

May 16, 2019

The nine hundredth and twenty meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, May 16, 2019. The meeting convened in open session at 8:30 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: Catherine Moss, Vice-Chair, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. Catherine Moss excused the absence of James Rossler and Daniel Wilson. Also in attendance was Mary Therese Bridge, representative of the Attorney General, various members of the SERS staff, and members of the public.

ACCEPTANCE OF EMPLOYEE BOARD MEMBER RESIGNATION; DECLARATION OF VACANCY

Barbra Phillips moved and Beverly Woolridge seconded that Christine Holland's resignation be accepted effective May 10, 2019 and that a vacancy in the employee member seat held by Ms. Holland be declared effective May 10, 2019. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. The motion carried.

APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON April 18, 2019

James Haller moved and Hugh Garside seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, April 18, 2019. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller and Beverly Woolridge. Abstain: Barbra Phillips. The motion carried.

Vice-Chair Catherine Moss asked Chief Investment Officer Farouki Majeed to present the Investment Report.

INVESTMENT REPORT

Board Education – P/E Investment: Currency Overlay

Mr. Majeed introduced Warren Naphtal and Bruce George of P/E Investments. Mr. Naphtal and Mr. George presented an educational session on active currency management. Mr. Naphtal reviewed the impact currency has on risk and returns. He also discussed the various methods of managing currency risk, including passive hedging and active currency management. Mr. Naphtal concluded his presentation by reviewing the key elements of P/E Investments approach to achieving positive returns. Following discussion the Board thanked Mr. Naphtal and Mr. George for their presentation.

Overlay Program Review

Mr. Majeed and Investment Officer Hai Yen Le presented a review of the Investments Overlay Program. The program is considered the "top layer" of the Total Fund and is managed within an active risk target relative to the Total Fund. The Overlay program's performance objective is to add value of 10 to 20 bps to the Total Fund's return on a three- to five-year period. The program consists of three currency managers with a total notional value of \$800 million and one enhanced asset allocation strategy. The value add and risk mitigation of the Overlay program has been beneficial to the Total Fund and its performance.

After discussion the Board thanked Ms. Le and Mr. Majeed for their presentation.

Wilshire Associates Quarterly Performance Report

David Lindberg and Joanna Bewick of Wilshire Associates presented the performance report for the quarter ending March 31, 2019. Ms. Bewick provided a capital markets review including asset class performance, economic review, and market highlights. Mr. Lindberg discussed SERS total fund and asset

class performance relative to benchmarks and peer groups. Following questions, the Board thanked Mr. Lindberg and Ms. Bewick for their presentation.

Quarterly Investment Report

Mr. Majeed discussed the Investment report for the period ending March 31, 2019. The preliminary performance report as of April 30, 2019 was distributed to the Board for their information. As of March 31, 2019, the Fund was \$14.3 billion with a FYTD return of 3.38%. Following questions and answers, the Board thanked Mr. Majeed for the presentation.

Draft Annual Investment Plan

Mr. Majeed presented an overview of the draft FY2020 Annual Investment Plan (AIP). The Board will vote on the proposed changes during the June meeting.

Investment Department Incentive Plan

Enterprise Risk Management Officer Julie Deisler presented the Investment Department Incentive Plan for FY2020 and discussed proposed changes.

INVESTMENT DEPARTMENT INCENTIVE PLAN FISCAL YEAR 2020

Barbra Phillips moved and Beverly Woolridge seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2020 which replaces the Fiscal Year 2019 Investment Department Incentive Plan approved December 20, 2018. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. The motion carried.

SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and Hugh Garside seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **March 1, 2019** through **March 31, 2019** hereby be approved. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 46.4
Non-US Equities	126.2
Fixed Income	389.9
Multi-Asset Strategies	0.3
Private Equity Capital Calls	39.9
Real Asset Capital Calls	0.4
Opportunistic	22.6
Cash Equivalents	265.5

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 39.3	\$ 3.3
Non-US Equities	135.5	3.9
Fixed Income	367.6	2.5
Multi-Asset Strategies	0.2	n/a
Private Equity distributions	46.7	n/a
Real Asset distributions	8.0	n/a
Opportunistic	1.2	n/a
Cash Equivalents	263.2	n/a

The Board took a break at 10:37 a.m., and reconvened at 10:52 a.m.

HEALTH CARE PLANNING
PRESENTATION OF 2020 SELF-INSURED RATES BY ACTUARY

Director of Health Care Services Christi Pepe introduced Alisa Bennett. Ms. Bennett, FSA, Principal and Consulting Actuary from Cavanaugh McDonald, presented proposed 2020 health care rates for SERS' self-insured medical plans and prescription drug coverage.

Ms. Bennett first reviewed the data and assumptions used to calculate 2020 base rates. She noted that SERS has had success in moving pre-65 disability retirees who tend to have higher cost claims into Medicare early. Based on that and other factors, a 5% medical trend for the pre-65 plan was recommended. For prescription drugs, a 7% trend for the self-insured Medicare and non-Medicare plans was recommended. The Board thanked Ms. Bennett for her presentation.

2020 BENEFIT CHANGES

Ms. Pepe followed Ms. Bennett's presentation with an overview of the 2020 health care program.

Ms. Pepe informed Board members that under consideration is the discontinuation of the Paramount Elite Medicare plan and transfer its 364 enrollees to the Aetna Medicare Advantage plan. For the Aetna Medicare plan, staff proposes to add medical wig coverage and to reduce the Express Scripts preferred insulin co-pay maximum to \$25 per 30-day supply, both to align with the non-Medicare group plan.

For the non-Medicare group plan, Express Scripts has negotiated \$25 maximum co-pays for 30-day supplies with insulin manufacturers. This would be at no cost to SERS. Staff is also continuing to advocate for legislative authority to extend the Wraparound plan for 2020.

Ms. Pepe also stated that for the optional dental and vision plans, Delta Dental premiums will increase after remaining unchanged for the past four years. Delta Dental's 2.5% rate increase for 2020 is well under the capped amount in the contract. VSP rates will remain unchanged for 2020. The Board thanked Ms. Pepe for her presentation.

EXECUTIVE DIRECTOR'S UPDATE

Ohio Retirement Study Council

Executive Director Richard Stensrud reported that the May ORSC meeting was cancelled. Mr. Stensrud noted, however, that staff submitted the draft SERS budget to the ORSC, and expect that the budget will be addressed at the June meeting of the ORSC.

Advocacy Groups

Mr. Stensrud reported that he and staff presented at the SERO Annual Meeting on May 14. Board members Catherine Moss and Beverly Woolridge were also in attendance. Mr. Stensrud provided the highlights of the staff presentations.

Joint Trustee Training

Mr. Stensrud informed the Board that the next Joint Trustee Training is scheduled on November 4.

Government Relations

Mr. Stensrud welcomed Government Relations Officer Chris Collins to SERS.

Mr. Stensrud discussed the Wraparound Plan, noting that work is continuing on the federal level to extend the authority to offer the program. Mr. Stensrud stated that staff was analyzing an alternative plan being proposed, the Health Retirement Account (HRA), which may achieve similar results as the Wraparound Plan. Mr. Stensrud stated that staff is also continuing to work on legislation to maintain the Wraparound Plan, with support from key members of the Ohio Congressional delegation.

Public Funds Forum Conference

Mr. Stensrud reported that he recently attended the Institutional Investor Public Funds Forum, noting that Chief Investment Officer Farouki Majeed attended as well. Mr. Stensrud noted some of the topics discussed at the conference.

Operation Feed results

Mr. Stensrud reported the results of the 2019 Operation Feed charitable event. This year, SERS staff raised **\$2,418.10** as well as collected **192 pounds** of food, drinks, and supplies. This exceeds last year's total of \$1,558.00. The dollar amount donated will provide 9,864 meals for needy people across Central Ohio.

Mr. Stensrud noted that individual departments competed in a "Fill the Bus" challenge to see which department could raise the most money. The top department was Administrative Services (which includes Building Services, Print Shop and Mailing, Records Management and Imaging, and HR).

Mr. Stensrud thanked staff for their continued generosity and efforts to help out others in our community.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

133rd General Assembly

(Prepared by Chris Collins as of May 3, 2019)

SB10 THEFT IN OFFICE PENALTIES Steve Wilson (R-Maineville) To expand the penalties for theft in office based on the amount stolen and to include as restitution audit costs of the entity that suffered the loss.

Current Status: 03/19/2019 Referred to House Criminal Justice

FEDERAL LEGISLATION BOARD REPORT
116th United States Congress
(Prepared by Chris Collins as of May 3, 2019)

H.R. 141

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/31/2019 Referred to the Subcommittee on Social Security

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 161 co-sponsors; seven Ohioans

H.R. 748

SPONSOR: Rep. Joe Courtney (D-CT)

LAST ACTIONS: House - 01/24/2019 Referred to the House Committee on Ways and Means

CAPTION: Middle Class Health Benefits Tax Repeal Act of 2019

COMMENT: Repeals the health care "Cadillac Tax." 275 co-sponsors; 11 Ohioans

H.R. 1398

SPONSOR: Rep. Ami Bera (D-CA)

LAST ACTIONS: House - 02/27/2019 Referred to the Committee on Ways and Means, and Committee on Energy and Commerce

CAPTION: To delay the reimposition of the annual fee on health insurance providers until after 2021

COMMENT: Delays the health care HIF tax. 49 co-sponsors; two Ohioans

S. 521

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 02/14/2019 Referred to Committee on Finance

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 30 co-sponsors.

S. 684

SPONSOR: Sen. Martin Heinrich (D-NM)

LAST ACTIONS: Senate - 03/06/2019 Referred to the Committee on Finance

CAPTION: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage

COMMENT: Repeals the health care "Cadillac Tax." 31 co-sponsors; two Ohioans

MEMORANDUM

To: Chris Collins, Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: May 1, 2019

Re: Federal Legislative and Regulatory Report

OVERVIEW

Highlights for April and May include: hearings in the House and Senate on the President's FY 2020 budget proposal and appropriations for Cabinet agencies and federal programs; a potential infrastructure deal between the President, Speaker Pelosi and Senate Minority Leader Schumer; the annual Report on Social Security by the Trustees; health care and prescription drug legislation and hearings; controversy over a citizenship question on the 2020 Census; and advocacy for the SERS Wraparound Program.

Hearings and markups for appropriations are continuing in both the House and Senate in May.

There are several appropriations bills that Congress must pass by September 30 to avoid another federal government shutdown. They could consider a continuing resolution (CR), as Congress has passed before, to postpone the fiscal discussions. One challenge is that 2020 is an election year. If it is difficult for Congress to pass appropriation bills now, it could be even harder next year. Congress has a pattern of using continuing resolutions to move budget discussions into the following year. Congress still needs to determine whether it will raise the debt ceiling, as Secretary of Treasury, Stephen Mnuchin, has requested. A disaster bill has been slowed down due to a partisan discussion whether to include additional funding for Puerto Rico. There is still no agreement on defense and non-defense budget caps to avoid sequestration, which would require a temporary reduction in key programs and services if not resolved by the end of September. The House and Senate must come to an agreement on these issues.

The House returned on Monday, April 29 from the two-week recess and will be in session for a total of fourteen days in May. The members are scheduled to work in their districts from May 27 (a federal holiday-Memorial Day) until May 31. One hearing is of particular interest:

- **The Committee on Financial Services, Subcommittee on Diversity and Inclusion, chaired by Rep. Joyce Beatty (D-OH), held a hearing on Wednesday, May 1. Rep. Anthony Gonzalez (R-OH) is also a member of the Subcommittee.** The hearing was entitled, "Good for the Bottom Line: A Review of the Business Case for Diversity and Inclusion." According to the Subcommittee Memorandum, released on April 26, "This hearing will examine data and research about the social and economic benefits that can be achieved when organizations implement robust diversity and inclusion strategies. The hearing will also explore financial services industry and other organizational examples of successful diversity and inclusion initiatives.... Recent data provides firm evidence that highly inclusive organizations, especially those that make a concerted effort to be diverse in all aspects of their business, are more productive and profitable. Organizations that make diversity and inclusion a priority see the results of those investments in their bottom line." <https://financialservices.house.gov/uploadedfiles/hhrg-116-ba13-20190501-sd002-u1 - memo.pdf>

The witnesses were: Rick Guzzo, Senior Leader, Workforce Strategy, Mercer; Victoria Budson, Co-Director, Women and Public Policy Program, Kennedy School, Harvard University; Adrienne Trimble, President, National Minority Supplier Development Council; William Von Hoene, Jr., Chief Strategy Officer, Exelon; and Rory Verrett, Founder and Managing Partner, Protégé Search.

The Senate returned on Monday, April 29 and will be in session until May 24. The Senate will be on recess from Memorial Day, May 27 until May 31. The Senate has several hearings set this month relating to the federal budget and one of particular interest:

- **The Committee on Health, Education, Labor and Pensions scheduled a hearing to examine implementing the 21st Century Cures Act, focusing on making electronic health information available to patients and providers, part II.** The hearing will take place on May 7.

Witnesses will be Don Rucker, M.D., National Coordinator for Health Information Technology, Office of the National Coordinator for Health Information Technology, U.S. Department of Health and Human Services **and Kate Goodrich, M.D.,** Director and Center for Medicare and Medicaid Services Chief Medical Officer, Center for Clinical Standards and Quality, Center for Medicare and Medicaid Services U.S. Department of Health and Human Services.

On April 30, Speaker Nancy Pelosi (D-CA) and Senate Minority Leader Chuck Schumer (D-NY) said they held a constructive meeting with President Trump to discuss an infrastructure strategy. According to their statements, all three of them agreed to work on a \$2 trillion infrastructure bill in this session. The discussion how to pay for the bill, that according to news sources will cover “our nation’s roads, bridges, waterways and broadband,” will continue. Speaker Pelosi and Minority Leader Schumer indicated that they will meet with President Trump again in three weeks to talk over the funding strategy. Their discussion was a hopeful sign that Republicans and Democrats can move forward on bipartisan pieces of legislation for the good of the country.

SERS WRAPAROUND PLAN

SERS leadership team members, Chris Collins, Christi Pepe (and Laurel Johnson until her retirement on April 30) and I have continued the advocacy for the SERS Wraparound Plan. We have been working to pursue separate paths to obtain an extension of the pilot for the Wraparound Plan or contemplate whether a health care concept that was proposed in federal rules will be comparable. We have discussed maintaining the momentum for 1) regulatory action, 2) a legislative solution within a moving bill or 3) part of any health care extenders that Congress will need to pass before the end of the current fiscal year.

We heard verbally from Jacob Ackerman, a senior employee of HHS/CMS/CCIIO, on April 11, that the three regulatory agencies would not be extending the pilot for Limited Wraparound Plans. However, Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) have indicated that they may sign a joint letter to request that the Secretaries of Treasury, Labor and HHS reconsider and provide an extension. A draft letter is being reviewed. I will work with the Senate and House offices to obtain the signatures of Ohio delegation members.

Reps. Marcy Kaptur (D-OH) and Tim Ryan (D-OH) are members of the Committee on Appropriations. A markup of an appropriations bill occurred on Tuesday, April 30 in the Committee on Appropriations, Subcommittee on the Departments of Labor, Health and Human Services, Education, and Related Agencies to consider [FY2020 appropriations](#). Language was expected to be included to authorize the SERS Wraparound Plan for several additional years. We are confirming this. While SERS does not need an appropriation, we do need an authorization for the Plan to be continued after 2019.

The markup for the full Committee on Financial Services is set for Wednesday, May 8. I will be closely following the appropriations process and will ensure that the Ohio members understand the need for the language and ask for their support.

Another option is to ask the House and Senate to include authorization language in a bill that would move later this year to address any health care extenders that must be reauthorized for a year or two. Congress must act on the extenders package prior to the end of the federal fiscal year, on September 30 and typically will extend authorization for programs up to two years.

WINDFALL ELIMINATION PROVISION

Laurel Johnson and I talked with Majority Staff Director, Kathryn Olson, of the Subcommittee on Social Security, on April 15 to discuss the revised Windfall Elimination Provision formula and a possible timeline for introducing a bill or having the language added to another moving vehicle.

Ms. Olson mentioned that the Committee on Ways and Means is still very interested in addressing the WEP issue, however, there are a few priorities for the Committee thus far. We explained the dire need for SERS retirees to have relief from the WEP either in the form of a rebate for current retirees and a revised formula for future retirees that counts their non-covered service. Rep. John Larson (D-CT), Chairman of the Subcommittee on Social Security, has promised that he will hold a hearing this year on the Windfall Elimination Provision. I will stay in touch with the Majority and Minority staff on this issue.

As previously reported, S.521, the “Social Security Fairness Act,” was introduced by Senator Sherrod Brown (D-OH) and now has 30 cosponsors. The bill would amend title II of the Social Security Act to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision. There has been no action on the bill and Senator Portman is not one of the co-sponsors.

H.R. 141, the companion House bill to repeal GPO and WEP, now has 161 co-sponsors, as of today’s date, including seven Ohio delegation members, who are Reps. Tim Ryan (D-OH), David Joyce (R-OH), Steve Stivers (R-OH), Bob Gibbs (R-OH), Marcy Kaptur (D-OH), Michael Turner (R-OH) and Joyce Beatty (D-OH). The bill has been referred to the Committee on Ways and Means, Subcommittee on Social Security.

SOCIAL SECURITY

The 2019 Annual Report of the Board of Trustees of Social Security issued the annual report on the solvency of Social Security on April 22. Unfortunately, the two Public Trustee positions have been vacant since July 2015. These statements are in the report’s summary:

At the end of 2018, the OASDI program was providing benefit payments to about 63 million people: 47million retired workers and dependents of retired workers, 6 million survivors of deceased workers, and 10 million disabled workers and dependents of disabled workers.

Short-Range Results- Under the Trustees’ intermediate assumptions, Social Security’s total cost is projected to be less than its total income in 2019 and higher than its total income in 2020 and all later years. **Social Security’s cost has exceeded its non-interest income since 2010.** For 2019, program cost is projected to be less than total income by about \$1billion and exceed non-interest income by about \$81billion.

Long-Range Results- Projected OASDI cost increases more rapidly than projected non-interest income through 2040 primarily because the retirement of the baby-boom generation will increase the number of beneficiaries much faster than the number of covered workers increases, as subsequent lower-birth-rate generations replace the baby-boom generation at working ages.

Conclusion-Under the intermediate assumptions, **the projected hypothetical combined OASI and DI Trust Fund asset reserves become depleted and unable to pay scheduled benefits in full on a timely basis in 2035.** At the time of depletion of these combined reserves, continuing income to the combined trust funds would be sufficient to pay 80 percent of scheduled benefits. The OASI Trust Fund reserves are projected to become depleted in 2034, at which time OASI income would be sufficient to pay 77 percent of OASI scheduled benefits. DI Trust Fund asset reserves are projected to become depleted in 2052, at which time continuing income to the DI Trust Fund would be sufficient to pay 91 percent of DI scheduled benefits.

The 270-page report may be read here: <https://www.ssa.gov/OACT/TR/2019/tr2019.pdf>

On April 10, the Committee on Ways and Means, Subcommittee on Social Security, held a hearing entitled, “Comprehensive Legislative Proposals to Enhance Social Security.” Several people testified including Stephen C. Goss, Chief Actuary, Social Security Administration. In his testimony, Mr. Goss said:

- The last comprehensive legislation for Social Security was enacted in 1983. Since 1983, the total payroll tax rate was reallocated in 1994 and again in 2015 to avert depletion of DI Trust Fund

reserves. Further comprehensive legislation will be needed by 2034 in order to avoid combined OASI and DI reserve depletion.

- Enacting changes well before reserve depletion, even with delayed effective dates, will allow more options to be considered, more advance warning for those affected, and a more gradual phase-in of adjustments.
- If reserve depletion is allowed to occur in 2034, continuing income to Social Security at that time would be sufficient to finance only 79 percent of the benefits scheduled in the law, with that percentage declining to 74 percent by 2092.
- Therefore, under the intermediate projections in the 2018 Trustees Report, in order to avoid reserve depletion and a sudden reduction in the level of payable benefits, we will need to make adjustments in the law by 2034. These adjustments will need to: (1) increase scheduled revenue for the OASDI program by about 29 percent, (2) reduce scheduled benefits by about 23 percent, or (3) provide some combination of these revenue increases and benefit reductions.
- The Social Security 2100 Act is one of many Bills introduced in the House and the Senate that would modify benefit and income provisions for Social Security, and one of several that would meet the requirements for sustainable solvency. (The testimony may be read in full here: [Testimony](#))

The bill mentioned by Actuary Goss, H.R. 860, the “Social Security 2100 Act,” to “protect our Social Security system and improve benefits for current and future generations,” still has 203 co-sponsors, including all four Ohio Democratic members: Reps. Beatty, Fudge, Kaptur and Ryan.

Another bill was introduced, H.R. 2302, the “Protecting and Preserving Social Security Act,” on April 12, by Rep. Theodore Deutsch (D-FL). Rep. Marcy Kaptur (D-OH) is one of the seven co-sponsors. The bill would “amend title II of the Social Security Act and the Internal Revenue Code of 1986 to make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection.” This is another bill that seeks to improve the solvency of the Social Security Program and provide benefit payments to recipients.

MEDICARE AND MEDICAID

A hearing on the “Medicare for All Act of 2019” was held in the House Committee on Rules on April 30. The Committee heard from physicians, industry leaders, and economists who discussed the potential impacts of the proposal on health care costs and access.

On April 22, the U.S. Department of Health and Human Services (HHS) Secretary Alex Azar and Centers for Medicare & Medicaid Services (CMS) Administrator Seema Verma announced the CMS Primary Cares Initiative, a new set of payment models that will “transform primary care to deliver better value for patients throughout the healthcare system. Building on the lessons learned from and experiences of the previous models, the CMS Primary Cares Initiative will reduce administrative burdens and empower primary care providers to spend more time caring for patients while reducing overall health care costs.”

H.R. 1346, a bill to “amend title XVIII of the Social Security Act to provide for an option for individuals who are ages 50 to 64 to buy into Medicare, has 34 cosponsors, however, no members of the Ohio House delegation have signed on yet. S. 470 is the companion Senate bill that Senator Sherrod Brown (D-OH) has co-sponsored.

HEALTH CARE

On April 10, Senator Rob Portman (R-OH) joined several of his Republican colleagues in sponsoring S. 1125, the “PROTECT Act” which amends the Health Insurance Portability and Accountability Act (HIPAA) to:

- Guarantee the availability of health insurance coverage in the individual or group market, regardless of pre-existing conditions;

- Prohibit discrimination against patients based on health status - including prohibiting increased premiums for patients due to pre-existing conditions; and
- Prohibit insurance companies from excluding coverage of treatments for a beneficiary's pre-existing condition.

Critics of the bill have petitioned the Senators to withdraw from co-sponsoring the bill. News media have reported that if the ACA is fully repealed, insurers would no longer be required to offer comprehensive policies that cover essential health benefits. They feel that the PROTECT Act, if passed, would simply encourage insurers to offer less expensive policies that only cover limited health care benefits. Premiums would be lower and these policies would attract healthy young, consumers. The rest of the population would be left with policy premiums that are extremely expensive if they have pre-existing conditions.

The Democrats introduced their own bill, H.R. 1884, the “Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019,” a bill designed to lower healthcare premiums and ensuring coverage for individuals who suffer from pre-existing conditions. The bill is sponsored by Rep. Frank Pallone (D-NJ) and has 146 cosponsors now, none from Ohio thus far. The proposal would expand the ACA’s federal insurance subsidies, expand premium tax credits and extend eligibility for people with higher incomes. Democrats have also proposed an alternative to the Medicare for All legislation by offering a way for people to keep their own private insurance if they so desire.

PRESCRIPTION DRUGS

In April, Congress had a busy month of hearings on the high cost of prescription drugs. A hearing, “Priced Out of a Lifesaving Drug: Getting Answers on the Rising Cost of Insulin,” was held on April 10. Witnesses were Mike Mason, Eli Lilly and Company; Doug Langa, Novo Nordisk; Kathleen Tregoning, Sanofi; Thomas Moriarty, CVS Health; Amy Bricker, Express Scripts and Sumit Dutta, MD, OptumRx. The Chairman’s Memorandum noted these facts:

Approximately 30 million people are living with diabetes in the United States, and 1.5 million people receive new diagnoses in the country each year. **Over the last 20 years, the number of adults diagnosed with diabetes has more than tripled, and it is estimated that roughly one in four living with diabetes in the United States are undiagnosed.** According to the Centers for Disease Control and Prevention, diabetes is the seventh leading cause of death in the United States, and is the number one cause of kidney failure, lower-limb amputations, and adult blindness. Diagnosed diabetes is associated with \$327 billion in direct medical costs and reduced productivity costs each year....

There have been dramatic price increases for insulin in recent years, with the price tripling between 2002 and 2013. The prices continued to climb, nearly doubling between 2012 and 2016. Over that same period, the average list price of the four insulin categories—short-acting insulin, long-acting insulin, rapid-acting insulin vials, and rapid-acting insulin pens— increased between 15–17 percent per year. People with diabetes with employer-sponsored insurance saw the average price for a 40-day supply of insulin rise from \$344 to \$666 over the course of those same years.

<https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Memo%20for%202019.04.10%20Insulin%20Hearing.pdf>

The Committee on Energy and Commerce, Subcommittee on Health held a hearing on April 30, to discuss “Prescription Drug Coverage in the Medicare Program.” There was one witness, James E. Mathews, Ph.D., Executive Director, Medicare Payment Advisory Commission (MedPAC), who said:

Prescription drugs play a critical role in treating many medical conditions. As such, it is important to ensure that beneficiaries have access to appropriate medication therapies. At the same time, the Commission is concerned that high prices for certain drugs make it increasingly difficult to ensure beneficiaries’ access to medications while protecting taxpayers and beneficiaries whose dollars finance the program.

Testimony:[https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/MedPAC Testimony for EandC 04 30 2019.pdf](https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/MedPAC%20Testimony%20for%20EandC%2004%2030%202019.pdf)

H.R. 965, the “CREATES Act of 2019,” which aims to increase competition by cracking down on brand-name drug manufacturers using tactics to keep generic manufacturers from entering the market, was advanced out of Committee on Energy and Commerce on April 30. The bill will also enable generic drug companies to sue brand-name drug companies for withholding product samples.

S.474, the “Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act of 2019,” and its companion House bill, requires drug companies to publicly justify any substantial price increases. The bill would require manufacturers to submit justification explaining the causes of the increase or high launch price, as well as information on additional expenses from developing, manufacturing or marketing the drug.

The cost for 22 drugs shot up more than 500 percent per dose from 2013 through 2017, according to an analysis of Medicare Part D data released by the Centers for Medicare & Medicaid Services. The median increase among drugs offered through Medicare’s primary prescription plan was 28 percent from 2013 to 2017, but some medications went up in price more than others.

REMOVAL OF SAFE HARBOR PROTECTION FOR REBATES PROPOSED RULE

On April 5, CMS Administrator Seema Verma announced that CMS will provide a two-year transition period after it issued the proposed rule on February 6 that would “expressly exclude from safe harbor protection under the Anti-Kickback Statute rebates on prescription drugs paid by manufacturers to Part D plan sponsors, Medicaid managed care organizations, and pharmacy benefit managers under contract with them. The rule also proposed the creation of two new safe harbors.” The comment period for the proposed rule ended on April 8 and SERS submitted a comment letter.

Administrator Verma said, “If there is a change in the safe harbor rules effective in 2020, CMS will conduct a demonstration that would test an efficient transition for beneficiaries and plans to such a change in the Part D program.... Participation in the two-year demonstration would be voluntary and plans choosing to participate would do so for both years.” The bulletin may be viewed here: <https://assets.documentcloud.org/documents/5796296/Seema-Verma-Memo-Guidance-Regarding-Medicare.pdf>

FINANCIAL SERVICES

The House Committee on Financial Services held a hearing on April 10, called “Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years After the Financial Crisis.” Witnesses were the seven CEOs of the largest financial institutions in the U.S. including: Michael Corbat, Citigroup; Jamie Dimon, JPMorgan Chase; James Gorman, Morgan Stanley; Brian Moynihan, Bank of America; Ronald O’Hanley, State Street; Charles Scharf, Bank of New York Mellon; and David Solomon, Goldman Sachs.

Rep. Marcy Kaptur (D-OH) introduced H.R. 2176, the “Return to Prudent Banking Act of 2019,” on April 9. The bill would “repeal certain provisions of the Gramm-Leach-Bliley Act and revive the separation between commercial banking and the securities business, in the manner provided in the Banking Act of 1933, the so-called “Glass-Steagall Act.” The introduction of the bill coincided with the Committee on Financial Services hearing with the seven heads of our largest financial institutions.

In the press release, issued on April 9, Rep. Kaptur said:

In the wake of the Great Depression, Congress worked on a bipartisan basis to pass the Glass-Steagall Act to separate commercial banks and securities firms and prevent Wall Street from gambling away the American people’s hard-earned money....While we made significant progress when President Obama signed the Dodd-Frank Act, large commercial and investment banks are still tied together in an institutional risk that threatens the financial well-being of our country. I urge my colleagues to join me in passing this vital legislation so we can ensure the security and stability of our financial system.

RETIREMENT SECURITY

House Majority Leader Steny Hoyer (D-MD) has indicated that the House will take up a vote on H.R. 1994, the “Setting Every Community Up for Retirement Enhancement,” or “SECURE Act of 2019,” during the May work period. I reported last month that the Committee on Ways and Means passed the bipartisan bill out of Committee on April 2. The bill would provide enhanced retirement security measures for Americans and has wide support from industry groups.

U.S. SUPREME COURT

In his role as the Secretary of the U.S. Department of Commerce and in consultation with the Trump administration, Secretary Wilber Ross decided that a question should be added to the 2020 census that would require an individual to answer whether he or she is a U.S. citizen. The addition of the question was controversial and a lawsuit was filed in federal court to strike it from the census. Every ten years a comprehensive census is required. The results are used to apportion seats in the U.S. House of Representatives, allocate federal funding between the states, allocate electoral votes to be counted in a presidential election and accurately count the population within communities.

The case was expedited to the U.S. Supreme Court after a lower federal court ruled that the addition of the citizenship question was included in an arbitrary and capricious manner. The Supreme Court is expected to rule by the summer because the Census Bureau will need to start printing the census documents then. The oral arguments were held at the Supreme Court on April 23 and a copy of the transcript may be read here:

https://www.supremecourt.gov/oral_arguments/argument_transcripts/2018/18-966_5hek.pdf

I have mentioned that in the 1960s, Ohio was apportioned 24 House districts, the highest number of seats in our House delegation. Today, due to declining census numbers over the decades, Ohio now has 16 House districts. Some of the early projections for 2020 suggest that Ohio may lose another seat. With the decline of one-third of our House seats, the clout has shifted to the states with larger populations, including California, Florida, New York and Texas.

Another state Congressional redistricting case may be headed to the U.S. Supreme Court. A three-judge federal panel ruled that the redistricting maps drawn by the Michigan state legislature must be redrawn. In the Detroit Free Press, on April 25, the reporter wrote that a federal judicial panel “ordered the state Legislature to redraw at least 34 districts for the 2020 election in a lawsuit brought by the Michigan League of Women Voters.” The reporter noted that the federal panel also required that special state Senate elections be held in 2020, instead of 2022, because 10 of Michigan's 38 Senate districts were unlawfully gerrymandered. The newspaper reported that Senate Majority Leader Mike Shirkey said they will appeal to the Supreme Court.

SECURITIES AND EXCHANGE COMMISSION (SEC)

On April 24, the Securities and Exchange Commission announced the agenda for the 2019 FinTech Forum that it is hosting on May 31 to discuss distributed ledger technology and digital assets. The Forum will begin at 9:30 a.m. EST and will feature four panels. The agenda and speaker list for the Forum can be viewed here: <https://www.sec.gov/news/press-release/2019-59>

On April 30, the House passed H.R. 1876, the “Senior Security Act of 2019,” a bill that would create a taskforce within the Securities and Exchange Commission to address issues that affect senior investors. It passed with bipartisan support from the Ohio delegation.

OHIO ELECTORAL VOTE AMENDMENT

In April, Hannah News Service reported that a petition committee, which was seeking a proposed constitutional amendment to award Ohio's electoral votes in a presidential election based on the national popular vote, has withdrawn it from consideration. I reported last month that several states have adopted a popular vote count methodology for presidential elections. The proposed amendment would have added a new Article XX to the Ohio Constitution, stating, “It is the expressed will of the people that every vote for president be valued equally and that the candidate who wins the most votes nationally becomes president. Therefore, the General Assembly shall within 60 days of the adoption of this

amendment take all necessary legislative action so that the winner of the national popular vote is elected president."

OTHER MATTERS OF INTEREST

President Donald Trump issued an executive order in April that requires the Department of Labor to determine whether retirement plans engaging with energy companies on ESG issues are complying with ERISA. The Order notes that "companies owe a fiduciary duty to their shareholders to strive to maximize shareholder return, consistent with the long-term growth of a company." It calls on the Secretary of Labor to review guidance on proxy voting "to determine whether any such guidance should be rescinded, replaced or modified to ensure consistency with current law and policies that promote long-term growth and maximize return on ERISA plan assets."

A hearing on the Puerto Rico Oversight Management and Economic Stability Act (PROMESA): Lessons Learned Three Years Later, will be held on May 2, in the Committee on Natural Resources.

Public pension funds followed the passage of the Act because of language within it (H.R. 5278) related to the Financial Oversight & Management Board's (FOMB) authority to restructure Puerto Rico's debt, which included the liabilities of its public pension fund. Puerto Rico's Governor, Ricardo Rosello, will testify as one of the witnesses. Andrew Biggs, a frequent critic of defined benefit plans, is one of the appointed board members. According to the FOMB's Fiscal Plan, the Employment Retirement System (ERS) is bankrupt, with less than 1% funding. <https://oversightboard.pr.gov/>

On April 9, the House passed H.R. 1957, "The Taxpayer First Act," (Act), which was a piece of bipartisan legislation to address the operation of the Internal Revenue Service, including the appeals process. The bill was introduced by Rep. John Lewis (D-GA) and the only Ohio cosponsor was Rep. Brad Wenstrup (R-OH). The Act creates an independent appeal process to help taxpayers resolve disputes with the IRS. The vote was by voice vote, so no record of individual votes was made.

ACTIVITIES:

1. Handled numerous calls and sent emails to Ohio delegation offices to discuss the verbal decision communicated by CMS on Wraparound Plans and to discuss legislative and/or regulatory solutions.
2. Drafted a letter for staff from Senators Brown and Portman's offices to review for the three regulatory agencies and discussed it with staff members.
3. Followed up with our CMS contact on the questions asked in the SERS comment letter on the proposed rules for HRA Excepted Benefit Plans and to ask for a timeline for the final rules.
4. Participated on conference calls with SERS representatives to update them on advocacy efforts.
5. Participated on a conference call with Majority staff of the House Subcommittee on Social Security and SERS to discuss opportunities for the WEP bill's passage in 2019.
6. Reviewed an appropriations bill (174 pages) that was marked up on April 30 in the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. Followed up with Ohio delegation offices that are working on the bill.
7. Monitored bills relating to public pensions, retirement security, health care, prescription drugs, Social Security and relevant House and Senate Committee hearings.
8. Reviewed bills that were introduced by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
9. Prepared for and attended a meeting to assist with a smooth transition in the SERS Government Relations area. Prepared an announcement message to be emailed to the Ohio delegation staff to make them aware of Laurel Johnson's retirement and the hiring of Chris Collins.
10. Reviewed public notices or proposed rules from the SEC, HHS/CMS and regulatory agencies.
11. Monitored organizations, such as the Social Security Administration, American Benefits Council, AARP and other entities that have policies and advocacy on pension, investment, and/or health-care-related issues.
12. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable.
13. Reviewed reports on Social Security, retirement issues and prepared the monthly Federal Update.

REVIEW SERS FY 2020 ADMINISTRATIVE BUDGET

Chief Financial Officer Tracy Valentino presented SERS proposed FY 2020 Administrative Budget. Ms. Valentino provided an overview of the budget process used to compile the budget request, accomplishments in FY 2019, and continuing or new projects in FY 2020. Ms. Valentino further provided a high level comparison of the FY 2019 and the FY 2020 proposed budget that included identification of significant changes between years. Continuing, Ms. Valentino discussed each major budget category and the significant activities proposed for FY 2020 that impacted the budget request, including capital expenditures. Ms. Valentino also discussed the proposed FY 2020 budget for OSERS Broad Street, including capital improvements anticipated in the next year.

Concluding a question and answer session, Ms. Valentino stated that staff will ask for a vote of approval of the FY 2020 Administrative Budget during the June Board meeting. The Board thanked Ms. Valentino for the presentation.

COMPENSATION APPEAL

General Counsel Joe Marotta summarized the compensation appeal of SERS employer Liberty-Benton Local School District from a Final Staff Determination on a compensation question. Mr. Marotta stated that Liberty-Benton did *not* request a personal appearance. Mr. Marotta stated that the question to be answered on appeal is whether performance incentive pay, as provided for in the Teacher Achievement Program ("TAP Program"), is compensation for purposes of SERS. Specifically, whether the performance incentive payments were made for additional services rendered.

LIBERTY-BENSTON APPEAL - AFFIRM FINAL STAFF DETERMINATION

Barbra Phillips moved and Beverly Woolridge seconded to affirm the Final Staff Determination that payments made under the Teacher Achievement Program are not compensation for purposes of SERS. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. The motion carried.

The Board took a break at 12:46 p.m., and reconvened at 1:30 p.m.

EXECUTIVE SESSION

At 1:45 p.m., Barbra Phillips moved and Beverly Woolridge 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. Upon roll call, the vote was as follows: Catherine Moss, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Beverly Woolridge. The motion carried.

The Board returned to open session at 1:49 p.m.

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2019

June 20 and 21 (Thurs. and Fri.)
July 17 (Board Retreat)
July 18 and 19 (Thurs. and Fri.)
September 19 and 20 (Thurs. and Fri.)

October 17 and 18 (Thurs. and Fri.)
November 21 and 22 (Thurs. and Fri.)
December 19 and 20 (Thurs. and Fri.)

****NOTE: The above dates are *tentative*.**

CONTINUED OR NEW BUSINESS

Executive Director Richard Stensrud continued by reviewing the open and closed information items.

Board member Barbra Phillips discussed highlights from the Pension Bridge conference she recently attended. Ms. Phillips spoke highly of conference speakers and recommended having speakers from the conference provide sessions for the entire Board.

Board member Hugh Garside stated that he would not be present during the June Board meeting, and Board member Jeffrey DeLeone stated that he would be absent during the July Board meeting.

ADJOURNMENT

Catherine Moss moved that the Board adjourn to meet on Thursday, June 20, 2019 for their regularly scheduled meeting. The meeting adjourned at 1:55 p.m.

Catherine Moss, Vice-Chair

Richard Stensrud, Secretary