

SERS BOARD MEETING
January 17, 2013

CHANGE – MEDICARE PART B REIMBURSEMENT ELIGIBILITY CHANGES FOR NEW RETIREES

SERS members who retire or begin receiving a pension benefit on or after Jan. 7, 2013 (pension reform enacted) must be eligible for Medicare Part B **and** be enrolled in SERS health care coverage to receive a Medicare Part B reimbursement.

Benefit recipients who are eligible for Medicare Part B and already receiving a benefit (\$45.50 per month) before Jan. 7, 2013 **are not affected** by this change.

BOARD APPROVES TRAVEL EXPENSES

NCPERS CONFERENCE in Honolulu, Hawaii will be attended by three SERS Board members, May 19-23, 2013.

| | |
|-----------------|------------|
| Cathy Moss | \$3,972.03 |
| Barbara Philips | \$3,978.16 |
| MaryAnn Howell | \$3,281.96 |

Board member James Rossler read a statement opposing this travel expense however the Board voted 3 to 2 to approve.

INVESTMENT REPORT

Judi Masri presented a review of the Fixed Income Report.

Bridgewater Associates gave an educational session on Risk Parity to the Board members.

CIO Farouki Majeed presented the month ending 11/30/2012 investment report.

Summary of Investment Transactions

| | Approx. cost (in millions) |
|---------------------------|----------------------------|
| US Equities | \$116.9 |
| Non-US Equities | 116.9 |
| Fixed Income | 342.9 |
| REITS | 3.0 |
| Hedge Funds | N/A |
| Private Equity Cap. Calls | 15.6 |
| Real Estate Cap. Calls | 0.5 |
| Short-term | 130.7 |

| | Net proceeds | Approx. Gain/Loss in millions |
|------------------------------|--------------|-------------------------------|
| US Equities | \$114.3 | \$8.1 |
| Non-US Equities | 121.0 | (5.7) |
| Fixed Income | 303.2 | (2.8) |
| REITS | 3.1 | N/A |
| Hedge Funds | 35.6 | 1.2 |
| Private Equity distributions | 24.4 | N/A |
| Real Estate distributions | 6.2 | N/A |
| Short term | 179.5 | N/A |

Current Fund Total \$10.7 billion

Julie Deisler gave an update on the Shareholder Rights Project which requests companies to move to annual elections.

The Opportunistic Investment Policy was reviewed and approved.

HEALTH CARE

The Health Care Team presented.

HealthFitness Agreement ended 7/1/2012.

The retirees who had earned premium incentives continue through end of 2012.

Health and wellness promotion and population management strategies for all retirees is now carried out in collaboration with the health plans under the direction of the program coordinator for the medical plans.

2013 Plans

Launch Partners in Health and Wellness newsletter

First edition will be included in the March 2013 FOCUS mailing

Monitor Aetna MA case management volumes with the 1/1/2013 increase in case managers dedicated to ORS enrollees.

Additional case management opportunities

Volume increases as projected

Collaborate with the vendors or other organizations to develop and support other health and wellness programs and initiatives.

I asked about the attempts to acquire SilverSneakers for the Aetna policy. I was answered that Aetna is working to develop a similar program but it will not be available in facilities that contract with SilverSneakers.

EXECUTIVE DIRECTOR'S REPORT

Imaging Update: the member file imaging project is completed and new information is being inputted. Approximately 800,000 existing member files have been converted to the system allowing for improved service and disaster recovery. The project came in under budget.

CAFR: the Comprehensive Annual Financial Report was reviewed by Michele Marra. It contains extensive information about all aspects of SERS and is a useful reference tool. It is also available on the SERS website.

CERTIFICATION OF CANDIDATES-MEMBER SEATS

Only two candidates have been nominated by petition for the employee seats for the term July 1, 2013 to June 30, 2017. Therefore no election is required and Barbara Philips and Debra Basham shall take office.

Also only one candidate for the retiree member seat, Mary Ann Howell, was certified.

LEGISLATIVE OVERVIEW – From notes prepared by Jim Miller.

Late on Jan. 1 the House finally passed the Senate version of H.R. 8. There are a number of provisions in the bill that are of interest to public plans and their members.

Included are the following:

The proposed 27% cut in Medicare payments to doctors was blocked for one year.

The bill permanently addresses the alternative minimum tax and indexes it for inflation to prevent nearly 30 million middle and upper-middle income taxpayers from being hit with higher tax bills averaging almost \$3,000.

Income tax rates on incomes up to \$400,000 for individuals, and \$450,000 for couples, will not be raised. Income above those amounts will be taxed at higher rates. The original proposal was for incomes of \$250,000 and higher.

The bill extends the current capital gains and dividend rates on income at or below \$400,000 for individuals and \$450,000 for couples.

There were many other extensions, including marriage penalty relief, the expanded student loan interest deduction, a repeal of the personal exemption phase-out for certain taxpayers and deductions for state and local general sales taxes, to name a few of the changes in the bill.

Health Care

A number of governors are pressuring the administration to grant the states more control over their Medicaid programs.

NEXT BOARD MEETING

Feb. 21 – 22, 2013

Submitted

Adele Matias