



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**  
**BOARD MEETING HIGHLIGHTS**  
**MARCH 2017**

**SERS Keeps Current with Proxy Voting Issues**

Staff provided the Board with an overview of new proxy voting issues for 2017.

Because SERS owns stock in many companies, the System is permitted to vote on a number of shareholder issues. To keep pace with the volume of issues that require a vote each quarter, SERS uses the proxy-voting services of Institutional Shareholder Services (ISS) to vote on the System's behalf.

During this proxy voting season, SERS' internal proxy voting committee reviewed 20 new issues that ISS expects to appear on proxy ballots in 2017. The committee relied upon guidance from the Board-adopted *Corporate Governance Principles* in deciding how SERS will vote.

In November 2016, the Board approved SERS' participation in the Midwest Diversity Initiative, a group of institutional investors in the Midwest that are working to encourage diversity on corporate boards. To date, seven organizations have already changed language in their nominating charters to detail how women and minorities are considered as candidates.

In addition to updating the Board on current proxy issues, staff presented an opportunity to become a signatory to the Investment Stewardship Group's corporate governance framework. Effective January 1, 2018, this framework was developed by a group of asset managers and money managers, and serves as guiding principles for U.S. corporate governance and investment stewardship. The internal proxy committee agreed that the six guiding principles of the Investor Stewardship Group already aligned with SERS' Board-adopted *Corporate Governance Principles*.

**Asset Allocation Update**

SERS' investment staff and Wilshire Associates continue to assess options for resetting the system's asset allocation. The investigation process includes assessment through various risk lenses while using multiple modeling inputs.

The evaluation of options will continue into the fourth quarter of 2017.

**Total Fund Update**

TOTAL FUND BALANCE		
December 31	January 31	Difference
\$12.78 billion	\$12.94 billion	▲ \$160 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 6.16%	▲ 1.57%	▲ 6.43%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.56%	▲ 0.22%	▲ 0.48%

**Opportunistic Portfolio Review**

Investment staff presented a review of the opportunistic portfolio focusing on the portfolio's performance and objective.

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RETIREMENT BOARD

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*Chair, Employee-Member*

MADONNA D. FARAGHER  
*Vice-Chair, Employee-Member*

JEFFREY T. DELEONE  
*Appointed Member*

JAMES HALLER  
*Employee-Member*

CHRISTINE D. HOLLAND  
*Employee-Member*

CATHERINE D. MOSS  
*Retiree-Member*

JAMES A. ROSSLER, JR.  
*Appointed Member*

DANIEL L. WILSON  
*Appointed Member*

BEVERLY A. WOOLRIDGE  
*Retiree-Member*

In 2013, SERS' Board approved the creation of the opportunistic portfolio, and gave staff the authority to make limited investments with managers whose strategies did not fit into any of the established investment portfolios.

Currently, the opportunistic portfolio does not have a policy allocation, but staff can invest up to 5% of the total fund in these types of investments.

At present, the opportunistic portfolio consists of 11 investments, and comprises 2.5% of the total fund. These investments include direct lending in situations where bank lending is constrained, non-core infrastructure and transportation assets, distressed corporate credit, and discounted residential and commercial mortgage loans and real estate.

The performance objective for opportunistic investments is to exceed the return of the Total Fund policy benchmark. For the current fiscal year, the Opportunistic portfolio has returned 14.78% net of fees, which is above the policy benchmark of 5.61%.

### **Health Care Update**

The Board reviewed and approved entering into renewal contracts with vision plan provider, Vision Service Plan (VSP), and dental plan provider, Delta Dental. Both contracts are for a term of four years.

Currently, enrollment in the Marketplace Wraparound Coverage has reached a total of 248 retirees. The coverage "wraps around" the Marketplace plan, providing reimbursement for deductibles and co-payments, and enables retirees to maintain their eligibility for a Marketplace subsidy.

As a result of an initiative to identify those enrolled in SERS' health care coverage who are under age 65 and may be eligible for early Medicare due to a disability, a running total of 69 retirees have been approved to move into Medicare.

### **Executive Director's Update**

#### ***SMART is "Live"***

The new SERS Member and Retiree Tracking (SMART) pension administration computer system went into production on February 27.

Employers' files are being processed successfully, and SERS staff is adapting well to the change. As expected, some bugs have been identified, but Sagitec, the vendor selected to develop the new system, is working to correct those quickly.

Staff would like to thank members, retirees, and employers for their patience during this transition.

#### ***COLA Update***

SERS staff continues to work with legislators and stakeholders regarding the proposed Cost-of-Living Adjustment (COLA) changes.

#### ***SERS Responds to AHCA Proposal***

Last week, SERS provided a [letter](#) to the Ohio congressional delegation outlining how the American Health Care Act (AHCA) will impact SERS and its retirees.

SERS has spent considerable time and energy finding affordable health care coverage for its retirees in the Marketplace. Additionally, when the state of Ohio expanded Medicaid coverage, many SERS retirees with lower incomes and disabilities were able to access coverage there.

Because of the AHCA's potential impact to SERS' retirees, Interim Executive Director Helen Ninos requested that the following changes be considered in the legislation: 1) Protect Medicare; 2) Protect Medicaid expansion; 3) Offer tax credits to help people buy insurance based on age *and income*; 4)

Change the permissible age rating in health insurance premium rates; 5) Provide additional time for insurers to implement health care changes; 6) Address the Continuous Health Care Insurance Coverage Incentive; and 7) Provide relief from the Excise, or “Cadillac” Tax for retiree-sponsored health care plans.

**Board Approves New Administrative Rule**

Due to the implementation of the new SMART computer system, the Board approved an electronic transactions rule to be filed with the Joint Committee on Agency Rule Review (JCARR).

Because SMART provides an electronic means of submitting forms and applications, the new rule clarifies that forms and applications made available through electronic portals have the same effect as a filing made on paper.

**Monthly Retirement and Survivor Benefit Transactions**

For March, the SERS Board approved 247 active members for service retirements, and 11 survivor benefits for spouses and/or dependents.

**April Meeting Dates**

The next Board meeting will take place Thursday, April 20 at 8:30 a.m., and Friday, April 21 at 8 a.m.