

November 21, 2019

The nine hundredth and twenty-five 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, November 21, 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, Chair, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips, Daniel Wilson and James Rossler. Also in attendance was Sam Peppers, representative of the Attorney General, various members of the SERS staff, and members of the public.

APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON October 17, 2019

Barbra Phillips moved and James Haller seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, October 17, 2019. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. Abstain: Daniel Wilson. The motion carried.

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

INVESTMENT REPORT

Asset Allocation Discussion

David Lindberg and Joanna Bewick of Wilshire Associates reviewed the current asset only optimizations for the Asset Allocation review and portfolios, for consideration. This is the third step in the Asset Allocation review. Final recommendations including liability considerations will be presented in February.

Annual Portfolio Review – Multi-Asset Strategies (MAS)

Judi Masri and Jason Naber, Investment Officers, presented the annual MAS portfolio review, focusing on the portfolio's role, performance and FY2020 objectives. The role of the portfolio is to generate absolute returns with managed volatility, provide positive attribution and portfolio diversification to the Total Fund. During calendar year 2019, SERS made commitments to four new mandates and terminated four managers. Net of fee performance as of September 30, 2019 had an excess return of 1.08%. Management and incentive fees over the last seven years have decreased by 10 basis points. FY2020 objectives include new manager searches, evaluation of the passive hedge fund replication strategy, further fee reductions and monitoring the MAS portfolio ensuring appropriate risk and return. The Board thanked staff for the presentation.

Wilshire Quarterly Performance Report

Ms. Bewick and Mr. Lindberg presented the performance report for the quarter ending September 30, 2019. The discussion included economic and capital market highlights along with SERS' Total Fund and asset class performance as well as performance verses peers. SERS total fund performance exceeds its benchmark for three and five year periods and ranks in the top decile in the public fund universe. A manager summary for each asset class was provided to the Board. After discussion, the Board thanked Joanna and David for their presentation.

Quarterly Investment report

Mr. Majeed highlighted points discussed during the Wilshire Quarterly Performance presentation for the period ending September 30, 2019. The preliminary performance report as of October 31, 2019 was distributed to the Board. As of October 31, 2019, the Fund was \$14.77 billion with a FYTD return of 2.35%. Mr. Majeed also provided the Ohio Retirement Study Council report for their information. Following questions and answers, the Board thanked Mr. Majeed for the presentation.

SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and James Haller seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **September 1, 2019** through **September 30, 2019** hereby be approved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 32.8
Non-US Equities	98.8
Fixed Income	607.6
Multi-Asset Strategies	0.4
Private Equity Capital Calls	32.9
Real Asset Capital Calls	0.3
Opportunistic	14.2
Cash Equivalents	409.9

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 121.5	\$ 13.1
Non-US Equities	117.2	3.6
Fixed Income	574.7	5.2
Multi-Asset Strategies	0.4	n/a
Private Equity distributions	29.3	n/a
Real Asset distributions	32.1	n/a
Opportunistic	18.0	5.2
Cash Equivalents	249.9	n/a

Concluding the Investment Report, the Board took a break at 9:47 a.m., and reconvened at 10:03 a.m.

EXECUTIVE DIRECTOR'S UPDATE

Ohio Retirement Study Council

Executive Director Richard Stensrud stated that the ORSC meeting was held November 14th; SERS' Ethics Policy Amendments were on the agenda, and OPERS fiduciary audit was presented. The next scheduled meeting is December 12th.

Advocacy Groups/Legislative Outreach

Mr. Stensrud noted that he and staff met with an OAPSE representative last month to discuss SERS' sustainability initiative. Mr. Stensrud also noted that he and staff met with OEA leadership staff earlier this week on this same topic.

Mr. Stensrud stated that he is scheduled to meet with the SERO Board in early December to discuss the sustainability initiatives.

Mr. Stensrud noted that outreach efforts continue, and staff is working to schedule additional one-on-one meetings with stakeholder group leaders.

Mr. Stensrud also noted that SERS Government Relations Officer Chris Collins met last month with several members of the Ohio Retirement Study Council to provide a sustainability initiative update.

Marketplace Wraparound Plan

Mr. Stensrud reported that Congresswoman Kaptur introduced H.R. 4763, a five-year extension for the limited Wraparound program through 2024. It has bipartisan co-sponsorship, and we are continuing to advocate for its passage in Congress. Mr. Stensrud stated that in the meantime, however, staff is moving forward with an HRA alternative to the Wraparound program for calendar year 2020.

Mr. Stensrud noted that should Congresswoman Kaptur's bill, or another legislative vehicle, succeed in securing a long-term extension of the Wraparound Plan, SERS will look to return to that program in the future.

WEP Legislation

Mr. Stensrud stated that the competing WEP reform bills introduced by Congressman Neal, HR 4540, and Congressman Brady's, HR 3934, continue to gain co-sponsors, however Congressman Neal's bill is nearly exclusively Democrats and Congressman Brady's bill is nearly exclusively Republicans.

Mr. Stensrud stated that staff has written to both Congressmen, urging them to find a WEP solution that can be supported by both parties, since that is the only approach that will actually result in a change.

Gender Diversity Resolution

Mr. Stensrud reported that resolution HCR 13, encouraging diverse gender representation on the boards and in senior management of Ohio companies and institutions, received a second hearing in the Ohio House Civil Justice committee on November 12th. Mr. Stensrud thanked SERS' Enterprise Risk Manager Officer Julie Deisler for providing testimony in support of the resolution, along with witnesses from OPERS and the Women for Economic and Leadership Development (WELD) organization.

SERS Employee Charitable Efforts

Mr. Stensrud noted that SERS staff once again participated in Operation Gratitude, a program to donate excess Halloween candy for actively deployed troops, first responders, veterans, wounded heroes and their caregivers, and military families. Mr. Stensrud stated that last year, staff donated 76 pounds of candy; however, this year staff donated 127 pounds of candy.

Mr. Stensrud further stated that 74% of SERS' staff participated in this year's United Way campaign, and that preliminary figures show a total of \$17,484 raised through a combination of payroll deduction and one time pledges.

Recognition of long-term SERS employee

Mr. Stensrud recognized long-time SERS employee Rob Cox who retired at the end of October with 36 years of service.

Quarterly Financials

Chief Financial Officer Tracy Valentino presented SERS' quarterly financials update:

- Employer and Employee contributions are up; this is a result of a slight increase in the number of active members and an increase in payroll.

- Benefits have stayed flat from last year. This is a result of the COLA delay and no significant change in the number of retirees.
- Health Care contributions will be lower than previous years since no portion of the employer contribution (0.50% of the 14%) will go into health care.
- SERS is experiencing an increase in refunds when compared to prior year due to the communication related to RMD that occurred during the past six months.
- Receivable balance is higher in September due to the surcharge billing and the timing of the due date. Since the end of September, essentially all surcharge receivables have been collected.
- Administrative budget is 27% of the budget, and is on target.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

133rd General Assembly

(Prepared by Chris Collins as of November 8, 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: 10/29/2019 - Re-Referred to Committee

HB326 PUBLIC EMPLOYEE RETIREMENT-DISABILITY BENEFIT Adam Miller (D – Columbus) To allow a Public Employees Retirement System or School Employees Retirement System disability benefit recipient elected to certain offices to continue receiving a disability benefit during the term of office.

Current Status: 09/24/2019 Referred to Insurance Committee

HCR13 GENDER REPRESENTATION Thomas West (D- Canton), Sara Carruthers (R-Hamilton) - To encourage equitable and diverse gender representation on the boards and in senior management of Ohio companies and institutions.

Current Status: 10/01/2019 House Civil Justice, (First Hearing)

FEDERAL LEGISLATION BOARD REPORT
116th United States Congress
(Prepared by Chris Collins as of November 8, 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. 218 co-sponsors; nine Ohioans

H.R. 748

SPONSOR: Rep. Joe Courtney (D-CT)

LAST ACTIONS: Senate - 07/22/2019 Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 157

CAPTION: Middle Class Health Benefits Tax Repeal Act of 2019

COMMENT: Repeals the health care "Cadillac Tax." 369 co-sponsors; 14 Ohioans

H.R. 1398

SPONSOR: Rep. Ami Bera (D-CA)

LAST ACTIONS: House - 02/28/2019 Referred to the Subcommittee on Health.

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

COMMENT: Delays the health care HIF tax. 138 co-sponsors; eight 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. 35 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." 62 co-sponsors; two Ohioans

H.R.3934

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTIONS: House - 07/24/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with non-covered employment, and for other purposes.

COMMENT: 38 co-sponsors; three Ohioans

H.R.4540

SPONSOR: Rep. Richard Neal (D-MA)

LAST ACTIONS: House - 09/27/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with non-covered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 43 cosponsors

H.R.4763

SPONSOR: Rep. Kaptur, Marcy (D-OH)

LAST ACTIONS: House - 10/18/2019 Referred to the House Committee on Energy and Commerce.

CAPTION: To extend the limited wraparound coverage pilot program for an additional 5 years, and for other purposes.

COMMENT: Eight co-sponsors, all of whom are Ohioans

MEMORANDUM

To: Chris Collins, Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: November 6, 2019

Re: Federal Legislative and Regulatory Report

OVERVIEW

Highlights for October and early November include: a General Election Day; the vote to approve an impeachment inquiry of President Trump in the House of Representatives; discussions of needing to pass a Continuing Resolution (CR) in the House and Senate to keep the federal government open past November 21; advocacy for the SERS Wraparound Program and the bill's introduction; prescription drug legislation; and efforts to support bipartisan solutions to WEP reform.

Tuesday, November 5 was a General Election Day across the country. The "off-year" voting was for state and local elections for the most part. Congressional and presidential primaries, and the corresponding elections will occur in 2020. Voting was expected to be light in most parts of Ohio. Ohio Secretary of State Frank LaRose announced on November 4 that "at the close of early voting, 320,299 ballots had been cast statewide according to the latest data compiled from Ohio's Boards of Elections. This includes more than 194,034 absentee ballots cast by mail, 125,666 in person ballots and 599 military and overseas ballots. Boards of Elections are accepting military and overseas ballots for another 10 days."

On October 31, Speaker Nancy Pelosi (D-CA) called for the vote in the House of Representatives to formally support an impeachment inquiry against President Trump. House Resolution 660, "Directing certain committees to continue their ongoing investigations as part of the existing House of Representatives inquiry into whether sufficient grounds exist for the House of Representatives to exercise its Constitutional power to impeach Donald John Trump, President of the United States of America, and for other purposes," was passed by a vote 232-196. All twelve Ohio Republicans voted against the bill and all four Democratic members voted for it. The Senate will not take up the matter until the House completes its investigation.

The House is not in session until Tuesday, November 12. There will be eight session days in November, followed by a recess for Thanksgiving week. In December, the House has tentatively set eight days for session, concluding on December 12. The hearing schedule includes:

- November 21 at 9:30 AM: The Task Force on Financial Technology will convene for a hearing entitled, "Banking on Your Data: the Role of Big Data in Financial Services."

House Committee on Appropriations Chairwoman [Nita Lowey](#) (D-NY) has indicated that another CR will be necessary to cover spending through February or March 2020. Chairwoman Lowey has served in the House since 1989 and recently announced that she will not run for another term. News media outlets have reported that Rep. Marcy Kaptur (D-OH) may be one of the members considered for the Chair's position if the House remains in Democratic hands after the 2020 election.

The Senate will be in session until November 25, with the exception of Veterans Day, November 11. In December, the Senate will be in session until December 16 and will not return for the remainder of the month. On November 5, the Committee on the Judiciary held a hearing entitled:

- [How Corporations and Big Tech Leave Our Data Exposed to Criminals, China, and Other Bad Actors](#)

Witnesses were: Mr. Tom Burt, Corporate Vice President of Costumer Security and Trust

Microsoft Corporation; Mr. William A. Carter, Deputy Director and Fellow, Technology Policy Program, The Center for Strategic and International Studies; Ms. Kara Frederick, Fellow for Technology and National Security Program, Center for a New American Security; and Mr. Klon Kitchen, Senior Research Fellow, Technology, The Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, The Heritage Foundation.

On October 31, the Senate voted 84-9 on a \$332 billion appropriations package, which included spending for the departments of Agriculture, Interior, Commerce, Justice, Transportation and Housing and Urban Development. Both Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) voted in favor of the bill. There are eight more appropriations bill that must pass before November 21 unless another Continuing Resolution (CR) is passed. Senator Richard Shelby (R-AL) was quoted in The Hill, saying, "Unless a miracle happens around here with the House and the Senate, we will have to come forth with another CR." The debate between the House and Senate is whether the next CR should continue until mid-December or be pushed out until February or March 2020.

SERS WRAPAROUND PLAN

On October 18, Rep. Marcy Kaptur (D-OH) introduced H.R. 4763, the "Wraparound Health Coverage Protection Act," a bill to extend the limited wraparound coverage pilot program for five years or until December 31, 2024, and for other purposes. As of this date, there are eight cosponsors, including Reps. Tim Ryan (D-OH), Joyce Beatty (D-OH), Marcia Fudge (D-OH), Bob Gibbs (R-OH), David Joyce (R-OH), Michael Turner (R-OH), Steve Stivers (R-OH) and Anthony Gonzalez (R-OH). The bill was referred to the Committee on Energy and Commerce. Reps. Bob Latta (R-OH) and Bill Johnson (R-OH) serve on this Committee. We are seeking cosponsorship of the bill from the entire Ohio delegation and other House members in states that have supported wraparound plans.

In a second "Dear Colleague" letter that was sent out on October 29, Rep. Kaptur asked for colleagues to sign on, listed the current cosponsors of the bill and supporters, including: School Employees Retirement System of Ohio, State Teachers Retirement System of Ohio, Ohio Public Employees Retirement System, National Conference on Public Employee Retirement Systems, Teachers' Retirement System of Kentucky, International Brotherhood of Teamsters, AFL-CIO, AFSCME, and the Public Sector HealthCare Roundtable.

We are continuing to work with the sponsor and cosponsors' offices to advance the bill in Committee or through a "must pass" vehicle that will be moving as soon as possible. We also have contacted the administration of Governor Mike DeWine to seek support. On the Senate side, there is no companion bill at this point. We have, however, had numerous discussions with the Legislative Assistants for Senators Portman and Brown, who handle health care matters. They have continued to provide information to the Committees on Appropriations and Finance to support this effort.

WINDFALL ELIMINATION PROVISION

As reported last month, Ways and Means Chairman Richard E. Neal (D-MA) introduced his version of the WEP reform bill, H.R. 4540, on September 27 and currently there are 43 cosponsors, although none are from Ohio.

As previously reported, Rep. Brady (R-TX) introduced the third version of his bill (two from the past two sessions) to address WEP, which is H.R. 3934. Thirty-eight members have cosponsored this bill, including three from Ohio, Reps. Bob Latta (R-OH), Michael Turner (R-OH) and Anthony Gonzalez (R-OH). SERS is preparing a letter from Executive Director Richard Stensrud to strongly encourage a bipartisan effort to address the WEP formula as soon as possible for SERS members and retirees.

Rep. Rodney Davis (R-IL) introduced H.R. 141, the "Social Security Fairness Act of 2019" in January 2019 and it now has 218 bipartisan cosponsors, including nine members of the Ohio delegation, 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), Marsha Fudge (D-OH), Joyce Beatty (D-OH) and Troy Balderson (R-OH), who signed onto the bill on October 23.

The bill now has enough cosponsors to pass in the House. What is interesting is that this bill calls for full repeal of both the WEP and GPO, which is a much different approach than either the Neal or Brady bills. The number of cosponsors combined on the Neal and Brady bills is significantly less than the cosponsors on the bill introduced by Rep. Rodney Davis.

As previously reported, S. 521, the “Social Security Fairness Act,” was introduced by Senator Sherrod Brown (D-OH) in February 2019 and now has 35 cosponsors. The bill would amend title II of the Social Security Act to **repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP).** There has been no action on the bill in the Senate Committee on Finance and Senator Portman is still not one of the co-sponsors.

SOCIAL SECURITY

H.R. 860, the “Social Security 2100 Act,” introduced by Rep. John Larson (D-CT) is still pending although there is some hopeful speculation that it could move this year. The bill has 208 cosponsors thus far. All members of Ohio’s Democratic delegation are cosponsors, Reps. Joyce Beatty, Marcia Fudge, Tim Ryan and Marcy Kaptur. The identical Senate bill is S. 269, introduced by Senator Richard Blumenthal (D-CT). Senator Chris Van Hollen (D-MD) is the only cosponsor. An article in CNBC News on October 7 quoted Social Security Works President Nancy Altman, who noted similarities between the proposed WEP reform bills and the Social Security 2100 Act, particularly because they seek to set higher minimums and increase benefits. “The bills, in my mind, are completely consistent,” Altman said. “I think it would be great if they were combined into a single bill.”

According to the Social Security Administration, “Social Security and Supplemental Security Income (SSI) benefits for nearly 69 million Americans will increase 1.6 percent in 2020.

The 1.6 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 63 million Social Security beneficiaries in January 2020. Increased payments to more than 8 million SSI beneficiaries will begin on December 31, 2019. Read more here: [Social Security Cost-of-Living adjustment for 2020.](#)

The maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$137,700. The earnings limit for workers who are younger than “full” retirement age (age 66 for people born in 1943 through 1954) will increase to \$18,240. (We deduct \$1 from benefits for each \$2 earned over \$18,240.) The earnings limit for people turning 66 in 2020 will increase to \$48,600. (We deduct \$1 from benefits for each \$3 earned over \$48,600 until the month the worker turns age 66.) There is no limit on earnings for workers who are “full” retirement age or older for the entire year. Read more here: [COLA, tax, benefit and earning amounts for 2020.](#)

H.R. 3417, the “Beneficiary Education Tools, Telehealth, and Extenders Reauthorization Act of 2019,” was reported out of the Committee on Ways and Means by a unanimous vote of 41-0 and could mean that the language would be added to a moving bill. It was introduced by Chairman Richard Neal (D-MA) and cosponsored by Rep. Kevin Brady (R-TX).

H.R. 2302, the “Protecting and Preserving Social Security Act,” introduced by Rep. Theodore Deutsch (D-FL) still has eight co-sponsors, one of whom is Rep. Marcy Kaptur (D-OH). This bill, like the “Social Security 2100” bill, H.R. 860, would make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection.

MEDICARE AND MEDICAID

Open enrollment has begun and ends on December 7. Medicare.gov has extensive information on its website to assist with open enrollment, the selection of plans and local resources to help seniors. <https://www.medicare.gov/>

Neither H.R. 1346, the “Medicare Buy-In and Health Care Stabilization Act of 2019,” 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,” or S. 470, the “Medicare at 50 Act,” the companion Senate bill that Senator Sherrod Brown (D-OH) has co-sponsored, has advanced.

PRESCRIPTION DRUGS

H.R. 3, “Elijah E. Cummings Lower Drug Costs Now Act,” which was Speaker Pelosi’s long-awaited health care bill, passed in two key House Committees on October 17. At the markup in the Committee on Energy and Commerce, the Committee amended the bill to include language from a bill introduced by Reps. Kurt Schrader (D-OR) and Greg Gianforte (R-MT) to increase reimbursement for biosimilar drugs under Medicare Part B. Reps. Bob Latta (R-OH) and Bill Johnson (R-OH) serve on the Committee. The bill also was marked up in the Committee on Education and Labor Committee, where Rep. Marcia Fudge (D-OH) is a member.

The Committee on Ways and Means held its markup on October 22. Rep. Brad Wenstrup (R-OH) serves on this Committee. There were several amendments offered during the markups, including one to increase the minimum number of drugs that CMS could negotiate from the top 25 to the top 35 most costly drugs. Earlier reports indicated that the Democrats were hoping to have a higher number of negotiated drugs. The bill was reported out favorably in the nature of a substitute. It will now be considered by the full House.

The Committee on Ways & Means also marked up three bills that would add vision, hearing and dental benefits to Medicare Part B plans. Chairman Richard Neal (D-MA) said:

To that end, we will mark up H.R. 4650, the Medicare Dental Act of 2019, H.R. 4665, the Medicare Vision Act of 2019, and H.R. 4618, the Medicare Hearing Act of 2019. Together, these three bills fill in a key gap in Medicare: the lack of dental, vision and hearing coverage. Because Medicare doesn’t cover these services, beneficiaries largely must fund this care out of pocket and experience higher costs.

We know from decades of research that when beneficiaries cannot afford these costs on their own, they forgo care. And that leads to worse health outcomes. Untreated hearing impairment leads to social isolation. Untreated dental disease affects cardiovascular health, and nutrition. Unaddressed vision issues lead to falls, emergency room visits, and other complications.

SERS has evaluated H.R. 3, as it did the Senate bill to lower drug prices, to determine the impact on the Fund and retirees. In the handout created for upcoming Hill visits, SERS has indicated that the restructuring of the manufacturer and CMS responsibility for Part D expenses will reduce revenue to SERS by at least \$16 million based on actual CY2018 results. The result would lead to increased member premiums or cost sharing by \$37 per member, per month (PMPM). Rebates will also likely go down, adding to SERS’ loss of revenue. The bill includes language for CMS to negotiate drug prices and according to SERS’ data, the top 25 drug prices would have to be reduced by over 50% to replace the revenue loss. The key message is that unless the bill can achieve this level of drug price reduction, SERS members will be required to pay higher premiums or cost-sharing if the bill is passed as written.

As previously reported, Senate Democrats were attempting to use the Congressional Review Act (CRA) to force Republicans to vote on pre-existing conditions. A discharge petition was filed by Senator Mark Warner (D-VA) to force a vote whether to roll back the 1332 waiver rule that was passed for insurance plans to qualify for waivers from the Affordable Care Act minimum coverage requirements. The discharge petition did not receive a majority of Senate votes.

H.R. 965, the “CREATES Act of 2019,” would “increase competition by cracking down on brand-name drug manufacturers using tactics to keep generic manufacturers from entering the market. The bill is cosponsored by 68 members, 55 Democrats and 13 Republicans including Reps. David Joyce (R-OH), Jim Jordan (R-OH) and Anthony Gonzalez (R-OH). The bill would enable generic drug companies to sue brand-name drug companies for withholding product samples. S. 340 is the identical

Senate bill and has 37 cosponsors, including Senator Sherrod Brown (D-OH).

S. 474, the “Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act of 2019,” requires drug companies to publicly justify any substantial price increases and has 12 cosponsors but not Senators Brown or Portman. It has not moved out of Committee.

RETIREMENT SECURITY

Rep. Anthony Gonzalez (R-OH) sent a letter on November 1 to President Trump, also signed by Reps. Bob Latta (R-OH), David Joyce (R-OH), Bill Johnson (R-OH), Brad Wenstrup (R-OH), Steve Stivers (R-OH), Michael Turner (R-OH), Troy Balderson (R-OH) and three members from other states, asking for support for a solution to the multiemployer pension crisis. In the joint letter, they said:

The status quo is simply unacceptable for the retirees, active employees, business owners, and American taxpayers. These retirees spent their entire careers working towards the promise of a secure retirement and due to no fault of their own are now at risk of receiving a negligible portion of their expected benefits. For current workers, the contributions made on their behalf are increasing to pay for the current retirees, while the benefits they will receive at their retirement are being significantly reduced.

In his latest newsletter, Rep. Gonzalez said that the members believe that “Congress and the White House need to act this Congress to find a lasting solution to the multiemployer pension crisis. We need a bill that addresses the short-term insolvency facing the Central States Pension Fund, reforms the system to ensure we never face this crisis again, and protects taxpayer dollars. My letter asks the President for his support in finding a solution that can pass the House and Senate and be signed into law.” You may [read the full letter here](#).

SECURITIES AND EXCHANGE COMMISSION (SEC)

The SEC held both an open and closed meeting on November 5. The open meeting agenda included:

The first two items of the Open Meeting will address the Commission’s continued efforts to facilitate constructive shareholder engagement and enhance transparency, improve disclosures, and increase confidence in the proxy process. The specific matters to be considered are:

Item 1: Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

The Commission will consider whether to propose amendments to the proxy solicitation rules that would provide for disclosure of material conflicts of interest and set forth procedures to facilitate issuer and shareholder engagement, to provide clarity to market participants, and to improve the information provided to investors.

Item 2: Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

The Commission will consider whether to propose amendments to the shareholder proposal rules to modernize the submission and resubmission requirements and to update procedural requirements.

The third item of the Open Meeting will address the Commission’s continued efforts to modernize the regulatory framework for investment advisers and enhance information to investors. The specific matter to be considered is:

Item 3: Investment Adviser Advertisements; Compensation for Solicitations

The Commission will consider whether to propose amendments under the Advisers Act of 1940 to the rules that prohibit certain investment adviser advertisements and payments to solicitors.

The Commission issued a press release, saying:

The Securities and Exchange Commission today voted to propose amendments to its rules governing proxy solicitations to enhance the quality of the disclosure about material conflicts of interest that proxy voting advice businesses provide their clients. The proposal

would also provide an opportunity for a period of review and feedback through which companies and other soliciting parties would be able to identify errors in the proxy voting advice. The review and feedback period would only be available to companies that file definitive proxy materials 25 days or more in advance of the relevant meeting. The Commission's proposal aims to enhance the accuracy and transparency of the information that proxy voting advice businesses provide to investors and others who vote on investors' behalf, and thereby facilitate their ability to make informed voting decisions.

The rule builds on the August 2019 guidance issued by the SEC related to proxy solicitation and proxy advisors. The full release is here: <https://www.sec.gov/news/press-release/2019-231>

Institutional Shareholder Services (ISS) filed a lawsuit on Thursday, October 31, in the U.S. District Court in the District of Columbia, seeking declaratory and injunctive relief from the potential SEC action. A copy of the Complaint is available here: <https://www.issgovernance.com/file/duediligence/iss-oct-31-2019-complaint.pdf> "We believe litigation to be necessary to prevent the chill of proxy advisers' protected speech and to ensure the timeliness and independence of the advice that shareholders rely on to make decisions with regards to the governance of their publicly traded portfolio companies," ISS CEO Gary Retelny said in a statement. The full statement may be read here: <https://www.issgovernance.com/iss-files-suit-over-august-sec-guidance/>

[The Council of Institutional Investors \(CII\) and several other institutional investors have responded to the SEC vote, expressing concern with it. Public comments will be due within 60 days following publication in the Federal Register.](#)

The SEC Investor Advisory Committee will meet on November 7 at 9:30 a.m. The Agenda includes:

1. Discussion Regarding Whether Investors Use Environmental, Social, and Governance (ESG) Data in Investment/Capital Allocation Decisions
 - Jonathan Bailey, Head of ESG Investing, Neuberger Berman
 - Satyajit Bose, Associate Director and Associate Professor of Practice Program in Sustainability Management, Columbia University
 - Michelle Dunstan, Portfolio Manager, AllianceBernstein
 - Rakhi Kumar, Senior Managing Director, Head of ESG Investments and Asset Stewardship, State Street Global Advisors
 - Jessica Milano, Vice President & Director of ESG Investment Research, Calvert Research and Management
2. Discussion Regarding the SEC's Concept Release on Harmonization of Securities Offering Exemptions
 - Tyler Gellasch, Executive Director, Healthy Markets Association
 - Sara Hanks, CEO, CrowdCheck, Inc.
 - Renee Jones, Associate Dean of Academics and Professor, Boston College Law School
 - Catherine Mott, CEO, Founder and Managing Partner, BlueTree Capital Group, LLC
 - Andrea Seidt, Ohio Securities Commissioner
 - Jennifer Zepalka, Chief, Office of Small Business Policy, SEC

U.S. SUPREME COURT

On October 7, the Supreme Court threw out the federal suit filed against Ohio's alleged gerrymandered districts. The federal three-judge panel in May had ruled that Republican lawmakers had manipulated Congressional districts to favor Republicans and ordered that all sixteen districts be withdrawn prior to the 2020 election. The case was appealed, along with cases from other states related to alleged gerrymandered districts. The district maps will remain as drawn after the last U.S. census.

In Thole v. U.S. Bank, N.A., the Supreme Court granted certiorari and will hear arguments on November 12 on the following questions:

This case presents two independent, substantial legal issues that have divided the courts of appeals regarding when an ERISA plan participant may invoke the remedies Congress explicitly authorized to police fiduciary misconduct and protect federally guaranteed benefits.

The questions presented are: 1. May an ERISA plan participant or beneficiary seek injunctive relief against fiduciary misconduct under 29 U.S.C. 1132(a)(3) without demonstrating individual financial loss or the imminent risk thereof? 2. May an ERISA plan participant or beneficiary seek restoration of plan losses caused by fiduciary breach under 29 U.S.C. 1132(a)(2) without demonstrating individual financial loss or the imminent risk thereof?

<https://www.supremecourt.gov/grantednotedlist/19grantednotedlist>

On October 7, the Supreme Court declined to consider the case filed over the assets of Puerto Rico's largest public sector pension fund. According to an article in P&I, "the justices left in place a January 2019 lower court ruling that found that bondholders who own nearly \$3 billion of debt issued by Puerto Rico's Employees Retirement System have a legitimate claim on the pension fund's assets. The justices refused to hear an appeal by Puerto Rico's federally created financial oversight board of that ruling."

REPORTS

In October, NCPERS released its most research report, "Peaceful Coexistence: The Facts About Pensions and Education Funding." In the Executive Summary, NCPERS wrote:

The claim that rising public pension costs are crowding out education funding has gained ground, despite a lack of evidence. For example, Josh McGee, senior fellow at Manhattan Institute,¹ and Joe Nation, at Stanford University,² maintain that pensions are pulling funding away from education. The data and analysis in the present study show that pension contributions do not crowd out education funding—or any other services, for that matter. They do show, however, that if there is a squeeze on state and local budgets, it is because state and local revenue systems are out of sync with the economy, not because of pension costs.

The full report may be read here:

https://www.ncpers.org/files/NCPERS_peaceful-coexistence_revised_pages%20for%20web.pdf

NCPERS has indicated that it would like to convene a group of interested public pension funds to discuss the Financial Transaction Tax (FTT) bills that have been introduced in the House and Senate, including H.R. 1516, S.1587 and S. 647. Hank Kim, Executive Director of NCPERS, has invited SERS to participate in a meeting to be scheduled in November. Currently, no members of the Ohio House or Senate delegation have become cosponsors of these bills.

In November, Andrew Biggs and Alicia Munnell released a working paper, entitled, "Why Are 401(k)/IRA Balances Substantially Below Potential?" The policy implications of the findings are:

- Providing continuous access to a workplace-based saving vehicle for all workers could substantially increase retirement saving.
- Encouraging less leakage by modifying pre-retirement withdrawal rules could also increase 401(k)/IRA balances at retirement, albeit more modestly

The report may be viewed here: https://crr.bc.edu/wp-content/uploads/2019/11/wp_2019-14.pdf

OTHER MATTERS OF INTEREST

The Public Sector HealthCare Roundtable 15th Annual Conference will be held from Thursday, November 7 through Friday, November 8 in Alexandria, Virginia. Christi Pepe, Director of Health Care Services and I will be attending. The preliminary agenda includes sessions on:

- The Politics of Health Care Reform and Public Purchasers
- Markets, Trends, and Health Policy: What to Expect in 2020

- The View from Capitol Hill: Federal Legislative Reform Efforts and Public Purchasers – A Fireside Chat
- The Pharmaceutical Marketplace Today: Studying Anticompetitive Activities and Recommending Solutions
- Addressing Drug Costs: Efforts to Achieve Meaningful Relief for Public Purchasers
- The Movement to Value-Based Care: Shared-Risk/Shared-Savings Arrangements and Public Sector Purchasers
- Updates from Allies: Public Sector HealthCare Roundtable Coalition Engagement on Key Health Policy Issues

Ms. Pepe and I are flying to Washington, D.C. for Hill visits on Wednesday, November 6, before the Roundtable conference. We will be meeting with health care legislative aides from the offices of Senator Portman, Reps. Latta, Gonzalez, Joyce and Johnson to discuss the Wraparound Plans bill, the effort to lower prescription drug costs and the potential impact to retirees. We also have a meeting with representatives from Aetna and a meeting with the federal director for Governor DeWine. We have requested meetings with the staff from the Senate Committee on Finance and Senator Brown's office, which are pending as of this report.

ACTIVITIES:

1. Discussions with the Health Care Legislative Assistants in Rep. Kaptur's and Ryan's offices on the introduction of the bill for Wraparound Plans and coordination with cosponsor outreach.
2. Email follow up with organizations and pension peers asking for their support of the Wraparound Plans bill. Several pension funds and organizations signed on as supporters of the bill.
3. Emails and calls to the Health Care Legislative Assistants who work for members of the Ohio delegation, seeking their support for Rep. Kaptur's bill. Follow up calls and emails were sent to encourage cosponsorship.
4. Forty-two emails were sent to the Kentucky and Texas delegation members, seeking cosponsorship of the Wraparound Plans bill. Followed up with our Kentucky colleague.
5. Conference calls with Chris Collins and Christi Pepe to discuss the Wraparound Plans bill.
6. Scheduled appointments for Hill visits on November 6-8.
7. Assisted in drafting letter to Chairman Neal and Ranking Member Brady to support a bipartisan bill to address the Windfall Elimination Provision.
8. Emailed staff members from the Subcommittee on Social Security for an update on the Neal bill and received an updated list of supporters to share with SERS.
9. Monitored bills from the Committees on Appropriations, Finance, Judiciary and others related to public pensions, retirement security, health care, prescription drugs, Social Security and kept informed of relevant House and Senate Committee hearings and witnesses.
10. 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.
11. Reviewed public notices or proposed rules from the SEC, HHS/CMS and regulatory agencies.
12. Monitored organizations, such as the Social Security Administration, American Benefits Council, AARP and other entities on pension, investment, and/or health-care-related issues.
13. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable, Social Security, retirement issues and prepared the Federal Policy Memo.

EXECUTIVE SESSION

At 10:36 a.m., Barbra Phillips moved and Jeffrey DeLeone seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) of the Ohio Revised Code to discuss the appointment of a public official. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

The Board returned to open session at 11:56 a.m.

Upon return to open session, the Board vote was as follows:

Matthew King Felicia Drummey

Hugh Garside	x	
Jeffrey DeLeone	x	
James Haller	x	
Barbra Phillips	x	
James Rossler	x	
Daniel Wilson		x
Catherine Moss	x	

DECLARATION OF ELECTION OF EMPLOYEE MEMBER

I, Catherine Moss, Chairman of the Board, declare Matthew King elected to fill the employee member seat for the term ending June 30, 2020.

CERTIFICATION OF ELECTION RESULTS BY THE SECRETARY OF STATE'S OFFICE

I, Matthew Tlachas as election judge, monitored the election by the School Employees Retirement System Board held on November 21, 2019 to fill the vacancy in the employee member seat on the Board. I hereby certify that Matt King was duly elected by the Board to fill the vacancy.



Name
Secretary of State's Office

11/21/19
Date

NOMINATIONS FOR THE VACANT RETIREE MEMBER SEAT

As Chairperson of the SERS Board, Catherine Moss opened the floor to nominations for the vacant retiree-member seat:

Nominated	<u>Frank Weglarz</u>	By: James Haller
Nominated	<u>Robert Hancock</u>	By: James Rossler
Nominated	<u>Tim Penton</u>	By: Hugh Garside

As Chairperson of the SERS Board, Catherine Moss declared three applicants as being nominated to fill the vacancy of the retiree-member seat. Board members shall interview the nominated candidates at the December 19, 2019 Board meeting.

The Board continued with the review of calendar dates. Board member James Rossler reminded Board members that he would not be available during the December Board meeting, and Board Chair Catherine Moss reminded Board members that she would not be available during the February Board Retreat and February Board meeting. Ms. Moss stated that Vice Chair Hugh Garside would facilitate the meetings in February.

FUTURE CALENDAR DATES FOR 2019

AUDIT COMMITTEE MEETINGS

December 18 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETING

December 19 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

December 19 and 20 (Thurs. and Fri.)

FUTURE CALENDAR DATES FOR 2020

AUDIT COMMITTEE MEETINGS

March 18 - 2:30 p.m. (Weds.)
June 17 - 2:30 p.m. (Weds.)
September 16 - 2:30 p.m. (Weds.)
December 16 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 19 - 7:30 a.m. (Thurs.)
June 18 - 7:30 a.m. (Thurs.)
September 17 - 7:30 a.m. (Thurs.)
December 17 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

February 19 Board Retreat (Weds.)
February 20 and 21 (Thurs. and Fri.)
March 19 and 20 (Thurs. and Fri.)
April 16 and 17 (Thurs. and Fri.)
May 21 and 22 (Thurs. and Fri.)
June 18 and 19 (Thurs. and Fri.)
July 16 and 17 (Thurs. and Fri.)
September 17 and 18 (Thurs. and Fri.)
October 15 and 16 (Thurs. and Fri.)
November 19 and 20 (Thurs. and Fri.)
December 17 and 18 (Thurs. and Fri.)

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

DISPOSITION OF TABLED, CONTINUED, OR NEW BUSINESS

The Board continued with the review of continued or new business.

The Board took a break at 12:01 p.m. and reconvened at 1:01 p.m.

MEDICAL ADVISORY COMMITTEE APPOINTMENT

Member Services Director John Grumney reported that Dr. Timothy Fallon has resigned from SERS' Medical Advisory Committee after serving over 25 years, first as an independent medical examiner, then as a member of the Medical Advisory Committee.

The Medical Advisory Committee has recommended that Dr. Andrew Iams be appointed to their Committee. Dr. Iams is a well-respected physician who specializes in the field of physical medicine and

rehabilitation. Dr. Iams has performed independent medical examinations for SERS for three years, and has provided quality reports during this time.

MEDICAL ADVISORY COMMITTEE

Barbra Phillips moved and James Haller seconded to appoint Dr. Andrew Iams as a member of the Medical Advisory Committee effective December 1, 2019, at a rate of \$180 per case review. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

EXECUTIVE SESSION

At 1:03 p.m., James Haller moved and Hugh Garside 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: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

The Board returned to open session at 1:26 p.m.

PENSION SUSTAINABILITY

At the outset of the November pension sustainability discussion, the Board re-examined agreements from previous meetings and identified two areas that may require future discussions: that the term "career member" may need to be defined, and that the term "retirement benefit" does not adequately describe the end-of-service benefits SERS provides.

Next, the Board members broke into two groups to examine a handout of demographic data provided by staff in response to Board requests at the October meeting. The groups reviewed the material with the goals of clarifying the assumptions behind the questions they asked in October, evaluating the data and its possibility for improving sustainability, and determining if any of the data should be further refined.

After reconvening as one group, the Board members agreed that more demographic data was needed on SERS' inactive population, as well as on SERS' survivor and beneficiary benefit recipients. The Board also requested information on how much service time SERS retirees have in other Ohio retirement systems.

Another request SERS' staff will research is whether it is possible to calculate how long employee contributions, employer contributions, and investment returns on those contributions will pay for an average member's retirement benefits.

The Board also asked that staff members be present at the December pension sustainability meeting to answer any questions about the new data.

The December pension sustainability discussions will once again focus on System data that the Board members can use to help them accurately define the current status of the SERS pension fund.

The Board recessed at 4:01 p.m.

November 22, 2019

The Board reconvened at 8:30 a.m.

Executive Director Richard Stensrud introduced John Garrett, Todd Green, and Alisa Bennett from Cavanaugh Macdonald to present the results of the Annual Basic Benefits Valuation and the Retiree Health Care Benefits Valuation as of June 30, 2019.

PENSION AND HEALTH CARE ANNUAL ACTUARIAL VALUATIONS

Mr. Garrett began the discussion by highlighting the annual basic benefit valuation.

Continuing, Mr. Green discussed key findings of the valuation, stating that SERS' funded status increased slightly from 70.07% to 70.51%, and the amortization period decreased 26 years to 25 years. Mr. Green stated that the actuarially determined contribution rate decreased from 10.71% to 10.68% for basic benefits. Further, the Board-adopted funding policy requires at least a 13.50% employer contribution rate for funding of basic benefits since funded ratio is greater than 70%, but less than 80%. Therefore, based on the Board's decision at the October 17, 2019 meeting, the entire employer contribution of 14% will be allocated to basic benefits.

Mr. Green stated that although the market value investment return was 5.67% in FY2019, prior investment gains of \$71 million were recognized in FY2019 under SERS' asset smoothing methodology. Smoothing allows investment gains and losses to be recognized equally over a four-year period, which helps to minimize market volatility and better determine the long-term actuarial funded status.

Ms. Bennett continued with the review of the OPEB valuation. Ms. Bennett stated the UAL amortization period remains 30 years. In addition, if the health care fund receives only the 1.50% surcharge and all other actuarial assumptions are met, the fund is projected to remain solvent through 2034.

Concluding the presentation, the Board thanked Mr. Garrett, Mr. Green, and Ms. Bennett for their presentation.

ALLOCATION OF EMPLOYER CONTRIBUTIONS

Barbra Phillips moved and Jeffrey DeLeone seconded that after review and discussion of the actuary's *Report on the Annual Basic Benefits Valuation of the School Employees Retirement System of Ohio* (prepared as of June 30, 2019) at the November 2019 Board meeting, the Board accept the actuary's recommended allocation of the 14% employer contribution for fiscal year 2020 as follows: Pension Fund (10.03%), Death Benefit Fund (.03%), Medicare B Fund (.62%) and Health Care Fund (.00%). The remainder (3.32%) will also be allocated proportionately to the Pension Fund, Death Benefit Fund and Medicare B Fund in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

HEALTH CARE SURCHARGE LEVEL FOR FY2021

James Rossler moved and Hugh Garside seconded the motion to accept the recommendation of SERS' actuary, Cavanaugh Macdonald Consulting, LLC, and establish \$23,000 as the minimum compensation amount for purposes of the fiscal year 2021 Health Care surcharge. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Daniel Wilson and Catherine Moss. The motion carried.

ADJOURNMENT

Catherine Moss moved that the Board adjourn to meet on Thursday, December 19, 2019 for their regularly scheduled meeting. The meeting adjourned at 9:04 a.m.

Catherine Moss, Chair

Richard Stensrud, Secretary