SERS
RETIREMENT BOARD MEETING
SEPTEMBER 8, 2011

Investment Report

In April 2010, the Board approved an investment in Highbridge Statistical Opportunities, Ltd. Prior to executing any legal documents Staff is proposing to rescind the investment authority of Highbridge due to concern about the firm's poor implementation of desired strategy
Board voted YES to recind

Board approved the investment of a maximum of $25 million in Rockspring TransEuropean Property L.P.V., a closed-end real estate fund.

Opportunistic Investment Policy
The purpose of OIP is to take advantage of short-term or otherwise time constrained investment opportunities. A framework delegating conditional authority to SERS STAFF to invest in global opportunistic investment strategies as set forth in the SERS investment policy will be defined.
Board voted YES

Aksia Hedge Funds Quarterly report
The fund was doing well and reported a 2.6% gain on June 30, 2011 but with the drop in the stock market in August and this past week (Sept. 1-8) the fund is now "flat".

Summit Strategies Quarterly Performance Report

Numbers were good through June. Concern is the volatility of the market.
Current market perspective:
- Is this volatility as serious as in 2008?
- No because of several reasons
  - No mortgage crisis
  - No failure of the credit system (government buy out)
  - Corporations are sounder although they are holding back money.
  - Individuals lack confidence in the economy and are holding back money due to lack of confidence in the government here and abroad.

Green Equity Investors VI, L.P.
GEI VI will primarily make control investments in established, middle market companies across a broad range of industries, with a preference foe companies in the retail, distribution, healthcare, aerospace, consumer, and business services sectors.
Board voted to invest a maximum of $50 million

Monthly Report - Bob Cowan
Total fund value at 7/31/2011 was $10.48 Billion. As of today, 9/8/2011 it was $9.895 Billion.

Iran/Sudan Quarterly Report – Julie Deisler
Investment managers purchasing any securities from scrutinized companies must notify Julie Deisler in writing, giving a specific reason for each purchase. These reasons must fully satisfy the requirements of SERS policy.

Quarterly Proxy Report
ISS voted 21,823 different proxy issues on behalf of SERS during this quarter.
Exec Dir. Lisa Morris asked for a committee to review the SERS proxy voting policy. It is reviewed every 2 or 3 years. Barb Phillips and Bev Woolridge volunteered.

Summary of Investment Transactions – July 1 2010 through July 31, 2011
PURCHASES
Total U.S. Equities approx. cost of $107.1 mill.
Total Non-Us Equities approx. cost $99.6 mill.
Total Fixed Income approx. cost of $598.1 mill.
Total REITs approx. cost of $700 thousand
Total Hedge Funds approx. cost $59. mill.
Total Private Equity approx. cost $14.9 mill.
Total Real Estate approx. cost $11.8 mill.
Total Short-Term assets approx. cost $111.3 mill.
SALES
Total U.S. Equities approx. net proceeds $103.7 mill
Approx gain$10.2 mill
Total Non-Us Equities approx. net proceeds $91.4 mill.
Approx gain $929. thousand
Total Fixed Income approx. net proceeds $589.4 mill
Approx gain $6.3 mill
Total REITs approx. net proceeds $1 mill
Approx gain $52.7 thousand
Total Hedge Funds approx.net proceeds $199.8.
Approx LOSS $176.4 thousand
Total Private Equity distributions approx. $12.5 mill
Total Real Estate distributions approx.$8.6 mill
Total Short-Term assets approx. net proceeds $154.6 mill
Approx gain $9.6 thousand

Health Care
Staff (Susan Martin) presented the Medicare Coverage Gap Pharmaceutical Manufacturers' Discount Plan. The plan increases the amount paid to SERS for members who enter the drug "doughnut hole" but is of no additional cost to the member. Currently the manufactures' discount is on the members' co-pay rather than on the base price of the drug. The plan called EGWP-Wrap (Employer Group Waiver Plan) will allow:
Discount applied to full cost of drug rather than benefit recipient co-pay.
Wrap acts like a secondary coverage.
Approved by Medicare
Will go into effect Jan. 1, 2012.
Estimated SERS savings of $15 - $17 million.
Benefit recipient cost will not change.
SERS Medicare experts will be available to answer members' questions. Also "open enrollment" meeting are scheduled to begin soon.
The new and improved Member Health Care Guide 2012 is now available.

RE-employed Retiree Annuity Interest Rate

Board voted to keep contributions of members in the re-employed status at 4%. This is in line with other systems and offers a reasonable and valuable benefit.

Member Appeal

A retired member appeared before the Board to request a reduction in her Health Care premium. She contacted SERS several times before retiring and was given inaccurate information. She asked at that time about "retirement benefits" thinking that was pension and health care together. The answers she was given considered pension only. The Board agreed to her change in status and Staff is going to improve their methods of handling questions from members regarding "retirement benefits."

Executive Director's Update

Exec Dir. Lisa Morris and staff members have been visiting newspapers in Ohio to give them information on SERS and who we are. She has received very positive responses. Dir. Morris has been invited to speak at the Cleveland City Club in October. She also has met with STRS and OPERS to discuss their DC (Defined Contribution) plan. SERS does not offer a DC plan and feels the members interested would be so few as to make the cost of such a plan prohibitive. Dir. Morris also met with members of the Ohio Treasurer's office.

Legislative Update

Watching in Ohio:
HB69, HB202, SB3 all dealing with Public Pension Systems

Washington
HR567, Requires public pension funds to file annual reports with the US treasury. Also prohibits federal bailouts of state and local pension plans.
HR1332, Repeals the offset and windfall
S113, Repeals the offset and windfall
S347, Requires public pension funds to file annual reports

Next meeting: October 20 – 21, 2011

Respectfully submitted, Adele Matias, NEOEA ESP-Organizing Committee, NEOEA –R Organizing Committee