



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
MARCH 2021

Opportunistic and Tactical Portfolio Review

SERS' opportunistic and tactical portfolio is not a strategic asset class with a policy allocation, but staff is authorized to invest up to 5% of the Total Fund in investments that do not fit within the existing asset classes. The performance objective is to earn a net-of-fee return in excess of the Total Fund policy benchmark, with most of the total return coming from current income.

The investments contained in the opportunistic and tactical portfolio are defined as tactical or non-traditional investment opportunities, which include distressed debt, structured credit, real assets, and diversified multi asset strategy (MAS) funds.

Previously, this portfolio contained direct lending funds but those moved to the new Private Credit asset class last July.

As of January 31, 2021, the portfolio's market value was \$410 million or 2.5% of the Total Fund. The structure of the portfolio was 40% multi asset strategy, which consisted of diversified debt and equity investments that were previously in the MAS portfolio; 40% distressed debt, which included companies undergoing operational challenges or operating in out-of-favor industries (i.e., energy and retail, travel, and leisure); 14% structure credit, which included investments in commercial mortgage backed real estate and other securities; and 6% real assets, which consisted of midstream infrastructure and asset-based loans like aircraft leasing.

The portfolio has outperformed the policy benchmark by 1.78% for the 1-year, 0.34% for the 3-year, and 1.32% for the 5-year. Midway through FY2020, the portfolio is returning 10.71%.

The Board expressed its continued support of opportunistic strategies, noting that they offered the opportunity to evaluate different strategies such as direct lending, which became a policy portfolio this year.

Total Fund Update

TOTAL FUND BALANCE		
December 31	January 31	Difference
\$16.53 billion	\$16.42 billion	▼ \$110 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 15.60%	▼ 0.23%	▲ 7.78%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 2.12%	▼ 0.03%	▲ 0.47%

Board Self-Assessment Presentation Delivered

Amy McDuffee of Mosaic Governance Advisors delivered a presentation to the Board regarding the development of a Board self-evaluation program. She discussed creating a customized program for the Board that would assist members in identifying potential areas of governance performance improvement. She emphasized the importance of the Board and Executive Director working in tandem to accomplish goals. The Board expressed a desire for

RETIREMENT BOARD

HUGH W. GARSIDE, JR.
Chair, Employee-Member

BARBARA M. PHILLIPS
Vice-Chair, Employee-Member

JEFFREY T. DELEONE
Appointed Member

JAMES HALLER
Employee-Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

one-one-one interviews with Mosaic as the optimal approach for achieving a comprehensive analysis of the Board's objectives as well as an accurate assessment of its current effectiveness.

Through this self-evaluation process of examining strengths and weaknesses, the Board will advance its objective of continuous improvement, accountability, and operational success.

The Board authorized staff to retain Mosaic following legal review of a contract.

Mosaic plans to begin its sessions with the Board within the next few months.

Executive Director's Update

SERS Not Seeking Federal COVID Relief Funds

While the recent COVID relief bill, the American Rescue Plan, provides language regarding funding for private multiemployer pension plans, these are not public employee plans.

While multiemployer pension plans are defined benefit plans like SERS, meaning both are structured to provide lifetime retirement benefits based on age and service, the membership composition, funding, and operation of these plans are significantly different. Public pension plans cover public employees who work for taxpayer funded public employers like schools, government agencies, and public safety, while multiemployer plans cover private sector employees who work for private businesses that provide services like trucking, delivery, skilled trades, and construction.

In many cases, multiemployer plans were created by groups of businesses that employed workers in similar fields and labor unions that supported those workers.

SERS neither needs nor wants any federal funding to remain sustainable.

SERS' participating employers and employees, as well as those for the other Ohio public retirement systems, have always paid their contributions on time and in full, and will continue to do so.

The Board's sustainability initiative is designed to make sure the benefits SERS provides – pensions, health care, disability, survivor benefits, death benefits, etc. – are still working as they should in relation to the current demographics of the membership. They are also looking for operational efficiencies that could benefit the System financially and monitoring membership and retirement trends that could impact the future financial stability of the System.

SERS operates with a number of measures that assure transparency and accountability, including participation in Ohio's Open Checkbook program and posting monthly administrative expense reports to the SERS website.

In addition, oversight of Ohio's pensions funds is provided by the legislature's Ohio Retirement Security Council (ORSC), and engages in the following operational investigations:

1. Annual financial audit by an independent, outside auditor
2. Annual actuarial valuation
3. Actuarial experience study every five years
4. Fiduciary audit every 10 years
5. Actuarial audit every 10 years

SERS has maintained its financial strength and stability through the pandemic, and is supportive of state efforts to direct the federal funding to individuals and businesses that have been affected by the pandemic.

February ORSC Meeting

The ORSC swore in members at its February 25 meeting.

For the 134th General Assembly, ORSC membership remains largely the same as last session, with Rep. Phil Plummer (R-Dayton) replacing Rep. Derek Merrin (R-Monclova).

Chairmanship has shifted back from the Senate to the House. Rep. Rick Carfagna (R-Genoa Township) will now serve as chair, and Rep. Kirk Schuring (R-Jackson Township) as vice-chair.

American Rescue Plan Improves Affordability of Marketplace Coverage

The recent COVID relief bill expands access to lower health care premiums and out-of-pocket costs for those under age 65 who enroll with a Marketplace health plan.

SERS offers a Wraparound Health Reimbursement Arrangement (HRA) that works in combination with the Marketplace plan.

Current Wraparound HRA enrollees will need to reenroll to be eligible for the lower premiums. SERS will be sending letters to current Wraparound HRA enrollees to notify them that they need to contact HealthSCOPE Benefits, SERS' plan administrator, immediately to be reenrolled. Current Wraparound HRA enrollees can begin receiving lower premiums as early as April 1, 2021.

In addition, because of this change, a Special Enrollment Period for the Marketplace is now available through August 15, 2021.

SERS also is sending letters to enrollees under age 65 who are currently enrolled in SERS' group health plan to encourage them to contact HealthSCOPE Benefits. A HealthSCOPE Benefits counselor then helps determine if the enrollee is eligible to receive lower-cost health care coverage through a Marketplace plan and the SERS Wraparound HRA. Any changes need to be made prior to the August 15 deadline.

Board Technology Committee

SERS maintains a substantial enterprise-wide technology platform, and expenditures on information technology and information security comprise a meaningful component of SERS' administrative budget.

Going forward, determining what can and should be accomplished with technology enhancements, and having a strategic plan for reaching these objectives, will be important. It will also be important to understand and anticipate the cost of technology enhancements. Board engagement will be essential. Accordingly, Executive Director Richard Stensrud recommended that the Board establish a Technology Committee to provide oversight and first-time engagement on technology matters.

Board members concurred and requested that the executive director proceed with developing a Technology Committee Charter, which would define the authority, composition, and responsibilities of Board members who serve on the committee.

Monthly Retirement and Survivor Benefit Transactions

For March, the SERS Board approved 405 active members for service retirements, and 18 survivor benefits for spouses and/or dependents.

April Meeting Dates

The next Board meeting will take place Thursday, April 15, and Friday, April 16 (if necessary), at 8:30 a.m.