides financial education to investment professionals.

Upon further investigation into the claims made by the author, we found that the CFA Institute document the author cited was actually a "survey" conducted by CFA, not a "study."

There are big differences between a study and a survey, especially when it comes to participation, which is voluntary in a survey.

As we examined the survey results, we noted that:

- 151 institutional investors responded
- Only 5% were public funds, which means that 7 or 8 public funds responded
- These 7 or 8 funds participated in a survey about cryptocurrency investments most likely because they invested in cryptocurrency

This percentage breakdown does not establish that 94% of all public pension funds invest in cryptocurrencies, regardless of the author's creative mathematics.

Nowhere in the survey report does CFA make the claim that 94% of public pensions invest in cryptocurrencies, only the author makes that claim.

To be clear, SERS is not invested in cryptocurrencies and the System has no plans to invest in cryptocurrencies in the future.

Finally, this erroneous article is a perfect example of how data can be manipulated, misrepresented, and mischaracterized to perpetuate false claims or support personal agendas. Mark Twain said, "never let the truth get in the way of a good story," and the author of this article took that to heart; however, a little investigative work can set the record straight.

Executive Director's Update

Windfall Elimination Provision (WEP) / Government Pension Offset (GPO) Actions

The House Ways and Means Committee held a hearing on September 20 regarding H.R. 82, the legislation that would fully repeal the WEP and GPO for Social Security benefits payable after December 2021. However, the Committee reported the bill on a voice vote without recommendation, thereby short-circuiting proponents' efforts to have the measure fast-tracked for consideration by the full House.

Although a final repeal of both provisions is less likely than before, some believe a lack of movement will be the impetus for Chairman Neal (D-MA) and Ranking Member Brady (R-TX) to find a compromise.

Member and Employer Education Outreach

SERS' Member Services and Employer Services departments regularly host educational opportunities intended to help members prepare for retirement and employers to better understand their role at SERS.

In October, SERS' Employer Services Outreach team hosted two virtual employer workshops and an eSERS demo.

In addition, the Member Services Department continued to host virtual retirement conferences, which are for members within two years of retirement, as well as Retiring with SERS webinars, which are for members within one year of retirement. Both yielded high attendance rates.

Beginning in November, Member Services will begin to host a regular Lunch Break webinar, a half hour educational session which will discuss the strengths and advantages of a defined benefit plan and the importance of saving for retirement. These webinars are aimed at members who are new to the public sector.

A full list of upcoming webinar and conference dates is available on SERS' [website](#).

Staff Charitable Efforts

Each year, SERS partners with the United Way of Central Ohio to raise money for organizations within the community.

This year, SERS' generous staff raised \$17,479 through payroll deductions and one-time pledges. Staff also donated six care kits comprised of toiletries to residents at local homeless and domestic violence shelters.

November Health Care Sustainability Session

The Board will hold a health care sustainability session on Friday, November 18. More information will be posted to SERS' [Board of Trustees page](#) as it becomes available.

Monthly Retirement and Survivor Benefit Transactions

For October, the SERS Board approved 757 active members for service retirements, and 28 survivor benefits for spouses and/or dependents.

November Meeting Dates

The next Board meeting will take place Thursday, November 17, and Friday, November 18, at 8:30 a.m.