

SERS REPORT

May 17-18 2011

Out of State Travel –

IFEBP Wharton Intl Investing and Emerging Markets. James Rossler
July 25-27 San Francisco CA

Investment Report

Mark Caplinger of Summit Strategies reviewed the Investment Portfolio's performance for the period ending March 31, 2011. Despite political turmoil, rising oil prices and natural disasters, this was the strongest quarter for domestic equities since 1998. Housing remains a concern as new home construction sales fell as did existing home sales. Emerging Markets maintain the strongest 5-year return at 10.7% (9.4 % ahead of developed international markets)

The total fund had a solid quarter. One year results have been excellent are ahead of policy.

Simon Fludgate, SERS's General Investment Consultant presented his review for the period ending March 31, 2011. Hedge funds ended the first quarter of the year with rather small gains. Events in the Far East affected the managers. The gains for this period are a very modest 0.87%.

New strategies are being developed and a more comprehensive report will be made in June

Ohio SERS Investment Report – Bob Cowan

In reviewing the report, it is clear all investment with the exception of real estate have performed as expected. Real estate show slight increase in the EAS, West, and South but remains under developed in the Midwest. Also, investment in Retail, Industrial, Office and Hotels appears to have increased, but Apartment investment is lagging.

SERS' total fund complied with the Board's Investment Objectives and Policies at month end except for Global Equities which were outside the range by 0.3%.

Next month, there will be consultant and staff recommendation of new hedge fund managers, presentation and recommendation of Private Equity Managers, and staff recommendation of a Private Equity Manager.

Summary of Investment Transactions

A. Purchases

- Total U. S. equities at an approximate cost of \$125.1 million
- Total Non-U.S. equities at an approximate cost of \$135.2 million
- Total fixed income at an approximate cost of \$639.9 million
- Total REITs at an approximate cost of \$3.4 million
- There were no hedge fund purchases during this period.
- Total private equity at an approximate cost of \$18.7 million
- Total real estate at an approximate cost of \$4.0 million
- Total short-term assets at an approximate cost of \$229.0 million

B. Sales

- Total U.S. equities at an approximate net proceeds of \$217.0million and an approximate gain of \$28.8 million
- Total Non-U.S. equities at an approximate net proceeds of \$141.5 million and an approximate gain of \$6.1 million
- Total fixed income at an approximate net proceeds of \$618.4 million and a approximate gain of \$1.1 million
- Total REITs at an approximate net proceeds of \$3.8 million and an approximate gain of \$516.9 thousand.
- Total hedge funds at an approximate net proceeds of \$26.0 million and an approximate gain of \$317.4 thousand.
- Total private equity distributions of approximately \$19.5 million
- Total real estate distribution s of approximately \$9.6 million
- Total short term at an approximate net proceeds of \$135.6 million with no gain or loss

HEALTH CARE PREMIUM STUDY

Health care subsidies for contract employees were revisited. Under the current standard, no member who is a contract employee in their last SERS covered position would be eligible for a premium subsidy, since the contract employee would not have been eligible to participate in the school district's health care plan.

To address this oversight, Staff recommends amending the rule to provide a standard for members whose last SERS covered job was as a contract employee.

One recommendation is as follows:

Members who were contract employees will be eligible for a premium subsidy if they would have been eligible for the school district's health care plan if employed directly by the school instead of by the contractor, at the time of retirement, disability, or separation from service.

Second recommendation: Members who were contract employees will be eligible for a premium subsidy if they were eligible for the contractor's health care plan at the time of retirement, disability, or separation from service.

Further action will take place at future meetings.

Alisa Bennett of Cavanaugh Macdonald Consulting presented rate setting for Health Care information for 2012. Through March 2011, Per Member Per Month has decreased by 10% from the same time period last year. The primary decrease has been in prescription drug cost of a 30% decrease in the first 3 months of this year. The reason for this appears to be a request of generic drugs rather than brand names.

The dental plan rates may increase by 4%, but this also includes possible new coverage as dental implants. There may be changes in inclusion of full mouth x-rays which will decrease coverage. All of these are under discussion and are not yet made part of the plans.

The goals of the plan are to balance health care budget, maintain current plan designs minimize premium charges and remain competitive and provide value.

LEGISLATIVE

As usual, there has been no action on the GPO/WEP. Mandatory Social Security coverage continues to be mentioned, no specific proposal has been made. Ways and Means staff is still uncertain as to when a hearing on the mandatory coverage issue will be scheduled.

As expected, the House Ways and Means Committee requested that the IRS review and examine whether AARP should continue to be exempt from federal taxation. The investigation is expected to include AARP lobbying activities, royalty income from its insurance products and violations relating to the unrelated business income tax.

Next Meeting Date:
June 16 and 17 (Thurs and Fri)

Respectfully submitted:

Elaine Spondike, ESP Representative, OEA-R Advisory Committee