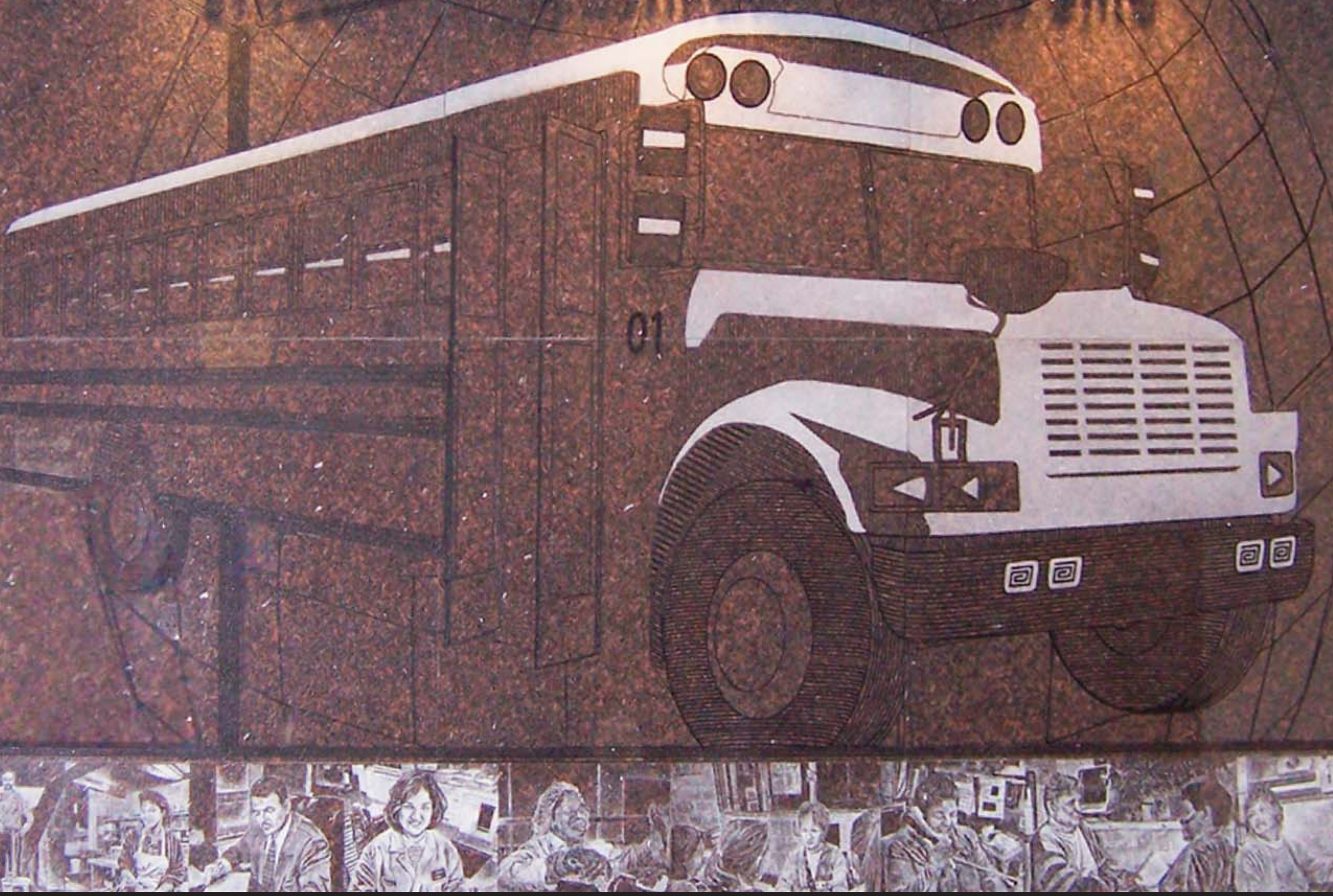

School Employees Retirement System of Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2015

Serving the People Who Serve Our Schools®

School Employees Retirement System of Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2015
Prepared by SERS Staff
Lisa J. Morris, Executive Director
300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746
www.ohsers.org

Serving the People Who Serve Our Schools®

Mission

To provide our membership with valuable lifetime pension benefit programs and services

Vision

Through the continuous pursuit of excellence and innovative solutions, we will partner with our stakeholders so that our membership will understand and achieve security in retirement

Values

• Focus • Accountability • Communication • Collaboration • Innovation

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Actuarial Section (unaudited)

Statistical Section (unaudited)

Plan Summary

INTRODUCTORY SECTION

Left to right: Standing – Frank Weglarz, Nancy Edwards, James Rossler, Dee Faragher, Lisa Morris

Seated – Catherine Moss, Debra Basham, Daniel Wilson, Barbra Phillips, Christine Holland

Chair
Daniel L. Wilson
Term Expires 9/27/2016

Vice-Chair
Catherine P. Moss
Term Expires 6/30/2016

Employee-Member
Debra J. Basham
Term Expires 6/30/2017

Appointed Member
Nancy D. Edwards
Term Expires 12/5/2016

Employee-Member
Madonna D. Faragher
Term Expires 6/30/2019

Employee-Member
Christine D. Holland
Term Expires 6/30/2019

Employee-Member
Barbra M. Phillips
Term Expires 6/30/2017

Appointed Member
James A. Rossler, Jr.
Term Expires 11/4/2016

Retiree-Member
Frank A. Weglarz
Term Expires 6/30/2015

Advisors

Independent Auditor
RSM US LLP - Cleveland, Ohio

Actuary
Cavanaugh Macdonald Consulting, LLC - Kennesaw, Georgia

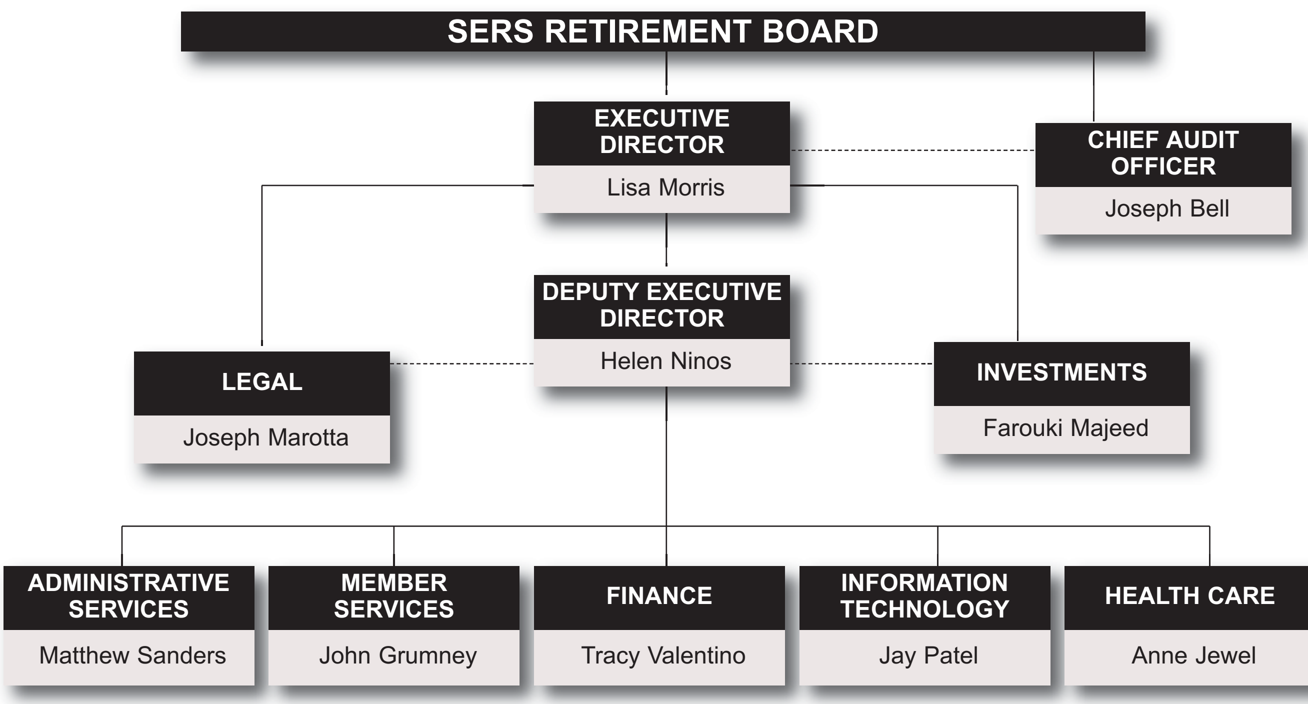
Investment Consultant
Summit Strategies Group - St. Louis, Missouri

Hedge Fund Consultant
Aksia LLC - New York, New York

Medical Advisor
Dr. Edwin H. Season - Columbus, Ohio

Investment Consultants and Investment Managers and Brokers' Fees - see page 56

Clockwise, beginning at the lower left: Lisa Morris, Helen Ninos, Farouki Majeed, John Grumney, Tracy Valentino, Jay Patel, Anne Jewel, Joe Marotta (not pictured, Matthew Sanders and Joseph Bell)



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Employees Retirement System of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2015

Presented to

School Employees Retirement System of Ohio

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
300 EAST BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746 • 614-222-5853
Toll-Free 866-280-7377 • www.ohsers.org

LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

December 29, 2015

Dear Chair and Members of the Retirement Board:

We are pleased to submit the Comprehensive Annual Financial Report of the School Employees Retirement System of Ohio (SERS) for the fiscal year ended June 30, 2015. We are responsible for the accuracy of the contents, and the completeness and fairness of the presentation, including disclosures. A narrative overview and analysis to accompany the basic financial statements is presented as Management's Discussion and Analysis (MD&A); it can be found immediately following the report of the independent auditor in the Financial Section. This letter of transmittal is designed to complement the MD&A.

Established in 1937 by an act of the Ohio General Assembly, SERS provides pensions and benefits to public and charter school employees who are not required to possess a certificate in order to perform their duties. By statute, benefit plans include retirement for age and service, disability benefits, and survivor benefits that are paid upon the death of a member before retirement. A post-retirement health care program also is provided, although it is not required by law.

A system of internal accounting controls ensures the security of member and employer contributions and provides reasonable, but not absolute, assurance that assets are properly safeguarded, transactions are properly executed, and financial statements are reliable. Our independent external auditors have conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. They have full and unrestricted access to you to discuss their audit and related findings concerning the integrity of financial reporting and adequacy of internal controls.

MAJOR INITIATIVES AND HIGHLIGHTS

Protection of Joint Retirement in Ohio Preservation of joint retirement, also known as portability of retirement benefits, became a focal point for SERS in FY2015. In Ohio, the ability of public employees to combine service credit earned in different retirement systems into one meaningful retirement benefit provides added retirement security for public employees. In July, SERS began receiving phone calls from former members indicating that SERS-certified service credit was being reduced when combined with other system service in joint retirements. Subsequently, SERS learned that a change in state law during pension reform allowed service time certified by one Ohio pension system to be recalculated in another. This change negatively affected the way fiscal year service credit was being adjusted to fit a calendar year model. SERS' staff worked with the State Teachers Retirement System of Ohio (STRS Ohio) and the Ohio Public Employees Retirement System (OPERS) to restore language in state law that ensures that school workers receive the service credit they earned. The three systems also came to an agreement that allows members to refund contributions from an inactive system in certain situations.

SERS Supports Equal Treatment of Public Servants Act In February, SERS drafted a letter of support for HR 711, a bill introduced by sponsor Rep. Kevin Brady (R-TX), that would replace the Windfall Elimination Provision (WEP) with a fairer formula based on each individual's Social Security contributions. Rep. Brady recognized SERS for its assistance in crafting the legislation, and shared SERS' letter as a template for other pension systems across the country working on similar support letters. SERS' Facebook and Twitter posts regarding HR 711 were the most "liked" and "shared" stories of 2014. In addition, SERS' members sent from SERS' website more than 3,000 grassroots emails in favor of the legislation to Ohio's congressional delegation.

GASB Outreach to Employers After SERS implemented the requirements of GASB 67 in its FY2014 CAFR, staff turned its attention to educating media and employers about the possible implications of the forthcoming GASB 68 requirements. During FY2015, SERS' staff met with media representatives from 21 newspapers. SERS also received recognition from the State Auditor's Office for its proactive communication efforts related to GASB education and for including local school treasurers in the editorial board meetings.

SERS' main issue with GASB 68 is the requirement that employers recognize a proportionate share of pension liabilities on their financial statements. In Ohio, pension systems are solely responsible for pension liabilities, not the employers. Once Ohio employers make their statutorily required 14% contribution, their pension liability is fulfilled. SERS is concerned that once school districts begin showing their proportionate share of SERS' pension liability on their annual statements, it will appear as if they are responsible for paying that amount, even though they are not. Additional concerns include the reality of increased audit fees due to additional audit testing of active member payroll, diminished support for school levies due to misunderstandings of what the proportionate share is, and downgraded bond ratings for school districts due to the perception of increased pension liabilities.

SERS was the first Ohio pension system to publish the GASB information for Statement No. 68 on its website, and the first to release the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

SERS Reaches Out to New Audiences SERS members and retirees belong to many different professional organizations based on their job duties and personal interests. Even though staff reaches out to these members during school visits, attendance at professional organization meetings allows staff to focus on the unique needs of those members.

In FY2015, SERS' Member Services staff conducted educational meetings for the Ohio School Bus Mechanics, School Nutrition Association of Ohio, Ohio Education Association Support Professionals, Education Office Professionals of Ohio, Toledo Public School for Clerical Workers, six Ohio Educational Association chapters, and eight Ohio Association of Public School Employees groups.

While SERS' Employer Relations staff regularly schedules one-on-one visits to schools for individual training, they also present at organizational meetings around the state. In FY2015, they addressed attendees at meetings held by the Ohio Association of School Business Officials, the Ohio Department of Education, and the Ohio Alliance for Public Charter Schools. They also visited with staff from several Information Technology Centers.

Due in part to the health care changes brought about by the Affordable Care Act, SERS' Health Care staff participated at regional meetings held by School Employee Retirees of Ohio and in a webinar sponsored by the National Association of Counties on the topic of the increasing cost of coverage to people who are not Medicare eligible. SERS also was named as 2014 Partner of the Year by the Ohio Senior Health Insurance Information Program for its efforts in enrolling SERS' retirees in Medicare as they become eligible.

Staff Participates in Ohio Institutional Investors Forum In January, SERS' staff took a lead role in the 2nd Annual US Markets Ohio Institutional Investors Forum. The forum is a one-day event featuring discussion topics relevant to Ohio's local institutional investor community. Five staff members including Executive Director Lisa Morris and CIO Farouki Majeed gave presentations at the conference. SERS provided more investment panelists than any other system. Topics discussed by SERS' staff included hedge fund allocation, benefits and drawbacks of real assets in a portfolio, performance trends in fixed income debt funds, and fiduciary responsibility for management and trustees.

SERS Responds to Erroneous National Research Comparing the financial condition of national public pension systems requires extensive research. When significant differences in funding and operations are ignored in national studies, erroneous conclusions are the result. When an Ohio business journal published an article using inaccurate information from a national study, SERS responded with a letter to the editor refuting the assertions that the Ohio pensions systems were underfunded and unsustainable. This attracted the attention of other media and SERS was able to provide an accurate financial assessment of the system. SERS also received national attention for its defense of accurate pension reporting by the National Council of Teacher Retirement (NCTR). NCTR's executive director called SERS' letter "an excellent example of how our member systems can fight back against the campaign of misinformation." Quality national research on public pension systems is a valuable tool for assessing a system's strengths and weaknesses and can serve as a starting point for making improvements. To facilitate the creation of quality national research, SERS is a member of the Visionary Circle of the National Institute on Retirement Security (NIRS). By participating in the Visionary Circle, SERS has input into the research topics being considered by NIRS.

INVESTMENTS

SERS' investment portfolio is diversified by asset class, investment approach, and individual investments within each asset class to reduce overall portfolio risk and volatility. At year end, SERS' investment portfolio at fair value was $12.5 billion. Investment return was 3.87% (net of fees) for the fiscal year versus the benchmark return of 3.86% and the actuarial assumed return of 7.75%. Net investment income was $452.6 million compared to $1.94 billion in FY2014. The transition to a Staff Investment Committee structure is complete and represents a leading practice in investment operations. For more information on SERS' portfolio performance, investment strategy, and investment policy, please turn to the Investment Section of this report.

FUNDING

SERS' primary objective is to assure that at the time benefits commence, sufficient funds will be available to provide retirement, disability, and survivor benefits for its members. In addition, SERS is committed to sustaining contribution rates that remain level from generation to generation.

SERS' benefits are separated to comply with various sections of the Internal Revenue Code (IRC), and then reported and valued for funding purposes in accordance with relevant GASB statements. For FY2015, the funded ratios for the three benefits mandated by statutes increased slightly. The funding level for pension benefits increased from 68.1% over a 28-year period to 68.8% over a 27-year period. The funding level for discretionary health care benefits increased to 16.8% from 16.7% over a 30-year period. Historical information related to progress on meeting the funding objective can be found in the *Required Supplementary Information* in the Financial Section of this report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SERS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the 30th consecutive year that

SERS has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA gave SERS an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Summary Annual Financial Report for the fiscal year ended June 30, 2014. This Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for one year only.

The Public Pension Coordinating Council (PPCC) awarded to SERS the Public Pension Standards Award for 2015. Developed by the PPCC to promote excellence in meeting professional standards for plan funding and administration among state and local public retirement systems, the Public Pension Standards are the benchmark for measuring current practices of defined benefit plans. The PPCC is a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators, the National Council on Teacher Retirement, and the National Conference on Public Employee Retirement Systems.

This report represents the collaboration of SERS' staff and advisors. It is intended to provide complete and reliable information as a basis for management decisions, and for compliance with legal requirements, and as measurement of the responsible stewardship of SERS' assets.

In closing, we recognize that our strength is a reflection of the quality of our staff. We value their efforts that enable us to maintain effective internal controls while at the same time deliver high quality service to our members, retirees, and employers.

Respectfully submitted,

Lisa J. Morris
Executive Director

Tracy L. Valentino, CPA
Chief Financial Officer

Legislative Summary

SERS and its members can be significantly affected by legislation enacted by the Ohio General Assembly and Congress. SERS closely monitors legislative and regulatory activities, and when appropriate, provides testimony or otherwise educates Ohio legislators, congressional representatives, and regulatory agencies on the impact of these proposals.

State Legislation
From the 131st General Assembly:

HB 2 Charter School Reform (10/07/2015, Senate Accepts Conference Committee Report)
This bill provides that as of July 1, 2016, new employees of a charter school operator will no longer contribute to SERS if the operator also pays into Social Security. Existing employees will continue to contribute to SERS.

HB 64 Biennial Operating Budget (07/01/2015, Effective)
This bill removed the requirement that SERS annually provide the ORSC with the Ohio-qualified agent and investment manager reports.

HB 284 Pensions – Federal Offenses (09/29/2015, House Judiciary, First Hearing)
This bill adds extortion, perjury, and certain federal offenses to those that may result in forfeiture or termination of public retirement benefits.

HB 305 University of Akron – OPERS Members (09/16/2015, Referred to House Health & Aging)
This bill provides that new nonteaching employees of the University of Akron would be members of OPERS rather than SERS, and makes an appropriation for the University's SERS employer surcharge payments.

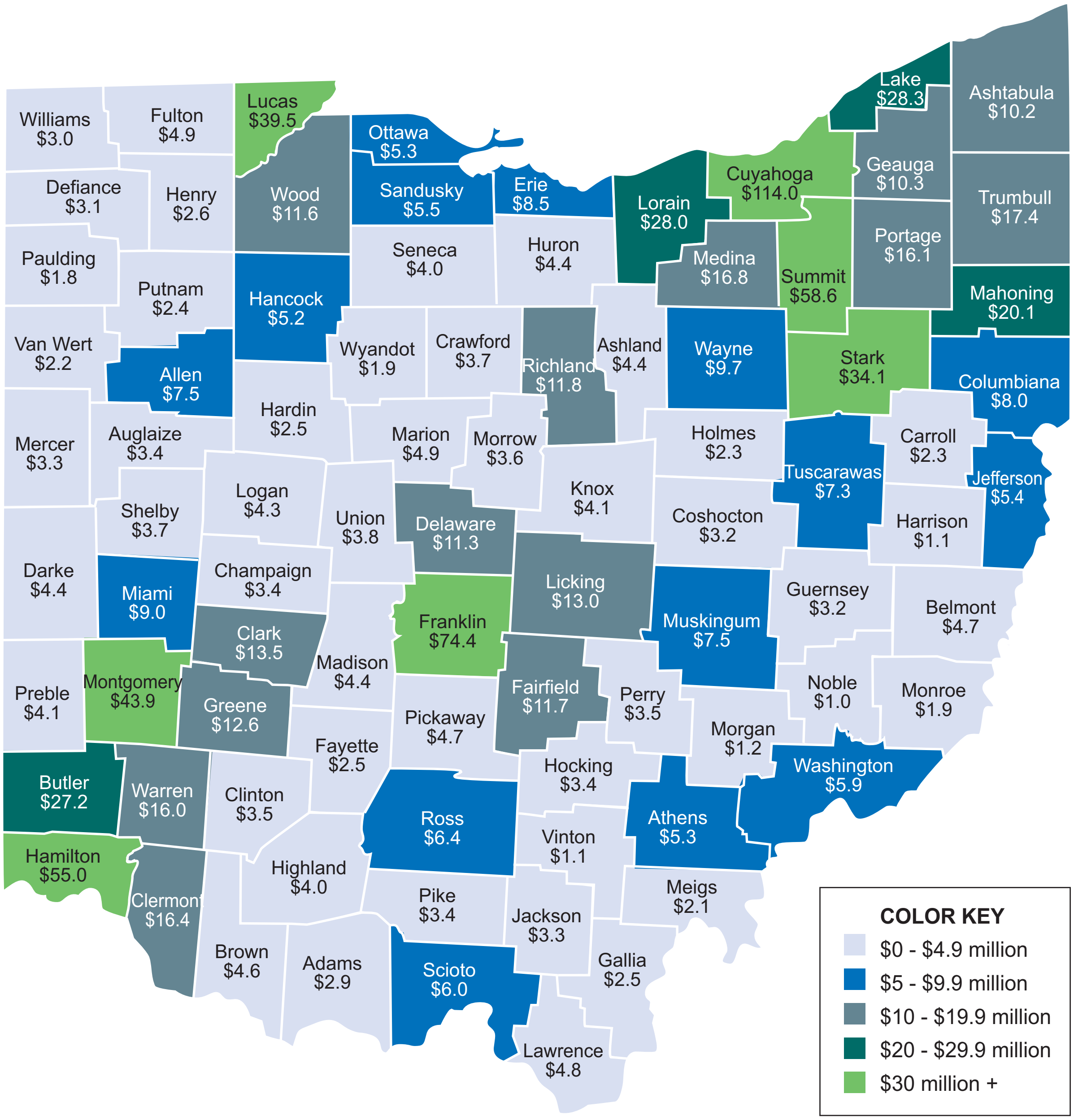
Federal Legislation
From the 114th Congress:

HR 711 Equal Treatment for Public Servants Act (02/04/2015, Referred to House Committee on Ways and Means)
This bill repeals the Windfall Elimination Provision and replaces it with a formula that proportionally considers all public and private employment over a person’s career.

HR 973 Social Security Fairness Act (02/13/2015, Referred to House Committee on Ways and Means)
This bill repeals the Government Pension Offset and Windfall Elimination Provisions. Companion bill to S 1651.

S 1651 Social Security Fairness Act (06/23/2015, Referred to Senate Committee on Finance)
This bill repeals the Government Pension Offset and Windfall Elimination Provisions. Companion bill to HR 973.

Pension Benefits by County FY2015*



Public pensions positively impact Ohio's economy. Of the 74,372 individuals receiving pension benefits from SERS, 91% live in Ohio.

In FY2015 alone, benefit payments of approximately $1 billion were distributed among Ohio's 88 counties, positively impacting the state's economy. For every dollar in employer contributions invested in SERS' pensions last year, $2.66 was returned to local economies.

*Does not include 11,616 reemployed retirees.

FINANCIAL SECTION

RSM

Independent Auditor's Report

RSM US LLP

The Retirement Board
School Employees Retirement System of Ohio
and The Honorable Dave Yost
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of School Employees Retirement System of Ohio (SERS), which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of SERS as of June 30, 2015, and the changes in fiduciary net position for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously audited the financial statements of SERS as of and for the year ended June 30, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 16 of the financial statements, in 2015, the System adopted Governmental Accounting Standards Board Statement No. 68, *Financial Reporting for Pension Plans* and No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Schedule of Changes in the Employers' Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Investment Returns, the Schedule of Funding Progress – Health Care Fund and the Schedule of Employer Contributions and Other Contributing Entities – Health Care Fund and related notes, on pages 42 – 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, including the schedules of administrative expenses, investment expenses, and payments to consultants, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The introductory, investments, actuarial and statistical sections, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Independent Auditor's Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of SERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SERS' internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
December 22, 2015

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Management's Discussion and Analysis (Unaudited)

FINANCIAL SECTION

This discussion and analysis of the School Employees Retirement System of Ohio's (SERS) financial performance provides a narrative overview of financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the information in our *Letter of Transmittal*, which is found in the Introductory Section of this report. In addition to historical information, *Management's Discussion and Analysis* includes forward-looking statements which involve certain risks and uncertainties. Actual results, performance, and achievements may differ from those expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in the securities markets, general economic conditions, and legislative changes, as well as other factors.

FINANCIAL HIGHLIGHTS

- Total additions to plan net assets were $1,339.9 million, comprised of contributions of $887.3 million and net investment income of $452.6 million.
- Total deductions from plan net assets for fiscal year 2015 totaled $1,358.8 million, an increase of 7.9% over fiscal year 2014 deductions.
- The net decrease in plan net assets was $18.9 million compared to a net increase of $1,555.1 million in FY2014.

OVERVIEW OF FINANCIAL STATEMENTS

Following *Management's Discussion and Analysis* are the basic financial statements. Reviewing these statements, along with the accompanying notes, gives the reader a better understanding of SERS' financial position. The *Statement of Fiduciary Net Position* is a point-in-time snapshot of the amount the plans have accumulated in assets to pay for future benefits and any liabilities that are owed as of the statement date. The *Statement of Changes in Fiduciary Net Position* presents the additions and deductions for the fiscal year. Major sources of additions are contributions and investment income. Major sources of deductions are benefits, refunds, and administrative expenses.

The *Notes to Financial Statements* supply additional information that is essential for a full understanding of the data provided in the financial statements. The notes describe the history and purpose of the plans; present information about accounting policies; and disclose

CONDENSED SUMMARY OF TOTAL FIDUCIARY NET POSITION
($ in millions)

			Change	
ASSETS	2015	2014	Amount	Percent
Cash	$ 738.1	$ 738.4	$ (0.3)	0.0%
Receivables	396.5	278.3	118.2	42.5
Investments	12,513.4	12,760.5	(247.1)	(1.9)
Capital Assets, Net	62.7	55.8	6.9	12.4
Other Assets	0.2	0.3	(0.1)	(33.3)
Total Assets	13,710.9	13,833.3	(122.4)	(0.9)
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	1.3	-	1.3	-
LIABILITIES				
Benefits & Accounts Payable	34.1	25.3	8.8	34.9
Other Liabilities	472.2	583.4	(111.2)	(19.1)
Total Liabilities	506.3	608.7	(102.4)	(16.8)
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	0.2	-	0.2	-
Net Position	$ 13,205.7	$ 13,224.6	$ (18.9)	(0.1)%

CONDENSED SUMMARY OF CHANGES IN TOTAL FIDUCIARY NET POSITION
($ in millions)

			Change	
ADDITIONS	2015	2014	Amount	Percent
Contributions	$ 887.3	$ 874.9	$ 12.4	1.4%
Net Investment Income (Loss)	452.6	1,939.3	(1,486.7)	(76.7)
Total Additions	1,339.9	2,814.2	(1,474.3)	(52.4)
DEDUCTIONS				
Benefits	1,248.4	1,174.1	74.3	6.3
Refunds & Transfers	88.8	63.2	25.6	40.5
Admin. Expenses	21.6	32.1	(10.5)	(32.7)
Total Deductions	1,358.8	1,269.4	89.4	7.0
Net Increase (Decrease)	(18.9)	1,544.8	(1,563.7)	(101.2)
Balance, Beginning of Year	13,224.6	11,679.8	1,544.8	13.2
Balance, End of Year	$ 13,205.7	$13,224.6	$ (18.9)	(0.1)%

material risks, subsequent events, and contingent liabilities, if any, that may significantly impact SERS' financial position. In addition to the financial statements and notes, *Required Supplementary Information* (RSI) is provided. This supplementary information includes data on funding progress and employer contributions, along with other information useful in evaluating the financial condition of SERS. The financial statements, notes, and RSI for the first time, this year includes information as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Following the RSI is other supplementary information, including schedules with detailed information on investment and administrative expenses.

During 2015, SERS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which significantly revises accounting for pension costs and liabilities. Under the new standards required by GASB No. 68, SERS recorded as a liability its proportionate share of the OPERS Net Pension Liability (NPL). However, SERS is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action by both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by state statute. In Ohio, there are no legal means to enforce payments of the net pension liability of the pension system by public employers. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion.

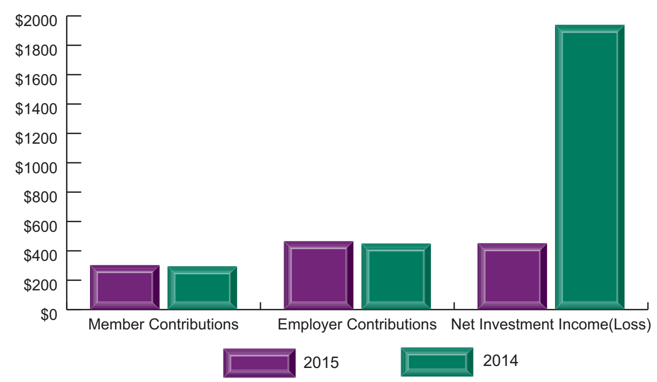
FINANCIAL ANALYSIS

A cost-sharing defined benefit public retirement system, such as SERS, has a long-term perspective on financial activities. SERS' primary responsibility is to assure that sufficient funds will be available to provide retirement, disability and survivor benefits, Medicare B, and lump sum death benefits. Laws governing SERS' financing intend for the contribution rates to remain approximately level from generation to generation.

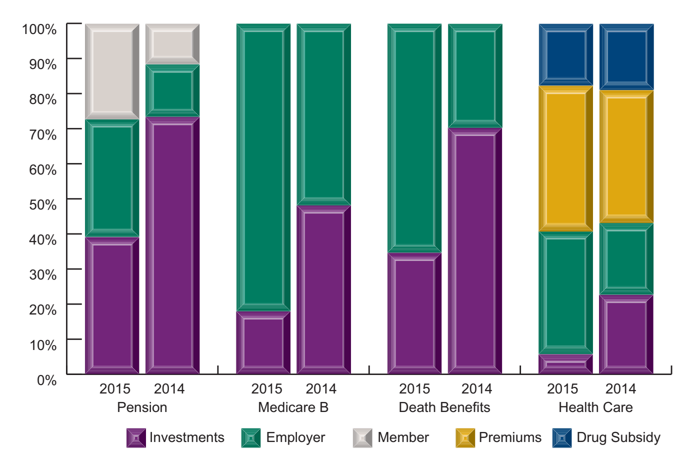
Additions SERS is comprised of five separate plans – the Pension Trust Fund, the Medicare B Fund, the Death Benefit Fund, the Qualified Excess Benefit Arrangement (QEBA) Fund, and the Health Care Fund. Pension benefits are funded through a combination of employee and employer contributions, and investment income. Medicare Part B premium reimbursements and death benefits are funded through employer contributions and investment income. The QEBA, a separate plan under Internal Revenue Code §415, is funded by contributions from the retiree's last employer and invested separately in a short-term investment fund. Funding for the health care program comes from employers, retiree premium payments, the federal government, and investment income. The graph on the right labeled "Comparison of Additions to Fiduciary Net Position by Fund" depicts the proportion that each source added to the individual fund's assets during FY2015.

For financial statement purposes, employee contributions consist of 10% of reported payroll, and

Comparative Additions by Source FY2015 & 2014
($ in millions)



Comparison of Additions to Fiduciary Net Position by Fund



member purchases of restored and optional service credits. Employer contributions include 14% of reported payroll, the employer's share of optional and compulsory purchased service credit, early retirement incentives, and the health care surcharge. Employee contributions and employer contributions, excluding the surcharge, increased 3.2% based on an increase in reported payroll, as well as an increase in the number of active members.

Employer contributions to the Health Care Fund are derived from two sources. The first source is an allocation of the employers' 14% contribution after pension benefits are actuarially funded. This allocation increased from 0.14% for FY2014 to 0.82% for FY2015. The second is a health care surcharge for members who earn less than an actuarially determined minimum salary, which is established annually by the Board based upon the actuary's recommendation. Regardless of the minimum compensation amount, legislated limits on SERS' surcharge revenue restrict the actual surcharge to 1.5% of statewide payroll, and no employer pays more than 2.0% of the district's payroll. Because of an increase in reported payroll and an increase in active members, the surcharge also increased from $42.2 million in FY2014 to $43.5 million.

Along with employer contributions and investment income, additions to the Health Care Fund include health care premiums paid by retirees. Enrollment declined 1.35% from 44,710 retirees and dependents last year to 44,107 in FY2015 and total premiums decreased 4.1% over the previous fiscal year.

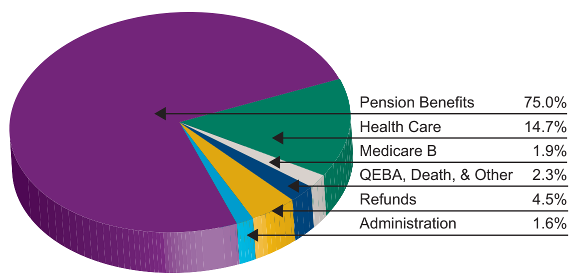
The other sources of contributions to the Health Care Fund include a net reimbursement from the federal program for Medicare Part D qualified prescription drug plans (PDP) and from our primary Medicare Advantage provider based on a risk-sharing contract effective January 1, 2011. Premiums for this program are estimated at the beginning of the contract and then adjusted at year-end based on actual claims experience and Medicare reimbursements. If experience is favorable, SERS receives a payment for the adjusted premium; however if experience is not favorable, SERS pays an additional premium to the provider.

Investment income is allocated, in accordance with the actuary's recommendation, to all funds except the QEBA. It is presented net of investment fees and is comprised of interest, dividends, and realized and unrealized investment gains and losses. Investment expense is comprised of external manager, custody and master record keeper fees; and internal investment and accounting expenses. SERS' investment portfolio, with the exception of cash and short-term investments, is managed by external investment managers. SERS had a net investment gain of $0.45 billion compared to a gain of $1.94 billion in FY2014. The portfolio was impacted by the uncertainty and volatility of the US and global markets. Staff continued with the implementation of the three-year strategic plan adopted in FY2013 to improve the structure of the portfolio with the twin objectives of optimizing risk and return and reducing fees; and as a result external manager fees continued to decrease in FY2015.

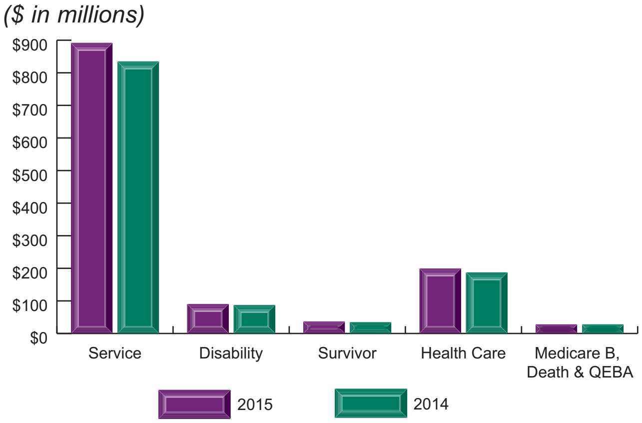
Deductions Expenses are incurred primarily for the purpose for which SERS was created: the payment of benefits to non-teaching Ohio public and community school employees. Included in the deductions from net position were benefit payments, refunds of contributions due to member terminations or deaths, net transfers to other Ohio retirement systems to provide benefits for those members who had membership in more than one system, and administrative expenses.

Payments to service, disability, and survivor benefit recipients increased $74.3 million, or 6.33% during FY2015. Service retirement payments increased 6.82% while disability and survivor benefits payments increased by 3.94% and 5.61%, respectively. Each year, a portion of the increase in payment amounts comes from the 3% cost-of-living allowance calculated on the base benefit amount. The remainder of the increase is the relatively higher benefits of new retirees due to higher final average salary. New service retirements have remained level for three years; however, we

Deductions from Plan Fiduciary Net Position FY2015



Comparative Benefit Payments FY2015 & 2014
($ in millions)



anticipate an increase as we approach the date of August 1, 2017, when legislated changes in age and service credit requirements for retirement eligibility become effective.

Total refunds paid increased 8.9% from FY2014 to FY2015. A lump sum of employee contributions is only distributed to members who have terminated public employment, applied for a refund, and waited for expiration of the 90-day waiting period that begins with the last day of service. SERS' members cannot take partial distributions. Reemployed retirees who are eligible for an annuity may elect a lump sum distribution, which includes the employee's contributions, a portion of the employer's contributions, and interest.

If a member has been employed in a job covered by the State Teachers Retirement System of Ohio (STRS) or the Ohio Public Employees Retirement System (OPERS) defined benefit plans as well as in a job covered by SERS, the member may combine the service credit and accounts in all the systems to receive one benefit at retirement. The system that holds the greatest service credit will calculate and pay the benefit; the employee's full contributions and a share of the employer contributions and interest are transferred to the paying system. Statutory changes were implemented which modified the calculation for the transferred employer share. Since all three systems implemented the changes mid-year, the net transfer amount for FY2015 cannot be reasonably compared to FY2014; however, SERS continues to transfer out more monies than received, just as it did under the previous calculation method.

SERS reimburses a portion ($45.50) of the Medicare Part B premium to retirees eligible for SERS' health care program who provide proof of enrollment in Medicare Part B. The reimbursement amount, established by statute, has not changed since 2001; therefore, changes in expense are driven by eligible retirees' enrollment in Medicare Part B or termination of a benefit. Medicare Part B expense remained the same in FY2015. As noted earlier, the eligibility of new retirees to receive the Part B reimbursement is now tied to enrollment in one of SERS' health care plans.

SERS pays a $1,000 death benefit, established by statute in 2001, to the designated beneficiary of service and disability retirees. Death benefit payments increased 8.8% in FY2015.

Most of retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care expense increased $11.8 million, or 6%, to $199.8 million. Our goals for the non-Medicare program are to provide access to quality coverage at an affordable cost, and to focus on care management to improve the quality of care and to lower costs. Health care is a benefit that is permitted, not mandated, by statute. Our funding policy is to maintain the Health Care Fund with a 20-year solvency period to ensure that the fluctuations in the cost of health care do not cause an interruption in the program.

ACTUARIAL

The annual actuarial valuation measures the total liability for all benefits earned to date. The accrued liability is a present value estimate of all the benefits that have been earned to date but not yet paid. The actuarial accrued liability (AAL) for the four funds changed as follows:

> The unfunded accrued liability (UAL) is the present value of the future benefits payable that are not covered by the actuarial value of assets as of the valuation date. The funded ratio reflects the percentage of the accrued liability covered by the actuarial value of assets. A decrease in the UAL indicates progress towards meeting the present and future financial obligations of SERS.

REQUEST FOR INFORMATION

This financial report is designed to provide the Retirement Board, our membership, employers, and investment managers with a general overview of SERS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

School Employees Retirement System of Ohio
Finance Department
300 East Broad Street, Suite 100
Columbus, Ohio 43215

Statement of Fiduciary Net Position
as of June 30, 2015

	Pension Trust Fund	Medicare B Fund	Death Benefit Fund
ASSETS			
Cash & Operating Short Term Investments	$ 677,057,201	$ 7,925,397	$ 1,256,604
Receivables			
Contributions			
Employer	16,504,224	865,366	59,392
Employee & Other	10,384,329	15,000	-
Investments Receivable	286,572,456	3,080,659	502,463
Total Receivables	313,461,009	3,961,025	561,855
Investments at Fair Value			
US Equity	3,992,870,430	42,917,682	7,000,286
Non-US Equity	3,088,718,190	33,199,331	5,415,129
Private Equity	1,180,313,982	12,686,698	2,069,322
Fixed Income	1,872,514,303	20,126,867	3,282,885
Real Assets	1,705,492,926	18,331,625	2,990,064
Total Investments at Fair Value	11,839,909,831	127,262,203	20,757,686
Securities Lending Collateral at Fair Value	216,247,191	2,324,350	379,124
Capital Assets			
Land	3,315,670	-	-
Property & Equipment, at Cost	59,012,048	-	-
Accumulated Depreciation and Amortization	(23,127,450)	-	-
Computer System Under Development	23,545,799	-	-
Capital Assets, Net	62,746,067	-	-
Prepaids and Other Assets	216,836	-	-
TOTAL ASSETS	13,109,638,135	141,472,975	22,955,269
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	1,313,925	-	-
LIABILITIES			
Accounts Payable & Accrued Expenses	15,878,900	3,461	3,390
Benefits Payable	1,060,676	-	442,783
Investments Payable	238,832,564	2,567,111	418,720
Obligations under Securities Lending	216,063,245	2,322,373	378,801
TOTAL LIABILITIES	471,835,385	4,892,945	1,243,694
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	224,250	-	-
NET POSITION HELD IN TRUST FOR PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS	$ 12,638,892,425	$ 136,580,030	$ 21,711,575

See accompanying notes to the financial statements.

QEBA Fund	Health Care Fund	TOTAL
$ 194,886	$ 51,628,686	$ 738,062,774
-	42,499,306	59,928,288
-	28,757,083	39,156,412
18	7,286,626	297,442,222
18	78,543,015	396,526,922
-	101,510,597	4,144,298,995
-	78,524,368	3,205,857,018
-	30,007,079	1,225,077,081
-	47,604,862	1,943,528,917
-	43,358,683	1,770,173,298
-	301,005,589	12,288,935,309
-	5,497,644	224,448,309
-	-	3,315,670
-	-	59,012,048
-	-	(23,127,450)
-	-	23,545,799
-	-	62,746,067
-	1,264	218,100
194,904	436,676,198	13,710,937,481
-	-	1,313,925
1,217	16,747,801	32,634,769
-	-	1,503,459
-	6,071,831	247,890,226
-	5,492,968	224,257,387
1,217	28,312,600	506,285,841
-	-	224,250
$ 193,687	$ 408,363,598	$ 13,205,741,315

Statement of Changes in Fiduciary Net Position for the year ended June 30, 2015

	Pension Trust Fund	Medicare B Fund	Death Benefit Fund
ADDITIONS			
Contributions			
Employer	$ 374,724,343	$ 21,499,206	$ 1,455,553
Employee	303,866,076	-	-
Other Income			
Health Care Premiums	-	-	-
Federal Subsidies & Other Receipts	-	-	-
	678,590,419	21,499,206	1,455,553
Income from Investment Activity			
Net Appreciation in Fair Value	273,671,035	2,958,481	484,543
Interest and Dividends	244,868,196	2,650,983	433,991
	518,539,231	5,609,464	918,534
Investment Expenses	(81,508,285)	(881,023)	(144,373)
Net Income from Investment Activity	437,030,946	4,728,441	774,161
Income from Securities Lending Activity			
Gross Income (Loss)	(1,775,354)	(19,192)	(3,143)
Brokers' Rebates	1,000,563	10,816	1,772
Management Fees	(289,812)	(3,133)	(513)
Net (Loss) from Securities Lending Activity	(1,064,603)	(11,509)	(1,884)
Net Investment Income	435,966,343	4,716,932	772,277
TOTAL ADDITIONS	1,114,556,762	26,216,138	2,227,830
DEDUCTIONS			
Benefits			
Retirement	891,831,626	23,105,680	-
Disability	91,265,121	1,428,700	-
Survivor	37,057,709	1,209,481	-
Death	-	-	2,460,907
Health Care Expenses	-	-	-
	1,020,154,456	25,743,861	2,460,907
Refunds and Lump Sum Payments	60,635,651	-	-
Net Transfers to Other Ohio Systems	28,139,159	-	-
Administrative Expenses	19,249,913	7,407	48,157
	108,024,723	7,407	48,157
TOTAL DEDUCTIONS	1,128,179,179	25,751,268	2,509,064
Net Increase (Decrease)	(13,622,417)	464,870	(281,234)
NET POSITION HELD IN TRUST FOR PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS			
Net Position, Beginning of Year, as restated (Note 2)	12,652,514,842	136,115,160	21,992,809
Net Position, End of Year	$ 12,638,892,425	$ 136,580,030	$ 21,711,575

See accompanying notes to the financial statements.

QEBA Fund	Health Care Fund	TOTAL
$ 320,400	$ 68,904,867	$ 466,904,369
-	-	303,866,076
-	81,783,838	81,783,838
-	34,717,328	34,717,328
320,400	185,406,033	887,271,611
-	6,972,137	284,086,196
131	6,276,447	254,229,748
131	13,248,584	538,315,944
-	(2,078,626)	(84,612,307)
131	11,169,958	453,703,637
-	(45,229)	(1,842,918)
-	25,491	1,038,642
-	(7,383)	(300,841)
-	(27,121)	(1,105,117)
131	11,142,837	452,598,520
320,531	196,548,870	1,339,870,131
289,954	-	915,227,260
-	-	92,693,821
-	-	38,267,190
-	-	2,460,907
-	199,750,908	199,750,908
289,954	199,750,908	1,248,400,086
-	-	60,635,651
-	-	28,139,159
2,370	2,292,565	21,600,412
2,370	2,292,565	110,375,222
292,324	202,043,473	1,358,775,308
28,207	(5,494,603)	(18,905,177)
165,480	413,858,201	13,224,646,492
$ 193,687	$ 408,363,598	$13,205,741,315

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

Basis of Accounting The financial statements of the School Employees Retirement System of Ohio (SERS) are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Use of Estimates In preparing financial statements in conformity with governmental accounting principles generally accepted in the United States of America, SERS' management makes estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Certain SERS investment assets, in particular global real assets and global private equity funds, use estimates in reporting fair value in the financial statements. These estimates are subject to uncertainty in the near term, which could result in changes in the values reported for those assets in the *Statement of Fiduciary Net Position.*

Employer Contributions Receivable SERS recognized long-term receivables from certain employers whose contributions were deducted from the money paid to them through the School Foundation Program, administered by the Ohio Department of Education. Collection of those contributions was transitioned from a calendar year basis, six months in arrears, to a fiscal year basis effective June 30, 2010. Employers were permitted to spread this six-month catch-up of the arrearage evenly over a six-year period beginning July 2010. All arrearages should be paid by June 2016.

Health Care Expenses Incurred and Unpaid Amounts accrued for health care expenses payable for recipients less than age 65 and for all prescription drug payments in the Health Care Fund are based upon estimates that have been developed from prior claims experience.

Allocation of Expenses to Plans Direct expenses are charged to the plan for which they are incurred. All indirect expenses are paid by the Pension Trust Fund and are reimbursed by the Medicare B, Death Benefit, and Health Care Funds, in proportion to their use of the assets.

Pensions For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Investments Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. SERS performs due diligence reviews of the investment pricing, process, and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are reasonable.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to SERS' investment operations, as well as the internal administrative expenses associated with SERS' investment program.

The monies held by the Pension Trust, Medicare B, Death Benefit, and Health Care Funds are pooled for the purpose of the investment of those plans. Each plan holds units of the investment pool, which are adjusted on a monthly basis. The value of one unit of the pool on June 30, 2015, was $1,895.44. The unit holdings and net value of each of the funds at the close of the fiscal year were:

	Units	Value
Pension Trust Fund	6,574,459	$12,461,469,910
Medicare B Fund	70,666	133,943,091
Death Benefits Fund	11,526	21,847,403
Health Care Fund	167,142	316,807,487
Total	**6,823,793**	**$12,934,067,891**

Office Building, Equipment, and Fixtures (Non-Investment Assets) The cost of equipment and fixtures in excess of $5,000 are capitalized at cost when acquired. Improvements that increase the useful life of the property are capitalized. Maintenance and repairs are charged to expense as incurred. Software costs in excess of $25,000 are capitalized. Intangible assets, such as internally-developed software, are capitalized in accordance with GASB 51, *Accounting and Financial Reporting for Intangible Assets.* Depreciation and amortization has been provided using the straight-line method over the following useful lives:

Description	Estimated Lives (years)
Furniture, equipment, and software	3-7
Building and improvements	40

Reserves Ohio Revised Code Section 3309.60 establishes various reserves to account for future and current benefit payments. These are:

- **Employees' Savings Fund** Accumulated members' contributions are held in trust pending refund or transfer to another account other than the Guarantee Fund or Expense Fund.
- **Employers' Trust Fund** Accumulated employer contributions are held for future benefit payments.
- **Annuity and Pension Reserve Fund** This reserve contains the monies set aside to pay all annuities and pensions. Money is transferred to this fund from the Employees' Savings Fund, Employers' Trust Fund, and Guarantee Fund at the time of retirement.
- **Survivors' Benefit Fund** Monies in this account are set aside to finance payments to beneficiaries of deceased members. Money is transferred to this fund from the Employees' Savings Fund, Employers' Trust Fund, and Guarantee Fund in an amount to fund all liabilities at the end of each year.
- **Guarantee Fund** Income derived from the investment pool and any gifts or bequests are accumulated in this fund. The balance in this fund is transferred to other reserves to aid in the funding of future benefit payments and administrative expenses.
- **Expense Fund** This fund provides for the payment of administrative expenses with the necessary money allocated to it from the Guarantee Fund.

RESERVE BALANCES AS OF JUNE 30, 2015

	Reserve Account Totals
Employees' Savings Fund	**$ 3,100,421,863**
Employers' Trust Fund	**(389,862,933)**
Annuity and Pension Reserve Fund	**10,126,318,673**
Survivors' Benefit Fund	**368,863,712**
Guarantee Fund	**-**
Expense Fund	**-**
Fund Totals	**$13,205,741,315**

2. Change in Accounting Principle and Restatement of Net Position

For FY2015, SERS implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position, June 30, 2014, as previously reported	$13,234,907,788
Adjustments:	
Net Pension Asset-Combined Plan	79,411
Net Pension Liability-Traditional Plan	(10,340,707)
	(10,261,296)
Restated Net Position, June 30, 2014, as restated	$13,224,646,492

FINANCIAL SECTION

FINANCIAL SECTION

3. Description of the System

Organization SERS is a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system. Established by state law in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts, vocational, technical, and community schools, community colleges, and the University of Akron.

The Retirement Board is responsible for the general administration and management of the retirement system. The Board comprises nine members: four elected employee members; two elected retiree members; and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and President of the Senate.

Several separate plans comprise the Retirement System. The pension plans include the Pension Trust Fund, the Medicare B Fund, the Death Benefit Fund, and the Qualified Excess Benefit Arrangement (QEBA) Fund. The Pension Trust Fund holds the funds to pay the basic retirement, disability, and survivor benefits authorized under state law, Ohio Revised Code (ORC) Chapter 3309. The Medicare B Fund reimburses a portion of the Medicare Part B premiums paid by eligible benefit recipients as permitted under ORC Section 3309.69. The current reimbursement is $45.50 per month. The Death Benefit Fund pays $1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50. The QEBA Fund pays benefits as allowed by federal tax law to retirees whose SERS benefits exceed Internal Revenue Code (IRC) 415(b) limits. A fifth plan, the Health Care Fund, provides money for payment of health care expenses under SERS' health care coverage for retirees and other benefit recipients.

Pension Benefits Following the passage of Senate Bill 341, SERS' pension reform legislation, new age and service requirements for retirement became effective January 7, 2013. For members who retire on or after August 1, 2017, the new requirements are:

- age 67 with 10 years of service credit, or age 57 with 30 years of service credit, to retire with full benefits
- age 62 with 10 years of service credit, or age 60 with 25 years of service credit, to retire early with actuarially-reduced benefits

To protect the benefits of longtime members, SERS included a grandfather provision and a buy-up option that give members the opportunity to retire under the previous age and service credit requirements after August 1, 2017.

The grandfather provision allows members, who reach 25 years of service on or before August 1, 2017, to retire under the previous age and service credit eligibility requirements. These age and service requirements are:

- any age with 30 years of service credit to retire with full benefits; or
- age 60 with five (5) years of service credit, or age 55 with 25 years of service credit to retire with actuarially reduced benefits

The buy-up option allows members who will have fewer than 25 years of service credit as of August 1, 2017, to retire under previous retirement eligibility requirements if they pay the actuarial difference between the benefit they would have received under the new requirements and the benefit they may receive under the previous requirements. Members who want to buy-up must complete their payment on or before August 1, 2017.

The current formula used in calculating an annual retirement benefit is as follows: number of years of service credit up to 30 years x 2.2% of the member's final average salary (FAS) + number of years of service credit over 30 years x 2.5% of

EMPLOYER AND EMPLOYEE MEMBERSHIP DATA (as of June 30, 2015)

Employer Members	
Local	373
City	191
Educational Service Center	54
Village	49
Higher Education	15
Vocational/Technical	49
Community Schools	333
Other	18
Total	1,082
Employee Members and Retirees	
Retirees and beneficiaries currently receiving benefits	74,372
Terminated employees entitled to but not yet receiving benefits	6,863
Total	81,235
Active Employees	
Vested active employees	55,624
Non-vested active employees	67,231
Total	122,855

FAS. For SERS, FAS equals the average of the highest three years of salary. If the member does not meet the age and service requirements to retire with full benefits, the annual benefit is reduced to cover a longer period of retirement.

If a member has been employed in a job covered by the State Teachers Retirement System of Ohio (STRS) or the Ohio Public Employees Retirement System (OPERS) as well as in a job covered by SERS, at retirement the member may receive a retirement benefit independently from each of the systems, if eligible, or may combine the service credit and accounts in all the systems to receive one benefit. The system with the greatest service credit will be the system that will calculate and pay the benefit. While the salaries in one year will be added together, if the member has service credit in each system for the same year, the member can not be credited with more than one year of service credit.

If a retiree from OPERS, SERS, STRS, Ohio Police and Fire, or Ohio State Highway Patrol is employed in a SERS-covered position, then employee and employer contributions are required for the new position. The retiree accrues a new benefit in the form of an annuity based on the contributions paid by the retiree and the employer payable at age 65 or termination of employment, whichever is later. This is separate from the original SERS benefit. There are no other benefits available and the retiree does not accrue any additional service credit for the period of reemployment. Prior to age 65 and after termination of employment, a reemployed retiree may request a refund of the employee contributions for the reemployed period.

4. Contributions

State retirement law requires contributions by covered employees and their employers, and limits the maximum rate of contributions. The Retirement Board sets contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. During FY2015, employees and their employers were required to contribute 10% and 14%, respectively, of active member payroll.

Employer and employee contributions were $423.4 million and $303.9 million, respectively, in 2015. The contribution amounts also include contributions for purchased service credit.

The Retirement Board, acting with the advice of the actuary, allocates the current employer contribution rate among the plans of the System. For FY2015, the allocation of the employer contribution rate to pension plan benefits was established as the rate necessary to cover normal cost and amortize the unfunded accrued liability. Of the 14% contribution rate paid by employers, 13.18% was allocated to the funds as follows:

Pension Trust Fund	12.39%
Medicare B Fund	0.74%
Death Benefit Fund	0.05%

The portion of the employer contribution not required to actuarially fund the pension plans (Pension Trust Fund, Medicare B Fund, and Death Benefit Fund) is available for the Health Care Fund. During FY2015, the amount of employer contributions directed to the Health Care Fund was 0.82% of covered payroll, or $25.3 million. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned during the year. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of total statewide SERS-covered payroll for the health care surcharge. For FY2015, the minimum compensation level was established at $20,450. The surcharge accrued for FY2015 and included in employer contributions in the *Statement of Changes in Fiduciary Net Position* is $43.5 million.

5. Fair Value Measurement

SERS' investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

INVESTMENTS AND SHORT-TERM HOLDINGS MEASURED AT FAIR VALUE
($ in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**6/30/2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Debt Securities				
Bond Mutual Funds	$ 704,009	$ -	$ 704,009	$ -
Certificates of Deposit	241	-	241	-
Foreign Obligations	96,062	-	96,062	-
Mortgage and Asset Backed	241,957	-	241,691	266
Municipal Obligations	44,245	-	44,245	-
US Agency Obligations	415,539	-	415,539	-
US Corporate Obligations	764,904	8,417	756,487	-
US Government	329,698	279,420	50,278	-
Total Debt Securities	2,596,655	287,837	2,308,552	266
Equity Securities				
Foreign Stocks	1,715,227	1,715,227	-	-
US Common & Preferred Stock	2,594,507	2,587,645	6,862	-
Total Equity Securities	4,309,734	4,302,872	6,862	-
Total Investments by Fair Value Level	$ 6,906,389	$ 4,590,709	$ 2,315,414	$ 266
Investments Measured at the Net Asset Value (NAV)				
Commingled Bond Funds	$ 51,977			
Commingled International Equity Funds	1,495,380			
Commingled Real Estate Investment Funds	58,293			
Hedge Funds	1,526,831			
Private Equity Funds	1,330,611			
Private Real Estate Funds	1,627,422			
Total Investments Measured at the NAV	6,090,514			
Total Investments	$12,996,903			
Investment Derivative Instruments				
US Equity Derivatives	$ (991)	$ (991)	$ -	
Foreign Fixed Derivatives	(33)	(100)	67	
Foreign Equity Derivatives	(429)	(1,872)	1,443	
US Fixed Derivatives	(731)	(1,163)	432	
Total Investment Derivative Instruments	$ (2,184)	$ (4,126)	$ 1,942	

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

INVESTMENTS MEASURED AT THE NET ASSET VALUE *($ in thousands)*	**6/30/2015**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Commingled Bond Funds[1]	$ 51,977		Monthly	1-10 Days
Commingled International Equity Funds[1]	1,495,380		Daily, Semi-Monthly, Monthly	1-120 Days
Commingled Real Estate Investment Funds[1]	58,293		Daily	1 Day
Hedge Funds				
Equity Long / Short[2]	361,246		Monthly, Quarterly	45-60 Days
Event Driven[3]	431,522		Quarterly, Annually	60-90 Days
Multi-Strategy / Risk Focus[4]	323,230		Daily, Monthly	1-10 Days
Relative Value[5]	273,078		Monthly, Quarterly	60-120 Days
Tactical Trading[6]	137,755		Monthly, Quarterly	5-30 Days
Private Equity Funds[7]	1,330,611	885,634		
Private Real Estate Funds[7]	1,627,422	534,514		
Total Investments Measured at the NAV	$ 6,090,514			

(1) *Commingled Bond Funds, Equity Funds and Real Estate Investment Funds* Five bond funds, four international equity funds and one real estate investment fund are considered to be commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(2) *Equity Long / Short Hedge Funds* Consisting of seven funds, this strategy invests both long and short in US and global equity securities, with a goal of adding growth and minimizing market exposure. These investments are valued at NAV per share. Due to contractual lock-up restrictions, approximately 71% of the value of these investments are eligible for redemption in the next six months. The remaining 29% of the value of these investments remain restricted for anywhere ranging from 11 to 33 months.

(3) *Event Driven Hedge Funds* Consisting of eight funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share. Due to contractual lock-up restrictions, approximately 46% of the value of these investments are eligible for redemption in the next six months. The remaining 54% of the value of these investments remain restricted for anywhere ranging from 7 to 35 months.

(4) *Multi-Strategy / Risk Focus Hedge Funds* The three funds that make up this group aim to persue varying strategies in order to diversify risks and reduce volatility. These investments are valued at NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

(5) *Relative Value Hedge Funds* Consisting of eight funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. These investments are valued at NAV per share. Due to contractual lock-up restrictions, all funds are eligible for redemption within the next year.

(6) *Tactical Trading Hedge Funds* The primary focus of the three funds within this group is to invest across multiple strategies based upon the outcomes of economic and technical analyses, with the goal of long-term benefit. These investments are valued at NAV per share. Due to contractual lock-up restrictions, all funds are eligible for redemption within the next year.

(7) *Private Equity and Real Estate Funds* SERS' Private Equity portfolio consists of 71 funds, investing primarily in Buyout Funds, with some exposure to Distressed Funds, Venture Capital and Special Situations. The Real Estate portfolio, comprised of 33 funds, invests mainly in U.S. commercial real estate. The fair values of these funds has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

6. Cash Deposits and Investments

Custodial Credit Risk, Deposits Custodial credit risk for deposits is the risk that in the event of a bank failure, SERS' deposits may not be returned. In accordance with state law, the Board of Deposits designates SERS' depository bank, and the Treasurer of State serves as custodian and contracts depository services for all SERS' deposits. Therefore, SERS does not have a policy for deposit custodial credit risk.

At June 30, 2015, the carrying amounts of SERS' operating and investment cash deposits totaled $34,052,868, and the corresponding bank balances totaled $6,674,518. Of the bank balances, the Federal Deposit Insurance Corporation insured $303,214. In accordance with state law, bank balances of $713,302 were collateralized at 102% with securities held in the name of SERS' pledging financial institutions. The remaining bank deposits of $5,658,002 were uninsured and uncollateralized.

Custodial Credit Risk, Investments Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, SERS will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. State law provides that the Treasurer of State is SERS' custodian. Therefore, SERS does not have a policy for investment custodial credit risk.

FAIR VALUE SUBJECT TO ISSUER CREDIT RISK

Fair Value Based Upon S&P Credit Quality Rating *($ in thousands)*

	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated	Total
Bond Mutual Funds	$704,009	$7,556	$ -	$8,501	$29,198	$6,722	$ -	$ -	$ -	$ -	$ -	$ 755,986
Foreign Obligations	9,013	28,857	1,643	42,720	3,294	152	57	-	-	-	10,293	96,029
Mortgage and Asset Backed	96,312	22,363	25,243	28,236	9,008	15,705	13,351	7,729	-	4,772	19,238	241,957
Municipal Obligations	1,487	10,934	29,055	1,700	-	-	1,069	-	-	-	-	44,245
Negotiable Certificates of Deposit	-	-	-	-	-	-	-	-	-	-	241	241
US Agency	1,578	413,961	-	-	-	-	-	-	-	-	-	415,539
US Corporate Obligations	19,602	32,724	125,188	430,838	110,685	36,980	5,562	10	-	-	2,584	764,173
US Government	-	329,698	-	-	-	-	-	-	-	-	-	329,698
Total	$832,001	$846,093	$181,129	$511,995	$152,185	$59,559	$20,039	$7,739	$ -	$4,772	$32,357	$2,647,868

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ORC 3309.15 and the Board's *Statement of Investment Policy* (adopted June 2015) direct that the funds of SERS will be invested following the prudent person standard. This fiduciary standard dictates that the Board consider the probable safety of investments, avoid speculative investments, and invest as persons of prudence, discretion, and intelligence would manage their own affairs. The Board accomplishes this through a combination of internal and external investment professionals.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. SERS does not hold investments representing 5% or more of plan net assets in any one organization.

FAIR VALUE SUBJECT TO COUNTERPARTY CREDIT RISK

	S&P Credit Quality Rating	Fair Value *($ in thousands)*
Foreign Fixed Derivatives	A+	$ (28)
	A	(256)
	A-	34
	BBB+	35
	BBB	(148)
Total		(363)
US Fixed Derivatives	AA-	261
	A+	32
	A	156
	A-	(211)
	BBB+	(18)
	BBB	(951)
Total		(731)
Total		**$(1,094)**

Interest Rate Risk Interest rate risk is the risk that changes in interest rates will adversely affect the fair value

FAIR VALUE SUBJECT TO INTEREST RATE RISK

Investment	**Fair Value** *($ in thousands)*	**Option Adjusted Duration** *(in years)*
Bond Mutual Funds	$ 755,986	0.32
Certificates of Deposit	241	2.36
Foreign Fixed Derivatives	(363)	6.66
Foreign Obligations	96,062	5.55
Mortgage and Asset Backed	241,957	1.66
Municipal Obligations	44,245	8.11
US Agency	415,539	2.77
US Corporate Obligations	764,904	6.31
US Fixed Derivatives	(731)	3.17
US Government	329,698	6.33
Total	**$ 2,647,539**	**3.63**

of an investment. SERS does not have a policy for managing interest rate risk.

At June 30, 2015, SERS held interest-only strips that had a total fair value of $64,285,475. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. SERS also held principal-only strips that had a total fair value of $11,859,392. These principal-only strips are sensitive to interest rate increases that may result in decreasing mortgage prepayments, thus increasing the average maturity of this investment.

FAIR VALUE SUBJECT TO FOREIGN CURRENCY RISK *($ in thousands)*

Currency	Cash & Cash Equivalents	Fixed Income	Non-US Equities	Real Estate	Private Equity	Derivative Securities
Australian Dollar	$ 24,603	$ 4,172	$ 26,510	$ -	$ -	$ 5,421
Brazilian Real	(6,365)	12,304	22,610	-	-	(32)
British Pound Sterling	54,537	715	106,647	1,520	-	15,422
Bulgarian Lev	7	-	-	-	-	-
Canadian Dollar	37,513	1,898	26,526	-	-	2,433
Chilean Peso	587	1,142	-	-	-	-
Colombian Peso	(308)	4,315	-	-	-	-
Czech Koruna	182	-	1,279	-	-	-
Danish Krone	(9,996)	-	22,594	-	-	-
Dominican Republic Peso	1	11	-	-	-	-
Euro	(117,150)	17,453	315,264	55,204	107,951	18,010
Hong Kong Dollar	5,651	-	165,155	-	-	3,042
Hungarian Forint	44	-	2,000	-	-	-
Indian Rupee	2,008	3,333	10,581	-	-	-
Indonesian Rupiah	2,897	4,746	10,062	-	-	-
Israeli Shekel	(4,573)	-	7,179	-	-	-
Japanese Yen	(77,094)	18,255	299,077	-	-	-
Malaysian Ringgit	36	3,696	181	-	-	(11)
Mexican Peso	(2,614)	20,577	1,705	-	-	-
New Zealand Dollar	155	3,933	1,010	-	-	-
Norwegian Krone	903	-	5,193	-	-	-
Philippines Peso	256	3,329	268	-	-	-
Polish Zloty	1,816	2,342	10,866	-	-	-
Romanian Leu	1,122	197	-	-	-	-
Russian Ruble	1,028	2,860	49,084	-	-	-
Singapore Dollar	6,827	-	12,404	-	-	-
South African Rand	454	4,319	22,203	-	-	-
South Korean Won	(910)	(3)	90,438	-	-	(219)
Swedish Krona	(30,655)	-	48,317	-	-	2,248
Swiss Franc	7,485	-	92,434	-	-	-
Taiwan Dollar	168	-	44,692	-	-	-
Thailand Baht	3	817	7,367	-	-	-
Turkish Lira	846	4,311	19,355	-	-	-
UAE Dirham	4	-	-	-	-	-
	$(100,532)	$114,722	$1,421,001	$56,724	$107,951	$46,314

FAIR VALUE OF FORWARD CURRENCY AND HEDGED CONTRACTS
As of June 30, 2015 and 2014 *($ in thousands)*

	2015	2014
Forward Currency Purchases	$ 278,812	$ 361,872
Forward Currency Sales	335,416	364,329
Unrealized gain (loss)	1,773	2,541

Foreign Currency Risk Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. SERS' exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated investments. As of June 30, 2015, SERS does not employ a hedging strategy.

Derivatives Derivatives are investment instruments whose cash flows or fair values are derived from the value of some other asset or index. SERS uses a variety of derivatives primarily to maximize yields and offset volatility due to interest rate and currency fluctuations. SERS is exposed to various types of credit, market, and legal risks related to these investments. The investment staff continually monitors these types of investments.

Foreign exchange forward currency contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. SERS enters into these

FUTURES CONTRACTS As of June 30, 2015 and 2014 *($ in thousands)*	FY2015			FY2014		
Type	Number of Contracts	Notional Value	Contract Value	Number of Contracts	Notional Value	Contract Value
Equity Futures						
International Equity Index Futures - Long	956	$ 80,313	$(1,871)	364	$ 33,408	$ (65)
U.S. Stock Index Futures - Long	951	100,999	(991)	566	56,535	709
Fixed Income / Cash Equivalent Futures						
Cash Equivalent (Eurodollar) Futures - Long	5	1,225	5	136	33,647	36
Cash Equivalent (Eurodollar) Futures - Short	(990)	(245,933)	(121)	(534)	(130,145)	(309)
International Fixed Income Index Futures - Long	48	5,406	34	10	1,718	(2)
International Fixed Income Index Futures - Short	(91)	(15,319)	(106)	(49)	(8,942)	(55)
US Treasury Futures Long	779	111,828	639	461	49,239	185
US Treasury Futures Short	(1,361)	(191,547)	(270)	(661)	(50,605)	(165)
Total Futures (Net)	**297**	**$(153,028)**	**$(2,681)**	**293**	**$(15,145)**	**$334**

OPTIONS CONTRACTS As of June 30, 2015 and 2014 *($ in thousands)*	FY2015			FY2014		
Type	Number of Contracts	Notional Value	Fair Value	Number of Contracts	Notional Value	Fair Value
Fixed Income Options						
Fixed Income Call Options on Futures - Written	(239)	$ (113)	$ (120)	(59)	$ (20)	$ (29)
Fixed Income Put Options on Futures - Purchased	41	14	8	-	-	-
Fixed Income Put Options on Futures - Written	(148)	(41)	(26)	(50)	(21)	(9)
Fixed Income Call Options on Futures (non-dollar) - Purchased	44	5	3	-	-	-
Fixed Income Call Options on Futures (non-dollar) - Written	(55)	(22)	(29)	(68)	(50)	(55)
Fixed Income Put Options on Futures (non-dollar) - Purchased	44	7	1	60	7	3
Fixed Income Put Options on Futures (non-dollar) - Written	(55)	(17)	(3)	(60)	(2)	(1)

contracts to hedge the foreign currency movements of assets held in the underlying funds. The contracts do not subject SERS to risk due to exchange rate movements since gains and losses on the contracts offset gains and losses on the transactions being hedged. SERS could be at risk for replacing these contracts at current market rates, should the counterparty default. SERS seeks to control this risk through contracting only with counterparties who meet credit guidelines.

SWAP CONTRACTS As of June 30, 2015 and 2014 *($ in thousands)*	FY2015		FY2014	
Contract Type	Notional Value	Fair Value	Notional Value	Fair Value
Credit Default	$ 31,635	$ 203	$ 20,435	$ 52
Interest Rate	7,047,139	(42)	4,590,035	(1,414)

SWAPTIONS As of June 30, 2015 and 2014 *($ in thousands)*	FY2015			FY2014		
Type	Shares / Par	Notional Value	Fair Value	Shares / Par	Notional Value	Fair Value
Call Swaptions - Purchased	1,440	$ 9	$ 7	6,300	$369	$292
Put Swaptions - Purchased	-	-	-	6,300	369	438

A futures contract is a contract to buy or sell units of an index or financial instrument on a specified future date at a price agreed upon when the contract is originated. SERS uses equity and fixed income futures during the fiscal year to rebalance its asset allocation and overlay its cash exposure in the US and Non-US equity portfolios. Only the most liquid futures are used by SERS to overlay the temporary and transactional cash held, and to rebalance asset allocations between asset classes.

Options give buyers the right, but not the obligation, to buy or sell an asset at a predetermined strike price over a specified period. The option premium is usually a small percentage of the underlying asset's value. When writing an option, SERS receives a premium up front and bears the risk of an unfavorable change in the price of the underlying asset during the option's life. When SERS purchases an option, it pays a premium to a counterparty who bears the risk of an unfavorable change in the price of the underlying asset during the option's life.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. SERS utilizes swaps to manage interest rate fluctuations, default by a borrower, and to gain market exposure without having to actually own the asset.

Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. An interest-rate swaption gives the buyer the right to pay or receive a specified fixed interest rate in a swap in exchange for a floating rate for a stated time period. When writing a swaption, SERS as the seller is obligated to pay or receive a fixed rate in exchange for a floating rate for a stated period of time. When purchasing a swaption, SERS as the buyer is obligated to receive or pay a fixed rate in exchange for a floating rate in for a stated period of time.

Securities Lending SERS participates in a securities lending program that directly holds equity and fixed income investments using Goldman Sachs Agency Lending (GSAL) as a third-party lending agent. Securities are loaned to independent broker/dealers in exchange for cash collateral equal to approximately 102% of the market value of domestic securities on loan and 105% of the market value of international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. At the same time, SERS records a liability for the collateral held in the securities lending program. Total net proceeds from GSAL were $1,220,999 during FY2015.

SECURITIES LENDING
As of June 30, 2015 *($ in thousands)*

	Fair Value of Securities on Loan	Collateral Value (Securities and Cash)
Foreign Stocks	$ 33,071	$ 34,516
US Common & Preferred Stock	183,601	187,759
US Corporate Obligations	897	931
	$ 217,569	$ 223,206

At June 30, 2015, SERS had no credit risk exposure on the securities lending collateral because the collateral exceeded the value of the securities loaned.

Under the terms of the lending agreement, SERS is fully indemnified against losses that might occur in the program due to the failure of a broker to return a security that was borrowed where the collateral is inadequate to replace the security. SERS is also indemnified should the borrower fail to pay distributions of earnings on the securities lent.

Securities on loan can be recalled on demand by SERS or returned by the borrower at any time. There is no matching of the securities lent with the invested cash collateral. The lending agent mitigates risk by focusing on intrinsic value lending, and BNY Mellon reinvests the cash collateral in accordance with contractual investment guidelines that are designed to ensure the safety of principal and obtain a moderate rate of return. Earnings generated from the collateral investments, less the amount of rebates paid to the dealers result in the gross earnings from lending activities, which is then split on an 85%/15% basis with GSAL. SERS is at risk to contribute additional funds should the earnings from the invested SERS collateral not be sufficient to pay the negotiated dealer rebate. At June 30, 2015, the GSAL collateral portfolio had an average weighted maturity of 24 days. SERS receives pro-rated income from participation in the securities lending program of a commingled investment. SERS has no direct responsibility for this program and the collateral held by this securities lending program is not held in SERS' name. Total net direct proceeds from the commingled investment during FY2015 were $252,427.

Commitments As of June 30, 2015, unfunded commitments related to the opportunistic, private equity and real estate investments totaled $1.42 billion.

7. Capital Assets (Non-Investment Assets)

CAPITAL ASSETS ACTIVITY for the year ended June 30, 2015	**Land**	**Office Building & Improvements**	**Furniture & Equipment**	**Computer System Under Development**	**Total Capital Assets**
Cost					
Balances, June 30, 2014	$ 3,315,670	$ 53,022,110	$6,511,728	$ 15,338,943	$78,188,451
Additions	-	-	334,329	8,206,856	8,541,185
Disposals	-	-	(856,119)	-	(856,119)
Balances, June 30, 2015	3,315,670	53,022,110	5,989,938	23,545,799	85,873,517
Accumulated Depreciation					
Balances, June 30, 2014	-	16,527,043	5,812,024	-	22,339,067
Additions	-	1,335,187	306,389	-	1,641,576
Disposals	-	-	(853,193)	-	(853,193)
Balances, June 30, 2015	-	17,862,230	5,265,220	-	23,127,450
Net Capital Assets, June 30, 2015	**$ 3,315,670**	**$ 35,159,880**	**$ 724,718**	**$ 23,545,799**	**$62,746,067**

8. Net Pension Liability and Actuarial Information – Defined Benefit Plans

The components of the net pension liability as of June 30, 2015: *($ in thousands)*

	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability (Surplus) (a) - (b)**	**Fiduciary Net Position as a Percent of Total Pension Liability (b) / (a)**
Plan funds	$18,503,281	$12,797,184	$5,706,097	69.16%

The total pension liability is determined by SERS' actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions:	
Experience Study Date	Period of 5 years ended June 30, 2010
Investment Rate of Return	7.75% net of investment expense, including inflation

Cost of Living Increases (COLA) or "Ad Hoc" COLA	3.0%
Future Salary Increases, including Inflation	4.0%-22.0%
Inflation	3.25%
Mortality Assumptions	For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash	1.00%	0.00%
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategy	15.00	7.50

Total pension liability was calculated using the discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%), or one percentage point higher (8.75%) than the current rate.

($ in thousands)	**1% Decrease (6.75%)**	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
System's net pension liability	$7,912,306	$5,706,097	$3,848,287

9. Defined Benefit Pension Plans
Net Pension Liability

The net pension liability reported on the *Statement of Fiduciary Net Position* represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents SERS' proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require this estimate to be adjusted annually.

Ohio Revised Code limits SERS' obligation for this liability to annually required payments. SERS cannot control benefit terms or the manner in which pensions are financed; however, SERS does receive the benefit of employees' services in exchange for compensation including pension.

GASB No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) state statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Public employees participate in Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by OPERS. OPERS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information, about OPERS' fiduciary net position. That report can be obtained by writing OPERS, 277 E. Town Street, Columbus, OH 43215, or by visiting the OPERS website: www.OPERS.org/investments/cafr.shtml.

New members have a choice of three retirement plans: The Traditional Plan (defined benefit plan); the Combined Plan (combination of defined benefit and defined contribution plans); and the Member Directed Plan (defined contribution plan). Benefits are established by Chapter 145 of the Ohio Revised Code. The defined benefit (DB) plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or who will be eligible to retire no later than five years after January 7, 2013 comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013 or who will be eligible to retire no later than 10 years after January 7, 2013 are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Benefit payments vary in amount depending on years of service credit, FAS, age, and plan of payment selection. FAS is the average of the three highest years of earnable salary for Groups A and B; and the average of the five highest years of earnable salary for members in Group C. The age-and-service formula benefit cannot exceed 100% of the FAS (Law Enforcement is 90%) or the limits under Internal Revenue Code Section 415 and may be subject to the contribution-based benefit cap. The base benefit amount calculated by the formula will be reduced if a member begins receiving a retirement benefit before reaching the age-and-service requirements for an unreduced benefit.

In the Traditional Pension Plan (DB), the benefit formula for state and local members in transition Groups A and B applies a factor of 2.2% to the member's FAS for the first 30 years of service. A factor of 2.5% is applied to years of service in excess of 30. The benefit formula for State and Local members in transition Group C applies a factor of 2.2% to the member's FAS for the first 35 years of service and a factor of 2.5% is applied to years of service in excess of 35.

In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit.

Funding Policy – OPERS

Employees covered by OPERS are required to contribute 10% of their salary to the plan and employers are required to contribute 14%. Both rates are at the statutory maximum.

SERS' contractually required contribution to OPERS was $1,850,849 for fiscal year 2015. Of this amount $235,914 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SERS' proportion of the net pension liability was based on SERS' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

OPERS	Traditional	Combined	Total
Proportionate Share of the Net Pension Asset	$ -	$ 92,073	$ 92,073
Proportionate Share of the Net Pension Liability	$11,165,446	$ -	$11,165,446
Proportion of the Net Pension Asset/Liability	0.0925739%	0.2391363%	0.0921045%
Pension Expense	$ (230,922)	$ (46,676)	$ (277,598)

At June 30, 2015, SERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OPERS	Traditional	Combined	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 595,754	$ 5,620	$ 601,374
Contributions subsequent to the measurement date	778,118	57,766	835,884
Total Deferred Outflows of Resources	$1,373,872	$ 63,386	$1,437,258
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 196,155	$ 28,096	$ 224,251
Changes in proportion and differences	122,057	1,277	123,334
Total Deferred Inflows of Resources	$ 318,212	$ 29,373	$ 347,585

$835,884 reported as deferred outflows of resources related to pensions resulting from SERS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

OPERS	Traditional	Combined	Total
Fiscal Year Ending June 30:			
2016	$ 902	$ (2,014)	$ (1,112)
2017	902	(2,014)	(1,112)
2018	47,797	(2,016)	45,781
2019	108,790	(2,014)	106,776
2020	119,151	(2,014)	117,137
2021	-	(3,138)	(3,138)
2022	-	(3,138)	(3,138)
2023	-	(3,138)	(3,138)
2024	-	(3,049)	(3,049)
2025	-	(1,218)	(1,218)
Total	$277,542	($23,753)	$253,789

Actuarial Assumptions – OPERS

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2014, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	**Traditional Pension Plan**	**Combined Plan**
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5-Year Period Ended Dec. 31, 2010	5-Year Period Ended Dec. 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projection. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

Discount Rate – OPERS

The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarily determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents OPERS net pension liability or asset calculated using the discount rate of 8.0%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate *($ in millions)*			
Employers' Net Pension Liability (Asset)	**1% Decrease (7.0%)**	**Current Discount Rate (8.0%)**	**1% Increase (9.0%)**
Traditional Pension Plan	$22,189	$12,061	$3,531
Combined Plan	5	(38)	(73)

Sensitivity of the SERS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents SERS' proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0%, as well as what SERS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7.0%) or one-percentage-point higher (9.0%) than the current rate:

SERS' proportionate share of the Net Pension Liability/(Asset)	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Traditional Plan	$20,541,421	$11,165,446	$3,268,816
Combined Plan	12,115	(92,073)	(176,877)

The following table displays OPERS' Board-approved asset allocation policy of the Defined Benefit portfolio for 2014 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2014	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
TOTAL	**100.00%**	**5.28%**

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95% for 2014.

10. Compensated Absences

As of June 30, 2015, and 2014, $2,331,188, and $2,237,089, respectively, were accrued for unused vacation and sick leave for SERS employees. Employees who retire or resign are entitled to full compensation for all earned unused vacation. Unused sick leave pay is forfeited upon termination. However, employees who retire or become disabled after five years of service are entitled to receive payment for a percentage of unused sick leave. If an employee dies after five years of service, the beneficiaries are entitled to receive a percentage of the unused sick leave payment.

11. Self-insured Health Care for Employees of SERS

SERS is self-insured for employee benefits for dental, medical, and hospitalization. A third-party administrator manages the program. SERS holds a stop-loss policy of $200,000 per employee per year.

12. Federal Income Tax Status

The SERS Pension Trust Fund is a qualified plan under Internal Revenue Code (IRC) Section 401(a) and is therefore exempt from federal income taxes. The Medicare B Fund is established pursuant to IRC Section 401(h). The Death Benefit Fund is an insurance fund and is in compliance with IRC Section 101(a). The QEBA Fund is a qualified entity, created in accordance with IRC Section 415(b). The Health Care Fund is structured to meet the requirements of IRC Section 105(e).

13. Risk Management

SERS is exposed to various risks of loss, including theft or destruction of assets, general liability, employee injuries, and legal challenges to fiduciary decisions. SERS self-insures some risks through deductibles and retention, and purchases insurance for the remainder. For the past three years, there has been no reduction in coverage, and no claims have exceeded purchased limits.

14. Contingent Liabilities

On June 3, 2011, SERS was named as a defendant in an action *(Deutsche Bank Trust Company Americas, et al. v. Huntington National Bank, et al.)* brought by Deutsche Bank in the United States District Court, Southern District of Ohio, Western Division. Deutsche Bank claims that SERS and other shareholders benefited from the 2007 leveraged buyout of the Tribune Company while creditors such as Deutsche were harmed and that the leveraged buyout helped cause the Tribune's bankruptcy in 2008. Deutsche has asked for SERS and other shareholders to divulge money received from the leveraged buyout. A Motion to Dismiss was filed by SERS on August 11, 2011. Deutsche filed an Amended Complaint on August 22, 2011. A Motion to Dismiss the Amended Complaint was filed by SERS on September 8, 2011. By court order, the litigation remains stayed while proceedings continue in the bankruptcy court. The case was consolidated in the United States District Court, Southern District of New York. On November 6, 2012, the defendants filed a Motion to Dismiss the individual creditor actions. On September 23, 2013, the Court granted defendants' Motion to Dismiss the individual creditor actions. On September 30, 2013, the plaintiffs appealed the Court's decisions to the United States Court of Appeals for the Second Circuit. Oral argument in the Second Circuit on plaintiffs' appeal of the dismissal of individual creditor actions was held on November 5, 2014. No ruling has been issued.

While the final outcome of this lawsuit cannot be determined at this time, management is of the opinion that the liability, if any, for this legal action will not have a material adverse effect on SERS' financial position.

15. Funded Status and Funding Progress - Health Care Fund

The funded status of the Health Care Fund as of June 30, 2015, the most recent actuarial valuation date, is as follows:

FUNDED STATUS OF THE HEALTH CARE FUND *($ in millions)*

Fund	Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
Health Care	$ 408	$ 2,425	$ 2,016	16.8%	$ 2,845	70.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include trends and assumptions about future employment, mortality, and health care costs. SERS does not make any assumptions for individuals transferring in or out of its plan relative to calculating the actuarial accrued liability. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. The *Schedule of Funding Progress* presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule is presented in the *Required Supplementary Information* section.

The *Schedule of Employer Contributions* provided in the *Required Supplementary Information* (RSI) section presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contributions (ARC). The ARC is actuarially determined using the parameters of GASB Statement 43 and the assumptions adopted by the Retirement Board. The ARC represents a projected rate (cost) required on an ongoing basis to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Several of the key methods and assumptions used in the latest actuarial valuation are presented in the following table.

KEY METHODS AND ASSUMPTIONS USED IN ACTUARIAL VALUATION

Actuarial Information	**Health Care**
Valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	30 years
Assets valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return (includes price inflation at 3.25%)	5.25%
Projected salary increases (includes wage inflation at 4.0%)	4.0%-22.0%
Health Care cost trend rate	
Pre-Medicare	7.50% initial to 5.0% by 2020
Medicare	5.5% initial to 5.0% by 2020

Health care benefits are not guaranteed and are subject to change at any time. The health care valuation and projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

16. Recently Issued Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for fiscal years beginning after June 15, 2014. The provisions of GASB Statement No. 68 have been implemented as required, in SERS' financial statements and note disclosures. New schedules in the *Required Supplementary Information* also reflect any required changes.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for fiscal years beginning after June 15, 2015. The provisions of GASB Statement No. 72 have been implemented early. SERS' financial statements and note disclosures reflect any required changes.

The GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement replaces the requirements of Statement 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. For defined benefit Other Postemployment Benefit (OPEB) plans, it identifies the methods and assumptions that should be used to project benefit payments and discounts. Statement No. 74 requires more extensive note disclosure and *Required Supplementary Information*. Management has not yet determined the impact of the adoption of this standard.

The GASB also issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017. It establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. Management has not yet determined the impact of the adoption of this standard.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY[1]

	2015	2014
Total pension liability		
Service Cost	$ 338,060,547	$ 332,975,336
Interest	1,341,777,662	1,296,763,757
Benefit changes	-	-
Difference between expected and actual experience	78,749,615	53,951,305
Changes of assumptions	-	-
Benefit payments	(1,076,498,383)	(993,355,839)
Refunds of contributions	(60,635,651)	(55,668,466)
Net change in total pension liability	621,453,790	634,666,093
Total pension liability – beginning	17,881,827,171	17,247,161,078
Total pension liability – ending (a)	$18,503,280,961	$17,881,827,171
Plan net position		
Contributions – employer	$397,679,102	$405,029,627
Contributions – member	303,866,076	295,690,550
Net investment income	441,455,552	1,888,288,396
Benefit payments	(1,076,498,383)	(993,355,839)
Administrative expense	(19,305,477)	(19,582,190)
Refunds of contributions	(60,635,651)	(55,668,466)
Other	-	-
Net change in plan net position	(13,438,781)	1,520,402,078
Plan net position – beginning	12,810,622,811	11,300,482,029
Plan net position – ending (b)	12,797,184,030	12,820,884,107
Net pension liability – ending (a) – (b)	$ 5,706,096,931	$ 5,060,943,064

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Actuarially calculated employer contribution	Actual employer contributions	Annual contribution deficiency (excess)	Covered-employee payroll	Actual contributions as a percentage of covered-employee payroll
2015	$397,679,102	$397,679,102	$ -	$2,845,443,802	13.98%
2014	402,029,627	402,029,627	-	2,922,291,681	13.86
2013	402,154,124	402,154,124	-	2,905,737,890	13.84
2012	399,722,069	399,722,069	-	2,971,911,294	13.45
2011	379,299,222	379,299,222	-	3,017,495,800	12.57
2010	402,047,392	402,047,392	-	2,969,330,812	13.54
2009	291,069,103	291,069,103	-	2,958,019,339	9.84
2008	260,669,755	260,669,755	-	2,654,478,157	9.82
2007	278,509,373	253,141,600	25,367,773	2,604,337,449	9.72
2006	294,035,899	257,545,432	36,490,466	2,552,481,982	10.09

SCHEDULE OF INVESTMENT RETURNS[1]

Year ended June 30	2015	2014
Annual money weighted rate of return, net of investment expense	3.45%	17.21%

[1]The effort and cost to re-create financial statement information for the previous eight years was not practical. Information was prepared prospectively from June 30, 2014 for GASB 67 purposes. Additional years will be displayed as they become available.

Schedule of SERS' Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement Plan - Traditional Pension Plan
Last 10 Fiscal Years*

	2015
SERS' proportion of the net pension liability (asset)	0.0925739%
SERS' proportionate share of the net pension liability (asset)	$ 11,165,446
SERS' covered-employee payroll	11,349,639
SERS' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98%
Plan fiduciary net position as a percentage of the total pension liability	86.45%

*The amounts presented were determined as of 12/31 of the prior calendar year. GASB 68 was implemented in 2015. Additional years will be added to the schedule as they become available.

Schedule of SERS' Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement Plan - Combined Pension Plan
Last 10 Fiscal Years*

	2015
SERS' proportion of the net pension liability (asset)	0.2391363%
SERS' proportionate share of the net pension liability (asset)	$ (92,073)
SERS' covered-employee payroll	842,570
SERS' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11%
Plan fiduciary net position as a percentage of the total pension liability	114.83%

*The amounts presented were determined as of 12/31 of the prior calendar year. GASB 68 was implemented in 2015. Additional years will be added to the schedule as they become available.

Schedule of Contributions
Ohio Public Employees Retirement Plan - Traditional Pension Plan
Last 10 Fiscal Years*

	2015
Contractually required contribution	$ 1,361,957
Contributions in relation to the contractually required contribution	1,361,957
Contribution deficiency (excess)	-
SERS' covered employee payroll	$ 11,349,639
Contributions as a % of covered-employee payroll	12%

*The amounts presented were determined as of 12/31 of the prior calendar year. GASB 68 was implemented in 2015. Additional years will be added to the schedule as they become available.

Schedule of Contributions
Ohio Public Employees Retirement Plan - Combined Pension Plan
Last 10 Fiscal Years*

	2015
Contractually required contribution	$ 104,896
Contributions in relation to the contractually required contribution	104,896
Contribution deficiency (excess)	-
SERS' covered employee payroll	$ 842,570
Contributions as a % of covered-employee payroll	12%

*The amounts presented were determined as of 12/31 of the prior calendar year. GASB 68 was implemented in 2015. Additional years will be added to the schedule as they become available.

FINANCIAL SECTION

Notes to Required Supplementary Information June 30, 2015

1. Schedule of Changes in the Employer Net Pension Liability
The total pension liability contained in this schedule was provided by the System's actuary, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Retirement System.

2. Schedule of Employer Contributions
The required employer contributions and percent of those contributions actually made are presented in the schedule.

3. Actuarial Assumptions
The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of calculating the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board.

Required Supplementary Health Care Information

Schedule of Funding Progress *($ in millions)*
Health Care Fund

Valuation Date June 30	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2015	$408	$2,425	$2,016	16.8%	$2,845	70.9%
2014	414	2,476	2,062	16.7	2,759	74.7
2013	379	2,918	2,539	13.0	2,747	92.4
2012	355	2,691	2,336	13.2	2,788	83.8
2011	356	2,410	2,054	14.8	2,852	72.0
2010	325	2,369	2,044	13.7	2,843	71.9

Schedule of Employer Contributions and Other Contributing Entities
Health Care Fund

Year ended June 30	Actuarial Annual Required Contributions	% Contributed by Employers[1]	Federal Subsidies and Other Receipts	Total % Contributed
2015	$164,182,107	42.0%	$20,084,826	54.2%
2014	190,390,431	24.2	29,200,200	39.5
2013	171,402,038	26.5	–	26.5
2012	155,857,785	36.2	–	36.2
2011	169,146,052	51.4	–	51.4
2010	315,535,278	19.1	24,414,855	26.8

[1] The percent contributed by employers indicates the percentage of the ARC that was actually billed to employers (and paid) each year.

Notes to Required Supplementary Health Care Information

Additional Actuarial Information

Each time a new benefit is added that applies to service already rendered, an unfunded accrued liability is created. Laws governing the System require that these unfunded accrued liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

The *Schedule of Funding Progress* includes two ratios that provide information about whether the financial strength of the System is improving or deteriorating over time. An improvement is indicated when the funded ratio (assets expressed as a percentage of the actuarial accrued liability) is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2015.

Actuarial cost method:	Entry age normal
Amortization method:	Level percent open
Remaining amortization period:	30 years
Asset valuation method:	Market value of assets
Actuarial assumptions:	Investment rate of return^ 5.25% compounded annually
Medical Trend Assumptions:	Pre-Medicare - 7.50% initially, decreasing to 5.00% by 2020
	Medicare - 5.50% initially, decreasing to 5.00% by 2020

^ Includes price inflation at 3.25%

Schedule of Administrative Expenses for the year ended June 30, 2015

	General Expenses	Investment Related Expenses	Total
Personnel Services			
Salaries	$ 9,907,661	$ 2,584,989	$ 12,492,650
Retirement Contributions	1,246,101	326,810	1,572,911
Insurance	2,673,275	292,956	2,966,231
Total Personnel Services	13,827,037	3,204,755	17,031,792
Professional Services			
Actuarial Advisors	259,833	-	259,833
Audit Services	260,441	-	260,441
Custodial Banking	155,448	713,209	868,657
Investment Related	-	3,064,309	3,064,309
Medical	501,885	-	501,885
Technical	689,091	137,291	826,382
Total Professional Services	1,866,698	3,914,809	5,781,507
Communications			
Postage	572,335	-	572,335
Telephone	93,507	-	93,507
Member / Employer Education	54,534	-	54,534
Printing and Publication	126,559	-	126,559
Total Communications	846,935	-	846,935
Other Services			
Computer Support Services	1,184,159	-	1,184,159
Office Equipment and Supplies	157,759	1,082	158,841
Training	218,074	15,231	233,305
Transportation and Travel	140,430	84,914	225,344
Memberships and Subscriptions	78,045	51,931	129,976
Property and Fiduciary Insurance	416,439	-	416,439
Facilities Expense	947,364	-	947,364
Maintenance	90,061	-	90,061
Staff Support	115,927	-	115,927
Administrative Banking Fees	14,802	-	14,802
Ohio Retirement Study Council	36,446	-	36,446
Miscellaneous	17,344	-	17,344
Total Other Services	3,416,850	153,158	3,570,008
Total Administrative Expenses before Depreciation	19,957,520	7,272,722	27,230,242
Depreciation			
Furniture & Equipment	307,705	-	307,705
Building	1,335,187	-	1,335,187
Total Depreciation	1,642,892	-	1,642,892
Total Administrative Expenses	$ 21,600,412	$ 7,272,722	$ 28,873,134

Schedule of Investment Expenses for the year ended June 30, 2015

Description of Expenses	Net Assets Under Management	Direct Fees
US Equity	$ 2,911,106,706	$ 9,591,830
Non-US Equity	3,046,741,527	10,079,546
Global Private Equity	1,204,104,271	14,801,142
Global Fixed Income	2,028,162,861	4,737,359
Multi-Asset Strategies	1,476,416,935	21,311,605
Global Real Assets	1,637,297,966	13,726,815
Opportunistic Investments	225,700,580	2,924,271
Cash Equivalents	404,346,123	167,017
Total Investment Management Fees		$ 77,339,585
Custody Service Fees		713,209
Master Recordkeeper Fees		1,395,994
Investment Consulting and Performance/Analytics Fees		1,467,759
Investment Administrative Expenses		3,695,760
Total Other Investment Expenses (see page 46)		7,272,722
Total Investment Expenses		$ 84,612,307

FINANCIAL SECTION

Schedule of Payments to Consultants

SERS paid the following non-investment related consulting fees in FY2015:

Actuarial Advisors	$ 259,833
Audit Services	260,441
Legal Counsel	160,461
Medical Consultant	34,375
Disability Exams	467,510
Information Technology Consultants	129,838
Health Care Consultants	89,482
Other Consultants	464,758
Total	$1,866,698

See accompanying independent auditor's report.

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INVESTMENT SECTION

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746 • 614-222-5853
Toll-Free-866-280-7377 • www.ohsers.org

LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

December 17, 2015

Retirement Board, Members, Retirees, and Beneficiaries of the Retirement System:

On behalf of the SERS investment department, I respectfully submit the Investment Section of the Comprehensive Annual Financial Report for the year ended June 30, 2015. Information in this section was compiled by SERS' investment and finance staff, and BNY Mellon Global Risk Solutions. Investment results are based upon a time-weighted rate of return methodology, and assets are shown at fair value.

SERS' portfolio generated positive performance in FY2015, though much lower than the 17.28% return in the prior year. As noted in the last report, asset returns, particularly equities, have begun to moderate. The Total Fund return of 3.87% (net) for FY2015 exceeded the benchmark by 0.01%. Global Equities, Global Private Equity, and Opportunistic outperformed their respective benchmarks. The three-year Total Fund return of 11.21% (net) also exceeded the policy benchmark return of 10.42% and the actuarial rate of 7.75%.

In FY2015, staff continued to implement the three-year Strategic Investment Plan adopted in FY2013. Significant progress was made in improving the portfolio structures within asset classes to optimize risk and return, to rationalize manager line-ups and reduce fees. These initiatives have resulted in excess returns over the benchmark as noted above.

Details about each portfolio are included on the following pages.

The period going forward will be more challenging as growth is sluggish, debt levels are still high and the business cycle is mature. Staff will continue to monitor active risks and portfolio allocations carefully since assets appear to be fully priced and the reward for risk taking is lower. I wish to thank the investment staff for their dedication and accomplishments this year, and I appreciate the support of the Board and the Executive team. We look forward to working with the Board and the Executive team in the coming year to serve our members with excellence.

Respectfully,

Farouki Majeed
Chief Investment Officer

Investment Report

Chapter 3309 of the Ohio Revised Code and the Board-adopted Investment Policy govern investment activity at the School Employees Retirement System of Ohio (SERS). The Board is responsible for managing the assets of the Fund effectively, prudently, and for the exclusive benefit of SERS' members and beneficiaries.

INVESTMENT POLICY

The Board approves the *Statement of Investment Policy*. The purpose of the policy is to set forth SERS' investment philosophy and objectives. The policy establishes investment policies and describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; establishes a framework for making investment decisions, and monitoring investment activity; and promotes effective communication between the Board, Staff, and other involved parties.

INVESTMENT OBJECTIVES

The primary objective of the investment portfolio is to achieve investment returns exceeding the return of our Policy Benchmark within prudent risk parameters. Over the long term, it is expected that investment returns also should meet or exceed the actuarial interest rate of 7.75%.

INVESTMENT STRATEGIES

Asset Allocation SERS' Board adopted new asset allocation targets in early 2009 based on an asset liability study conducted by the investment consultant. The asset allocation was reviewed and adjusted during FY2011 and again in FY2013. The most recent allocation targets for Multi-Asset Strategies was reduced from 15% to 10% with corresponding increase in Real Assets. No additional changes to the asset allocation were made in FY2015. On June 30, 2015, SERS' asset allocation and its corresponding benchmarks were as follows:

Asset Class	Policy	Benchmark
Global Equities	45%	50% Russell 3000 Index; 50% MSCI ACWI ex US Index (net dividends)
Global Private Equity	10%	Burgiss All Private Equity benchmark (BAPE)(one quarter in arrears)
Global Fixed Income	19%	Barclays Capital US Aggregate Bond Index
Global Real Assets	15%	NCREIF Property Index (one quarter in arrears)
Cash Equivalents	1%	Citigroup 30-day T-Bill Index
Strategy		**Benchmark**
Multi-Asset Strategies	10%	HFRI Fund of Funds Composite Index plus 1.0%
Opportunistic Investments	0%	Total Fund Benchmark Return

Diversification Broad diversification within an investment portfolio is used to control the level of risk and volatility within the portfolio over the long term. SERS has adopted a broadly diversified asset allocation policy, and the strategies used within each asset class also have been diversified.

Besides the broad diversification of assets and strategies within SERS' portfolio, SERS also employs a diverse group of investment managers with the goal of outperforming the respective benchmark while managing relative risks.

SERS' Multi-Asset Strategies consultant, Aksia LLC, assists the Board and Staff with the construction and diversification of SERS' Multi-Asset Strategies portfolio and the selection of multi-asset strategies managers. Summit Strategies, SERS' general investment consultant, assists the Board on matters of investment policy and asset allocation recommendations. Summit also provides quarterly performance reviews of the Fund and each portfolio.

Proxy Voting The Board authorizes the Proxy Review Committee, which consists of staff members from Executive and Investments, to vote proxies of common stock owned by SERS and to hire proxy services as required to implement this strategy. The Proxy Review Committee will adopt and implement a process for voting proxies as described in the Proxy Voting Procedures document.

Sustainability and Corporate Governance Good governance of markets and entities comprising the markets improves outcomes for investors. SERS' Board and Staff will exercise corporate ownership responsibly and with the best fiduciary interest of members and stakeholders. SERS' Board and Staff must be attentive to important environmental, social, and governance issues that affect markets and promote its interests in a responsible manner in the best fiduciary interest of members and stakeholders.

Global Equities

Global Equity indices edged modestly higher but performance dispersion between regional indices persisted throughout much of the fiscal year. Against a global backdrop of fragile recoveries and weak economic conditions, the US appeared to provide a relatively safe place for global investors as US markets continued to post positive investment returns for a sixth consecutive year. Large cap stocks outperformed small cap stocks and growth stocks led value during the year in both the large and small cap segments.

International Equity markets bounced back late in the year bolstered by the effects of falling oil prices, central banks' actions, and weak currencies. Performance in developed markets were up over those of emerging markets. Small cap stocks outperformed large cap stocks and growth stocks substantially outperformed value stocks in both the large cap and small cap spaces.

Global Private Equity

FY2015 was a record year for Private Equity as both the number and value of exits climbed to an industry record of more than $450 billion, nearly 67% higher than reported in the prior year. As exits continued, a steady flow of distributions returned capital to limited partners. This resulted in a solid year for fundraising as investors searched for opportunities to redeploy capital. Although FY2015 was a great time to be a seller, the large amount of global liquidity combined with low interest rates caused asset valuation to rise which in turn increased purchase multiples on private equity investment targets. The result was that investment activity in FY2015 remained relatively flat.

Global Fixed Income

Fixed Income underperformed during FY2015 primarily due to the portfolio's short duration stance along with overweighting emerging market debt and high yield. The emerging market debt local currency index declined 15.4% and high yield declined 0.4% during the fiscal year. Our allocations to US Treasuries, mortgages, and investment grade corporate securities were additive to portfolio performance.

Multi-Asset Strategies

The Multi-Asset Strategies portfolio invests across the asset spectrum in myriad strategies with the goal of earning a higher return than fixed income with half the risk of equities. Underperformance for the fiscal year came from various fixed income, catalyst driven, macro and risk-focused strategies suffering from spread widening, commodity weakening, and currency volatility. This underperformance was mitigated by strong performance within equity long/short strategies.

Global Real Assets

During the fiscal year, property values continued to recover but rental rates were still below peak rates from 2008, indicating that some property types will continue to increase in value due to income growth. All US regions and property types performed well during the fiscal year, with industrial assets and the West region leading the way.

The positive fundamentals (vacancy rates, construction activity, transaction volumes, and rent growth) in commercial and multi-family real estate are widespread throughout both primary and secondary markets in the US. Momentum is building in Europe as the economic, financial, tenant, and consumer outlooks improve.

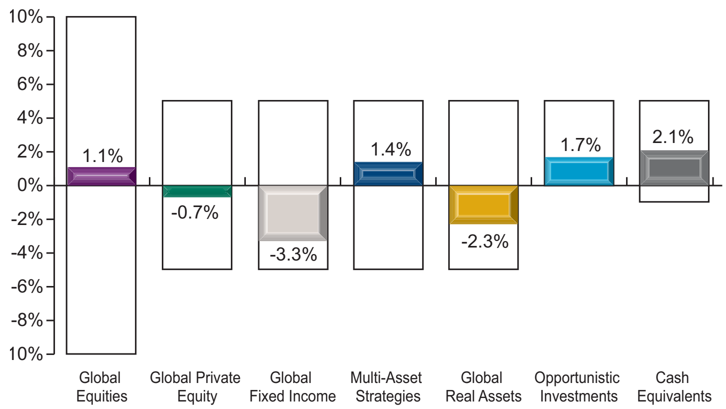
Opportunistic Investments

The Opportunistic portfolio is comprised of time-constrained, non-traditional investment opportunities which do not fit within SERS' other asset classes. The Opportunistic portfolio has a 0.0% policy target allocation, giving Staff flexibility to invest only when market conditions present attractive opportunities. Staff hired six new opportunistic investments during the fiscal year with strategies focused on direct lending, distressed debt, high yield energy, transportation infrastructure, and European bank restructurings.

Investment Summary as of June 30, 2015

	Fair Value	% of Fair Value	Policy	Range
Global Equities	$ 5,957,848,233	46.1%	45.0%	35% - 55%
Global Private Equity	1,204,104,271	9.3	10.0	5 - 15
Global Fixed Income	2,028,162,861	15.7	19.0	14 - 24
Multi-Asset Strategies	1,476,416,935	11.4	10.0	5 - 15
Global Real Assets	1,637,297,966	12.7	15.0	10 - 20
Opportunistic Investments	225,700,580	1.7	0.0	0 - 5
Cash Equivalents	404,346,123	3.1	1.0	0 - 5
Total Portfolio	**$ 12,933,876,969**	**100.0%**	**100.0%**	

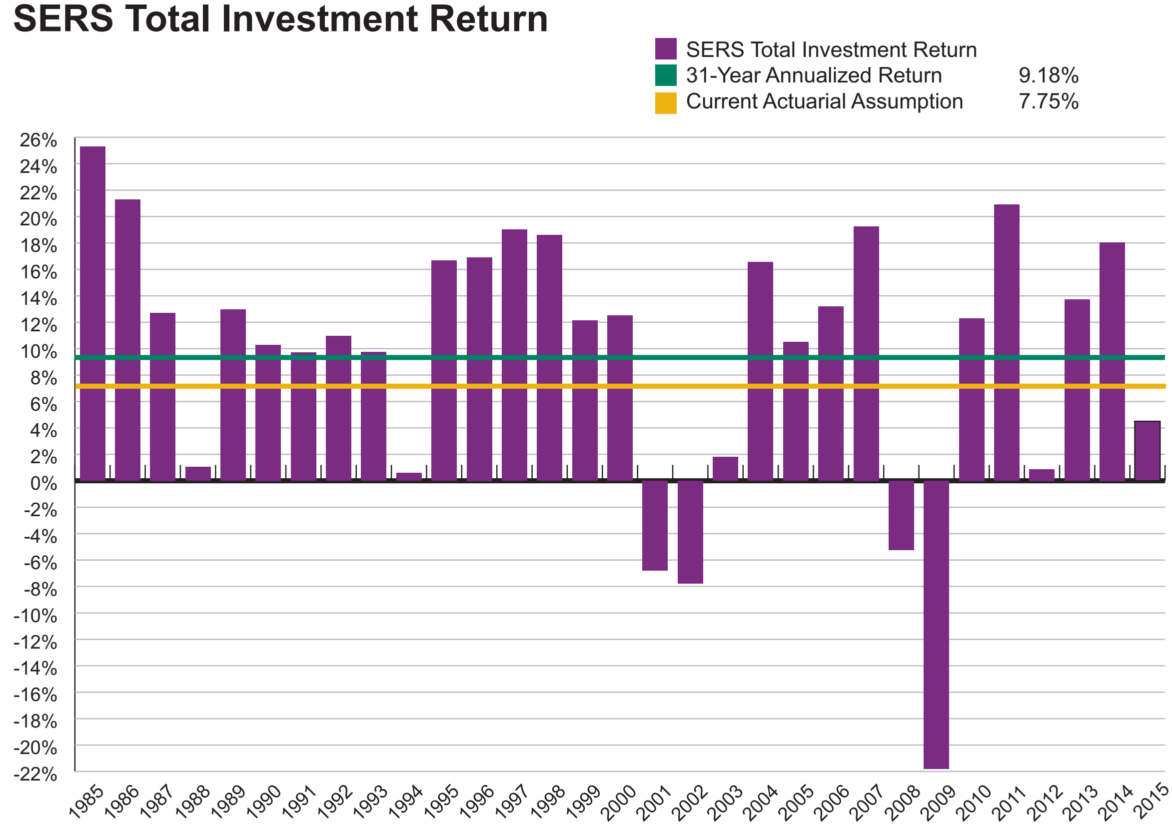
Asset Allocation vs. Policy



Note: Boxes represent permissible ranges around policy target weights.

INVESTMENT SECTION

SERS Total Investment Return



Schedule of Investment Results for the years ended June 30 (Gross of Fees)

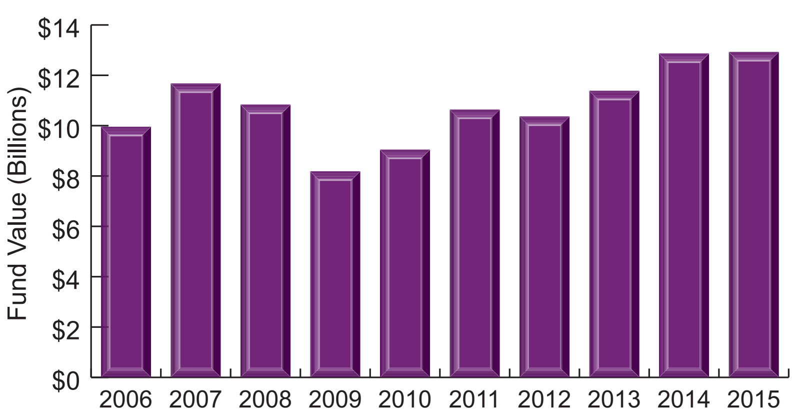
					Annualized Rates of Return		
Global Equities		**2015**	**2014**	**2013**	**3 Years**	**5 Years**	**10 Years**
SERS		1.4%	24.0%	19.8%	14.6%	13.2%	7.0%
Custom Global Equities Benchmark	(1)*	0.9	22.8	18.9	13.8	12.6	6.5
Global Private Equity							
SERS	(2)*	20.5	24.7	14.3	19.7	18.1	14.5
Custom Global Private Equity Benchmark	(3)*	7.4	20.9	17.0	15.3	15.2	10.0
Global Fixed Income							
SERS		1.0	6.5	2.7	3.4	5.1	5.7
Barclays Capital US Aggregate Bond Index		1.9	4.4	(0.7)	1.8	3.4	4.4
Multi-Asset Strategies							
SERS	(4)*	3.7	11.6	11.0	8.7	7.6	n/a
Custom Multi-Asset Strategies Benchmark	(5)*	4.8	8.7	7.2	6.9	4.5	n/a
Global Real Assets							
SERS	(6)*	13.3	15.8	10.7	13.2	14.4	5.3
Custom Global Real Assets Benchmark	(7)*	12.7	11.2	10.5	11.5	12.8	8.3
Opportunistic Investments							
SERS	(8)*	9.0	17.7	n/a	n/a	n/a	n/a
Policy Benchmark	(9)*	3.9	15.6	n/a	n/a	n/a	n/a
Cash Equivalents							
SERS		0.3	0.1	0.2	0.2	0.2	1.8
Citigroup 30 Day Treasury Bill Index		0.0	0.0	0.1	0.0	0.1	1.3
Total Fund *(Gross of Fees)*							
SERS		4.5	18.0	13.7	11.9	11.3	6.8
Policy Benchmark	(9)*	3.9	15.6	12.1	10.4	10.0	6.5
Total Fund *(Net of Fees)*							
SERS		3.9	17.3	12.9	11.2	10.6	6.1
Policy Benchmark	(9)*	3.9	15.6	12.1	10.4	10.0	6.5

Source: BNY Mellon Global Risk Solutions

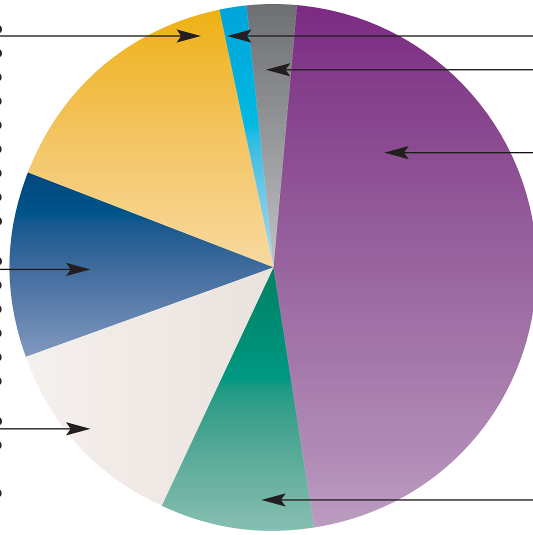
Investment results provided by BNY Mellon Global Risk Solutions are based upon a time-weighted rate of return methodology. Market value adjustments made to global private equity, global real assets, opportunistic investments and multi-asset strategies as of June 30 will be reflected in the investment returns in the next financial statement.

*See footnotes to table on page 59.

Total Fund at Fair Value



SERS Detailed Asset Allocation



GLOBAL REAL ASSETS	**12.7%**
Global Real Assets w/o REITs	**12.2%**
Office	3.3%
Industrial	2.1%
Residential	1.9%
Retail	1.8%
Infrastructure	1.6%
Hospitality/ Other	1.5%
REITs	**0.5%**
MULTI-ASSET STRATEGIES	**11.4%**
Event Driven	3.3%
Equity Long/Short	2.8%
Relative Value	2.5%
Risk Parity	1.7%
Tactical Trading	1.1%
GLOBAL FIXED INCOME	**15.7%**
Corporate Bonds	6.7%
U.S. Government & Government Backed Mortgages	6.2%
Collaterized Mortgage Obligations and Asset-Backed	2.0%
Foreign Bonds	0.8%

OPPORTUNISTIC INVESTMENTS	**1.7%**
CASH EQUIVALENTS	**3.1%**
Short-Term	2.5%
Enhanced Asset Allocation	0.6%
GLOBAL EQUITIES	**46.1%**
US Equity	**22.5%**
Market-Oriented	11.6%
Large Cap Core	4.3%
Large Cap Growth	2.4%
Large Cap Value	1.6%
Small Cap Growth	1.9%
Small Cap Value	0.7%
Non-US Equity	**23.6%**
Developed Markets Market-Oriented	9.6%
Developed Markets Core	4.3%
Emerging Markets	4.1%
Developed Markets Growth	3.3%
Developed Markets Value	2.3%
GLOBAL PRIVATE EQUITY	**9.3%**
Buyout	7.4%
Special Situations	1.3%
Venture Capital	0.6%

Largest Individual Global Equities Holdings as of June 30, 2015

	Description	Country	Shares	Market Price	Fair Value
1	iShares Russell 2000 ETF	United States	822,379	$ 124.86	$ 102,682,242
2	Apple, Inc.	United States	490,560	125.43	61,528,488
3	Microsoft Corp.	United States	906,484	44.15	40,021,269
4	Allergan PLC	United States	116,250	303.46	35,277,225
5	Exxon Mobil Corp.	United States	391,401	83.20	32,564,563
6	Qualcomm, Inc.	United States	495,074	62.63	31,006,485
7	JPMorgan Chase & Co.	United States	434,391	67.76	29,434,334
8	Roche Holdings	Switzerland	100,764	280.35	28,248,955
9	Pfizer, Inc.	United States	824,816	33.53	27,656,080
10	General Electric Co.	United States	1,018,113	26.57	27,051,262

All monetary values stated in US dollars.
A complete listing of holdings is available upon request.

Largest Individual Global Fixed Income Holdings as of June 30, 2015

	Description	Rating	Par Value	Market Price	Fair Value
1	Commit to Pur GNMA II Jumbos 3.5% 07/20/2045	AA+	$ 14,000,000	$ 1.038	$ 14,529,900
2	US Treasury Note 0.875% 11/15/2017	AA+	14,360,000	1.002	14,386,997
3	US Treasury Bond 3.0% 05/15/2045	AA+	13,160,000	0.980	12,896,800
4	US Treasury Note 3.125% 05/15/2019	AA+	8,159,000	1.067	8,706,550
5	US Treasury Note 0.375% 02/15/2016	AA+	8,200,000	1.001	8,210,250
6	Commit to Pur GNMA II Jumbos 3.0% 07/20/2045	AA+	7,000,000	1.009	7,066,150
7	FNMA Pool #0AL5362 5.0% 09/01/2039	AA+	6,364,288	1.108	7,053,095
8	US Treasury Bond 2.5% 02/15/2045	AA+	7,940,000	0.880	6,987,835
9	California ST 7.5% 04/01/2034	A+	5,015,000	1.385	6,945,925
10	US Treasury Note 2.0% 02/15/2025	AA+	6,830,000	0.972	6,635,755

All monetary values are stated in US dollars.
A complete listing of holdings is available upon request.

Investment Consultants & Investment Managers
As of June 30, 2015

Investment Consultants
- Aksia LLC
- Summit Strategies Group

Investment Managers - US Equity
- Brown Capital Management
- DePrince, Race and Zollo
- Donald Smith & Co.
- First Eagle Investment Management
- INTECH Investment Management
- Jackson Square Partners
- Manulife Asset Management
- State Street Global Advisors

Investment Managers - Non-US Equity
- Arrowstreet Capital
- Dimensional Fund Advisors
- Genesis Asset Managers
- GlobeFlex Capital
- Hexam Capital Partners
- Highclere International Investors
- LSV Asset Management
- State Street Global Advisors
- Walter Scott & Partners

Investment Manager - Futures
- Russell Implementation Services

Securities Lending Agent
- Goldman Sachs Agency Lending

Investment Managers - Global Private Equity
- Bridgepoint Capital
- Charterhouse Capital Partners
- Cinven
- Coller Investment Management
- Evergreen Pacific Partners
- FdG Associates
- Francisco Partners
- Freeman Spogli & Co.
- Goldman Sachs & Co.
- Graham Partners
- J.P. Morgan Investment Management
- Kohlberg & Co.
- Leonard Green & Partners
- Levine Leichtman Capital Partners
- Linsalata Capital Partners
- Mason Wells
- Monomoy Capital Partners
- Oak Hill Capital Partners
- Oaktree Capital Management
- Odyssey Investment Partners
- Peppertree Partners
- Primus Venture Partners
- Quantum Energy Partners
- Silver Lake Partners
- Swander Pace Capital Partners
- Thomas H. Lee Partners
- Transportation Resource Partners
- Warburg Pincus

Investment Managers - Global Fixed Income
- Aberdeen Asset Management
- Dodge & Cox
- Goldman Sachs & Co.
- J.P. Morgan Investment Management
- Johnson Investment Counsel
- Loomis, Sayles & Co.
- Stone Harbor Investment Partners
- Western Asset Management Co.

Investment Managers - Multi-Asset Strategies
- Angelo, Gordon & Co.
- Archer Capital Management
- Aristeia Capital
- BlueCrest Capital Management
- Brevan Howard Asset Management
- Bridgewater Associates
- Brookside Capital Investors
- Caspian Capital
- Cevian Capital
- D.E. Shaw & Co.
- Diamondback Capital Management
- Ellis Lake Capital
- Elm Ridge Capital Management
- Eminence Capital
- GoldenTree Asset Management
- Invesco Advisors
- King Street Capital Management
- Manatuck Hill Partners
- Marathon Asset Management
- Nephila Capital
- Oceanwood Capital Management
- Oxford Asset Management
- Pacific Investment Management Co.
- Pharo Management
- Redwood Capital
- Regiment Capital Management
- Rockhampton
- Samlyn Capital
- Stark Offshore Management
- Taconic Capital Advisors
- Viking Global Investors
- Visium Asset Management
- William Blair & Co.

Investment Managers - Global Real Assets
- Almanac Realty Investors
- Beacon Capital Partners
- CBRE Global Investors
- Clarion Partners
- Colony Capital
- Deutsche Asset & Wealth Management
- Fillmore Capital Partners
- Industry Fund Management
- J.P. Morgan Investment Management
- Lubert-Adler Real Estate Funds
- Madison Marquette
- Prudential Real Estate Investors
- Rockspring Property Investment Managers
- The Carlyle Group
- UBS Realty Investors

Investment Managers – Opportunistic Investments
- BlueBay Asset Management
- Ford Financial
- Fortress Investment Group
- GoldenTree Asset Management
- Highbridge Capital Management
- Oceanwood Capital Management
- Pacific Investment Management Co.
- Western Asset Management Co.

Custodians
- Citibank NA
- Huntington National Bank

Master Recordkeeper
- BNY Mellon Asset Servicing

Investment Analytics
- BNY Mellon Global Risk Solutions

Summary Schedule of Brokers' Fees for US Equity Transactions for the Year Ended June 30, 2015

Broker Name	Fees Paid	# of Shares Traded	Avg. Commission per Share
State Street Global Markets, LLC	$ 266,692	23,071,067	$ 0.012
J.P. Morgan Securities, LLC	181,974	7,835,609	0.023
Merrill Lynch, Pierce, Fenner & Smith, Inc.	120,449	5,699,084	0.021
Sanford C. Bernstein & Co., LLC	116,219	7,214,525	0.016
Instinet, LLC	110,378	4,468,110	0.025
Goldman Sachs & Co.	92,117	3,914,352	0.024
Morgan Stanley & Co., Inc.	91,924	3,233,304	0.028
Pershing, LLC	65,599	4,427,294	0.015
Citigroup Global Markets, Inc.	64,543	3,758,636	0.017
ISI Group, LLC	61,521	2,263,688	0.027
Convergex Execution Solutions, LLC	57,584	1,780,589	0.032
Credit Suisse Securities, LLC	56,595	2,178,825	0.026
Deutsche Bank Securities, Inc.	50,262	2,043,655	0.025
UBS Securities, LLC	49,936	2,330,330	0.021
Barclays Capital, Inc.	41,790	1,318,551	0.032
Goldman Sachs Execution & Clearing, L.P.	39,730	2,670,838	0.015
Abel Noser Corp.	36,831	769,628	0.048
Jefferies, LLC	33,575	1,187,262	0.028
Stifel, Nicolaus & Co., Inc.	29,294	1,036,284	0.028
Jonestrading Institutional Services, LLC	27,808	735,544	0.038
ITG, Inc.	25,644	3,134,128	0.008
Loop Capital Markets, LLC	23,313	1,004,823	0.023
Liquidnet, Inc.	21,943	831,775	0.026
Cantor, Fitzgerald & Co.	19,425	798,786	0.024
Bloomberg Tradebook, LLC	18,277	3,604,219	0.005
SG Americas Securities, LLC	15,199	2,249,858	0.007
Raymond James & Associates, Inc.	15,174	428,850	0.035
Weeden & Co., L.P.	14,885	1,731,883	0.009
William Blair & Co., LLC	14,864	476,413	0.031
Scotia Capital, Inc.	14,811	370,281	0.040
Merrill Lynch Professional Clearing Corp.	13,502	480,722	0.028
CSI US Institutional	13,276	331,900	0.040
CastleOak Securities, L.P.	13,206	391,239	0.034
National Financial Services, LLC	13,205	484,673	0.027
RBC Capital Markets, LLC	13,080	397,020	0.033
Citation Financial Group, L.P.	12,934	749,746	0.017
KCG Americas, LLC	10,505	338,881	0.031
Wells Fargo Securities, LLC	10,029	345,094	0.029
Keefe, Bruyette & Woods, Inc.	9,911	370,687	0.027
Pavilion Global Markets Ltd.	9,845	2,275,253	0.004
BMO Capital Markets Corp.	9,440	758,705	0.012
Robert W. Baird & Co., Inc.	8,997	303,381	0.030
HSBC Securities, Inc.	8,920	1,212,294	0.007
Macquarie Capital, Inc.	8,386	256,568	0.033
FBR Capital Markets & Co.	7,768	293,150	0.027
Cowen & Co., LLC	7,537	251,867	0.030
D. A. Davidson & Co.	7,348	156,206	0.047
Oppenheimer & Co., Inc.	7,141	217,057	0.033
OTR Global Trading, LLC	5,904	488,580	0.012
Leerink Partners, LLC	5,061	190,990	0.027
Brokers with less than $5,061 (42)	60,224	3,222,455	0.019
Total US	$ 2,034,575	110,084,659	$ 0.018

Summary Schedule of Brokers' Fees for Non-US Equity Transactions for the Year Ended June 30, 2015

Broker Name	Fees Paid	# of Shares Traded	Avg. Commission per Share
State Street Global Markets, LLC	$ 263,014	275,915,630	$ 0.001
Instinet, LLC	248,192	86,423,377	0.003
HSBC Securities, Inc.	183,343	1,276,899,593	0.000
Sanford C. Bernstein & Co., LLC	138,194	851,449,731	0.000
ITG, Inc.	125,495	43,975,478	0.003
J.P. Morgan Securities, LLC	100,882	1,123,202,155	0.000
Goldman Sachs & Co.	92,167	29,271,510	0.003
SG Securities, L.P.	74,651	38,627,197	0.002
Morgan Stanley & Co., Inc.	70,718	11,638,899	0.006
Citigroup Global Markets, Inc.	61,124	28,364,803	0.002
UBS Securities, LLC	59,411	70,069,495	0.001
Merrill Lynch Professional Clearing Corp.	52,441	10,779,417	0.005
Socgen-Crosby Securities, Inc.	38,823	6,714,817	0.006
UBS Financial Services, Inc.	31,539	15,590,935	0.002
ICICI Securities, Inc.	25,535	4,034,397	0.006
Jefferies, LLC	18,597	1,962,125	0.009
Merrill Lynch, Pierce, Fenner & Smith, Inc.	16,754	22,246,430	0.001
Pavilion Global Markets Ltd.	15,328	16,595,533	0.001
National Securities Corp.	14,726	20,584,807	0.001
Daiwa Capital Markets, Inc.	13,697	2,679,251	0.005
BNP Parabas Investment Services, LLC	11,685	6,668,980	0.002
Deutsche Bank Securities, Inc.	11,321	877,696	0.013
Credit Suisse Securities, LLC	11,049	3,694,583	0.003
Hanwha Investment & Securities Co., Ltd.	10,907	373,944	0.029
Motilal Oswal Securities Intl Private, Ltd.	10,551	1,493,481	0.007
G-Trade Services, LLC	10,289	2,764,881	0.004
CSLA Americas, LLC	9,217	12,068,052	0.001
NH Investment & Securities Co., Ltd.	7,891	156,508	0.050
North South Capital, LLC	7,264	641,341	0.011
Samsung Securities, Inc.	7,202	182,407	0.039
SG Americas Securities, LLC	6,307	1,102,757	0.006
Concordia SA CVMCC	6,241	1,434,300	0.004
Pershing, LLC	5,744	870,855	0.007
Mizuho Securities USA, Inc.	5,091	171,733	0.030
SG Warburg & Co., Inc.	4,959	650,707	0.008
Tera Menkul Degerler A.S.	4,888	1,699,680	0.003
Convergex Execution Solutions, LLC	4,228	622,773	0.007
Investec Securities, Ltd.	4,074	362,531	0.011
Nomura Securities International, Inc.	4,004	266,258	0.015
M. Ramsey King Securities, Inc.	3,534	110,900	0.032
Macquarie Capital, Inc.	3,514	989,722	0.004
Barclays Capital, Inc.	3,506	352,768	0.010
RBC Capital Markets, LLC	3,292	305,527	0.011
Fator-Doria Atherino S/A CV	3,019	565,200	0.005
Credit Agricole Securities, Inc.	2,839	550,570	0.005
XP Securities, LLC	2,752	582,171	0.005
Mainfirst Securities, Inc.	2,377	14,700	0.162
Societe Generale Securities Services	2,374	71,528	0.033
CIMB Securities (USA), Inc.	2,039	602,242	0.003
Cantor, Fitzgerald & Co.	1,947	58,100	0.034
Brokers with less than $1,947 (23)	5,677	770,708	0.007
Total Non-US	$ 1,824,413	3,978,103,183	$ 0.000

Investment Summary

Asset Class/Strategy		Fair Value	% of Total Fair Value
Global Equities	$	5,957,848,233	46.1%
Global Private Equity		1,204,104,271	9.3
Global Fixed Income		2,028,162,861	15.7
Multi-Asset Strategies		1,476,416,935	11.4
Global Real Assets		1,637,297,966	12.7
Opportunistic Investments		225,700,580	1.7
Cash Equivalents		404,346,123	3.1
Net Portfolio Value	$	12,933,876,969	100.0%

Reconciliation to Statement of Fiduciary Net Position		
Net Portfolio Value	$	12,933,876,969
Investments receivable, securities sold		(297,435,815)
Investments payable, securities purchased		247,890,226
Cash and cash equivalents		(595,396,071)
Investments per Statement of Fiduciary Net Position	$	12,288,935,309

Investment Results

FOOTNOTES TO INVESTMENT RESULTS TABLE ON PAGE 54:

(1) Custom Global Equities Benchmark:
- a) Effective January 1, 2014
  - 50.0% Russell 3000 Index
  - 50.0% MSCI ACWI ex-US (net dividends) Index
- b) Effective July 1, 2013
  - 50.0% Russell 3000 Index
  - 50.0% MSCI ACWI ex-US (net dividends) Index (developed markets 50% hedged)
- c) Prior to July 1, 2013
  - 50.0% Russell 3000 Index
  - 50.0% MSCI ACWI ex-US (gross dividends) Index (developed markets 50% hedged)

(2) Global Private Equity returns are reported one quarter in arrears.

(3) Custom Global Private Equity Benchmark:
- a) Effective January 1, 2014 Burgiss All Private Equity Benchmark (BAPE) (one quarter in arrears)
- b) Prior to January 1, 2014 S&P 500 Index plus 3%

(4) Prior to July 1, 2013 Multi-Asset Strategies was known as Hedge Funds

(5) Custom Multi-Asset Strategies Benchmark:
- a) Effective July 1, 2013 HFRI Fund of Funds Composite Index + 1.0%
- b) Effective July 1, 2010 HFRI Fund of Funds Composite Index
- c) Effective June 1, 2008 (inception of the strategy) HFRI fund Weighted Index

(6) Global Real Asset partnership returns are reported one quarter in arrears. Public Real Asset returns are reported in the current quarter.

(7) Custom Global Real Assets Benchmark:
- a) Effective July 1, 2010 NCREIF Property Index (one quarter in arrears)
- b) Prior to July 1, 2010
  - 80.0% NCREIF Property Index (one quarter in arrears)
  - 20.0% FTSE EPRA/NAREIT Developed Index

(8) Opportunistic Investments inception date occurred in June 2013

(9) SERS Policy Benchmark weightings for the past 10 years:
- a) Effective January 1, 2015
  - 22.5% Russell 3000 Index
  - 22.5% MSCI ACWI ex-US (net dividends) Index
  - 19.0% Barclays Capital US Aggregate Bond Index
  - 12.0% NCREIF Property Index (one quarter in arrears)
  - 10.0% Burgiss All Private Equity Benchmark (BAPE) (one quarter in arrears)
  - 13.0% HFRI Fund of Funds Composite Index + 1.0%
  - 1.0% Citigroup 30 Day T-Bill Index
- b) Effective July 1, 2014
  - 22.5% Russell 3000 Index
  - 22.5% MSCI ACWI ex-US (net dividends) Index
  - 19.0% Barclays Capital US Aggregate Bond Index
  - 15.0% NCREIF Property Index (one quarter in arrears)
  - 10.0% Burgiss All Private Equity Benchmark (BAPE) (one quarter in arrears)
  - 10.0% HFRI Fund of Funds Composite Index + 1.0%
  - 1.0% Citigroup 30 Day T-Bill Index
- c) Effective January 1, 2014
  - 22.5% Russell 3000 Index
  - 22.5% MSCI ACWI ex-US (net dividends) Index
  - 19.0% Barclays Capital US Aggregate Bond Index
  - 12.0% NCREIF Property Index (one quarter in arrears)
  - 10.0% Burgiss All Private Equity Benchmark (BAPE) (one quarter in arrears)
  - 13.0% HFRI Fund of Funds Composite Index + 1.0%
  - 1.0% Citigroup 30 Day T-Bill Index
- d) Effective July 1, 2013
  - 22.5% Russell 3000 Index
  - 22.5% MSCI ACWI ex-US (net dividends) Index (developed markets 50% hedged)
  - 19.0% Barclays Capital US Aggregate Bond Index
  - 12.0% NCREIF Property Index (one quarter in arrears)
  - 10.0% SERS Custom Private Equity Benchmark
  - 13.0% HFRI Fund of Funds Composite Index + 1.0%
  - 1.0% Citigroup 30 Day T-Bill Index
- e) Effective July 1, 2010
  - 22.5% Russell 3000 Index
  - 22.5% MSCI ACWI ex-US Index (developed markets 50% hedged)
  - 19.0% Barclays Aggregate Index
  - 10.0% NCREIF
  - 10.0% SERS Custom Private Equity Benchmark
  - 15.0% HFRI Fund of Fund Index
  - 1.0% Citigroup 30 Day T-Bill Index
- f) Effective February 1, 2009
  - 27.5% Russell 3000 Index
  - 27.5% MSCI ACWI ex-US Index (developed markets 50% hedged)
  - 24.0% Barclays Aggregate Index
  - 10.0% SERS Custom Real Estate Benchmark
  - 10.0% SERS Custom Private Equity Benchmark
  - 1.0% Citigroup 30 Day T-Bill Index
- g) Effective May 31, 2007
  - 29.0% Russell 3000 Index
  - 29.0% MSCI ACWI ex-US Index (developed markets 50% hedged)
  - 24.0% Lehman Brothers Aggregate Index (In 2009 renamed as Barclays Aggregate Index)
  - 10.0% SERS Custom Real Estate Benchmark
  - 7.0% SERS Custom Private Equity Benchmark
  - 1.0% Citigroup 30 Day T-Bill Index
- h) Effective October 21, 1994
  - 46.0% Russell 3000 Index
  - 16.0% MSCI ACWI ex-US Index (developed markets 50% hedged)
  - 23.0% Lehman Brothers Aggregate Index (In 2009 renamed as Barclays Aggregate Index)
  - 10.0% SERS Custom Real Estate Benchmark
  - 3.0% SERS Custom Private Equity Benchmark
  - 2.0% Citigroup 30 Day T-Bill Index

Statement of Investment Policy (effective June 18, 2015)

I. Purpose of Statement of Investment Policy

The purpose of this Statement of Investment Policy (SIP) is to set forth the investment philosophy and objectives of the Retirement Board (Board) for the School Employees Retirement System of Ohio (SERS).

This SIP:

A. incorporates and is subject to all restrictions and obligations set forth in Chapter 3309 of the Ohio Revised Code;

B. establishes investment policies and describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; and

C. establishes a framework for making investment decisions, and monitoring investment activity, and promotes effective communication between the Board, Staff, and other involved parties.

This SIP is subject to change at any time by the Board. The Board will review the SIP and revise it periodically to assure it continues to reflect the investment philosophy, objectives and strategies of the Board.

II. Investment Philosophy

The Board recognizes the need to manage SERS assets prudently (the Total Fund) to meet its statutory and fiduciary obligations and to achieve or exceed its objectives. The Board's investment philosophy is grounded in fundamental, prudent investment principles, incorporating modern portfolio theory, risk management and portfolio management practices. These principles are incorporated in the "Investment Beliefs" below. The Board believes it can provide consistent, long-term performance at appropriate levels of risk. By delineating responsibilities and defining policy objectives, this SIP reflects the Board's investment philosophy and governance.

SERS Investment Beliefs:

Financial Markets

A. Capital markets are not perfectly efficient. Inefficiencies create opportunities that skilled investors could exploit to generate excess returns. Investment Staff will prudently attempt to add value by exploiting such inefficiencies across different assets selectively, although it is not easily achieved.

B. Markets generally afford higher prospective returns for riskier assets, such as equity or credit risk premiums over the long term. Anomalies could occur in intermittent periods on account of shifting valuations. When valuations are elevated returns tend to be lower.

Investment Process

C. Strategic asset allocation is the key determinant of risk and return and represents the Board's tolerance for risk in achieving funding goals. It is important to diversify across risk factors and return sources and to be explicit about the role of asset classes.

D. Risk is the likelihood of loss or less than expected outcomes and is not fully captured by a single metric such as volatility. Risk has many dimensions, subjective and objective, which must be comprehensively assessed and managed in the investment process.

E. Long-term horizon is an advantage as it enables SERS to tolerate volatility, capture illiquidity and other risk premia, and take advantage of trends and opportunities.

F. Costs matter. Managing fees and transaction costs adds value to the Fund. Costs must be judged relative to expected value added.

Organizational Skills and Design

G. Investment success is dependent on good governance, decision process, skill and judgment. Having an experienced and talented staff with appropriate decision authority is an advantage. SERS' Board will delegate authority as appropriate to staff to facilitate execution of the investment process, but retain policy and oversight powers.

H. Explicit investment objectives, guidelines and collaborative teamwork among staff as well as external partners is essential for success.

Sustainability and Corporate Governance

I. Good governance of markets and entities comprising the markets improves outcomes for investors. SERS Board and Staff will exercise corporate ownership responsibly and with the best fiduciary interest of members and stakeholders.

J. SERS Board and Staff must be attentive to important environmental, social and governance issues that affect markets and promote its interests in a responsible manner in the best fiduciary interest of members and stakeholders.

III. Investment Objectives

The Investment Objectives of SERS are:

A. to assure that SERS provides statutorily-mandated retirement benefits;

B. to earn a net-of-fees total return that equals or exceeds over the long term the Actuarial Assumed Rate approved by the Board; and

C. to enhance risk-adjusted investment returns of the Total Fund in a prudent and cost-effective manner.

IV. Risk Management

A. The Board evaluates risk in terms of the probability of not earning the actuarial assumed rate over the long-term. Diversification across asset classes, within asset classes, and across investment styles, sectors and securities will be employed to manage overall portfolio risk and volatility.

B. SERS utilizes a risk budgeting approach in management of volatility risk of investment portfolios. Active risk of the Total Fund, asset class and individual portfolios and their respective risk contribution to total risk are important factors in the management of the capital allocations to individual asset classes and portfolios. The Total Fund shall be managed within a forecast active risk (tracking error) range of 0% to 3.0% relative to the policy benchmark and within the asset allocation range specified elsewhere in this SIP. Active risk is determined by asset allocation deviations and active security selection decisions as well as underlying market volatility. In times of high market volatility the active risk may exceed 3%. In any event if the active risk exceeds 3% staff will discuss this with the Board and present appropriate recommendations. The realized tracking error is also expected to be below 3% over rolling three year periods. Individual asset classes will be managed within the tracking error range specified in the respective asset class implementation guideline. Private asset classes (Private Equity and Real Asset) are excluded at this point from tracking error guidelines.

C. Other risks, including but not limited to those such as interest rate risk, credit risk, and liquidity risk, will be managed and carefully monitored by Investment Managers and Investment Staff.

V. Implementation Approach

A. The Board reserves certain responsibilities for itself, while delegating other responsibilities to the Executive Director, the Chief Investment Officer, the Investment Committee, Investment Staff, Investment Managers, Investment Consultants, the Investment Compliance and Governance Officer and other Investment Service Providers. These responsibilities are described in this SIP.

B. In fulfilling its fiduciary duties the Board utilizes a competent and qualified Staff to implement the investment program and to manage daily operations.

C. The Board utilizes Investment Managers or Funds selected by Staff to invest most assets of the Total Fund. The Board recognizes that costs associated with external Investment Managers and Funds are typically higher than costs associated with internal management. However, the Board believes external Investment Managers that act as fiduciaries possess specialized investment expertise and economies of scale, and can generate higher returns on a net-of-fee basis.

D. The Board requires regular reporting on the Total Fund's investment program to ensure compliance with its SIP.

VI. Investment Organization and Responsibilities

A. Responsibilities of the ***Board***

The Board as a fiduciary is responsible for ensuring that Total Fund assets are managed prudently and effectively, in compliance with applicable laws and with this SIP, for the exclusive benefit of participants and beneficiaries.

Responsibilities of the Board include:

1. establishing controls and systems to ensure that Total Fund fiduciaries comply with applicable laws;
2. establishing asset allocation and investment policies for SERS assets;
3. appointing and discharging the Executive Director and Board Investment consultants;
4. confirming or rejecting the Executive Director's proposed appointment of a Chief Investment Officer for SERS;
5. designating the individual as Chief Investment Officer of SERS for purposes of R.C. 3309.043, and then notifying the Ohio Department of Commerce, Division of Securities in writing of the designation as required

by the Ohio Revised Code;

6. monitoring and reviewing investment performance and policy compliance;
7. requesting, receiving and reviewing reports from Investment Staff, Board consultants and other entities, if applicable;
8. approving an Annual Investment Plan;
9. approving Statement of Investment Policy and changes thereto; and
10. conducting an annual evaluation of the performance of the Board's Investment Consultant.

B. Responsibilities of ***Staff***

Staff will administer Total Fund assets as fiduciaries in accordance with applicable federal and state laws and regulations, and in accordance with this SIP, ethics laws, codes of professional conduct (in particular, the CFA Code of Ethics and Standards of Professional Conduct), and other applicable codes and/or regulations. Staff will establish plans, policies and procedures to carry out these duties.

1. The ***Executive Director*** is responsible for:
   a. ensuring that reports of the Total Fund's investment performance are presented on a timely basis;
   b. retaining vendors, consultants and advisors as necessary to assist Staff, and assist the Board in the retention of Investment consultants;
   c. appointing, discharging and retaining the Chief Investment Officer, and Investment Staff;
   d. overseeing the investment function,
   e. executing investment documents when necessary,
   f. Conducting a fiduciary audit of investment operations at least on a seven- to ten-year cycle unless circumstances require an audit to be conducted sooner, and
   g. Conducting a peer group benchmarking of SERS investment costs performed by an independent entity every two- to three-years.
2. The ***Chief Investment Officer*** is responsible for:
   a. overseeing the Investment Program and keeping the Executive Director advised;
   b. conducting periodic asset liability studies with the assistance of investment consultants and recommending asset allocation targets and ranges.
   c. reviewing the SIP on an annual basis and recommending changes as needed for approval by the Board.
   d. preparing and presenting the Annual Investment Plan to the Board for approval;
   e. implementing the Annual Investment Plan;
   f. investigating, researching and recommending new and emerging investment concepts and strategies, and implementing appropriate strategies in accordance with approved policies and procedures;
   g. informing Investment Managers, Investment Consultants and others providing investment services to SERS about the requirements of applicable laws and Board policies, and monitoring their compliance with said laws and policies;
   h. adjusting allocations to Asset Classes, Investment Managers and Funds as needed, subject to any approved allocation ranges;
   i. approving implementation guidelines for each asset class to establish allocation ranges for sub-strategies, risk parameters and risk limits and providing such guidelines to the Board.
   j. appointing and discharging Investment Managers and approving investments in or redemptions from Funds subject to conditions and guidelines in Section VII;
   k. activating previously approved Backup Investment Managers;
   l. executing investment documents;
   m. approving Investment Manager guidelines, changes and additions;
   n. supervising Investment Staff;
   o. monitoring and evaluating the effectiveness of executed securities transactions and reporting annually to

the Board regarding the performance of agents who execute securities transactions on behalf of SERS; and

p. regularly reporting the status of the Total Fund and its multi-period performance to the Board relative to benchmarks and on market conditions. Performance will be calculated on a gross-of-fees and net-of-fees basis.

3. The ***Investment Committee*** is responsible for:

   a. ensuring that a procedure is in place defining the Committee's structure and establishing rules for reviewing and approving investments;

   b. reviewing Investment Manager and Fund due diligence; and

   c. approving or discharging Investment Managers or Funds.

4. The ***Investment Staff*** is responsible for:

   a. regularly reporting the status of the respective asset classes and Total Fund and its multi-period performance to the Chief Investment Officer;

   b. periodically meeting and speaking with existing or potential Investment Managers to review and assess the quality of their investments and management of assets;

   c. performing ongoing due diligence to evaluate and monitor Investment Manager capabilities relative to managing Total Fund assets;

   d. recommending to the Chief Investment Officer implementation guidelines for the respective asset classes to establish allocation ranges for sub-strategies, risk parameters and risk limits; and managing the portfolio to the approved implementation guidelines.

   e. recommending to the Chief Investment Officer any additions or withdrawals from Investment Manager accounts or Funds, or rebalancing of asset class allocations;

   f. recommending to the Chief Investment Officer and the Investment Committee the appointment or discharge of Investment Managers and investments in or redemptions from Funds;

   g. investing assets of the cash equivalents portfolio;

   h. investigating and researching new and emerging investment concepts and strategies, and recommending those strategies to the Chief Investment Officer;

   i. preparing periodic reports for the Chief Investment Officer on the performance of agents who execute securities transactions on behalf of SERS; and

   j. maintaining a list of Ohio-qualified Investment Managers and their investment products.

C. Responsibilities of ***Investment Service Providers***

Investment Service Providers who do business or seek to do business with SERS will act in the best interest of SERS when providing services to SERS or the Total Fund. Investment Service Providers will:

1. comply with all applicable federal and state laws and regulations, with this SIP, and with all applicable professional codes and regulations;

2. have established ethics and conflict of interest policies and procedures, and proper internal compliance controls in place as needed;

3. at the earliest opportunity disclose to Investment Staff any actual or potential conflict of interest;

4. as permitted by law disclose any investigation of, or litigation involving, its operations to Investment Staff; and

5. provide annual or other periodic disclosures as required.

The Chief Investment Officer will adopt procedures as appropriate to implement this section.

D. Responsibilities of ***Investment Managers***

Investment Managers and Investment Staff managing assets internally are responsible as fiduciaries for investing prudently the Total Fund assets. In addition to those applicable responsibilities described in VI.B., Investment Managers and internal staff members will:

1. manage assets within their control in compliance with all applicable federal and state laws and regulations, including but not limited to applicable ethics requirements, this SIP, contractual obligations, and applicable professional codes of conduct;

2. inform the Chief Investment Officer and Investment Staff of any substantial changes in investment strategy, portfolio structure, asset value, and of any organizational changes, including that of ownership, affiliation, organizational structure, financial condition, or changes in professional personnel staffing in the investment management organization;
3. present in-depth reports to Investment Staff;
4. recommend to Investment Staff changes to investment guidelines the Investment Manager believes would enhance investment performance on a risk adjusted basis; and
5. select such agents for the execution of transactions, at such prices, and at such commission rates as in the good faith judgment of the Investment Manager will be in the best interest of the Total Fund, taking into consideration in the selection of such agents not only the available prices and rates of brokerage commissions, but also other factors relevant to the transaction.

E. Responsibilities of ***Investment Consultants***

Investment Consultants will:

1. provide services as fiduciaries and in accordance with all applicable federal and state laws and regulations, including but not limited to applicable ethics requirements; in accordance with this SIP; and with all applicable professional codes and/or regulations;
2. provide independent and unbiased research, information and advice to the Board and Staff;
3. assist in the development and amendment of this SIP;
4. assist in the development of investment guidelines as may be requested by Staff;
5. assist in the development of strategic asset allocation targets and ranges;
6. assist in the development of performance measurement standards;
7. monitor and evaluate Investment Manager and Fund performance as appropriate on an ongoing basis;
8. recommend to Staff the retention or discharge of Investment Managers and investment in or redemption from Funds;
9. collaborate with Investment Staff on the due diligence of potential Investment Managers and Funds, and existing Investment Managers and Funds, as requested by Staff;
10. assist in the development of criteria for and procedures to be utilized in the selection of Investment Managers and Funds;
11. provide research, information and advice on investment topics and strategies considered relevant by the Investment Consultant, or when requested by the Board or Investment Staff;
12. provide those services delineated in the Advisory or Consultant Agreement;
13. provide any other advice or services that the Board, Executive Director or Chief Investment Officer determines are necessary, useful or appropriate to fulfill the objectives of this SIP; and
14. regularly report the status of the Total Fund and its multi-period performance to the Board. Performance will be calculated on a net-of-fee basis.

F. Responsibilities of the ***Investment Compliance and Governance Officer***

The Investment Compliance and Governance Officer is responsible for:

1. monitoring and reporting compliance with this SIP and Board Resolutions;
2. ensuring that investment management agreements and related contracts comply with the SIP;
3. ensuring that Investment Service Providers and Investment Managers comply with Sections VI.C. and D., herein;
4. identifying and, in concert with Investment Staff, resolving compliance violations by Investment Managers and Investment Staff relative to their respective investment guidelines. Staff will ensure that those accounts with guideline violations are efficiently and effectively brought back into compliance;
5. promptly voting proxies and related actions in accordance with Board approved procedures, and maintaining detailed records of proxy votes and related actions for the Proxy Review Committee; and
6. reporting proxy voting activity to the Board on a quarterly basis and highlighting any emerging issues related to this activity.

VII. Conditions and Guidelines for Making Investments

A. Conditions

1. In cooperation with legal counsel, Staff will endeavor to ensure that the legal structure of each investment limits potential losses to no more than the amount invested;
2. Investments will be of institutional quality;
3. Investments will require the approval of the Chief Investment Officer and the Investment Committee;
4. Investment documents must be approved by SERS' Legal Department and the Investment Compliance and Governance Officer;
5. The Investment Committee will develop and implement definitive procedures for approving investments in accordance with this SIP;
6. The Chief Investment Officer or the Executive Director must sign the necessary investment documents when making investments.

B. Guidelines

1. Selected Investment Managers and Funds will have proven track records in the strategy;
2. Monthly reporting by the Fund or Investment Manager is preferred, but there shall be quarterly reporting at a minimum;
3. The liquidity of an investment will be prudent, both for the strategy and for the Total Fund;
4. The amount invested with an Investment Manager or in a Fund will be prudent for the strategy;
5. Investment limits established by Board resolution remain in effect unless modified or eliminated by the Board.

VIII. Implementation Strategies

A. Asset Allocation

The Board will conduct an asset and liability study every three- to five-years or sooner, if necessary, in order to establish allocation targets and ranges for asset classes within distinct capital markets. Staff, with the assistance of consultants, will review annually the market outlook and expected returns for asset classes with the Board. If there are significant changes in return assumptions, Staff will conduct an interim review of the Asset Allocation Policy.

In order to identify the investment horizon of SERS and its cash flow requirements, liability considerations will include but not be limited to current and expected future values of the benefits, contributions and total assets.

After giving due consideration to an asset and liability study conducted by the Investment Consultant, which study meets the requirements of this SIP, the Board hereby recognizes and reaffirms the following asset allocation for SERS:

ASSET CLASS	TARGET	RANGE
Equity	**55%**	**45% - 65%**
Global Equities	45%	35% - 55%
Global Private Equity	10%	5% - 15%
Income	**35%**	**30% - 40%**
Global Bonds	19%	14% - 24%
Global Real Assets	15%	10% - 20%
Cash Equivalents	1%	0% - 5%
STRATEGY		
Multi-Asset Strategies	10%	5% - 15%
Opportunistic Investments	0%	0 - 5%
Total	**100%**	

B. Derivatives

The Board authorizes the use of derivatives in the Total Fund and authorizes the Chief Investment Officer, with the advice and assistance of the Investment Consultant, to develop and implement derivatives strategies as needed. The Chief Investment Officer will adopt a derivatives policy setting forth general guidelines for the use of derivatives.

C. Leverage

The Board authorizes the use of leverage in the Total Fund and authorizes the Chief Investment Officer, with the advice and assistance of the Investment Consultant, to develop and implement certain leverage strategies. The Chief

Investment Officer will adopt a leverage policy setting forth general guidelines for the use of leverage.

D. Rebalancing

The Chief Investment Officer will adopt a rebalancing strategy for the Total Fund which ensures adherence to the asset allocation strategy in Section VIII.A. The strategy may delegate certain authority to Investment Staff.

E. Currency Hedging

The Board authorizes currency hedging in the Total Fund and authorizes the Chief Investment Officer, with the advice and assistance of the Investment Consultant, to develop and implement currency hedging strategies as needed.

F. Transition Management

The Board authorizes the Executive Director and the Chief Investment Officer to hire Transition Managers as needed.

G. Proxy Voting

The Board authorizes the Proxy Review Committee, which consists of staff members from Executive and Investments, to vote proxies of common stock owned by SERS and to hire proxy services as required to implement this strategy. The Proxy Review Committee will adopt and implement a process for voting proxies as described in the Proxy Voting Procedures document.

H. Securities Lending

The Board authorizes Investment Staff to develop and implement a securities lending program which may involve the appointment or discharge of third party securities lending agents by the Executive Director or the Chief Investment Officer. The Board recognizes that while the practice of securities lending can generate meaningful income for the Total Fund, it is not without investment risk. To mitigate investment risk the securities lending program will focus on intrinsic value lending and use conservative collateral reinvestment guidelines similar to current SEC 2a-7 guidelines. If Staff determines the risk/reward relationship of the program is no longer advantageous for the Total Fund, the program will be discontinued.

I. Opportunistic Investments

The Board authorizes Investment Staff to invest up to 5% of Total Assets in Opportunistic Investment Strategies. These investments will comply with the Opportunistic Investment Policy approved by the Board.

J. Investment Managers and Funds

The Board authorizes the Chief Investment Officer and the Investment Committee to approve and discharge Investment Managers, Funds and Backup Investment Managers based upon recommendations of Investment Staff or Investment Consultants, as may be appropriate, and discussions with Managers. Allocations to approved Investment Managers and Funds will be determined or adjusted by the Chief Investment Officer in accordance Section VI.B.2.f. Allocations and adjustments are subject to any maximum allocation amounts established by the Board.

Investment Managers will adhere to investment guidelines established by Investment Staff, as well as all applicable laws and policies. The Chief Investment Officer is authorized to establish and amend investment guidelines as needed.

It is a goal of the Board to increase the utilization of Ohio-qualified Investment Managers when an Ohio-qualified Investment Manager offers quality, services and safety comparable to other Investment Managers available to the Board, and the use of such Investment Manager is consistent with the Board's fiduciary duties.

The Board will require that a list of Ohio-qualified Investment Managers and their investment products be maintained, and that public notice be given to Ohio-qualified Investment Managers of Investment Manager searches and search criteria. Staff will report to the Board annually on the utilization of Ohio-qualified managers and efforts to increase utilization.

SERS will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women.

K. Collective Investment Funds

To the extent SERS' assets are invested in a group trust described in IRS Revenue Ruling 81-100, the instruments governing such trusts, as they may be amended from time to time, are hereby incorporated by reference and made part of the SIP as if fully set forth herein.

L. Approved Brokers

Brokers (or broker/dealers) who may provide execution of securities transactions for SERS will be evaluated on the basis of financial soundness, underwriting capabilities, research services, execution costs, and any other capabilities necessary in the execution of such transactions. Investment Managers which use such brokers will use their good faith judgment to ensure that said brokers will perform in the best interest of the Total Fund.

It is a goal of the Board to increase its utilization of Ohio-qualified brokers for the execution of domestic equity and domestic fixed income trades when an Ohio-qualified broker offers quality, services, and safety comparable to other brokers available to the Board or its Investment Managers, and the use of such broker is consistent with the Board's fiduciary duties.

SERS will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women.

M. Soft Dollars

SERS allows investment managers to enter into limited soft dollar trading arrangements as governed by the "safe harbor" provision of Section 28(e) of the Securities and Exchange Act of 1934, and guided by the CFA Institute Soft Dollar Standards. SERS does not support any new soft dollar arrangements outside of these noted provisions.

N. Securities Litigation

SERS will follow the securities litigation policy and procedures as approved by the Board in setting out a course of action that best represents the interests of SERS' participants and beneficiaries.

O. Other

The strategies listed herein are not meant to constrain the Chief Investment Officer from managing the Investment Program in a prudent manner. The Chief Investment Officer may develop additional investment strategies as needed and will discuss such additional strategies with the Board prior to implementation.

IX. Performance

A. Performance Measurement Standard

Performance evaluation for the Total Fund will focus on total return, on an accrual accounting basis, including realized and unrealized capital gains and losses, and income. Valuations are to be made at least on a quarterly basis, and period returns are to be geometrically linked. Private market asset returns may be reported one quarter in arrears. Cash and cash equivalents will be included in the portfolio's return. Performance will be calculated on a gross-of-fee and net-of-fee basis.

B. Performance Benchmark – Total Fund

Performance of the Total Fund relative to benchmarks will be examined monthly, and will be reported for multiple time periods as needed. The Board's Investment Consultant will calculate and report performance net-of-fees on a quarterly basis.

The performance benchmark for the Total Fund will be the target-weighted average of the performance benchmark for each asset class and strategy grouping as stated in Section VIII. A.

In the event of a significant change in policy targets, the Board may approve interim targets for a period to move progressively toward the final target; interim targets may be used for the purpose of calculating the Total Fund policy benchmark in the interim period.

C. Performance Benchmarks – Asset Classes and Strategies

The long-term performance benchmark for each asset class is shown below. Performance benchmarks are determined as appropriate for SERS in cooperation with SERS' Investment Consultant. For purposes of this section, long-term refers to rolling three- to five-year periods. Performance in each asset class should meet or exceed the Benchmark measure.

Asset Class	Benchmark Measure
Global Equities	50% Russell 3000 Index; 50% MSCI ACWI ex US Index (net dividends)
Global Private Equity	Burgiss All Private Equity benchmark (BAPE)(one quarter in arrears)
Global Fixed Income	Barclays Capital US Aggregate Bond Index
Global Real Assets	NCREIF Property Index (one quarter in arrears)
Cash Equivalents	Citigroup 30-day T-Bill Index

Strategy	Benchmark Measure
Multi-Asset Strategies	HFRI Fund of Funds Composite Index plus 1.0%
Opportunistic Investments	Total Fund Benchmark Return

D. Performance Benchmarks – Individual Investment Managers

Investment Staff will establish performance benchmarks for each Investment Manager based on its respective style.

X. Review and Evaluation

The Board will review and evaluate periodic reports on the investment performance of Total Fund assets. Greater emphasis will be placed on three- to five-year results. The intended frequency for review and evaluation, subject to change by the Board, is as follows:

A. Monthly – Investment Report including Total Fund market value, asset allocation, performance of the Total Fund and each asset class, and the Total Fund's compliance with this SIP.

B. Quarterly – Summary Investment Report presented by the Investment Consultant, including highlights and commentary about market conditions, investment performance, asset composition and characteristics for each asset class, and relevant manager level information.

XI. Related Policies and Procedures

A list of related policies and procedures that govern the investment program is attached as Appendix I.

This policy supersedes the policy adopted August 2, 1985 and all revised policies dated 05/01/2014; 01/01/2014; 07/01/2013; 1/19/12; 7/21/11; 7/01/10; 2/01/09; 8/01/08; 2/21/08; 10/01/07; 10/20/05; 9/15/00; 10/23/98; 6/19/98; 12/12/97; 7/25/97; 3/21/97; 12/20/96; 11/22/96; 6/21/96; 4/25/96; 9/15/95; 7/28/95; 6/16/95; 3/17/95; 1/20/95; 10/21/94; 5/20/94; 3/06/92; 4/07/89; 9/04/87; 1/09/87.

ACTUARIAL SECTION

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

November 18, 2015

Board of Trustees
School Employees Retirement System of Ohio
300 East Broad Street, Suite 100
Columbus, OH 43215-3746

Dear Board Members:

The basic financial objective of the School Employees Retirement System of Ohio (SERS) is to establish and receive contributions which, when expressed in terms of percents of active member payroll, will remain approximately level from generation to generation of members, and which, when combined with present assets and future investment returns, will be sufficient to meet the present and future financial obligations of SERS.

In order to measure progress toward this fundamental objective, SERS has an actuarial valuation performed each year. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the current cost and level percent of payroll amortization of the unfunded actuarial accrued liability over a reasonable period. The valuation performed as of June 30, 2015 indicates that a contribution rate of 13.02% of payroll for 122,855 school employees meets the basic financial objective.

The statutory employer contribution is 14% of pay. The funding policy establishes ranges of the funded ratio for basic benefits that restrict the allocation of employer contributions to the Health Care Fund. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability of promised benefits. The Board seeks to maintain a funded ratio of at least 90% for basic benefits. If the basic benefit funded ratio is less than 70%, the entire 14% of the employers' contribution shall be allocated to basic benefits. If the funded ratio is at least 70% but less than 80%, the minimum portion of the employers' contribution allocated to basic benefits is 13.50% of payroll, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is at least 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund basic benefits. The new funding policy will accelerate the speed at which SERS' basic benefits will achieve a funded ratio equal to 90%.

The funded ratio for basic benefits is 68.11%. Since the funded ratio is less than 70%, the entire statutory employer contribution will be allocated toward basic benefits.

The actuarial valuation of the pension benefits, the post-retirement death benefit, and the Medicare Part B reimbursement are based upon two factors. The first is financial and participant data as of the valuation date and the second is economic and demographic assumptions.

The valuation is based upon data concerning active, inactive and retiree members along with pertinent financial information. The data was furnished by the Executive Director and the SERS staff and has been certified by the System's auditor. While not verifying the data at the source, we performed tests for consistency and reasonableness.

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Board of Trustees
November 18, 2015
Page 2

Economic assumptions address future rates of investment return and inflation; and demographic assumptions relate to future rates of retirement, turnover, death and disability among SERS members and their beneficiaries. We review the data for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of SERS during the 2006-2010 fiscal years. Assets are valued according to a method that fully recognizes expected investment returns and averages unanticipated market return over a four-year period.

The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No.43. The assumptions and methods used for financial reporting purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs).

The financial condition of health care is different and is being significantly affected by the provisions of Act 290 of 1988 and Act 270 of 2001. Act 290 established a health care surcharge, a program to determine a minimum annual pay for use in calculating employer contribution dollars. Act 270 placed limits on the amount of health care surcharge that can be assessed to each employer and in total.

On the basis of projections of health care fund activity and the surcharge limit established by Act 270, the allocated contributions are insufficient in the long-term to provide for a 20-year solvency period for the health care fund. This result is based on the projected claims and premium contributions for the next twenty years, as is described in the Statement of Funding Policy adopted by the Board. Since total claims are projected to exceed total contributions in future years, it is currently anticipated that future fund amounts will be depleted in 2024.

The current benefit structure is outlined in the Plan summary. There were no changes in benefit structure for the June 30, 2015 valuation.

We provided information used in the schedules of Actuarial Accrued Liabilities, Active Member Valuation Data, Retirees and Beneficiaries Added To and Removed From Rolls, Analysis of Financial Experience, the Schedule of Funding Progress, and the Schedule of Employer Contributions in the Financial Section.

The main purpose of the Basic Benefits Valuation is to determine the System's funded status and the actuarially determined employer contribution rate as of June 30, 2015 necessary to satisfy the funding objectives of the Board. The Basic Benefit Valuation indicates the School Employees Retirement System of Ohio is expected to continue in sound condition in accordance with actuarial principles of level percent of payroll financing provided all actuarial assumptions for future experience are met. Should future adverse experience develop, SERS may find it necessary to seek benefit reductions and/or contribution rate increases from employers, members, or both. Upcoming detailed projection analyses will provide a more complete indication concerning the future actuarial condition of the System.

Sincerely,

Todd B. Green

Todd B. Green ASA, FCA, MAAA
Principal and Consulting Actuary

Alisa Bennett

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

John Garrett

John Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

PENSION

Summary of Actuarial Assumptions and Methods

The SERS Retirement Board adopted the following actuarial assumptions and methods April 20, 2011, on the recommendation of its actuary. These assumptions were based on an analysis of plan experience for the five-year period July 1, 2005 through June 30, 2010, and were adopted for use in the valuation as of June 30, 2011.

Funding Method Basic benefits are determined using the entry age normal actuarial cost method. Under this cost method, projected service retirement, termination, disability, and death benefits are determined for all active members. Cost factors, which are developed to produce level annual costs in each year from the age at hire (entry age) to the assumed retirement age, are applied to the projected benefits to determine the "normal cost." The normal cost is the portion of the total cost of the plan allocated to the current year. The normal cost for contribution refunds is assumed to end in the last year of the assumed eligibility, and is spread over all years of service.

The "actuarial accrued liability" for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for retirees currently receiving benefits, for active members beyond the assumed retirement age, and for inactive members entitled to future benefits, is equal to the present value of the benefits expected to be paid.

The dollar amount of the total actuarial accrued liability in excess of the value of the plan net assets is called the "unfunded actuarial accrued liability." Funding requirements under the entry age actuarial cost method are determined by adding the normal cost and the cost to amortize the unfunded liability.

Actuarial assumptions are used to determine the projected benefits and cost factors. The effect of differences between these assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These differences produce either actuarial gains or losses that result in an adjustment of the unfunded liability.

Funding Policy The Board adopted a new funding policy on June 18, 2015, effective with the June 30, 2015 valuation. The funding policy established ranges of the funded ratio for basic benefits that restrict the allocation of employer contributions to the Health Care Fund. The Board seeks to maintain a funded ratio of at least 90% for basic benefits. If the basic benefit funded ratio is less than 70%, the entire 14% of the employers' contributions shall be allocated to basic benefits. If the funded ratio is at least 70% but less than 80%, the minimum portion of the employers' contribution allocated to basic benefits is 13.50% of payroll; the remainder may be allocated to the Heath Care Fund at the Board's discretion. If the funded ratio is at least 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to basic benefits; the remainder may be allocated to the Health Care Fund at the Board's discretion. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund basic benefits.

Contributions During FY2015, active members and their employers were required to contribute 10% and 14%, respectively, of active member payroll. The Board allocates the employer contribution rate of 14% among basic benefits (pension, Medicare B, and death benefit) and health care in accordance with its funding policy. For the year ended June 30, 2015, the policy required the determination of a rate for basic benefits to cover normal cost and to amortize the unfunded actuarial accrued liabilities over a 27-year period.

Pension Trust Fund	12.39%
Death Benefit Fund	.05
Medicare B Fund	.74
Health Care Fund	.82
	14.00%

The Ohio Revised Code (ORC) also provides for an employer contribution surcharge as an additional source of funding for health care. The surcharge is equal to 14% of the difference between a minimum pay amount and the member's pay, if below that minimum, it is pro-rated for partial service credit. For FY2015, the minimum pay amount was established at $20,450. The employer surcharge cap is applied at 2.0% of each employer's payroll and at 1.5% of total payroll statewide.

Asset Valuation Method Differences between assumed and actual experience (actuarial gains and losses) become part of unfunded actuarial accrued liabilities. When these differences between assumed and actual experience have been observed to be sizeable and persistent, a change is made to the actuarial assumptions.

SERS' Board adopted a method of valuing investment assets that recognizes a "smoothed" market value of those assets. The smoothed value of assets recognizes the difference between actual and expected performance for each year in equal amounts over a four-year period.

Economic Assumptions The following economic assumptions were used in the actuarial valuation as of June 30, 2015:

- **Investment Return** Net after all SERS' expenses, the return on investments is compounded annually at 7.75%.
- **Inflation Rate** The inflation assumption is 3.25% per year. The real rate of return is the portion of total investment return, which is more than the inflation rate. Considering inflation recognition of 3.25%, the 7.75% investment return rate translates to an assumed real rate of return of 4.5%.
- **Benefit increases** Cost-of-living adjustments of 3.0% per year after retirement are assumed.
- **Payroll Growth** Salary increases attributable to payroll growth of 4.0% are projected and compounded annually. Additional projected salary increases ranging from 0.0% to 18.0% per year are attributable to seniority and merit. Pay increase assumptions for individual active members are shown for service durations in the table to the right:

Years of Service	Merit & Seniority	Salary Inflation	Total
0	18.00%	4.00%	22.00%
1	8.00	4.00	12.00
2	5.50	4.00	9.50
3	4.00	4.00	8.00
4	3.00	4.00	7.00
5	2.00	4.00	6.00
6	1.25	4.00	5.25
7	1.00	4.00	5.00
8	0.50	4.00	4.50
9	0.25	4.00	4.25
10-14	0.00	4.00	4.00
15 & over	0.00	4.00	4.00

Non-Economic Assumptions

- **Retirements** Representative values of the assumed annual rates of service retirement are:

Age	Male	Female
50	28.0%	25.0%
55	20.0	21.0
60	18.0	17.0
62	20.0	20.0
65	25.0	25.0
70	14.0	14.0
75	100.0	100.0

For members who are not eligible to retire prior to August 1, 2017, the assumed rates of retirement in the first year of eligibility for a normal retirement and upon completing 30 years of service are 28%. The assumed rates of early retirement for members who retire prior to August 1, 2017, are 14% for males and 13% for females aged 55 to 59 and 8.5% for males and 9.5% for females aged 60 to 64.

- **Death-in-Service and Disability Benefits** Separation from active service other than retirement or termination of employment assumed rates are:

	Death		Disability	
Age	Male	Female	Male	Female
30	0.020%	0.009%	0.068%	0.026%
40	0.027	0.018	0.210	0.100
50	0.065	0.036	0.410	0.260
60	0.199	0.111	0.550	0.400
70	0.593	0.343	0.550	0.400
74	0.851	0.510	0.550	0.400

- **Death after Retirement** For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table, set back one year for both men and women. Special mortality tables are used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.
- **Marriage Assumption** Based on prior experience, it is assumed that 80% of retirees are married, with the husband three years older than his wife.

Actuarial Accrued Liabilities

Accrued liabilities are the present value of plan promises to pay benefits in the future, based upon service already rendered. A liability has been established or accrued because the service has been performed, but the resulting monthly cash benefit may not be payable until years in the future. Accrued liabilities are the result of complex mathematical calculations performed by the plan's actuaries. The results of the computed actuarial accrued liabilities, using the entry age normal actuarial cost method, are disclosed in the following schedule.

ACTUARIAL ACCRUED LIABILITIES AS OF JUNE 30, 2015

Present value of:	Pension Benefits	Medicare B	Death Benefit	Total
Future benefits to present retirees and survivors	$ 10,495,182,385	$ 239,063,493	$ 26,534,305	$ 10,760,780,183
Benefits and refunds to present inactive members	551,298,891	12,520,785	1,205,485	565,025,161
Allowances to present active members				
Service	6,725,072,639	113,280,094	6,941,399	6,845,294,132
Disability	267,375,739	4,518,642	389,102	272,283,483
Survivor benefits	94,624,361	1,682,384	-	96,306,745
Withdrawal	(46,817,122)	10,284,099	124,280	(36,408,743)
Total Active AAL	7,040,255,617	129,765,219	7,454,781	7,177,475,617
Total AAL	$ 18,086,736,893	$ 381,349,497	$ 35,194,571	$ 18,503,280,961

Active Member Valuation Data

Actuarial Valuation as of June 30	Number of Active Members	Annual Payroll *(millions)*	Average Annual Salary	% Increase in Average Salary
2015	122,855	$2,845	$23,161	1.8%
2014	121,251	2,759	22,757	0.8
2013	121,642	2,747	22,581	(1.3)
2012	121,811	2,788	22,889	0.6
2011	125,337	2,852	22,758	0.9
2010	126,015	2,843	22,558	1.5

Pension Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls at end of year		Percent increase	Average
Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	in Annual Allowances	Annual Allowances
2015	4,909	$70,608,680	3,142	$8,777,486	74,372	$1,020,368,894	6.5%	$13,720
2014	4,144	61,331,002	2,310	1,060,903	72,605	958,537,700	6.7	13,202
2013	4,197	62,841,820	2,464	2,650,786	70,771	898,267,601	7.2	12,693
2012	4,137	61,519,329	2,320	1,353,680	69,038	838,076,567	7.7	12,139
2011	3,472	49,577,804	2,378	1,526,603	67,221	777,910,918	6.6	11,572
2010	2,694	37,351,889	2,324	1,331,166	66,127	729,859,717	5.2	11,037

Medicare B Retirees and Beneficiaries Added to and Removed from Rolls[(1)]

	Added to Rolls		Removed from Rolls		Rolls at end of year		Percent decrease	Average
Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	in Annual Allowances	Annual Allowances
2015	1,853	$1,011,738	2,532	$1,382,472	46,619	$25,453,974	(1.44)%	$546
2014	2,225	1,214,850	2,303	1,257,438	47,298	25,824,708	(0.16)	546
2013	2,569	1,402,674	2,824	1,541,904	47,376	25,867,296	(0.54)	546

[(1)] The effort and cost to re-create financial statement information for the previous three years was not practical. Additional years will be displayed as they become available.

Short-Term Solvency Test

SERS' financing objective is to pay for pension benefits through contributions that remain approximately level from year to year as a percent of member payroll.

If the contributions are level in concept and soundly executed, SERS will pay all promised benefits when due, which is the ultimate test of financial soundness. Testing for level contribution rates is the long-term test.

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the present assets (cash and investments) are compared with:

1. Active member contributions on deposit.
2. The liabilities for future benefits to present retired lives.
3. The liabilities for service already rendered by active members.

Under the level percent of payroll financing, liabilities for active member contributions on deposit and the liabilities for future benefits to present retirees and beneficiaries will be fully covered by present assets except in rare circumstances. In addition, liabilities for active member benefits earned or to be earned in the future will be partially covered by the remainder of present assets. Generally, if SERS has been using level cost financing, the funded portion of active member benefits will increase over time.

Solvency Test
($ in millions)

	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Asset		
Valuation as of June 30	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
PENSION							
2015	$2,979	$11,046	$4,062	$12,446	100%	86%	0%
2014	2,892	10,437	4,128	11,882	100	86	0
2013	2,860	9,796	4,196	10,988	100	83	0
2012	2,826	9,190	4,322	10,266	100	81	0
2011	2,749	8,525	4,636	10,378	100	90	0
2010	2,569	7,850	4,404	10,766	100	100	8
MEDICARE B							
2015	$ 0	$ 252	$ 130	$ 134	100%	53%	0%
2014	0	259	131	128	100	49	0
2013	0	255	132	119	100	47	0
2012	0	251	132	113	100	45	0
2011	0	245	138	116	100	47	0
2010	0	239	128	122	100	51	0
DEATH BENEFIT							
2015	$ 0	$ 28	$ 7	$ 21	100%	75%	0%
2014	0	27	8	21	100	76	0
2013	0	27	7	19	100	73	0
2012	0	26	8	18	100	70	0
2011	0	26	7	19	100	74	0
2010	0	25	7	21	100	84	0

Analysis of Financial Experience

Gains and Losses in Accrued Liabilities Resulting from Differences Between Assumed Experience and Actual Experience in the Pension, Medicare B, and Death Benefit Funds
($ in millions)

Type of Risk Area	2015				2014			
	Pension	Medicare B	Death Benefit	Total	Pension	Medicare B	Death Benefit	Total
Age and Service Retirements If members retire at older ages, there is a gain. If younger ages, a loss.	$(124.4)	$ 1.5	$(0.1)	**$(123.0)**	$(122.0)	$(0.5)	$(0.1)	**$(122.6)**
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	(52.4)	(0.6)	(0.1)	**(53.1)**	(55.3)	(0.6)	(0.1)	**(56.0)**
Death-In-Service Benefits If claims costs are less than assumed, there is a gain. If more claims, a loss.	0.0	0.0	0.0	**0.0**	0.1	0.0	0.0	**0.1**
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	53.3	0.0	0.0	**53.3**	103.4	0.0	0.0	**103.4**
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	60.6	1.3	0.2	**62.1**	398.0	4.5	0.8	**403.3**
Withdrawal If more liabilities are released by other separations from active membership than assumed, there is a gain. If smaller releases, a loss.	63.2	1.7	0.2	**65.1**	43.0	5.1	0.2	**48.3**
New Members Additional unfunded accrued liability will produce a loss.	(46.0)	(1.5)	(0.1)	**(47.7)**	(26.7)	(1.4)	(0.1)	**(28.2)**
Death after Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	39.0	16.9	(0.1)	**55.8**	2.5	0.5	0.1	**3.1**
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	(0.8)	0.4	0.3	**(0.2)**	(4.6)	2.3	0.2	**(2.1)**
Non-Recurring Items Adjustments for plan amendments, assumption changes, or method changes.	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Total Gain (Loss) During Year	$ (7.6)	$19.6	$ 0.3	**$ 12.3**	$ 338.4	$ 9.9	$ 1.0	**$349.3**

*Breakdowns by fund for prior years not available

ACTUARIAL SECTION

2013*	2012*	2011*	2010*
$(121.9)	$(154.8)	$ (59.2)	$ (40.6)
(53.6)	(47.7)	(28.1)	(23.4)
0.0	(0.2)	(0.7)	(0.5)
219.2	178.7	198.4	182.5
241.0	(692.0)	(1,082.9)	390.5
61.1	46.5	15.4	11.0
(35.1)	(29.8)	(36.4)	(38.1)
2.9	51.9	(1.0)	46.5
1.9	(6.2)	(10.0)	(29.6)
27.8	194.7	(436.2)	0.0
$ 343.3	$(458.9)	$(1,440.7)	$ 498.3

HEALTH CARE

Summary of Actuarial Assumptions and Methods

Governmental Accounting Standards Board (GASB) Statements 43 and 45 require actuarial valuations of retiree medical and other post-employment benefit plans.

Funding Method The medical and drug benefits of the plan are included in the actuarially calculated contribution rates, which are developed using the entry age normal actuarial cost method with the normal cost rate determined as a level percentage of payroll. GASB requires the discount rate used to value a plan to be based on the likely return of the assets held in trust to pay benefits. The discount rate used in this valuation is 5.25%.

Contributions Gains and losses are reflected in the unfunded accrued liability that is amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase 4.00% annually. The assumptions recommended by the actuary are, in the aggregate, reasonably related to the experience under the plan and to reasonable expectations of anticipated experience under the plan. They also meet the parameters for the disclosures under GASB 43 and 45.

Year Ended June 30	Annual Required Contribution (ARC) (a)	Employer Contribution (b)	Retiree Drug Subsidy (RDS) & Other Contribution (c)	Total Contribution (d) = (b) + (c)	Percentage of ARC Contributed (d) / (a)
2015	$164,182,107	$ 68,904,867	$ 20,084,826	$ 88,989,693	54.2%
2014	190,390,431	46,097,206	29,200,200	75,297,406	39.5
2013	171,402,038	45,489,443	0	45,489,443	26.5
2012	155,857,785	56,476,230	0	56,476,230	36.2
2011	169,146,052	86,908,283	0	86,908,283	51.4
2010	315,535,278	60,142,014	24,414,855	84,556,869	26.8

ACTUARIAL SECTION

Asset Valuation Method Fair Market Value

Economic Assumptions The following economic assumptions were used in the actuarial valuation as of June 30, 2015:

- **Investment Return** Net after all plan expenses, the return on investments is compounded annually at 5.25%.
- **Inflation Rate** The inflation assumption is 3.25% per year. The real rate of return is the portion of total investment return, which is more than the inflation rate. Considering inflation recognition of 3.25%, the 5.25% investment return rate translates to an assumed real rate of return of 2.00%.
- **Health Care Cost Trend Rates** Following is a chart detailing trend assumptions:

Calendar Year	Non-Medicare	Medicare
2015	7.50%	5.50%
2016	6.75	5.25
2017	6.25	5.00
2018	5.75	5.00
2019	5.25	5.00
2020 and beyond	5.00	5.00

Non-Economic Assumptions

- **Age-related morbidity** Per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims is assumed to be:

Participant Age	Annual increase Medical	Prescription
41 - 45	2.50%	1.25%
46 - 50	2.60	1.30
51 - 55	3.20	1.60
56 - 60	3.40	1.70
61 - 65	3.70	1.85
66 - 70	3.20	1.60
71 - 75	2.40	1.20
76 - 80	1.80	0.90
81 - 85	1.30	0.65

- **Anticipated Plan Participation** 50% of male retirees will choose spousal coverage, while only 40% of female retirees will choose spousal coverage.

Years of Service at Retirement*	Member Participation
10 - 14	25.00%
15 - 19	45.00
20 - 24	70.00
25 - 29	75.00
30 - 34	80.00
35 and over	90.00

*100% of disabled retirees are assumed to participate. 50% of members retiring from inactive status are assumed to participate.

Actuarial Accrued Liabilities

The results of the computed actuarial accrued liabilities, using the entry age normal actuarial cost method, are disclosed in the following schedule:

ACTUARIAL ACCRUED LIABILITIES AS OF JUNE 30, 2015	
Present value of benefits payable on account of present retired members and beneficiaries	$ 967,925,442
Present value of benefits payable on account of active members	2,298,498,203
Present value of benefits payable on account of deferred vested members	11,009,096
Total liabilities	$3,277,432,741

ACTUARIAL SECTION

ACTUARIAL SECTION

Analysis of Financial Experience

Gains and Losses in Accrued Liabilities Resulting from Differences Between Assumed Experience and Actual Experience in the Health Care Fund
($ in millions)

Type of Risk Area	2015	2014*
Age and Service Retirements If members retire at older ages, there is a gain. If younger ages, a loss.	$2.8	$2.7
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	2.6	3.8
Death-In-Service Benefits If claims costs are less than assumed, there is a gain. If more claims, a loss.	(0.7)	(1.5)
Claims Increases If there are smaller claims increases than assumed, there is a gain. If greater increases, a loss.	112.7	561.2
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(12.5)	29.2
Withdrawal If more liabilities are released by other separations from active membership than assumed, there is a gain. If smaller releases, a loss.	30.1	51.0
Contribution Shortfall If there are more contributions than the ARC, there is a gain. If less contributions, a loss.	(77.2)	(118.1)
New Members Additional unfunded accrued liability will produce a loss.	(18.2)	(31.4)
Death after Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	14.3	24.3
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	9.0	19.3
Non-Recurring Items Adjustments for plan amendments, assumption changes, or method changes.	0.0	(36.1)
Total Gain (Loss) During Year	$ 62.9	$504.4

*Information for prior years is not available

Health Care Solvency Test

($ in millions)

The following table provides the Health Care solvency test for SERS members:

	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
Valuation as of June 30	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Finance Portion)	Actuarial Value of Assets	(1)	(2)	(3)
2015	$0	$ 979	$1,446	$408	100.0%	41.7%	0.0%
2014	0	968	1,508	414	100.0	42.8	0.0
2013	0	1,157	1,761	379	100.0	32.8	0.0
2012	0	1,074	1,617	355	100.0	33.1	0.0
2011	0	897	1,513	356	100.0	39.7	0.0
2010	0	970	1,399	325	100.0	33.5	0.0

Health Care Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls*		Rolls at Year-End			
Year Ended	Number	Projected Benefits	Number	Projected Benefits	Number	Projected Benefits	% Increase in Projected Benefits	Average Projected Benefits
2015	2,329	$ 8,897,861	2,932	$ 4,682,901	44,107	$ 90,855,858	4.42%	$ 2,060
2014	2,251	8,658,731	2,873	4,834,922	44,710	87,007,272	(13.44)	1,946
2013	2,110	8,977,566	3,217	4,370,993	45,332	100,514,730	10.81	2,217
2012	2,073	9,280,779	3,785	5,391,796	46,439	90,708,513	11.49	1,953
2011	1,842	6,078,819	4,296	6,244,776	48,151	81,358,997	(7.63)	1,690
2010	1,779	5,931,864	3,039	6,978,743	50,605	88,077,033	n/a	1,740

* The benefits removed from rolls do not include subsidies that were changed due to premium changes, plan election changes or reductions due to members obtaining Medicare eligibility.

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STATISTICAL SECTION

Statistical Section

The objectives of the statistical section are to provide additional historical perspective, context, and relevant details to assist readers in using information in the financial statements, notes to the financial statements, and required supplementary information in order to understand and assess SERS' overall financial condition.

The schedules and graphs beginning on page 85 show financial trend information about the change in SERS' assets for the past 10 years. These schedules provide detailed information about the trends of key sources of asset additions and deductions, which assist in providing a context framing how SERS' financial position has changed over time. The financial trend schedules presented are:

- Net Position by Fund
- Changes in Net Position
- Benefit and Refund Deductions from Net Position by Type

The schedules beginning on page 92 show demographic and economic information. This information is designed to assist in understanding the environment in which SERS operates. The demographic and economic information and the operating information presented include:

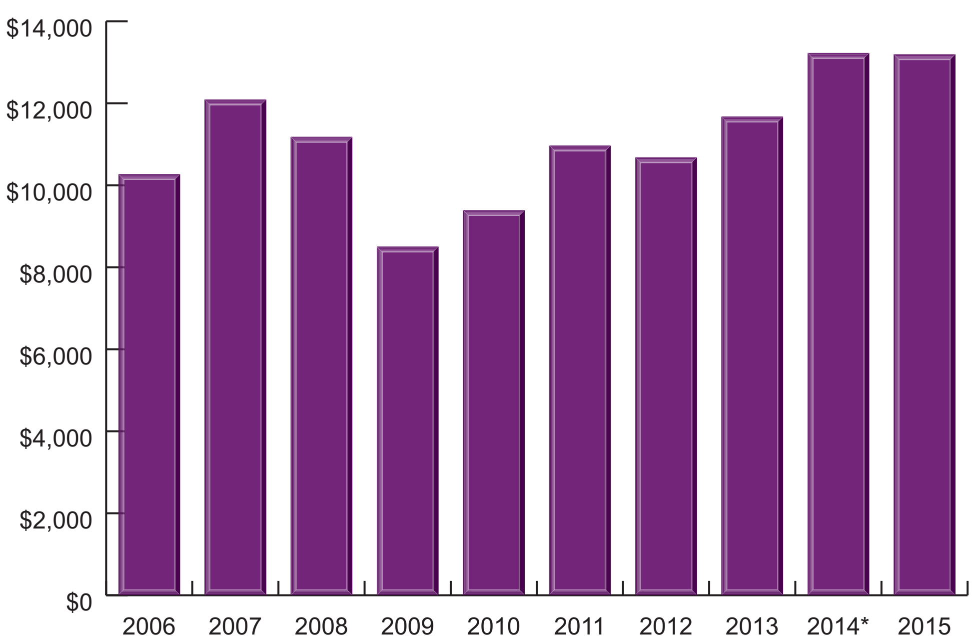
- Employee and Employer Contribution Rates
- Demographics of New Pension Benefit Recipients
- Demographics of Active and Retired Members used for valuation purposes
- Retired Members by Type of Benefit
- Retirees, Spouses, and Dependents Receiving Health Care Coverage
- Principal Participating Employers
- Average Benefit Payments

Net Position by Fund

Last 10 years

June 30	Pension Trust Fund	Medicare B Fund	Death Benefit Fund	QEBA Fund	Health Care Fund	Total Fund
2015	$ 12,638,892,425	$ 136,580,030	$ 21,711,575	$ 193,687	$ 408,363,598	$ 13,205,741,315
2014*	12,652,514,842	136,115,160	21,992,809	165,480	413,858,201	13,224,646,492
2013	11,160,574,582	120,363,782	19,543,665	144,750	379,181,026	11,679,807,805
2012	10,201,185,790	112,200,252	18,272,350	107,877	355,110,407	10,686,876,676
2011	10,483,076,014	116,849,347	19,249,940	102,596	355,705,744	10,974,983,641
2010	8,953,363,488	101,513,452	17,054,072	87,129	325,004,169	9,397,022,310
2009	8,024,889,206	93,243,651	15,974,467	74,585	376,459,222	8,510,641,131
2008	10,646,564,348	124,627,144	22,278,877	69,717	392,680,731	11,186,220,817
2007	11,546,062,014	139,902,535	25,270,739	4,899	386,355,370	12,097,595,557
2006	9,833,948,677	124,178,222	22,076,462	7,429	295,561,933	10,275,772,723

Total Net Position *($ in millions)*



* Net Position was restated due to the implementation of GASB 68 during FY2015.

STATISTICAL SECTION

Changes in Net Position

Last 10 fiscal years

ALL FUNDS COMBINED	2015	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 466,904,369	$ 451,402,553	$ 447,901,887	$ 456,375,083
Employee Contributions	303,866,076	295,690,550	292,958,056	296,974,146
Other Income	116,501,166	127,867,227	135,705,046	154,832,793
Total Investment Income (Loss), Net	452,598,520	1,939,269,151	1,329,495,903	(37,922,409)
TOTAL ADDITIONS	1,339,870,131	2,814,229,481	2,206,060,892	870,259,613
DEDUCTIONS				
Benefits	1,248,400,086	1,174,068,175	1,120,377,591	1,083,844,151
Refunds and Lump Sum Payments	60,635,651	55,668,466	48,979,203	47,920,393
Net Transfers to other Ohio Systems	28,139,159	7,535,690	22,301,557	4,976,841
Administrative Expenses	21,600,412	32,118,463	21,471,412	21,625,193
TOTAL DEDUCTIONS	1,358,775,308	1,269,390,794	1,213,129,763	1,158,366,578
Net increase (decrease)	(18,905,177)	1,544,838,687	992,931,129	(288,106,965)
Net Position held in trust:				
Beginning of Year	13,224,646,492	11,679,807,805	10,686,876,676	10,974,983,641
End of Year	**$ 13,205,741,315**	**$ 13,224,646,492**	**$ 11,679,807,805**	**$ 10,686,876,676**

PENSION TRUST FUND	2015	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 374,724,343	$ 382,098,970	$ 380,083,642	$ 376,816,938
Employee Contributions	303,866,076	295,690,550	292,958,056	296,974,146
Other Income	–	–	–	–
Total Investment Income (Loss), Net	435,966,343	1,864,902,017	1,277,940,348	(38,010,415)
TOTAL ADDITIONS	1,114,556,762	2,542,691,537	1,950,982,046	635,780,669
DEDUCTIONS				
Pension Benefits	1,020,154,456	957,757,668	901,072,882	845,683,445
Refunds and Lump Sum Payments	60,635,651	55,668,466	48,979,203	47,920,393
Net Transfers to other Ohio Systems	28,139,159	7,535,690	22,301,557	4,976,841
Administrative Expenses	19,249,913	29,789,453	19,239,612	19,090,214
TOTAL DEDUCTIONS	1,128,179,179	1,050,751,277	991,593,254	917,670,893
Net increase (decrease)	(13,622,417)	1,491,940,260	959,388,792	(281,890,224)
Net Position held in trust:				
Beginning of Year	12,652,514,842	11,160,574,582	10,201,185,790	10,483,076,014
End of Year	**$ 12,638,892,425**	**$ 12,652,514,842**	**$ 11,160,574,582**	**$ 10,201,185,790**

HEALTH CARE FUND	2015	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 68,904,867	$ 46,097,206	$ 45,489,443	$ 56,476,230
Other Income	116,501,166	127,867,227	135,705,046	154,832,793
Total Investment Income (Loss), Net	11,142,837	50,980,652	35,523,491	541,940
TOTAL ADDITIONS	196,548,870	224,945,085	216,717,980	211,850,963
DEDUCTIONS				
Health Care Expenses	199,750,908	187,994,468	190,468,991	209,965,344
Administrative Expenses	2,292,565	2,273,442	2,178,370	2,480,956
TOTAL DEDUCTIONS	202,043,473	190,267,910	192,647,361	212,446,300
Net increase (decrease)	(5,494,603)	34,677,175	24,070,619	(595,337)
Net Position held in trust:				
Beginning of Year	413,858,201	379,181,026	355,110,407	355,705,744
End of Year	**$ 408,363,598**	**$ 413,858,201**	**$ 379,181,026**	**$ 355,110,407**

* Net Position was restated due to the implementation of GASB 68 during FY2015.

2011	2010	2009	2008	2007	2006
$ 466,365,125	$ 462,322,570	$ 454,596,164	$ 437,173,397	$ 423,398,610	$ 413,911,081
303,114,258	301,649,643	295,788,567	284,910,486	276,759,362	272,615,865
122,232,090	96,449,404	97,284,347	94,660,706	91,823,048	70,831,797
1,789,850,651	1,087,495,208	(2,526,406,966)	(759,805,340)	1,939,132,666	1,127,421,565
2,681,562,124	1,947,916,825	(1,678,737,888)	56,939,249	2,731,113,686	1,884,780,308
1,033,791,708	999,045,882	938,903,072	904,979,999	853,416,366	824,582,171
42,223,739	37,159,685	34,213,067	38,907,918	33,638,741	31,037,063
6,394,075	5,085,923	3,224,094	4,723,303	2,873,755	3,587,708
21,191,271	20,244,156	20,501,565	19,702,769	19,361,990	18,905,218
1,103,600,793	1,061,535,646	996,841,798	968,313,989	909,290,852	878,112,160
1,577,961,331	886,381,179	(2,675,579,686)	(911,374,740)	1,821,822,834	1,006,668,148
9,397,022,310	8,510,641,131	11,186,220,817	12,097,595,557	10,275,772,723	9,269,104,575
$ 10,974,983,641	**$ 9,397,022,310**	**$ 8,510,641,131**	**$ 11,186,220,817**	**$ 12,097,595,557**	**$ 10,275,772,723**

2011	2010	2009	2008	2007	2006
$ 355,959,304	$ 378,201,685	$ 268,645,839	$ 259,394,723	$ 232,846,344	$ 234,875,166
303,114,258	301,649,643	295,788,567	284,910,486	276,759,362	272,615,865
–	–	–	–	–	610,054
1,722,754,363	1,042,542,982	(2,434,825,781)	(731,527,482)	1,863,226,769	1,080,786,996
2,381,827,925	1,722,394,310	(1,870,391,375)	(187,222,273)	2,372,832,475	1,588,888,081
784,875,283	734,080,237	696,152,597	650,991,508	606,753,367	569,027,766
42,223,739	37,159,685	34,213,067	38,907,918	33,638,741	31,037,063
6,394,075	5,085,923	3,224,094	4,723,303	2,873,755	3,587,709
18,622,302	17,594,183	17,694,009	17,652,664	17,453,275	17,416,737
852,115,399	793,920,028	751,283,767	712,275,393	660,719,138	621,069,275
1,529,712,526	928,474,282	(2,621,675,142)	(899,497,666)	1,712,113,337	967,818,806
8,953,363,488	8,024,889,206	10,646,564,348	11,546,062,014	9,833,948,677	8,866,129,871
$ 10,483,076,014	**$ 8,953,363,488**	**$ 8,024,889,206**	**$ 10,646,564,348**	**$ 11,546,062,014**	**$ 9,833,948,677**

2011	2010	2009	2008	2007	2006
$ 86,908,283	$ 60,142,014	$ 163,411,488	$ 158,393,761	$ 170,948,274	$ 157,404,134
122,232,090	96,449,404	97,284,347	94,660,706	91,823,048	70,152,335
45,247,242	31,472,744	(58,751,419)	(18,289,836)	49,307,490	30,524,217
254,387,615	188,064,162	201,944,416	234,764,631	312,078,812	258,080,686
221,167,270	236,915,618	215,409,645	226,436,827	219,438,662	228,570,748
2,518,770	2,603,597	2,756,280	2,002,443	1,846,713	1,430,160
223,686,040	239,519,215	218,165,925	228,439,270	221,285,375	230,000,908
30,701,575	(51,455,053)	(16,221,509)	6,325,361	90,793,437	28,079,778
325,004,169	376,459,222	392,680,731	386,355,370	295,561,933	267,482,155
$ 355,705,744	**$ 325,004,169**	**$ 376,459,222**	**$ 392,680,731**	**$ 386,355,370**	**$ 295,561,933**

Changes in Net Position (continued)

Last 10 fiscal years

MEDICARE B FUND	2015*	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 21,499,206	$ 21,517,805	$ 20,672,040	$ 21,450,368
Other Income	–	–	–	–
Total Investment Income (Loss), Net	4,716,932	20,040,557	13,702,584	(378,593)
TOTAL ADDITIONS	26,216,138	41,558,362	34,374,624	21,071,775
DEDUCTIONS				
Pension Benefits	25,743,861	25,800,345	26,204,777	25,715,070
Administrative Expenses	7,407	6,639	6,317	5,800
TOTAL DEDUCTIONS	25,751,268	25,806,984	26,211,094	25,720,870
Net increase (decrease)	464,870	15,751,378	8,163,530	(4,649,095)
Net Position held in trust:				
Beginning of Year	136,115,160	120,363,782	112,200,252	116,849,347
End of Year	**$136,580,030**	**$136,115,160**	**$120,363,782**	**$112,200,252**

DEATH BENEFIT FUND	2015*	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 1,455,553	$ 1,412,852	$ 1,398,442	$ 1,454,763
Other Income	–	–	–	–
Total Investment Income (Loss), Net	772,277	3,345,822	2,329,326	(75,490)
TOTAL ADDITIONS	2,227,830	4,758,674	3,727,768	1,379,273
DEDUCTIONS				
Death Benefits	2,460,907	2,262,136	2,410,943	2,309,922
Administrative Expenses	48,157	47,394	45,510	46,941
TOTAL DEDUCTIONS	2,509,064	2,309,530	2,456,453	2,356,863
Net increase (decrease)	(281,234)	2,449,144	1,271,315	(977,590)
Net Position held in trust:				
Beginning of Year	21,992,809	19,543,665	18,272,350	19,249,940
End of Year	**$21,711,575**	**$21,992,809**	**$19,543,665**	**$18,272,350**

QEBA FUND	2015*	2014*	2013	2012
ADDITIONS				
Employer Contributions	$ 320,400	$ 275,720	$ 258,320	$ 176,784
Other Income	–	–	–	–
Total Investment Income, Net	131	103	154	149
TOTAL ADDITIONS	320,531	275,823	258,474	176,933
DEDUCTIONS				
Pension Benefits	289,954	253,558	219,998	170,370
Administrative Expenses	2,370	1,535	1,603	1,282
TOTAL DEDUCTIONS	292,324	255,093	221,601	171,652
Net increase (decrease)	28,207	20,730	36,873	5,281
Net Position held in trust:				
Beginning of Year	165,480	144,750	107,877	102,596
End of Year	**$ 193,687**	**$ 165,480**	**$ 144,750**	**$ 107,877**

* Net Position was restated due to the implementation of GASB 68 during FY2015.

2011	2010	2009	2008	2007	2006
$ 22,172,922	$ 22,619,935	$21,688,294	$ 18,337,305	$ 18,450,617	$ 20,535,685
–	–	–	–	–	62,510
18,521,800	11,348,331	(27,612,707)	(8,388,671)	22,332,826	13,538,975
40,694,722	33,968,266	(5,924,413)	9,988,634	40,783,443	34,137,170
25,353,175	25,694,354	25,449,935	25,258,432	25,055,794	24,652,637
5,652	4,111	9,145	5,593	3,336	3,120
25,358,827	25,698,465	25,459,080	25,264,025	25,059,130	24,655,757
15,335,895	8,269,801	(31,383,493)	(15,275,391)	15,724,313	9,481,413
101,513,452	93,243,651	124,627,144	139,902,535	124,178,222	114,696,809
$116,849,347	**$101,513,452**	**$93,243,651**	**$124,627,144**	**$139,902,535**	**$124,178,222**

2011	2010	2009	2008	2007	2006
$ 1,166,996	$ 1,225,772	$ 734,970	$ 835,348	$ 1,070,630	$ 1,054,246
–	–	–	–	–	6,889
3,327,059	2,130,920	(5,218,168)	(1,600,480)	4,265,549	2,571,377
4,494,055	3,356,692	(4,483,198)	(765,132)	5,336,179	3,632,512
2,254,894	2,236,215	1,780,430	2,185,460	2,083,437	2,259,722
43,293	40,872	40,782	41,270	58,465	55,200
2,298,187	2,277,087	1,821,212	2,226,730	2,141,902	2,314,922
2,195,868	1,079,605	(6,304,410)	(2,991,862)	3,194,277	1,317,590
17,054,072	15,974,467	22,278,877	25,270,739	22,076,462	20,758,872
$19,249,940	**$17,054,072**	**$15,974,467**	**$22,278,877**	**$25,270,739**	**$22,076,462**

2011	2010	2009	2008	2007	2006
$ 157,620	$133,164	$115,573	$172,260	$ 82,745	$ 41,850
–	–	–	–	–	–
187	231	1,109	1,129	32	9
157,807	133,395	116,682	173,389	82,777	41,859
141,086	119,458	110,465	107,772	85,106	71,298
1,254	1,393	1,349	799	201	–
142,340	120,851	111,814	108,571	85,307	71,298
15,467	12,544	4,868	64,818	(2,530)	(29,439)
87,129	74,585	69,717	4,899	7,429	36,868
$ 102,596	**$ 87,129**	**$ 74,585**	**$ 69,717**	**$ 4,899**	**$ 7,429**

Benefit and Refund Deductions from Net Position by Type

Last 10 fiscal years

PENSION BENEFITS	2015	2014	2013	2012
Service Retirement	$ 891,831,626	$ 834,865,512	$ 781,736,903	$ 731,236,350
Disability Retirement	91,265,121	87,804,462	85,514,086	81,219,934
Survivor Benefits	37,057,709	35,087,694	33,821,893	33,227,161
Total Pension Benefits	$1,020,154,456	$ 957,757,668	$ 901,072,882	$ 845,683,445
Refunds				
Separation	$ 59,875,564	$ 55,018,577	$ 48,392,410	$ 47,272,246
Beneficiaries	760,087	649,889	586,793	648,147
Total Refunds	$ 60,635,651	$ 55,668,466	$ 48,979,203	$ 47,920,393

MEDICARE B REIMBURSEMENT	2015	2014	2013	2012
Service Retirement	$ 23,105,680	$ 23,099,058	$ 23,460,682	$ 23,006,643
Disability Retirement	1,428,700	1,436,026	1,425,456	1,405,443
Survivor Benefits	1,209,481	1,265,261	1,318,639	1,302,984
Total Medicare B Reimbursement	$ 25,743,861	$ 25,800,345	$ 26,204,777	$ 25,715,070

DEATH BENEFITS	2015	2014	2013	2012
Service	$ 2,256,060	$ 2,052,993	$ 2,197,804	$ 2,101,093
Disability	204,847	209,143	213,139	208,829
Total Death Benefits	$ 2,460,907	$ 2,262,136	$ 2,410,943	$ 2,309,922

HEALTH CARE EXPENSES	2015	2014	2013	2012
Medical	$ 117,389,938	$ 109,622,130	$ 110,990,977	$ 112,808,198
Prescription	80,843,448	76,945,975	78,135,361	94,731,407
Other	1,517,522	1,426,363	1,342,653	2,415,739
Total Health Care Expenses	$ 199,750,908	$ 187,994,468	$ 190,468,991	$ 209,965,344

2011	2010	2009	2008	2007	2006
$ 675,549,301	$ 629,474,136	$ 595,262,076	$ 554,521,059	$ 514,824,466	$ 481,929,589
77,524,938	74,632,571	72,571,590	69,632,988	66,278,496	62,669,473
31,801,044	29,973,530	28,318,931	26,837,461	25,650,405	24,428,704
$ 784,875,283	$ 734,080,237	$ 696,152,597	$ 650,991,508	$ 606,753,367	$ 569,027,766
$ 41,753,113	$ 36,344,287	$ 33,499,028	$ 38,147,667	$ 33,316,422	$ 29,065,065
470,626	815,398	714,039	760,251	322,319	1,971,998
$ 42,223,739	$ 37,159,685	$ 34,213,067	$ 38,907,918	$ 33,638,741	$ 31,037,063

2011	2010	2009	2008	2007	2006
$ 22,677,282	$ 23,024,413	$ 22,790,277	$ 22,542,191	$ 22,350,668	$ 22,007,666
1,373,592	1,364,728	1,340,431	1,334,470	1,317,953	1,278,217
1,302,301	1,305,213	1,319,227	1,381,771	1,387,173	1,366,754
$ 25,353,175	$ 25,694,354	$ 25,449,935	$ 25,258,432	$ 25,055,794	$ 24,652,637

2011	2010	2009	2008	2007	2006
$ 2,040,327	$ 1,969,489	$1,538,800	$ 1,965,949	$ 1,880,256	$ 2,062,198
214,567	266,726	241,630	219,511	203,181	197,524
$ 2,254,894	$ 2,236,215	$1,780,430	$ 2,185,460	$ 2,083,437	$ 2,259,722

2011	2010	2009	2008	2007	2006
$ 119,184,041	$ 120,931,746	$ 112,696,150	$ 129,186,181	$ 128,160,112	$ 131,562,641
100,474,453	113,971,467	99,283,588	95,603,763	89,957,159	95,589,547
1,508,776	2,012,405	3,429,907	1,646,883	1,321,391	1,418,560
$ 221,167,270	$ 236,915,618	$ 215,409,645	$ 226,436,827	$ 219,438,662	$ 228,570,748

STATISTICAL SECTION

Employee and Employer Contribution Rates

Last 10 fiscal years

Fiscal Year	Employee Rate	Employer Rate				
		Pension	Medicare B	Death Benefit	Health Care	Total
2015	10%	12.39%	0.74%	0.05%	0.82%	14%
2014	10	13.05	0.76	0.05	0.14	14
2013	10	13.05	0.74	0.05	0.16	14
2012	10	12.65	0.75	0.05	0.55	14
2011	10	11.77	0.76	0.04	1.43	14
2010	10	12.74	0.76	0.04	0.46	14
2009	10	9.06	0.75	0.03	4.16	14
2008	10	9.13	0.66	0.03	4.18	14
2007	10	9.96	0.68	0.04	3.32	14
2006	10	9.76	0.78	0.04	3.42	14

Demographics of New Pension Benefit Recipients

Last 10 fiscal years

Average Service Benefit

Year Ended June 30	Service Credit	Monthly Amount	Age	Final Average Salary
2015	21.6	$ 1,254	63.2	$ 32,263
2014	21.7	1,228	63.4	31,617
2013	21.7	1,236	63.2	31,558
2012	22.9	1,246	63.6	31,600
2011	22.7	1,203	63.4	30,579
2010	23.5	1,159	64.0	29,644
2009	21.9	1,098	62.6	28,211
2008	22.2	1,095	62.5	27,815
2007	22.1	1,109	62.6	27,827
2006	22.3	1,041	63.0	26,007

Average Disability Benefit

Year Ended June 30	Service Credit	Monthly Amount	Age	Final Average Salary
2015	15.9	$ 1,291	54.1	$ 31,091
2014	15.8	1,250	54.5	29,965
2013	16.1	1,254	54.0	29,484
2012	16.0	1,249	54.9	29,071
2011	15.4	1,272	55.7	29,417
2010	18.0	1,258	55.4	29,055
2009	16.0	1,306	53.0	29,074
2008	15.0	1,269	53.0	28,538
2007	16.0	1,239	53.0	27,097
2006	16.0	1,252	53.0	27,093

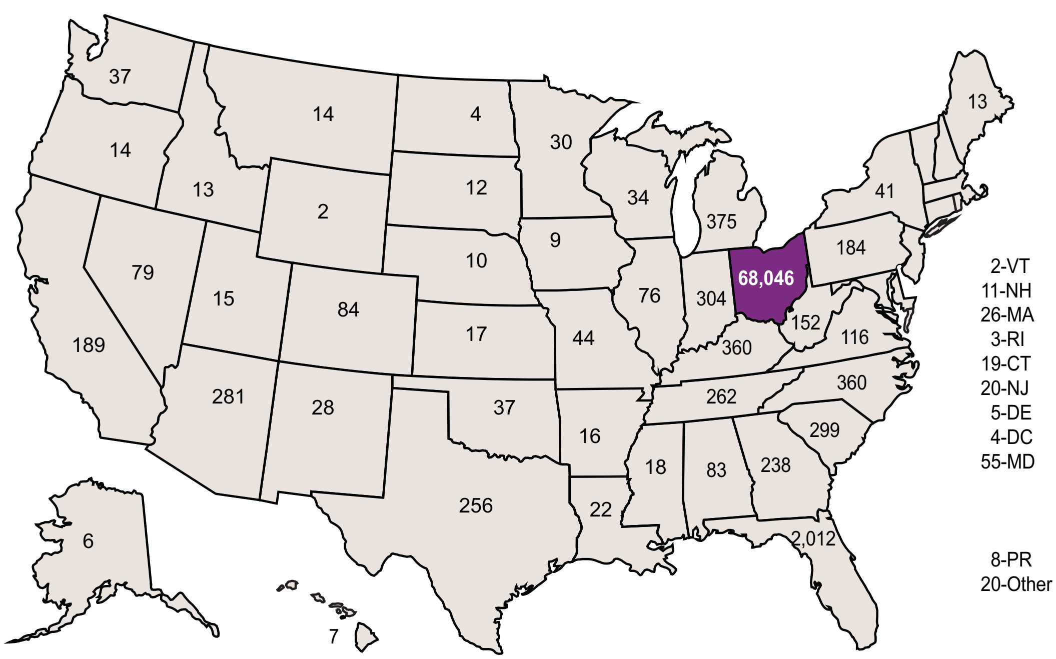
Demographics of Active and Retired Members used for Valuation Purposes

Fiscal Year 2015

	Active Members*			Percentage of Distribution		
	Male	Female	Total	Male	Female	Total
Under 20	460	354	814	0%	0%	0%
20 to 29	5,816	6,814	12,630	5	5	10
30 to 39	6,089	10,486	16,575	5	8	13
40 to 49	8,074	21,575	29,649	7	18	25
50 to 54	4,962	15,789	20,751	4	13	17
55 to 59	5,036	15,865	20,901	4	14	18
60 to 64	3,969	9,665	13,634	3	8	11
65 to 69	1,826	3,644	5,470	1	3	4
70 and over	952	1,479	2,431	1	1	2
	37,184	85,671	122,855	30%	70%	100%

	Retired Members and Beneficiaries*			Percentage of Distribution		
	Male	Female	Total	Male	Female	Total
Under 55	802	981	1,783	1%	1%	2%
55 to 59	1,362	1,976	3,338	2	3	5
60 to 64	2,537	6,236	8,773	4	8	12
65 to 69	3,738	10,325	14,063	5	14	19
70 to 74	3,512	9,823	13,335	5	13	18
75 to 79	3,117	9,061	12,178	4	12	16
80 to 84	2,367	7,253	9,620	3	10	13
85 to 89	1,564	5,342	6,906	2	7	9
90 to 94	643	2,768	3,411	1	4	5
95 to 99	130	723	853	0	1	1
100 and over	11	101	112	0	0	0
	19,783	54,589	74,372	27%	73%	100%

Retired Members and Beneficiaries by State*



* Does not include 29,267 members with less than .25 years of service and 11,616 reemployed retirees.

Retired Members by Type of Benefit

Amount of Monthly Benefit	Total	Service	Disability	Survivor
$ 1 - $ 250	10,863	9,875	71	917
251 - 500	11,506	9,778	514	1,214
501 - 750	10,685	9,033	772	880
751 - 1,000	8,742	7,316	882	544
1,001 - 1,500	12,554	10,725	1,362	467
1,501 - 2,000	7,471	6,401	889	181
over 2,000	12,047	10,813	1,048	186
	73,868	63,941	5,538	4,389
Average Monthly Benefit		$1,162	$1,371	$688
Average Age		74.2	65.1	71.7

Retirees, Spouses, and Dependents Receiving Health Care Coverage

Attained Age	Number of Males	Number of Females	Total Number
Under 30	197	191	388
30 - 39	6	9	15
40 - 49	43	57	100
50 - 59	941	1,142	2,083
60 - 64	1,200	2,184	3,384
65 - 69	1,791	4,651	6,442
70 - 74	2,270	5,481	7,751
75 - 79	2,555	5,764	8,319
80 - 84	2,045	4,704	6,749
85 - 89	1,307	3,864	5,171
90 - 94	572	2,259	2,831
95 - 99	112	650	762
100 and over	10	102	112
	13,049	31,058	44,107

Principal Participating Employers

Current fiscal year and nine fiscal years ago

	Fiscal Year 2015			Fiscal Year 2006		
	Covered Employee Members	Rank	Percentage of Total System	Covered Employee Members	Rank	Percentage of Total System
Participating Employer's Name						
Columbus City Schools	3,532	1	2.87%	4,332	1	3.52%
Cleveland Metropolitan School District	2,749	2	2.24	3,524	2	2.86
Cincinnati Public Schools	2,711	3	2.21	3,491	3	2.83
University Of Akron	2,224	4	1.81	2,753	4	2.23
Toledo City Schools	1,595	5	1.30	2,052	5	1.66
Akron Public Schools	1,530	6	1.25	2,051	6	1.66
South-Western City Schools	1,178	7	0.96	1,639	8	1.33
Educational Service Center Council of Governments	1,177	8	0.96	-	-	-
Dayton City Schools	1,158	9	0.94	1,908	7	1.55
Parma City Schools	1,036	10	0.84	1,189	10	0.97
Lakota Local Schools	-	-	-	1,272	9	1.03
All Other	103,965		84.62	99,055		80.36
Total	122,855		100.00%	123,266		100.00%

In FY2015 "All Other" consisted of:

	Covered Employee Members	Number of Employers
Local School Districts	38,313	373
City School Districts	43,216	183
Educational Service Centers	6,739	53
Exempted Village Districts	5,328	49
Higher Education	3,170	14
Vocational/Technical Schools	2,899	49
Community Schools	3,649	332
Other	651	18

Average Benefit Payments - New Retirees (Service only)

Last 10 fiscal years

Retirement Effective Dates	Years of Credited Service 5-9	10-14	15-19	20-24	25-29	30 +
Period 7/1/14 to 6/30/15						
Average Monthly Benefit	$ 247	$ 511	$ 804	$ 1,123	$ 1,459	$ 2,404
Monthly Final Average Salary	1,587	2,157	2,479	2,675	2,875	3,576
Number of Retirees	515	636	535	505	764	994
Period 7/1/13 to 6/30/14						
Average Monthly Benefit	$ 239	$ 506	$ 756	$ 1,053	$ 1,390	$ 2,391
Monthly Final Average Salary	1,554	2,130	2,357	2,511	2,785	3,586
Number of Retirees	468	622	489	527	736	957
Period 7/1/12 to 6/30/13						
Average Monthly Benefit	$ 227	$ 483	$ 732	$ 1,086	$ 1,403	$ 2,815
Monthly Final Average Salary	1,540	2,069	2,270	2,585	2,830	3,224
Number of Retirees	483	639	437	538	744	965
Period 7/1/11 to 6/30/12						
Average Monthly Benefit	$ 237	$ 475	$ 759	$ 1,066	$ 1,376	$ 2,439
Monthly Final Average Salary	1,555	2,029	2,342	2,548	2,863	3,136
Number of Retirees	468	557	478	498	643	1,089
Period 7/1/10 to 6/30/11						
Average Monthly Benefit	$ 211	$ 456	$ 706	$ 1,018	$ 1,354	$ 2,490
Monthly Final Average Salary	1,462	1,998	2,168	2,455	2,782	3,255
Number of Retirees	493	473	315	375	540	901
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	$ 196	$ 427	$ 680	$ 993	$ 1,283	$ 2,216
Monthly Final Average Salary	1,343	1,848	2,105	2,422	2,681	2,906
Number of Retirees	393	349	275	315	346	725
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	$ 204	$ 419	$ 681	$ 938	$ 1,250	$ 2,178
Monthly Final Average Salary	1,402	1,802	2,115	2,264	2,504	2,765
Number of Retirees	364	341	379	492	528	732
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	$ 209	$ 373	$ 635	$ 969	$ 1,219	$ 2,122
Monthly Final Average Salary	1,434	1,648	1,989	2,327	2,426	2,803
Number of Retirees	356	350	424	530	657	811
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	$ 202	$ 415	$ 632	$ 938	$ 1,232	$ 2,082
Monthly Final Average Salary	1,382	1,751	1,959	2,260	2,449	3,121
Number of Retirees	344	312	364	417	578	722
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	$ 188	$ 368	$ 629	$ 849	$ 1,138	$ 1,947
Monthly Final Average Salary	1,328	1,569	1,895	2,070	2,267	2,905
Number of Retirees	288	318	328	403	403	675

PLAN SUMMARY

Plan Summary

Established by state law in 1937, SERS is a statewide defined benefit plan that provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public, vocational, technical, and community schools; community colleges; and the University of Akron.

The Retirement Board is responsible for the general administration and management of the Retirement System. The Board comprises nine members: four elected employee members: two elected retiree members; and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and President of the Senate of the General Assembly.

The day-to-day operations are administered by a professional staff led by the Executive Director.

The plan summary in effect at June 30, 2015, is described below. A pension reform bill was signed on September 26, 2012, with most provisions becoming effective January 7, 2013. The bill increased the current age and service credit requirements for retirement eligibility for members retiring on or after August 1, 2017.

COVERED EMPLOYEES

All non-teaching employees of Ohio's public, vocational, technical, and community schools; community colleges; and the University of Akron are required to be members unless their position permits exemption from membership, optional membership, or the position is excluded from membership.

Compulsory or Mandatory Coverage

Compulsory coverage is required for any employee who:

- Is employed in a position for which the person is not required to have a certificate or license issued pursuant to sections 3319.22 to 3319.31 of the Revised Code; or
- Performs a service common to the normal daily operation of an educational unit even though the person is employed and paid by one who has contracted with the school to perform the service.

Exemption from Coverage

The following individuals may choose exemption from coverage by filing a written application with the employer within the first month after being employed:

- A student who is not a member at the time of the student's employment and who is employed by the school, college, or university in which the student is enrolled and regularly attending classes;
- An emergency employee serving on a temporary basis in case of fire, snow, earthquake, flood, or other similar emergency; or
- An individual employed in a program established under the Federal Job Training Partnership Act.

Optional Coverage

A school or governing board member may choose to become a member by making application within thirty (30) days of taking office. A school board member is a member of a city, local, exempted village, or joint vocational school district board of education, and a governing board member is a member of an educational service center governing board.

Exclusion from Coverage

The following employees are excluded from SERS coverage:

- Any person having a license issued by the Ohio Department of Education (ODE) and employed in a public school in this state in an educational position, as determined by the ODE, under programs under federal law and financed in whole or in part from federal funds, but for which no licensure requirements for the position can be made under the provisions of such federal law;
- Any person who participates in an alternative retirement plan (ARP) established by a college or university; and
- University of Akron police officers who are covered by the Ohio Public Employees Retirement System (OPERS).

CONTRIBUTIONS

The employee and employer are required to contribute a percentage of the employee's compensation to SERS to fund the benefits available. Employees contribute 10% of their gross compensation. Employers contribute 14% of the employee's compensation. Members are entitled to a return of their contributions if they meet eligibility requirements, either in the form of monthly benefits, or a single lump-sum payment after termination of employment.

SERVICE CREDIT

The amount of a member's service credit determines:

- Eligibility for retirement or disability benefits
- The amount of a benefit
- Eligibility for health care coverage and the amount of the health care premium

It also determines the eligibility of a member's dependents for survivor benefits, the amount of benefits, and availability of health care coverage.

Service credit is accrued through contributions during school employment, for other periods at no cost, and for other service that may be purchased.

Contributing Service Credit

One year of service credit is granted upon completion of 120 or more days of paid school employment within a fiscal year (July 1 through the following June 30). Any portion of a day constitutes one full day. If service is less than 120 days, a fractional amount of service credit is prorated on the basis of a 180-day school year.

Free Service Credit

Additional service credit up to three years is available at no cost for periods a member received Workers' Compensation. In addition, certain periods of military service may be available at no cost.

Purchased Service Credit

The following additional service credit may be available for purchase:

- Previously refunded SERS service credit
- Employer authorized unpaid leaves of absence
- Any service after July 1, 1991, in a position for which SERS membership was compulsory, but for which a member was permitted to, and did, sign an exemption from membership form
- Any service before July 1, 1991, in a position for which SERS membership was optional, and a member did not choose to become a member
- Up to five years of service with public or private school, college, or university in another state, or operated by the federal government, which has been chartered or accredited by the proper government agency if the service in a comparable position in Ohio would have been covered by an Ohio state retirement system, or an Ohio municipal retirement system except the Cincinnati Retirement System
- Periods of military service
- Up to two years for periods when the member was required to resign because of pregnancy or adoption of a child
- School board member service prior to July 1, 1991
- Cincinnati Retirement System covered service
- Service covered by the Ohio Police & Fire Pension Fund or Ohio Highway Patrol Retirement System if not being used in a benefit under those systems

Other Ohio State Retirement System Service Credit

If a member has been employed in a job covered by the State Teachers Retirement System of Ohio (STRS) or the Ohio Public Employees Retirement System (OPERS) as well as in a job covered by SERS, at retirement the member may receive a retirement benefit independently from each of the systems if eligible, or may combine the service credit and accounts in all the systems to receive one benefit. The system with the greatest service credit will be the system that will calculate and pay the benefit. While the salaries in one year will be added together, if the member has service credit in each system for the same year, the member cannot be credited with more than one year of service credit for each 12 months in a year.

Early Retirement Incentive Program

An employer may establish an Early Retirement Incentive program (ERI), which would allow employees 57 years old to retire early. Under an ERI, an employer may purchase up to five years of service credit for its eligible employees. If an employer has an ERI, it notifies all eligible employees of the plan and its requirements.

AGE AND SERVICE RETIREMENT

Eligibility

A member who retires prior to August 1, 2017, from SERS may retire under the following age and service credit guidelines:

- Five (5) years of service credit and is at least 60 years old
- 25 years of service credit and is at least 55 years old
- 30 years of service credit irrespective of age

A member who becomes eligible for retirement after August 1, 2017, and who will not have at least 25 years of service credit as of August 1, 2017, may retire under the following age and service credit guidelines:

- 10 years of service credit and is at least 62 years old
- 25 years of service credit and is at least 60 years old
- 30 years of service credit and is at least 57 years old

Calculating a Benefit

The calculation of a benefit is determined using the member’s salary, service credit, and age.

The **salary** used is the Final Average Salary (FAS) which is the average of the three (3) highest years of salary. If a member has more than one covered job, the salaries will be combined.

The **service credit** used is the total service credit at the time of retirement.

The **age** used to calculate a benefit is the member’s actual age at the time of retirement.

The formula used in calculating a benefit is as follows:

1. The value of a year of service credit is determined by multiplying the member’s FAS by 2.2%, and by 2.5% for each year above 30 years of service credit. If the result is less than $86.00, then $86.00 is the value of each year.
2. The number of years of service credit is then multiplied by this value of each year. The result is the annual retirement benefit for a member with 30 years of credit or who is age 65 at the time of retirement.
3. If the member is under 65 or has less than 30 years of credit at the time of retirement, the annual benefit is reduced to cover a longer period of retirement.

Payment Plans

At retirement, a member must choose a payment plan. There are two categories of plans. One category pays a monthly benefit for the retiree's life with no further payments after the retiree's death; this is Plan B, a single life allowance. The other category pays a monthly benefit to the retiree for life, and after death, provides a continuing benefit to a designated beneficiary. The plans in this category are Plan A, C, D (Joint Life plans), E (Limited Life plan), and F (Multiple Beneficiaries plan). Choosing one of these plans will result in a reduced monthly benefit to the retiree depending on the retiree's age, the beneficiary's age, and the plan chosen.

Partial Lump Sum Option Payment

In addition to selecting a payment plan, a member may take part of a benefit in a one-time partial lump sum option payment (PLOP), which will permanently reduce the lifetime monthly benefit.

Reemployment

A retiree may be reemployed after retirement. A job in the private sector does not affect the retiree's benefit.

However, if the job is in a position covered by SERS, the State Teachers Retirement System of Ohio, the Ohio Public Employees Retirement System, the Ohio Police & Fire Pension Fund, or the Ohio Highway Patrol Retirement System, SERS must be notified. If the retiree returns to work in a job covered by any of these systems before the retiree has received a SERS benefit for two months, the retiree forfeits the benefit payment for each of the two months in which the retiree worked.

If the retiree returns to a SERS-covered position, then employee and employer contributions are required for the new position. The retiree accrues a new benefit in the form of an annuity based on the contributions paid by the retiree and the employer. This is separate from the original SERS benefit. There are no other benefits available, and the retiree does not accrue any additional service credit for the period of reemployment.

DISABILITY BENEFITS

A member is entitled to a benefit under one of two disability plans. A member who became a member on or after July 29, 1992, is covered under the **new disability plan**. A member who became a member before July 29, 1992, is covered by the **old disability plan** unless they exercised a one-time election to switch to the new plan.

The following describes the common and different features of both plans.

Eligibility

Under both plans, a member is eligible for disability benefits if the member:

- Has at least five (5) years of total service credit;
- Files an application no later than two (2) years from the date that the contributing service stopped;
- Is permanently disabled, either physically or mentally, for work in a SERS-covered position as determined by a physician appointed by SERS;
- Became disabled after becoming a SERS member;
- Did not receive a refund of the member's contributions;
- Does not receive a service retirement benefit.
- Is not applying for a disability benefit based on a disabling condition that resulted from a felony the member was convicted of, pled guilty to, or was found not guilty of by reason of insanity.

Under the old disability plan, a member also must apply before turning 60 years old. Under the new disability plan a member may apply at any age.

All disability recipients are required to apply for Social Security disability benefits, if eligible.

Benefit Payment

Old Disability Plan

Under the old disability plan, an annual benefit is calculated by the following formula using total service credit and Final Average Salary (FAS):

1. The value of a year of service credit is determined by multiplying the member's FAS by 2.2%. If the result is less than $86.00, then $86.00 is the value of each year.
2. The number of years of service credit is then multiplied by this value of each year.

Service credit includes all service credit the member has at the time of the benefit effective date plus the number of years between the member's current age and age 60. The benefit cannot be less than 30% of FAS or more than 75%.

New Disability Plan

Under the new disability plan, the amount of an annual benefit is the greater of 45% of FAS, or total service credit at the time of the application multiplied by 2.2% of FAS. The following chart shows the approximate applicable percentage amounts under this plan:

Total Service Credit	Percentage of the Member's FAS
5-21 years	45.0%
22	48.4
23	50.6
24	52.8
25	55.0
26	57.2
27	59.4
28 or more years	60.0

Termination of Benefits

Under the **new disability plan**, benefits also will end after a specified number of months as shown:

Age at Effective Date	Period Benefits Payable
Younger than 60	Until age 65
60 or 61	60 months
62 or 63	48 months
64 or 65	36 months
66, 67, or 68	24 months
69 or older	12 months

At the end of the period, the member can apply for a service retirement benefit.

A disability benefit under either plan stops if any one of the following events occurs:

- A subsequent SERS medical re-examination finds that the member is no longer disabled from their SERS-covered position
- After 3 or 5 years, if receiving rehabilitation or treatment, a re-examination finds the member is capable of performing other job duties with pay at or above 75% of his or her annual compensation, for which he or she is qualified, and can reasonably be found.
- The member returns to a SERS-covered job
- The member's death
- The member requests that benefits end

DEATH BENEFIT

At death after retirement or receipt of a disability benefit, the retiree's beneficiary or disability benefit recipient's beneficiary is entitled to a one-time lump sum payment of $1,000.

SURVIVOR BENEFITS

Eligibility

If a member dies while working, before the member begins receiving a monthly service retirement benefit, or while receiving a disability benefit, the member's qualified survivors are entitled to certain benefits.

A beneficiary qualifies for benefits in the following order:

1. Person designated in writing by the member on a form provided by SERS
2. If there is no designated beneficiary or the beneficiary died before the member, the statutory order of beneficiaries applies

The statutory order of succession is as follows, the member's:

1. Surviving spouse
2. Surviving children
3. Dependent parent who is age 65 or older
4. Surviving parents
5. Estate

The first qualifying beneficiary is entitled to a one-time, lump-sum payment of only the member's employee contributions to SERS, or monthly benefits if otherwise eligible. However, if the member is survived by children under age 19, only a monthly benefit is available to the qualifying survivors.

Monthly benefit payments are available if the member:

1. Had at least one and one-half (1½) years of contributing service credit;
2. Had at least one-quarter (¼) year of Ohio service credit earned within two and one-half (2½) years prior to death;
3. Was not receiving a service retirement benefit

The following survivors are eligible for monthly benefits:

1. Surviving spouse at age 62
2. Surviving spouse at any age if the member had 10 or more years of service credit; or if there are qualified children; or has been declared mentally or physically incompetent by a court
3. Children who have never married, are under 19, or have been declared mentally or physically incompetent by a court
4. Dependent parent age 65 or older

Benefit Payments

The amount of the monthly benefit is determined under one of the following schedules, whichever pays the greater benefit:

	SCHEDULE I	**SCHEDULE II**
Number of Qualified Beneficiaries	**Monthly Benefit Shall Not be Less than**	**As a Percent of the Member's Final Average Salary**
1	$ 96*	25%
2	186	40
3	236	50
4	236	55
5 or more	236	60

*Not less than $106 to spouse if the member had 10 or more years of service credit.

SCHEDULE III

If the member had 20 or more years of service credit, the benefit will be calculated as follows:

Years of Service	As a Percent of the Member's Final Average Salary
20	29%
21	33
22	37
23	41
24	45
25	48
26	51
27	54
28	57
29 or more	60

COST-OF-LIVING ADJUSTMENT

One year after an effective benefit date, a benefit recipient is entitled to a three percent (3%) cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

HEALTH CARE

Currently, SERS offers medical and prescription health care coverage to qualifying benefit recipients. To the extent that resources permit, SERS intends to continue offering access to health care coverage. However, the Retirement System reserves the right to change or discontinue any plan or program at any time.

Currently a **service retiree** qualifies for health care coverage if the retiree has 10 years of qualified years of service credit at retirement. Qualifying service credit does not include:

- Military other than free or interrupted military service credit
- Other government and school service credit
- Exempted service credit
- Service credit purchased by an employer under an Early Retirement Incentive plan (ERI)

A beneficiary of a deceased service retiree who receives a monthly benefit qualifies for health care coverage if the retiree had qualified for such coverage.

Disability benefit recipients qualify for the SERS health care coverage upon receipt of a disability benefit.

Survivor benefit recipients qualify for health care coverage upon receipt of a survivor benefit.