

SERS  
RETIREMENT BOARD MEETING  
DECEMBER 15, 2011

All members attended

External Audit Presentation:

Mr. Levin Rohrs, Engagement Partner with Clifton Gunderson, LLP, presented results of the external audit of SERS' financial statements – fiscal year ending June 30, 2011.

Mr. Rohrs found no problems with SERS' compliance with laws and regulations. He had no difficulties in performing the audit. The SERS staff was forth coming with requested information and cooperative.

Educational Program:

Bridgewater Associates, one of SERS' current hedge fund managers presented an educational session on "Risk Parity". Risk Parity is how assets are allocated, the economic environment, and what assets to hold. The idea is to have a diversification of assets that will not drop in value at the same time in order to prevent large drops in fund value.

Investment - Primus Capital Fund VII, LP

The Board heard a presentation from Steve Price, CAIA and Phil Sisson, CFA of Global Private Equity. Staff recommended the Board authorize an investment of up to \$25 million in Primus Capital Fund VII, LP. SERS is a long standing investor with Primus. The Primus team is deep and experienced. It includes 10 investment professionals led by five Managing Directors. Primus has strong historical returns.

The Board approved the investment.

Proposed Revisions to Investment Policy

Last month a Board/Staff collaborative team suggested the responsibility to approve the hiring and discharging of investment managers be given to the SERS Staff. This directive required changes to the document, Statement of Investment Policy. A redlined version of the document was presented. Proposed changes were reviewed and the Board suggested the need to include a section on how any hire/discharge of a manager by Staff would be reported to the Board. A new red line version will be presented next month.

Investment Transactions

**PURCHASES**

US Equities	\$102.3 (millions)
Non-US Equities	100.6
Fixed Income	507.9
REITS	2.9
Hedge Funds	1.8
Private Equity Capital Calls	22.2
Real Est. Capital Calls	13.6
Short-term	174.1

<b>SALES</b>		<b>GAINS/LOSS</b>
US Equities	\$110.0 (millions)	(\$2.2)
Non-US Equities	101.2	(37.3)
Fixed Income	499.4	2.9
REITS	1.7	Not Material
Hedge Funds	71.8	9.4
Private Equity distributions	17.6	N/A

Real Est. distributions	11.0	N/A
Short-term	110.6	Not Material

TOTAL FUND VALUE 12/15/11 is \$9.7 billion

### 2011 HEALTH CARE CLAIMS TRENDS

Medical Claims expenses per member for 2011 - down 5.6%

Inpatient claims down - 3.9%

Ambulatory claims down - 7.5%

Members are taking advantage of the Insulin savings plan and using generic drugs.

Concern was expressed for the cost of “Specialty Drugs” which have no generic. They are usually injected or infused drugs to treat illnesses like MS, cancer, rheumatoid arthritis, HIV. These drugs can cost \$2,000 or more per dose. The search for a “generic pathway” for these drugs is constant but people need to be diligent in contacting legislators to open a source of generics for these costly but needed drugs. An increase of members needing these drugs can financially devastate a health care system.

The SERS staff continues to seek grant money from ERRP. Last month they reported receiving a check to the healthcare fund for \$2.3 million. Another check for \$3.3 million was received. An additional \$5 mill is pending for 2010. Staff continues to apply for ERRP grant money for the year 2011.

SERS is seeking to hire a Healthcare Director to assist in remodeling the healthcare department and the coordination of medical plans.

March of 2012 we will receive an updated projection of our health care fund.

### EXECUTIVE DIRECTORS REPORT

Two SERS Board seats up for re-election were uncontested. One was an active seat held by Mark Anderson and one retired seat held by Cathy Moss. There will be no need for an election. Visits to legislators and newspapers continue with good results.

This year Exec. Dir. Lisa Morris along with staff has made 73 legislative visits and 34 editorial visits to introduce people to SERS and open pathways of communication.

SERS continues to search for a replacement of CIO, Bob Cowman.

### ANNUAL MERIT RECOMMENDATION

SERS rewards employees using a merit pay system in conjunction with a performance management system. The consideration for a pay increase included the accomplishments of the staff without additional staffing. Also the high level commitment of staff to members i.e. seeking grants and Insulin savings.

The Board approved a 3.0% increase in total annual salaries and wages.

### SERS BOARD MEETING DEC. 16, 2011

**This is a summary of Jim Miller’s written report.**

#### FEDERAL UPDATE - Jim Miller

##### Overview

The Super Committee has folded and Congress now must take swift action on key programs. Immediate issues that must be addressed include a payroll tax break for workers and continued supplemental benefits for the long-term unemployed, the Bush tax cuts that will expire 2012 and the Medicare “doc fix”

The next few months will be very dangerous in terms of the problems in the global markets and the possibility of another recession.

## HEALTHCARE

The Public Healthcare Roundtable held its annual conference in early November. Speakers discussed the progress made in implementing the Affordable Care Act and the politics of health care reform, a variety of cost data and trends, and innovative approaches to improve the quality and coordination of health care.

The Supreme Court announced its intention to hear five and a half hours of oral testimony on the ACA.

## SOCIAL SECURITY

There has been no action on the mandatory coverage and GPO/WEP issues

## FINANCE

The Cordray nomination to become Director of the Consumer Financial Protection Bureau is still on hold. In early May the Senate Republicans vowed not to confirm anyone unless certain conditions were met. Given the current political climate a vote is unlikely.

## PENSION TRANSPARENCY ACT

There has been no legislative action on H.R. 567 or its Senate counterpart. Senator Burr recently said the legislation will not see any action for some time.

The National Conference of Insurance Legislators recently endorsed a resolution opposing the Public Pension Transparency Act, citing the negative impact the bill would have on public pension plans.

## STOCK ACT

H.R. 1148, known as the STOCK (Stop Trading On Congressional Knowledge) Act, gathered a lot of attention as a result of exposure on "60 Minutes" in mid November. The number of cosponsors quickly jumped from 9 to 99, including Ohioans Chabot, Johnson, Kaptur and Kucinich. Briefly, the Act prohibits the sale of securities, commodities etc. if the information was obtained knowingly from a member or employee of Congress.

## H.R. 674

H.R. 674, the bill that included a provision to repeal the law requiring federal, state and local governments to withhold 3% of their payments to contractors, was signed into law on Nov. 21. The legislation also created tax breaks for companies hiring jobless veterans.

## DIRECTOR OF ORSC

Aristotle Hutras is retiring as Director of the Ohio Retirement Study Council, ORSC, following a 22 year career. He asked for an opportunity to address all the systems' boards this month.

Next Board meeting scheduled for Jan. 19 -20, 2012

Respectfully submitted,  
Adele Matias