



# *SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO*

## **BOARD MEETING HIGHLIGHTS**

### **FEBRUARY 2010**

#### **Executive Director Jim Winfree Announces Retirement**

James R. Winfree, Executive Director of the School Employees Retirement System of Ohio (SERS), announced his retirement effective April 30, 2010. He served as Executive Director of SERS since January 2004.

“While we’re extremely sad to lose such an experienced and knowledgeable leader, the entire Board wishes Jim all the best in retirement,” said James Rossler, Jr., Chair of the SERS Retirement Board. “Jim’s exceptional leadership during times of great change in our member demographics, the economy, and the investment world was a constant the Trustees all admired. He has been a tireless and passionate advocate for SERS’ members and retirees, and we will miss him both professionally and personally.”

A summary of Winfree’s career and accomplishments at SERS is located on the SERS website at [www.ohsers.org](http://www.ohsers.org).

#### **Health Care Fund Discussion Moves Toward Defining Options**

The Board received feedback gathered during the February 8 meeting of the SERS Health Care Preservation Task Force. Based on the information obtained at this second Task Force meeting, staff concluded that there was general acceptance of the ideas for change as presented in December. Staff was directed by the Board to further develop the various models and plan design options for presentations at the March Board meeting. Health care staff also will be using a different methodology, which will manage expenses on an annual basis.

#### **Board Gives Go-Ahead for the SERS Member File Imaging Project**

The Information Technology (IT) Department staff outlined plans for a member file imaging project to be included in the operational FY2011 and FY2012 capital budgets.

The new Business Platform Vision for Imaging and Benefit Software System would enable SERS to copy, restore, and retain member and retiree files in a secure and protected environment and allow SERS’ staff more efficient access to records when assisting members and retirees. In addition, the new imaging technology would aid in the comprehensive organization of files. Ultimately, when fully implemented, a more complete presentation of the history of each member and retiree will be possible and multiple staff will have simultaneous access to the same information. Through enhancing the manageability of files, not only is the quality of customer service improved, but the risk of permanently losing files is substantially diminished.

This project, which includes conversion of all existing member files to electronic images, would take several years to fully implement. The cost for FY2011 and FY2012 will be about \$3.5 million. The Board approved both the project and the cost.

#### **SERS’ Fund Grows in December**

As of December 31, 2009, SERS’ total fund value was \$9.34 billion, up \$160 million from November. Investment returns for calendar year 2009 were up 16% and fiscal year 2010 (July 1, 2009-December 31, 2009) returns are up more than 15%.

#### **Four New Investments in Hedge Funds**

The SERS Board approved hedge fund investments of up to \$30 million each in Caspian Select Credit International, Ltd., Eminence Partners, LP, Meditor European Hedge Fund, Ltd, and OMG Opportunities 2x Fund Ltd. These investments are subject to satisfactory negotiation of contracts and legal documents with each firm. As of December 31, 2009, SERS had almost \$550 million in hedge fund assets, 5.9% of the total fund.

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#### RETIREMENT BOARD

JAMES A. ROSSLER, JR.  
*Chair*

BARBRA M. PHILLIPS  
*Vice-Chair*

MARK E. ANDERSON  
*Employee Member*

MADONNA D. FARAGHER  
*Employee Member*

MARY ANN HOWELL  
*Retiree Member*

HARRY J. LEHMAN  
*Appointed Member*

CATHERINE P. MOSS  
*Retiree Member*

RICHARD W. SENSENBRENNER  
*Appointed Member*

BEVERLY A. WOOLRIDGE  
*Employee Member*

**Monthly Retirement and Survivor Benefit Transactions**

The SERS Board approved 369 active members for service retirements and approved 27 survivor benefits for spouses and/or dependents.

**Employer Webinar**

A new training tool called the Employer Webinar developed by SERS' Employer Services group was presented to the Board. The webinar is a web-based training program that will allow employers to learn about membership requirements, the membership enrollment process, membership of contract employees, dual membership with other systems, and the hiring of a public pension retiree. The webinar was designed to supplement SERS' *Treasurer's Manual* and existing employer training materials. Once it is released, school districts will have the flexibility of training their employees anytime they want simply by logging onto SERS' website.

**Investment Accounting Looks Into Bringing Contracted Services In-House**

Keeping track of trade dates and the fair value of SERS' investments is a critical function of the Investment Accounting Section. Currently, SERS contracts with outside vendors to reconcile data from international and domestic investment managers. SERS' investment accounting staff briefed the Board on the pros and cons of bringing all of those contracted services in-house. The advantages would be that staff would have greater control of day-to-day accounting activities and gain in-depth knowledge of these functions. However, the startup costs of bringing the functions in-house and the annual costs of maintaining the services would exceed the current contractor fees. The contractors provide SERS with some services at a fraction of the total cost because they spread the fees among all of their clients. Staff recommended staying with the current set-up because the amount of the increased costs outweighed the benefits.

**Legislative/Communications Report**

The Board was advised that the five-system pension reform legislation requested by the Ohio Retirement Study Council was still being drafted, with mid-winter as the best estimate as to when that legislation would be introduced for consideration.

The "Support Ohio's Public Pensions" advocacy message for members and retirees on SERS' Legislative Action Alert website page at <http://capwiz.com/ohsers/home/> has attracted considerable interest since it was added to the website in January. As of February 18, 152 messages were sent to state senators and representatives (the current total now exceeds 250).

**Board Retreat Focuses on Fiduciary Responsibility and Governance**

On Wednesday, February 17, the SERS Board attended a daylong retreat in Columbus. The morning sessions concentrated on fiduciary responsibility in the area of investments and benefits administration. Board governance, as it relates to meetings, policies, committees, accountability, effectiveness, and common practices versus best practices, was also discussed. Nancy Williams, a principal with the Chicago-based consulting firm of Ennis, Knupp & Associates, Inc., moderated the morning sessions.

In the afternoon session, Summit Strategies, SERS' investment consultant, presented the asset/liability analysis they recently completed for SERS. The Board received insight into how the study was conducted and the rationale as to why certain recommendations were made. The Board will discuss the study further at the March Board meeting.

**Strategic Planning Update**

Sue Eubanks and Lisa Dolan of The Strategic Source, a consulting firm that first began working with SERS in 2004 to help establish and achieve the System's organizational and financial goals, reported that they have again been meeting with people inside and outside the System as well as have been interviewing a number of SERS' advocacy groups to ensure that SERS' vision is on target and moving forward. As a result of discussions, Strategic Source learned that SERS has made great strides forward in terms of its culture, collaboration efforts, and partnership development.

In order to refine SERS' emerging goals and visions, Strategic Source has also been meeting regularly with SERS' leadership and selected members of staff. Discussions have included priorities, ways to implement specific tactics and initiatives, and means of operating objectives. As the process continues and develops, Strategic Source plans to update and involve the Board in the project at a future Board meeting.