

## **SERS BOARD July 2013**

### **Special Board Election Materials Due by Aug. 30, 2013**

A Special Election is being held to fill a vacant retiree-member Board seat due to the resignation of a Board member. For the Special Election, candidates will be nominated by the Board members, and the successor member will be chosen by a Board vote. All SERS retirees are eligible to apply for this open seat.

Interested candidates should send a resume addressed to the SERS Board of Trustees, 300 E. Broad St., Suite 100, Columbus, OH, 43215-3746 or by email to [SERSBoardofTrustees@ohsers.org](mailto:SERSBoardofTrustees@ohsers.org) by Aug. 30, 2013. Candidates also must submit a completed [Certification Form](#), which can be downloaded from the SERS website. The completed form should be mailed to the above address.

The term for this Board seat runs from Nov. 21, 2013, to June 30, 2015.

If you have questions about this Special Election, please contact Tim Barbour, Senior Communications Coordinator, by phone at 614-222-5901 or by email at [tbarbour@ohsers.org](mailto:tbarbour@ohsers.org).

### **Board Members Take Oath**

Barbra M. Phillips (employee-member) and Debra J. Basham (employee-member) took their oath of office at this month's Board meeting. Both terms run from July 1, 2013, to June 30, 2017.

Phillips is a bus driver for Ashland City Schools, and Basham is a bus driver and cafeteria worker for the Bath Local School District in Lima.

### **Board Travel**

Cathy Moss will attend the IFEBP 59<sup>th</sup> Annual Conference in Las Vegas, NV , Oct. 20 -23, 2013. Cost estimate \$2,845.00.

### **New Benchmarks Approved For Non-US Equity, Multi-Asset Strategies**

Although SERS' Statement of Investment Policy is under review, the Board did approve changing the Non-US Equity and Multi-Asset Strategies benchmarks. Retroactive to July 1, the start of SERS' fiscal year, the Non-US Equity benchmark is changing from the MSCI index (gross dividends reinvested) to the MSCI index (net dividends reinvested), and the multi-assets strategies benchmark is changing from HFRI Fund of Fund (FOF) benchmark to the HFRI FOF Composite Index plus 1% annually.

The Non-US Equity benchmark was changed because the net benchmark is a more accurate reflection of international equity performance at both the manager and policy levels. The Multi-Asset Strategies benchmark was changed because SERS invests directly in hedge funds and not through fund of funds, and adding the 1% to the FOF index properly accounts for the extra layer of fees SERS does not pay.

### **Investments Update**

## Summary of Investment Transactions

	Approx. cost (in millions)
US Equities	\$419.8
Non-US Equities	128.3
Fixed Income	447.8
REITS	3.2
Hedge Funds	N/A
Private Equity Cap. Calls	11.7
Real Estate Cap. Calls	0.5
Short-term	153.7

	Net proceeds	Approx. Gain/Loss in millions
US Equities	\$436.5	\$ 27.4
Non-US Equities	162.1	37.0
Fixed Income	388.4	1.6
REITS	2.9	0.5
Hedge Funds	1.2	N/A
Private Equity distributions	28.4	N/A
Real Estate distributions	2.0	N/A
Short term	169.5	N/A

As of May 31, the value of the fund was \$11.49 billion, down slightly from April. For FY2013, investments were up 14.71%, and for the calendar year, investments were up 6.63%.

## External Auditor Outlines Audit Timetable and Focus Areas

As the result of an RFP issued by the Auditor of State in January, McGladrey was awarded SERS' external audit contract for fiscal years 2013 through 2017. David Andrews, Lori Kalic, and Joseph Leonard, SERS' audit team from McGladrey, presented the FY2013 audit schedule and detailed the focus areas for the Board.

## Board Audit Committee Discusses Audit Planning

The Board Audit Committee is in the process of reviewing SERS' internal auditor's one-year and three-year audit plans. These plans serve as a framework to ensure that new and recurring audits are completed on time.

## CEM Benchmarking Report for FY2012

As part of SERS' ongoing commitment to managing costs effectively while improving service levels to members and retirees, SERS measures its administrative services against other similar pension funds through its association with CEM Benchmarking, Inc., a global benchmarking company. Jan Hartford, director of CEM, said that preliminary results of the FY2012 survey show that SERS' service to members is above the peer median, and that SERS staff handles 34% more member transactions per person than the peer average.

## Executive Director's Update

In May, S 896 was introduced in the U.S. Senate to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) penalties. This bill is a companion to HR 1795

that was introduced in the House.

Public employees in Ohio are hit hard by the GPO and WEP penalties, and SERS encourages all members and retirees to contact their federal legislators to urge them to sign on to these bills as sponsors and advocate for their passage. It's easy to contact your legislators using SERS' website. Just visit [www.ohsers.org](http://www.ohsers.org) and click on the orange "Legislative Action Alert" button. Then, click on the blue "Stop Social Security Offset and Windfall Penalties" link inside the "Take Action" box, and follow the instructions. You can use SERS' generic message or compose your own.

In June, the National Institute on Retirement Security (NIRS) released a report titled *The Retirement Crisis: Is it Worse Than We Think?* This report indicates that for working households with 401(k)-style retirement accounts and IRAs, 92% do not meet conservative retirement savings targets for their age and income. While defined benefit plans like SERS' are important in keeping people out of poverty during retirement, pensions alone may not provide enough income in retirement to cover all necessary expenses. This publication provides guidelines for calculating the amount of income necessary for a secure retirement.

### **Supplemental Dental and Vision Coverage Now Available to All Health Care Eligible Retirees**

SERS' Board gave staff the authority to file a new administrative rule with the Joint Committee on Agency Rule Review (JCARR) concerning dental and vision coverage. All SERS retirees who were eligible for SERS' health care coverage at the time of retirement can now sign up for dental and vision coverage. Retirees do not have to be enrolled in SERS' health care coverage to sign up. Dental and vision coverage can be added or dropped by retirees during the open enrollment period, which runs from Sept. 1, 2013 to Oct. 31, 2013.

### **Board Approves Amendments to Health Care and Division of Property Administrative Rules**

The Board approved an amendment to SERS' health care rule to include a definition of supplemental dental and vision, and to clarify that an adult child may remain enrolled in SERS' health care through the end of the calendar year in which they turn 26. The other change updated an administrative rule on the division of property orders. A paragraph was added to explain the apportionment of Cost of Living Adjustments.

### **Monthly Retirement and Survivor Benefit Transactions**

In June, the SERS Board approved 1,072 active members for service retirements, and 18 survivor benefits for spouses and/or dependents.

### **No Board Meeting in August**

The SERS Board will not meet in August.

### **September Board Meeting Dates**

The next Board meeting will take place Thursday, Sept. 19 and Friday, Sept. 20.