

SERS RETIREMENT BOARD MEETING

Nov. 17-18, 2011

All Board members in attendance

Out-of-state conferences and meetings were approved for:

Mark Anderson	NCPERS Annual Conference and TEDS	May 6-10 New York, NY	\$3,493.83
Cathy Moss	NCPERS Annual Conference and TEDS	May 6-10 New York, NY	\$3,517.33
James Rossler	NCPERS Annual Conference and TEDS	May 6-10 New York, NY	\$3,496.05

NCPERS is National Conference of Public Employees Retirement Systems Conf.

TEDS is Trustee Educational Development Study

Summary of Investment Report

Total Fund Value as of Sept. 11 was \$9.51 billion.

Iran-Sudan Investment Policy

As of Sept. 30 we held 16 of the scrutinized companies on the FY2012 benchmark list at a total market value of \$66.7 million. This is a 20% reduction in the number of scrutinized companies and a 14% decrease in market value.

Proxy Voting Activity for the Quarter ending 9/30, 2011

During this quarter 240 companies that SERS owns in portfolio held shareholder meetings. ISS voted 2,045 different proxies on behalf of SERS.

Summary of Investment Transactions

Purchases:

	In millions
US Equities	\$76.1
Non-US Equities	96.2
Fixed Income	288.4
REITS	1.4
Hedge Funds	24.0
Private Equity	15.6
Real Estate Capital Calls	3.1
Short-term	129.9

Sales:

	In millions
US Equities	\$126.2
Non-US Equities	91.2
Fixed Income	246+.2
REITS	2.1
Hedge Funds	27.2
Private Equity	17.8
Real Estate Capital Calls	7.3
Short-term	150.7

SERS Pension Security Team Update

The Team is currently focused on researching public pension funds and their activity regarding DC (defined contribution) plans.

They are currently conducting a survey of members to gather information on:

- Interest in DC plans

- Other retirement income sources

- Any jobs where member paid into So. Sec.

- Review results based on demographics, income level, etc.

SERS Board is very concerned about possibly being required to set up a system allowing a member to select a DC (defined contribution) plan over the current DB (defined benefit) plan. The development of such a system would cost approximately \$1 million.

Administrative Rules

Susan Russell of the SERS Legal Dept. presented resolutions on Administrative Rules. Legal felt the following statues should be included in “Administrative Rules”.

All rules received a YES vote from the Board.

3309-1-16: Qualified child attending educational institution

...the surviving child of a deceased member is eligible to receive a monthly survivor benefit up until age 18, or until age twenty-two if the child is attending an institute of learning....the equivalent of at least two- thirds of the full-time curriculum requirements....as further determined by board policy.

3309-1-01: Membership effective date

...individuals whose membership began on or after May 14, 2008 will be eligible to retire when they reach one of the following service and age combinations:

- 10 years – age 62

- 25 year – age 60

- 30 years – age 55.

3309-1-01: Membership effective date.

Membership shall begin on the first date of compensated service for which employee contributions have been received by SERS.

Executive Director’s Update

Lisa Morris reported that she continues Legislative visits. She visited with seven Legislators this month.

She spoke with several newspapers during the recent election with some very positive results. An article in the *Sentinel-Tribune*, Bowling Green, Ohio read; SERS MYTHS BUSTED. “Lisa Morris is working hard to bust several myths about the state retirement system she heads.”

Mrs. Morris has been asked for an interview with the Columbus CEO Magazine.

Bob Cowman the SERS Director of Investments is retiring and a search will begin for his replacement

ORSC Chair, Aristotle Hutras announced his retirement. Sen. Faber will chair a search committee to replace him.

Legislative Report

Governor Kasich will introduce BUDGET BILL II in January.

The Governor has directed a survey of all public services in order to see if cities and townships can share jobs and services such as treasurers, superintendents, police and fire.

Pension and Health Care Annual Actuarial Valuations

The actuary's presented their annual report.

The average salary increase since 2004 was 2.3% with a 0.9% increase for 2011.

The average benefits increase since 2004 was 5.2% with a 4.8% increase for 2011.

SERS has now recovered from the large investment losses of 2008 and should regain all other losses by 2013.

SERS healthcare is now solvent until 2023.

SERS applied for federal grant money and this month received verification of \$8 million for the year 2010 to the healthcare fund. SERS is applying now for 2011 hoping to receive additional monies.

The actuary's recommended allocation of employer contributions of 13.45% to the pension and 0.55% to the health care fund for Fiscal Year 2012

The actuary's recommended \$20,525 as the minimum compensation amount for Fiscal Year 2013 Health Care Surcharge (surcharge is levied against employers whose employees earn less than a specified minimum salary).

The actuary's have concern of changes announced by GASB. Net pension liability will now have to be reported on the school system's balance sheet. They feel this will negatively affect the balance and may cause systems to lose grant money and other funding. For SERS it is also a negative effect due to the inability to smooth changes to liability and investments over the long term.

CEM – Pension Administration Benchmarking

The CEM report compared SERS operations to other North American pension systems. SERS did well. The report failed (in my opinion) to take into consideration that SERS owns the building and has it rented to full occupancy. CEM concluded - SERS total cost was \$79 per active and annuitant – close to the peer average but below the all average of \$137.

Next Board meeting is Dec. 15 – 16, 2011.

Respectfully submitted,
Adele Matias

