

SERS REPORT  
July 21-22 2011

**Out of State Travel –**

Beverly Woolridge	Sept 11-13, 2011	Philadelphia Pa	Investments and Refresher Workshop
James Rossler	Oct 10-13, 2011	Las Vegas Nev	IFEPB Series Health Care

**Oath of Office** – The oath of office was administered to Madonna Faragher as she assumed her current seat as a member of the Retirement Board of the School Employees Retirement System of Ohio.

**Investment Report**

Two recommendations for hiring new hedge fund managers were discussed. Astenbeck Offshore Commodities Fund is a tactical trading fund that invest commodities using demand and supply analysis. This fund invests primarily in energy and metals. Yannix Management , LP trades global agricultural commodities’ Their strategy focuses primarily on grains, meats and soft commodities with a secondary focus on agricultural energies (biofuels). It was recommended and accepted that both firms would receive a maximum investment of 0.75% of Total Fund Assets .

At the June meeting, there was discussion of an education program that would be available to Board members or Staff that would not require travel.

At this meeting the following was presented:

Tim Steitz, education chairman for the Columbus CFA Society researched what may be available through the CFA Institute.

CFA Institute offered a proposal that includes webcast passes good for 12 months plus copies of A Primer for Investment Trustees at no additional charge.

The webcast demonstrations include presentations of private equity, venture capital with 24 lessons. Topics include 15 subject areas along with society presentations and CFA conferences. It is believed this will improve understanding of investment processes, will be cost effective, convenient, flexible, improve communication .

The Investment Education Program will offer the Board and Staff the opportunity to browse the CFA Institute offerings, request information and receive investment Staff content recommendations.

There are more than 11,000 publications available with a wide range of topics including books, codes and standards, periodicals, newsletters, research papers and other publications.

**Monthly Report to the Board – Bob Cowan**

The total fund value at May 31, 2011 was \$10.64 Billion

SERS’ total fund complied with the Board’s Investment Objectives and Policies at month end except for Global Equities which was outside the range by 1.3%.

**Summary of Investment Transactions**

- A. Purchases
- Total U. S. equities at an approximate cost of \$158.6 million
  - Total Non-U.S. equities at an approximate cost of \$182.7 million
  - Total fixed income at an approximate cost of \$503.5 million
  - Total REITs at an approximate cost of \$1.0 million
  - Total hedge fund at an approximate cost of \$15.0 million

- Total private equity at an approximate cost of \$9.4 million
- Total real estate at an approximate cost of \$26.5 million
- Total short-term assets at an approximate cost of \$137.8 million

B. Sales

- Total U.S. equities at an approximate net proceeds of \$150.1 million and an approximate gain of \$22.2 million
- Total Non-U.S. equities at an approximate net proceeds of \$134.2 million and an approximate gain of \$3.7million
- Total fixed income at an approximate net proceeds of \$486.4 million and a approximate gain of \$9.1 million
- Total REITs at an approximate net proceeds of \$1.3 million and an approximate gain of \$137.0 thousand.
- Total hedge funds at an approximate net proceeds of \$34.0 million and an approximate gain of \$8.3 thousand.
- Total private equity distributions of approximately \$76.4 million
- Total real estate distribution s of approximately \$4.0 million
- Total short term at an approximate net proceeds of \$160.8 million with no gain or loss

**Health Care**

It was reported at the meeting that as of this morning, Medco and Express Scripts have merged. Both Boards have approved the merge, however , final arrangements have not yet been made.

**Heath Wellness Program;**

It was found that the support of a full-time onsite Health Fitness wellness coordinator is not needed to deliver quality programs. Effective June 30, 2011, the wellness coordinator will support our efforts on a more limited basis. This will bring a \$50,000 cost savings to SERS. SERS will continue to provide wellness opportunities to members.

**Pill Splitting** – This practice has been done for many years on a volunteer basis, however, it may not be correct for all persons. The program has been in effect since 1/1/2011. This program will be administered but is not recommended. Medications will not be dispensed if there is a likelihood patient will be unable to perform the required table manipulation (physical, visual or mental impairment) and will only dispense scored tablets or specific non-scored pills.

Next Steps - introduce the 2012 premium reduction incentive program for under 65's and begin health risk assessment and coaching promotion.

**Actuarial Factors**

There was discussion on recommendations to Optional Benefit Plan and LOP reduction factors, Early Retirement Incentive Rates, Re-employed Retiree Annuity Factors, Re-employed Retiree Annuity Interest on Contributions, Re-employed Retiree Annuity- Employer Contributions, Interest Rates and Factors, Money Purchase Annuity Factors, and School Board Service Credit Purchases – Liability Factors.

These factors were last reviewed and changed in 2006.

Using the long-term assumptions adopted by the Board in April, 2011, the actuary has calculated revised actuarial equivalent benefit plan and PLOP reduction factors.

**Elections to the Retirement Board**

There will be an election to the Board for an employee member of the Retirement Board for a term beginning July 1, 2012 and ending June 30, 2016. There will also be an election of one retired member of the Retirement Board for the same term of office.

Petitions for the positions must be on file in the office of the Retirement System no later than 4:30 PM EST, March 5, 2012.

**Legislation**

On June 29, the Federal Appeals Court in Cincinnati ruled that Congress can require Americans to have minimum health insurance. The vote was 2-1. This case is expected to eventually reach the US Supreme Court.

AARP's policy director announced that the AARP was open to modest reductions in benefits for future recipients. He has long been an advocate of mandatory coverage, but did not mention this in his remarks. Several seniors' groups blasted AARP for abandoning its constituency while others are saying AARP has sold its soul with its many commercial enterprises.

**Other SERS Notes:**

Madonna Faragher will be Board Chair and Mark Anderson will be Board Vice Chair beginning July 1, 2011 for year 2012.

**Next Board Meeting** – September 15 and 16

Respectfully submitted:

Elaine Spondike , ESP Representative , OEA-R Advisory Committee