

**SERS RETIREMENT BOARD MEETING
JANUARY 19-20, 2012**

Roll Call: absent, Dee Faragher

Bruce Hopkins, V.P. of CEM Benchmarking Inc. presented Investment Benchmarking results for a 5 year period ending December 2010.

Policy Return was 4.0% – peer median was 4.5%

Value Added was -0.3% – peer median was 0.1%

Costs – actual cost of 98.7% bps was above benchmark of 80.2 % bps

Risk – asset risk of 10.9% was above US median of 10.4%

Mr. Hopkins' entire report is on the SERS website.

The Board continued discussion of Staff Approval on Investment Managers.

Michele Marra gave the CAFR, Comprehensive Annual Financial Report. The report “contains extensive information about all aspects of SERS and is a useful reference tool when working with all stakeholders”. It is a 92-page document and is available on the SERS website. From the home page click on *MEDIA*, select *financial reports* and then open *CAFR 2010 – 2011*. It is a very in-depth report beginning with an introduction to board members and executive staff of SERS. Next is Financial, Investments, Actuarial, Statistical and Plan summary. I enjoyed reading the demographics and finding that 72 of our retired members are 100 years old or more.

The Board Proxy Committee presented the SERS Corporate Governance Principles, and these were adopted by the Board.

The Security Team has been working since 2009. The methodology for addressing security at an organizational level was shared. Dale Robertson, a member of the SERS staff, was introduced as the new SERS Information Security Officer. He will oversee the security assessment program: identify risk, meet adopted standards, organizational training, and strategic planning.

Exec Director Lisa Morris reported that SERS is now on Facebook with over 1,400 “friends.” She stated that SERS is still searching for a Healthcare Director. Next month the Board will hear the results of the phone survey conducted November and December, 2011.

SUMMARY OF INVESTMENT TRANSACTIONS

<u>Purchases</u>	
US Equities	\$89.8 million
Non-US Equities	89.1
Fixed Income	533.4
REITS	2.1
Hedge Funds	20.1
Private Equity	19.1

Capital Calls	
Real Estate Capital Calls	10.8
Short-term	62.0

<u>Sales</u>		<u>gains/loss</u>
US Equities	\$81.2 million	\$3.8 million
Non-US Equities	88.7	incomplete report
Fixed Income	479.5	(.7)
REITS	2.3	0.1
Hedge Funds	0.0	N/A
Private Equity	15.6	N/A
distributions		
Real Estate distributions	2.8	N/A
Short-term	111.1	0.0

2012 Health and Wellness Quarter Summary

Suzanne Martin reported the Health and Wellness program is seeing small improvements in members making better health behaviors and utilization of medical services. The good news is effective July 1, 2011, SERS elected to forego having the HealthFitness coordinator on-site, and SERS staff is now being utilized to provide the wellness program, a cost saving of \$50,000.

Certification of Candidate – Member Seat and Retiree Seat

Member Seat – Mark Anderson shall take office for the term July 1, 2012, to June 30, 2016.

Retiree Seat – Cathy Moss shall take office for the term July 1, 2012, to June 30, 2016.

Ohio Legislative report was short. The ORSC met and SERS presented on the Iran/Sudan dis-investiture.

From the printed Federal Update prepared by Jim Miller:

Congress approved a two-month extension of Social Security payroll tax cut, as well as continuing current payment rates for Medicare physician reimbursements and retaining 99 weeks of unemployment benefits for long-term jobless workers. The measure also contains an expedited review of the controversial Keystone pipeline.

HEALTH CARE

Surprisingly on December 15, HHS announced that it would not strictly define a single and uniform essential health benefits package for the ACA (Affordable Care Act), but rather would allow individual states to have more latitude in determining what these benefits would be. Some view this shift as an effort by the administration to reverse the impression that it has forced a one-size-fits-all plan on the nation.

SOCIAL SECURITY

No specific actions on mandatory coverage or GPO/WEP repeal legislation. There continues to be much interest in pursuing the GPO/WEP-related enforcement provisions. SSA says that overpayments result when Social Security beneficiaries fail

to report on their IRS Form 1099 that they are also receiving a pension from non-covered employment.

DEATH MASTER FILE

H.R. 3475 intro. By Sam Johnson, Texas. The bill, called the Keeping ID's Safe Act, addresses Social Security number identity theft issues by limiting distribution of what is referred to as the Social Security Death Master File (DMF). The bill is in response to the ever-growing number of identity thefts occurring in this nation, including 11 million victims in 2009.

Sherrod Brown is very active on this issue because a constituent discovered her deceased 3 month old daughter's Social Security number had been posted on various genealogy websites and used to file a fraudulent IRS tax return

SERS is working with the staff of the House Ways and Means Committee to address this concern. Public pension funds access the DMF in order to ensure that benefits are not being paid to relatives or friends of deceased members.

AARP

In late December, as part of the House Ways and Means Committee's continuing investigation of AARP, the Health Subcommittee turned over what they call new information to the IRS about AARP's business practices.

Sources say that the concern about AARP stems from two sources: constituent concerns about AARP's financial arrangements, and some Republicans' concern about AARP's support of the ACA.

PENSION TRANSPARENCY ACT

While there continues to be no action on H.R. 567, proponents continue the drumbeat about all the alleged fiscal problems in the nation's public pension systems.

Public pension funds cannot take for granted that just because this legislation has not moved, that some triggering event will not give it some momentum in the Congress, particularly in the House. The Ohio delegation is well-educated on the issue, but that remains an on-going effort.

Internal Auditor, Dennis Trzeciak, gave a brief report of his activities. He also shared his plan to sit for the Certified Internal Auditor (CIA) exam during the year 2012.

Next month there will be a SERS Board retreat February 15, and the Board meeting will be held February 16 and 17.

Respectfully submitted,

Adele Matias
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