

**October 17, 2019**

The nine hundredth and twenty-four meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, October 17, 2019. The meeting convened in open session at 8:31 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: Catherine Moss, Chair, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and James Rossler. Catherine Moss excused the absence of Daniel Wilson. Also in attendance was Samuel Peppers, representative of the Attorney General and various members of the SERS staff, and members of the public.

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON  
September 19 & 20, 2019**

Barbra Phillips moved and James Haller seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday & Friday, September 19 & 20, 2019. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips and Catherine Moss. Abstain: James Rossler. The motion carried.

Board Chair Catherine Moss asked Chief Investment Officer Farouki Majeed to present the Investment Report. Mr. Majeed introduced Joanna Bewick and David Lindburg from Wilshire Associates to present an education session on total fund leverage and private credit.

**INVESTMENT REPORT**

**Board Education – Total Fund Leverage & Private Credit**

Mr. Lindberg and Ms. Bewick explained how considering leverage in the asset allocation process can improve the efficient frontier and risk balance of the portfolio and the differences between financial and economic leverage. Various asset allocation scenarios with and without leverage were illustrated. Implementation methods to consider when utilizing economic leverage are turnkey products, beta overlay strategies and leverage within mandates.

Private Credit has grown in size since the Financial crisis as banks exited lending to smaller companies. Private Credit strategies have a growing set of options that offer a greater ability to diversify a portfolio. Mr. Lindberg discussed how Private Credit fundraising can be geographically focused or by fund type. Mr. Lindberg and Ms. Bewick discussed the key risks of Private Credit and their field characteristics. After the historical performance of Private Credit was reviewed, the Board thanked Mr. Lindberg and Ms. Bewick for their presentations.

**Annual Portfolio Review – Private Equity**

Senior Investment Officer Steve Price and Investment Officer Phil Sisson presented the annual Private Equity portfolio review. The role of the portfolio is to provide risk adjusted returns in excess of publicly traded equities. As of June 30, 2019, the market value of the private equity portfolio was \$1.42 billion. The portfolio had strong performance with a 15.2% net return and is meeting its goal by exceeding the benchmark over one, three and five years. Mr. Price informed the Board that the portfolio successfully lowered management fees below 2%. SERS committed \$192 million to new investments in the 2019 fiscal year and received \$350 million in distributions last year. Following discussion, the Board thanked Mr. Price and Mr. Sisson for their presentation.

**Monthly Investment report**

Mr. Majeed provided a summary of the Investment report for the period ending August 31, 2019. As of September 30, 2019 the Fund was at \$14.6 billion with a FYTD return of 1.02%. After discussion, the Board thanked Mr. Majeed for the presentation.

## **SUMMARY OF INVESTMENT TRANSACTIONS**

Barbra Phillips moved and James Haller seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **August 1, 2019** through **August 31, 2019** hereby be approved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

### A. PURCHASES

<b>Asset Class</b>	<b>Approximate Cost (in millions)</b>
US Equities	\$ 127.7
Non-US Equities	96.1
Fixed Income	409.4
Multi-Asset Strategies	0.6
Private Equity Capital Calls	32.4
Real Asset Capital Calls	1.0
Opportunistic	1.1
Cash Equivalents	230.2

### B. SALES

<b>Asset Class</b>	<b>Approximate Net Proceeds (in millions)</b>	<b>Approximate Gain/(Loss) (in millions)</b>
US Equities	\$ 68.6	\$ 9.8
Non-US Equities	124.5	( 3.1)
Fixed Income	398.3	3.6
Multi-Asset Strategies	10.6	2.2
Private Equity distributions	34.0	n/a
Real Asset distributions	11.5	n/a
Opportunistic	5.2	1.8
Cash Equivalents	282.8	n/a

The Board took a break at 10:01 a.m., and reconvened at 10:13 a.m.

## **EXECUTIVE DIRECTOR'S UPDATE**

### **Pension Sustainability**

Executive Director Richard Stensrud reminded the Board that the discussion on pension sustainability will resume in the afternoon.

### **Advocacy Groups**

Mr. Stensrud stated that outreach continues with stakeholder groups to encourage participation in the sustainability analysis. Mr. Stensrud and staff are arranging meetings with stakeholder leaders to hear their thoughts and provide updates about the sustainability process.

### **Ohio Retirement Study Council**

Mr. Stensrud stated that the ORSC meeting, scheduled for October 10<sup>th</sup>, was cancelled. The next ORSC meeting is scheduled for November 14<sup>th</sup>.

### **Marketplace Wraparound Plan**

Mr. Stensrud also noted that advocacy continues for an extension of the Wrap program, however, the window for action is closing.

Mr. Stensrud noted that Congresswoman Kaptur (D-Toledo) has developed stand-alone legislation to codify a longer term extension for the Wraparound Plan. In the meantime, staff is taking steps to put in place an HRA alternative to the Wrap to help serve that population for calendar year 2020.

### **WEP Legislation**

Mr. Stensrud stated that Congressman Neal (D-MA) has introduced HR 4540, a WEP reform proposal. This version joins Congressman Brady's (R-TX) bill to address WEP, HR 3934. Mr. Stensrud noted that both bills propose alternative formulas that are intended to be fairer than the current WEP formula, and that each bill also provides monthly rebates to retirees who have been impacted by the current WEP.

Mr. Stensrud noted that staff members from the House Ways and Means Committee have indicated that both Chairman Neal and Ranking Member Brady are hoping that a bipartisan agreement will be reached to sort out the differences between the two bills.

### **Gender Diversity Resolution**

Mr. Stensrud stated that HCR 13, a resolution encouraging diverse gender representation on the boards and in senior management of Ohio companies and institutions, received sponsor testimony on October 1<sup>st</sup>. SERS has been supportive of such resolutions in the past as examples of good corporate governance and is anticipating providing proponent testimony when the bill is scheduled for additional hearing.

### **Employee Health Initiatives**

Mr. Stensrud stated that the following events have been scheduled as SERS employee health initiatives kicks off in the month of October: flu shots; biometric screenings; prostate cancer screenings; blood drive; and, go-pink day for breast cancer awareness month.

**LEGISLATIVE REPORT**

**STATE LEGISLATION BOARD REPORT  
133<sup>rd</sup> General Assembly  
(Prepared by Chris Collins as of October 4, 2019)**

---

**SB10** THEFT IN OFFICE PENALTIES Steve Wilson (R-Maineville) To expand the penalties for theft in office based on the amount stolen and to include as restitution audit costs of the entity that suffered the loss.

Current Status: 05/09/2019 Reported Out

---

**HB326** PUBLIC EMPLOYEE RETIREMENT-DISABILITY BENEFIT Adam Miller (D – Columbus) To allow a Public Employees Retirement System or School Employees Retirement System disability benefit recipient elected to certain offices to continue receiving a disability benefit during the term of office.

Current Status: 08/28/2019 Introduced

---

**HCR13** GENDER REPRESENTATION Thomas West (D- Canton), Sara Carruthers (R-Hamilton) - To encourage equitable and diverse gender representation on the boards and in senior management of Ohio companies and institutions.

Current Status: 09/24/2019 Referred to Civil Justice Committee

---

**FEDERAL LEGISLATION BOARD REPORT**  
**116<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of October 4, 2019)**

---

**H.R. 141**

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/31/2019 Referred to the Subcommittee on Social Security

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 203 co-sponsors; eight Ohioans

---

**H.R. 748**

SPONSOR: Rep. Joe Courtney (D-CT)

LAST ACTIONS: Senate - 07/22/2019 Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 157

CAPTION: Middle Class Health Benefits Tax Repeal Act of 2019

COMMENT: Repeals the health care "Cadillac Tax." 369 co-sponsors; 14 Ohioans

---

**H.R. 1398**

SPONSOR: Rep. Ami Bera (D-CA)

LAST ACTIONS: House - 02/28/2019 Referred to the Subcommittee on Health.

CAPTION: To delay the reimposition of the annual fee on health insurance providers until after 2021

COMMENT: Delays the health care HIF tax. 128 co-sponsors; seven Ohioans

---

**S. 521**

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 02/14/2019 Referred to Committee on Finance

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 34 co-sponsors.

---

**S. 684**

SPONSOR: Sen. Martin Heinrich (D-NM)

LAST ACTIONS: Senate - 03/06/2019 Referred to the Committee on Finance

CAPTION: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage

COMMENT: Repeals the health care "Cadillac Tax." 62 co-sponsors; two Ohioans

---

**H.R.3934**

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTIONS: House - 07/24/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with non-covered employment, and for other purposes.

COMMENT: 33 co-sponsors; three Ohioans

---

**H.R.4540**

SPONSOR: Rep. Richard Neal (D-MA)

LAST ACTIONS: House - 09/27/2019 Referred to the House Committee on Ways and Means.

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with non-covered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT:

---

## MEMORANDUM

To: Chris Collins, Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: October 2, 2019

Re: Federal Legislative and Regulatory Report

### OVERVIEW

**Highlights for September include:** the commencement of an impeachment inquiry of President Trump in the House of Representatives; the passage of a Continuing Resolution (CR) in the House and Senate to keep the federal government open past September 30; stepped up advocacy for the SERS Wraparound Program, health care and prescription drug legislation; and a new bill on WEP reform.

**On September 12, the House Committee on the Judiciary voted on a resolution to broaden the panel's powers to investigate President Trump.** Reps. Steve Chabot (R-OH) and Jim Jordan (R-OH) serve on the Committee and voted against the action. On September 24, Speaker Nancy Pelosi (D-CA) said that the House would open a formal impeachment inquiry whether the President abused his presidential powers. Senator Rob Portman (R-OH) indicated that the impeachment inquiry is "an unwarranted rush to impeachment." Senator Sherrod Brown (D-OH) said, "We have a responsibility to find out exactly what happened."

**The House is in session until October 1 and will take a two-week break for district work days until Tuesday, October 15. There will be twelve session days until the end of October.** The committee hearing schedule is limited due to the recess and the calendar will be updated when the House returns.

**The House passed a Continuing Resolution on September 19, with a bipartisan vote of 301 to 123,** to extend funding for certain agencies in the federal government through November 21. The bill, H.R. 4378, moved to the Senate for consideration. The Ohio delegation vote was split among Democrats and Republicans. Yea votes were cast by Reps. Gonzalez (R-OH), Joyce (R-OH), Johnson (R-OH), Fudge (D-OH), Kaptur (D-OH), Ryan (D-OH), Turner (R-OH), and Stivers (R-OH). The Nays were Reps. Chabot (R-OH), Balderson (R-OH), Jordan (R-OH), Gibbs (R-OH), Wenstrup (R-OH), Latta (R-OH), and Davidson (R-OH). Rep. Beatty (D-OH) did not vote.

**The Senate voted for the Continuing Resolution on September 26 and therefore avoided a government shutdown at the end of the month.** The vote was 81-16, with three members not voting. Both Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) voted in favor of the CR. The President signed the CR the next day.

**It is important to note that the CR only keeps the federal government funded through November 21.** The bill included a package of extenders for several health care programs. SERS and I were seeking the inclusion of language to extend Wraparound Plans for two years in the CR. We were told by Senate Committee on Appropriations senior staff members that the bill was tailored solely for federal programs with funding expiring at the end of September.

**The Senate will not be in session again until Tuesday, October 15, due to its two-week state work period.** The committee hearing schedule will be updated when the Senate returns.

### SERS WRAPAROUND PLAN

**Rep. Marcy Kaptur (D-OH) is set to introduce the "Wraparound Health Coverage Protection Act of 2019," a bill to extend the limited wraparound coverage pilot program for an additional number of years, and for other purposes.** The bill also provides an exemption from the sunset provision for limited wraparound health insurance coverage that was first offered during the initial pilot period.

**In the “Dear Colleague” letter from Rep. Kaptur to the Ohio House delegation, she said:**

I write to you today with urgency on behalf of retirees and employees who stand to lose important wraparound health care benefits should Congress not take action to protect their plans. I am asking for your support on legislation that offers a necessary and time sensitive solution to extend Limited Wraparound Plans health insurance coverage for employees and retirees under the age of 65 who are not yet eligible for Medicare.

This vulnerable population could fall into a coverage gap as we approach the holiday season without our swift action to protect their care. These wraparound plans were part of a pilot to provide additional coverage to help pay for out-of-pocket costs, including deductibles, and co-pays. The program was successful. SERS of Ohio estimates that its Limited Wraparound Plan provided \$11.5 million in savings to their Health Care Fund over three years.

As Congress considers how to address the rising cost of prescription drugs and hospital bills, we have an obligation to extend an existing impactful program to keep it from lapsing by the end of this year. Limited Wraparound Plans promote consumer choice for employees and retirees that live in our districts and provide reimbursement for medical expenses and prescription drugs.

Please join me as a co-sponsor of H.R. (number), the Wraparound Health Coverage Protection Act, which will prevent the disruption of health care coverage for employees and under-65 retirees and preserve Limited Wraparound Plans.

**Members of the Ohio delegation that have expressed interest in cosponsoring the bill thus far are: Reps. Tim Ryan (D-OH), Joyce Beatty (D-OH).** I contacted the members of the House delegation to seek their support and shared the draft bill with staff members who work for Senators Sherrod Brown (D-OH) and Rob Portman (R-OH). We were advised to talk with a **senior legislative staff member who works for the Senate Committee on Finance because this might become the Committee of jurisdiction in the Senate for a companion bill.** Both Senators Brown and Portman serve on the Committee on Finance.

**SERS and I had a conference call with a Senate Committee on Finance senior staff member on September 25 after a referral from Senator Portman’s office.** We followed up by sending her several documents relating to Wraparound Plans and our advocacy efforts over the course of more than two years. We were told that it would take a floor amendment since the Committee on Finance already held a markup on its health care bill in late July. I am following on an amendment to see if one of the Senators will offer it.

**As of the date of this report, several national organizations and public pension funds have expressed support for the bill,** including SERS of Ohio; State Teachers Retirement System of Ohio; Ohio Public Employees Retirement System; Ohio Police & Fire Pension Fund; Public Sector HealthCare Roundtable; National Conference of Public Employees Retirement Systems (NCPERS); International Brotherhood of Teamsters; and AFSCME. We are seeking other supporters for the bill.

**WINDFALL ELIMINATION PROVISION**

**The long awaited WEP bill from the Committee on Ways and Means Chairman Richard E. Neal (D-MA) was introduced on September 27.** According to the press release, the bill, called the “Public Servants Protection and Fairness Act,” H.R. 4540, is another piece of legislation to “fix the Windfall Elimination Provision (WEP) for future retirees and provide meaningful relief to current WEP retirees. The bill ensures that public servants across the nation can retire with the security and dignity they deserve.”

**The press release also said, the “legislation establishes a new, fairer formula that will pay Social Security benefits in proportion to the share of a worker’s earnings that were covered for Social Security purposes.** This provision is coupled with a benefit guarantee ensuring no benefit cuts relative to current law for all current and future retirees. Current WEP retirees will receive \$150 a month in relief



payments. The WEP negatively affects nearly 2 million retired public servants across the country....Public employees like firefighters, teachers, and police officers should not miss out on the Social Security benefits they earned over decades of hard work. With this legislation, these valued members of our communities will have greater retirement security and peace of mind.”

**As previously reported, at the end of July 2019, Rep. Brady (R-TX) introduced the third version of his bill (two from the past two sessions) to address WEP, which is H.R. 3934.** Three Ohio members have cosponsored this bill, who are Reps. Bob Latta (R-OH), Michael Turner (R-OH) and Anthony Gonzalez (R-OH). Staff members from the Committee have indicated that both Chairman Neal and Ranking Member Brady are hoping that a bipartisan agreement will be reached to sort out the differences between the two bills. SERS and I have talked to the majority and minority staff members about the importance of addressing the WEP as soon as possible for SERS members and retirees.

**Chairman Neal said, “I want to commend Ranking Member Kevin Brady for his work to address the WEP issue for many years.”** The Committee will review the Neal and Brady bills for their potential impact on the solvency of Social Security. It is our understanding that the chief actuary for the Social Security Administration has indicated that the Brady bill has a neutral cost for Social Security over the seventy-five-year actuarial window. The letter from SSA on the actuarial review of the Neal bill stated:

**The proposal will result in added program cost for workers newly eligible for an OASDI benefit after 2021, because they will receive the greater of the benefit subject to PSP or the benefit subject to the WEP.** The increase in OASDI program benefit cost is estimated at \$1.5 billion total for calendar years 2020 through 2029 for those newly eligible for OASDI benefits after 2021 who are advantaged by the alternative benefit computation using the PSP. The cost for the relief payment for months beginning at least 270 days after enactment applied for beneficiaries who are affected by the WEP is estimated to be \$32.8 billion total for calendar years 2020 through 2029. For the purpose of these estimates, we are assuming enactment of the Bill at the end of calendar year 2019. For all years starting in 2020, all increases in program cost would be fully offset by transfers from the General Fund of the Treasury. **Over the long-range period, the net effect of the proposal on the 75-year actuarial balance would be negligible (i.e., less than 0.005 percent of payroll).**

An overview of the Neal “Public Servants Protection and Fairness Act” can be read [here](#) and a section-by-section summary is here:

[https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/HR%204540%20Section\\_By\\_Section.pdf](https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/HR%204540%20Section_By_Section.pdf)

**Also on the House side, H.R. 141, the “Social Security Fairness Act of 2019” has 203 bipartisan cosponsors, including eight members of the Ohio delegation,** who are Reps. Tim Ryan (D-OH), David Joyce (R-OH), Steve Stivers (R-OH), Bob Gibbs (R-OH), Marcy Kaptur (D-OH), Michael Turner (R-OH), Marsha Fudge (D-OH) and Joyce Beatty (D-OH). Rep. Rodney Davis (R-IL) has introduced this bill in each of the past three Congressional sessions. While the number of cosponsors is quite large, the bill calls for **full repeal of both the WEP and GPO**, and therefore the potential cost of repeal for both provisions is a high bar to passage.

**As previously reported, S. 521, the “Social Security Fairness Act,” was introduced by Senator Sherrod Brown (D-OH) and now has 34 cosponsors.** The bill would amend title II of the Social Security Act to **repeal** the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). There has been no action on the bill in the Senate Committee on Finance and Senator Portman is still not one of the co-sponsors.

## **SOCIAL SECURITY**

In an announcement on September 23, the Social Security Administration and the Office of the Inspector General (OIG) announced the expansion of its anti-fraud initiative, the **Cooperative Disability Investigations (CDI) Program**. CDI Units identify, investigate, and prevent Social Security disability fraud. The press release is here: <https://www.ssa.gov/news/press/releases/2019/#9-2019-2>

**H.R. 3417, the “Beneficiary Education Tools, Telehealth, and Extenders Reauthorization Act of 2019,” was reported out of the Committee on Ways and Means by a unanimous vote of 41-0.** It was introduced by Chairman Richard Neal (D-MA) and cosponsored by Rep. Kevin Brady (R-TX). The bill would amend title XVIII of the Social Security Act to provide a way for participants age 25 and older to receive a copy of their statement in the mail, rather than requiring them to create an online account to view their account information. The bill also authorizes more opportunities for health care services for Medicare recipients through telehealth options.

**H.R. 2302, the “Protecting and Preserving Social Security Act,” introduced by Rep. Theodore Deutsch (D-FL) still has eight co-sponsors,** one of whom is Rep. Marcy Kaptur (D-OH). This bill, like the “Social Security 2100” bill, H.R. 860, would make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection.

**Rep. John Larson’s (D-CT) bill, H.R. 860, the “Social Security 2100 Act,” is still pending.** The bill has 209 cosponsors. All members of Ohio’s Democratic delegation are cosponsors, Reps. Joyce Beatty, Marcia Fudge, Tim Ryan and Marcy Kaptur. The Senate companion bill is S. 269, introduced by Senator Richard Blumenthal (D-CT). Senator Chris Van Hollen (D-MD) is the only cosponsor.

**The Committee for a Responsible Federal Budget issued a report on September 24, entitled, “Promoting Economic Growth through Social Security Reform.”** The report recommends raising the retirement age by one year and indexing benefits to longevity. It does not suggest mandatory coverage as a solution to the solvency of Social Security. The full report may be read here: [http://www.crfb.org/sites/default/files/Chartbook\\_Promoting\\_Economic\\_Growth\\_through\\_Social\\_Security\\_Reform.pdf](http://www.crfb.org/sites/default/files/Chartbook_Promoting_Economic_Growth_through_Social_Security_Reform.pdf)

#### **MEDICARE AND MEDICAID**

**On September 24, the Centers for Medicare & Medicaid Services (CMS) announced that, on average, “Medicare Advantage premiums in 2020 are expected to decline 23 percent from 2018 while plan choices, benefits and enrollment continue to increase.** The Medicare Advantage average monthly premium will be the lowest in the last thirteen years for the more than 24 million people with Medicare who are projected to enroll in a Medicare Advantage plan for 2020. CMS anticipates updating Medicare.gov with the 2020 Medicare Advantage and Part D premiums and cost-sharing information and releasing the Star Ratings for Medicare Advantage and Part D plans in early October.”

**Open Enrollment for Medicare will begin on October 15 and end on December 7, 2019.** The press release may be viewed here: <https://www.cms.gov/newsroom/press-releases/trump-administration-drives-down-medicare-advantage-and-part-d-premiums-seniors>

**H.R. 1346, the “Medicare Buy-In and Health Care Stabilization Act of 2019,” a bill to “amend title XVIII of the Social Security Act to provide for an option for individuals who are ages 50 to 64 to buy into Medicare,”** has 48 cosponsors, however, no members of the Ohio delegation are cosponsors. S. 470, the “Medicare at 50 Act” is the companion Senate bill that Senator Sherrod Brown (D-OH) has co-sponsored. Senator Rob Portman (R-OH) is not one of the 20 cosponsors.

#### **HEALTH CARE**

**A bipartisan approach to surprise medical billing took a bit of a twist on September 16 when the Committee on Energy and Commerce Chairman Frank Pallone, Jr. (D-NJ) and Ranking Member Greg Walden (R-OR) announced a bipartisan investigation into practices of three private equity firms relating to surprise billing issues.** In the letters sent to KKR & Co. Inc., Blackstone Group, and Welsh, Carson, Anderson, & Stowe, Chairman Pallone and Ranking Member Walden requested information on the firms’ ownership of private physician staffing and emergency transportation companies, potentially leading to higher costs for patients. Copies of the letters may be viewed here: <https://republicans-energycommerce.house.gov/news/letter/letter-to-private-equity-firms-regarding-surprise-billing/>

**On October 1, news media reported that Chairman Richard Neal is proposing a new solution on surprise medical billing that would consist of a new committee made up of stakeholder groups and the Departments of HHS, Labor, and Treasury.** The Committee would come up with recommendations that would then be issued in a regulation from the administration. More details will emerge this week.

**On September 23, Ohio Republican members, Reps. Bob Gibbs, David Joyce, Steve Chabot, Brad Wenstrup, Jim Jordan, Bob Latta, Warren Davidson, Bill Johnson, Steve Stivers, Michael Turner, Troy Balderson and Anthony Gonzalez wrote to leadership in the House of Representatives and the Senate to “urge action before the end of the year” to repeal the 2.3 percent tax on medical devices.** Rep. Bob Gibbs said, “We’ve seen the negative effects of the medical device tax before it was delayed in 2017, with nearly 30,000 jobs lost nationwide. My colleagues and I are asking congressional leaders from both chambers to recognize the importance of this issue to the hundreds of thousands of Americans who rely on the medical device industry for their livelihood.” Rep. David Joyce said, “Every day, Ohio’s medical technology companies manufacture life-saving devices like pacemakers, sterilizers and insulin pumps.” A copy of the letter can be read [here](#).

**On the Senate side, on September 25, Senate Democrats are attempting to use the Congressional Review Act (CRA) to force Republicans to vote on pre-existing conditions.** A discharge petition was filed by Senator Mark Warner (D-VA) to force a vote whether to roll back the 1332 waiver rule that was passed for insurance plans to qualify for waivers from the Affordable Care Act minimum coverage requirements. Once a discharge petition is filed, the Senate has 60 legislative days to vote on it and only a simple majority is needed to pass it. A copy of the press release may be read here: <https://www.warner.senate.gov/public/index.cfm/pressreleases?ID=6D891570-57A4-4D62-BD7B-D050BB02801C>

**As reported, Senator Rob Portman (R-OH) is one of the co-sponsors of S. 1125, the “PROTECT Act,” which amends the Health Insurance Portability and Accountability Act (HIPAA).** The bill contains language to protect people with pre-existing conditions and requires that each health insurance issuer that offers health insurance coverage in the individual or group market in a State must accept every employer and individual in the State that applies for such coverage. The bill has 24 co-sponsors and has not advanced out of the Committee on Health, Education, Labor and Pensions (HELP) as of today’s date.

**H.R. 1884, the “Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019,”** would amend the Patient Protection and Affordable Care Act to improve affordability of, undo sabotage with respect to, and increase access to health insurance coverage. The bill has 159 cosponsors, however, no members of the Ohio delegation have signed on to the bill.

### **PRESCRIPTION DRUGS**

**On September 19, Speaker Nancy Pelosi (D-CA) released the House Democrats’ drug-pricing proposal, incorporated into H.R. 3, the “Lower Drug Costs Now Act of 2019.”** Rep. Tim Ryan (D-OH) is a cosponsor. The bill would establish a fair price negotiation program, protect the Medicare program from excessive price increases, and establish an out-of-pocket maximum for Medicare part D enrollees, commencing with the plan year 2022 and subsequent plan years.

**The bill and several others are on the fast track in the House.** Senate Majority Leader Mitch McConnell (R-KY) said that the Senate is working on its own bills, although President Trump expressed interest in Speaker Pelosi’s proposal. On September 25, the House Committee on Energy and Commerce held a hearing on four bills:

[H.R. 3](#), the "Lower Drug Costs Now Act of 2019"

[H.R. 275](#), the "Medicare Prescription Drug Price Negotiation Act of 2019"

[H.R. 448](#), the "Medicare Drug Price Negotiation Act"

[H.R. 1046](#), the "Medicare Negotiation and Competitive Licensing Act of 2019"

Chairman Frank Pallone (D-NJ) shared a memorandum, summarizing H.R. 3: (which is abbreviated):

- **H.R. 3 establishes a fair price negotiation program and empowers the Secretary of HHS to negotiate directly with drug manufacturers for the prices of certain drugs that lack competition.** Under Title I, the Secretary is required to identify and publish a list of 250 negotiation-eligible brand drugs with the greatest total cost to Medicare and the U.S. health system, based on data to determine aggregate costs. From these 250 negotiation-eligible drugs, the Secretary shall select no fewer than 25 drugs to be subject to negotiation. For each of these selected drugs, the Secretary shall enter into an agreement with the manufacturer in order to begin a voluntary negotiation process. Insulin products would also be subject to negotiation, in addition to the other selected drugs.
- **In prioritizing the selection of drugs for negotiation each year, the Secretary shall select for inclusion the drugs that will result in the greatest savings to the Federal Government or consumers.** Additionally, once a drug is selected for negotiation it will remain a selected drug until competition enters the market.
- **After entering into agreements with each manufacturer of a selected drug, the Secretary will directly negotiate with each manufacturer to establish a maximum fair price (MFP) that will be applied to the Medicare program, as well as available to group health plans or health insurance issuers offering health insurance coverage in the individual or group market.** H.R. 3 establishes an upper limit for the price reached in any negotiation as no more than 1.2 times (or 120 percent) of the volume-weighted average price of six countries (Australia, Canada, France, Germany, Japan, and the United Kingdom), known as the average international market (AIM) price.
- **If a manufacturer refuses to enter into negotiations after being selected by the Secretary or if the manufacturer leaves the negotiation before a MFP is agreed to, then the manufacturer will be assessed an escalating excise tax levied on the manufacturer's sales during the period of noncompliance.**
- **H.R. 3 establishes a mandatory rebate for drug manufacturers of all covered Part B and Part D drugs that increase in price faster than inflation.** For manufacturers of a Part B rebatable drug, the rebate shall be based on the percentage increase the Average Sales Price (ASP) above the consumer price index for all urban consumers (CPI-U) from the payment amount benchmark period beginning January 1, 2016.
- **H.R. 3 would make changes to the structure of the standard benefit design for Medicare Part D and create an out-of-pocket maximum for Part D enrollees.** Starting for plan year 2022, Part D enrollees' out-of-pocket costs would be capped at \$2,000 and a new manufacturer discount program would be created to ensure manufacturers are responsible for a portion of the Part D spending in the initial coverage phase, as well as the catastrophic phase of coverage. Additionally, this provision would phase out the current coverage gap discount program to streamline the standard benefit design to include a deductible phase, an initial coverage phase, and a catastrophic coverage phase.
- **In the initial phase of coverage, following an enrollee's deductible phase, Prescription Drug Plans (PDPs) would be responsible for 65 percent of spending, while enrollees would be responsible for 25 percent and manufacturers would be responsible for 10 percent.** Following the initial coverage phase, an enrollee's out-of-pocket drug costs will be capped at \$2,000 and in the catastrophic coverage phase the federal government will be responsible for 20 percent reinsurance payments, while PDPs will be responsible for 50 percent, and manufacturers will be responsible for 30 percent.

The link is here: [Memorandum from Chairman Pallone](#) to the Subcommittee on Health.

**H.R. 965, the "CREATES Act of 2019," would "increase competition by cracking down on brand-name drug manufacturers using tactics to keep generic manufacturers from entering the market.** The bill is cosponsored by 68 members, 55 Democrats and 13 Republicans including Reps. David Joyce (R-OH), Jim Jordan (R-OH) and Anthony Gonzalez (R-OH). The bill would enable generic drug companies to sue brand-name drug companies for withholding product samples. S. 340 is the identical

Senate bill and has 37 cosponsors, including Senator Sherrod Brown (D-OH).

**S. 474, the “Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act of 2019,” requires drug companies to publicly justify any substantial price increases and has 12 cosponsors but not Senators Brown or Portman.** The bill would require manufacturers to submit justification explaining the causes of the increase or high launch price, as well as information on additional expenses from developing, manufacturing or marketing the drug.

### **RETIREMENT SECURITY**

**Senate Resolution 339 was introduced on September 25 to express support for the “goals and ideals of National Retirement Security Week, including raising public awareness of the various tax-preferred retirement vehicles, increasing personal financial literacy, and engaging the people of the United States on the keys to success in achieving and maintaining retirement security throughout their lifetimes.”** The week of October 20 through October 26, 2019, has been designated as “National Retirement Security Week.”

### **SECURITIES AND EXCHANGE COMMISSION (SEC)**

**On September 6, the SEC Division of Corporate Finance (Corp Fin) issued an “Announcement Regarding Rule 14a-8 No-Action Requests” for shareholder proposals.** Corp Fin said:

In cases where a company seeks to exclude a proposal, the staff will inform the proponent and the company of its position, which may be that the staff concurs, disagrees or declines to state a view, with respect to the company’s asserted basis for exclusion. **Starting with the 2019-2020 shareholder proposal season, however, the staff may respond orally instead of in writing to some no-action requests.** The staff intends to issue a response letter where it believes doing so would provide value, such as more broadly applicable guidance about complying with Rule 14a-8.

**On September 19, a group of investors sent a letter to the SEC in direct response to the Announcement.** In the letter, the investors, including the Council of Institutional Investors, US SIF, Interfaith Center on Corporate Responsibility, Ceres and the Shareholder Rights Group, requested that the SEC rescind its newly announced no action policy. Another letter was signed by 129 investors with approximately \$525 billion in assets under management. A copy of the letter may be viewed here: <https://www.investorrightsforum.com/new-blog-1/five-investment-organizations-to-director-hinman-no-action-process-concerns-and-recommendations>

**Eight attorneys general from California, Connecticut, Delaware, Maine, New Mexico, New York, Oregon and the District of Columbia have sued the SEC in the Southern District of New York over its Reg Best Interest (BI) final rule.** The Attorneys General believe that the Reg BI rule does not sufficiently protect investors under the Dodd-Frank Act. The SEC rule was effective on September 10, 2019. A copy of the complaint which was filed on September 9 may be read here: [https://ag.ny.gov/sites/default/files/doc\\_01\\_complaint.pdf](https://ag.ny.gov/sites/default/files/doc_01_complaint.pdf)

### **REPORTS**

**The Center for State and Local Government Excellence (SLGE) and AARP released a report on September 18 entitled, “Proactive Pension Management: An Elected Official’s Guide to Variable Benefit and Contribution Arrangements.”** Gerald Young, SLGE senior research associate, said:

Public pension systems often require fine-tuning to ensure stable finances. Reacting to every change in demographic trends or market conditions would place a significant burden on the available time of legislators and their staff, while also impacting the predictability of public pension benefits and their value in recruiting and retaining a skilled workforce. One strategy for meeting those needs in a proactive way is to implement variable benefit and/or variable contribution arrangements.

**This is the second elected officials guide that AARP has published with SLGE.** The report offers six case studies of variable arrangements implemented in Colorado, Iowa, South Dakota, Utah, Virginia and

Wisconsin. The report may be read here: <https://www.slge.org/assets/uploads/2019/09/proactive-pension-management.pdf>

### **OTHER MATTERS OF INTEREST**

**On September 9, the House of Representatives unanimously passed H.R. 281, a bill introduced by Rep. Joyce Beatty (D-OH), called the “Ensuring Diverse Leadership Act.”** The bill moves to the Senate for consideration. The bill models the “Rooney Rule” from the National Football League, which requires a diverse set of candidates for coaching positions. In her bill, Rep. Beatty coined the term, the “Beatty Rule,” which requires that at least one gender diverse candidate and one racially or ethnically diverse candidate be interviewed when there is vacancy among the Federal Reserve Bank presidents.

**Legislation called the “8-K Trading Gap Act of 2019,” was introduced on September 17 by Senator Chris Van Hollen (D-MD).** The bill, S. 2488, would amend the Securities Exchange Act of 1934 to require the SEC to issue rules that prohibit officers and directors of certain companies from trading securities in anticipation of a current report, and for other purposes. That is "an open invitation to insider trading," Senator Van Hollen said, "This legislation is a no-brainer, and it will help ensure fairness and protect shareholders." The House bill, H.R. 4335, was unanimously voted out of the Committee on Financial Services. A Committee Memorandum noted a 2015 study showing that over a six-year period, company insiders earned \$105 million in above-market returns during the four-day gap.

**On September 18, the National Association of Plan Advisors (NAPA) reported a study by James Angel, Ph.D., Associate Professor at Georgetown University on behalf of the U.S. Chamber of Commerce’s Center for Capital Markets Competitiveness (CCMC).** In his report, Mr. Angel said, “Financial Transaction Taxes are not actually a tax on financial intermediaries; they are a tax on investors.” Senator Bernie Sanders’s (D-VT) bill, S. 1587, is called the “Inclusive Prosperity Act of 2019,” and would tax financial trades at a rate of 0.5% for stocks, 0.1% for bonds and 0.005% for derivatives. You may read the report, “The “Financial Transaction Taxes: A tax on investors, taxpayers, and consumers,” here: <https://www.centerforcapitalmarkets.com/resource/financial-transaction-taxes-a-tax-on-investors-taxpayers-and-consumers/>

### **ACTIVITIES:**

1. Discussions with Legislative Assistant in Rep. Kaptur’s office on draft bill for Wraparound Plans.
2. Email follow up with organizations and pension peers asking for their support of the Wraparound Plans bill. These groups wrote letters supporting Wraparound Plans during the 2018 regulatory agencies’ comment period.
3. Emails and calls to the Health Care Legislative Assistants who work for members of the Ohio delegation, seeking their support for Rep. Kaptur’s bill. Follow up calls and emails were completed.
4. Conference call with Chris Collins, Christi Pepe and a senior staff member from the Senate Committee on Finance to discuss Wraparound Plans and the need for Senate action. I followed up to provide the requested information to staff members and Senate offices.
5. Outreach to stakeholders via calls and emails to discuss House/Senate appropriation efforts on Limited Wraparound Plans and to discuss legislative and/or regulatory solutions.
6. Participated on conference calls and in meetings with SERS representatives to update them.
7. Emailed staff members from the Subcommittee on Social Security for an update on the Neal bill.
8. Monitored bills from the Committees on Appropriations, Finance, Judiciary and others related to public pensions, retirement security, health care, prescription drugs, Social Security and kept informed of relevant House and Senate Committee hearings and witnesses.
9. Reviewed bills that were introduced by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
10. Reviewed public notices or proposed rules from the SEC, HHS/CMS and regulatory agencies.
11. Monitored organizations, such as the Social Security Administration, American Benefits Council, AARP and other entities on pension, investment, and/or health-care-related issues.
12. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable, Social Security, retirement issues and prepared the Federal Policy Memo.

## **VALUATION DISCUSSION**

Executive Director Richard Stensrud stated that the actuaries will provide information regarding the preliminary results of the actuarial valuation and factors the Board may want to consider regarding the discretionary decision to allocate a portion of the employers' contribution to health care. Those factors include the Board's current pension fund and health care sustainability initiatives; current year-to-date investment performance; projected future investment experience; and, potential future changes to actuarial assumptions.

Todd Green and John Garrett from Cavanaugh Macdonald Consulting, LLC, discussed the preliminary analysis of the fund. Mr. Green stated that the purpose of this presentation is to assist the Board in determining what portion of the employer contribution, if any, should be allocated to the Health Care Fund in Fiscal Year 2020 provided SERS' funded ratio is at least 70%.

Based on the preliminary analysis, it appears that the funding ratio at June 30, 2019 will be slightly greater than 70%. In accordance with SERS' funding policy, if the funded ratio is 70%, but less than 80%, the Board has the discretion to allocate between 0% and .50% of the 14% employer contribution to the Health Care Fund.

## **ACTUARIAL VALUATION REPORT**

### **ALLOCATION OF EMPLOYER CONTRIBUTIONS**

Hugh Garside moved and James Rossler seconded that after discussion with the actuaries regarding the preliminary results of the annual basic benefits valuation (to be prepared as of June 30, 2019) at the October 2019 Board meeting, the Board elects to allocate 0% of the 14% employer contribution to the Health Care Fund for fiscal year 2020 in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

## HRA PLAN DOCUMENT

Director of Health Care Services Christi Pepe discussed with the Board a plan document for wraparound Health Reimbursement Arrangement (HRA). The SERS Wraparound HRA Plan provides for reimbursement of the same expenses that were provided by the SERS Wraparound Plan, except for the elimination of the hearing aid benefit. Under the federal regulations, the per-family annual reimbursement limit is \$1800.

## ADOPTION OF EXCEPTED BENEFIT HEALTH REIMBURSEMENT ARRANGEMENT PLAN

Health Care discussed with the Retirement Board the development of an excepted benefit health reimbursement arrangement (Marketplace Wraparound HRA Plan). This new plan is established in accordance with 45 CFR 146.145(b)(3)(viii) and provides reimbursement of certain medical expenses incurred under an individual health insurance plan. The plan is effective January 1, 2020.

James Rossler moved and Jeffrey DeLeone seconded adoption of the Marketplace Wraparound HRA Plan. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Associate Counsel Dawn Viggiano discussed approval to file with JCARR proposed amended rule 3309-1-35 Health Care. Ms. Viggiano stated that this rule provides the administrative framework for SERS' health care program. The amendment adds an excepted benefit health reimbursement arrangement (HRA) as a coverage option offered by SERS. Should the Board approve the HRA plan document at the October meeting, the HRA will be offered beginning January 2020 as an alternative to the limited wraparound plan.

## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-35 Health care.

Hugh Garside moved and Jeffrey DeLeone seconded that proposed amended rule 3309-1-35 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

### **3309-1-35 Health care.**

#### (A) Definitions

As used in this rule:

- (1) "Benefit recipient" means an age and service retirant, disability benefit recipient, or a beneficiary as defined in section 3309.01 of the Revised Code, who is receiving monthly benefits due to the death of a member, age and service retirant or disability benefit recipient.
- (2) "Member" has the same meaning as in section 3309.01 of the Revised Code.
- (3) "Age and service retirant" means a former member who is receiving a retirement allowance pursuant to section 3309.34, 3309.35, 3309.36 or 3309.381 of the Revised Code. A former member with an effective retirement date after June 13, 1986 must have accrued ten years



of service credit, exclusive of credit obtained after January 29, 1981 pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code.

- (4) "Disability benefit recipient" means a member who is receiving a benefit or allowance pursuant to section 3309.35, 3309.39, 3309.40 or 3309.401 of the Revised Code.
- (5) "Dependent" means an individual who is either of the following:
- (a) A spouse of an age and service retirant, disability benefit recipient, or member,
  - (b) A biological, adopted or step-child of an age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member or other child in a parent-child relationship in which the age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member has or had custody of the child, so long as the child:
    - (i) Is under age twenty-six, or
    - (ii) Regardless of age is permanently and totally disabled, provided that the disability existed prior to the age and service retirant's, disability benefit recipient's, or member's death and prior to the child reaching age twenty-six. For purposes of this paragraph "permanently and totally disabled" means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.
- (6) "Health care coverage" means ~~any~~either of the following group plans offered by the system:
- (a) A medical and prescription drug plan; ~~or~~
  - (b) Limited wraparound coverage, which provides limited benefits that wrap around an individual health insurance plan; or
  - (c) An excepted benefit health reimbursement arrangement, which provides reimbursement of medical expenses incurred under an individual health insurance plan.
- (7) "Premium" means a monthly amount that may be required to be paid by a benefit recipient to continue enrollment for health care coverage for the recipient or the recipient's eligible dependents.
- (8) "Employer" and "public employer" have the same meaning as in section 3309.01 of the Revised Code.

(B) Eligibility

- (1) A person is eligible for health care coverage under the school employees retirement system's health care plan so long as the person qualifies as one of the following:
- (a) An age and service retirant or the retirant's dependent,
  - (b) A disability benefit recipient or the recipient's dependent,
  - (c) The dependent of a deceased member, deceased age and service retirant, or deceased disability benefit recipient, if the dependent is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code,

- (d) The dependent child of a deceased member, deceased disability benefit recipient, or deceased age and service retiree if the spouse is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code and the spouse elects to be covered.
- (2) Eligibility for health care coverage shall terminate when the person ceases to qualify as one of the persons listed in paragraph (B)(1) of this rule, except that a dependent described in paragraph (A)(5)(b)(i) of this rule shall cease to qualify on the first day of the calendar year following the dependent's twenty-sixth birthday.
- (3) Except for a dependent described in paragraph (A)(5)(b) of this rule, eligibility for health care coverage shall terminate when the person is not enrolled in Medicare part B and on or after January 1, 2016 commences employment that provides access to a medical plan with prescription coverage through the employer, or if employees of that employer in comparable positions have access to a medical plan available through the employer, provided the medical plan with prescription drug coverage available through the employer is equivalent to the medical plan with prescription coverage at the cost available to fulltime employees as defined by the employer. For purposes of this paragraph, employer means a public or private employer.

(C) Enrollment

- (1) Except as otherwise provided in this rule, an eligible benefit recipient may enroll in school employees retirement system's health care coverage only at the time the benefit recipient applies for an age and service retirement, disability benefit, or monthly benefits pursuant to section 3309.45 of the Revised Code.
- (2) An eligible spouse of an age and service retiree or disability benefit recipient may only be enrolled in the system's health care coverage at the following times:
  - (a) At the time the retiree or disability benefit recipient enrolls in school employees retirement system's health care coverage.
  - (b) Within thirty-one days of the eligible spouse's:
    - (i) Marriage to the retiree or disability benefit recipient;
    - (ii) Voluntary or involuntary termination of health care coverage under Medicaid; or
    - (iii) Involuntary termination of health care coverage under another plan, including a Medicare advantage plan, or Medicare part D plan.
  - (c) Within ninety days of becoming eligible for Medicare.
- (3) An eligible dependent child of an age and service retiree, disability benefit recipient, or deceased member may be enrolled in the system's health care coverage at the following times:
  - (a) At the time the retiree, disability benefit recipient, or surviving spouse enrolls in school employees retirement system's health care coverage.
  - (b) Within thirty-one days of the eligible dependent child's:
    - (i) Birth, adoption, or custody order; or
    - (ii) Voluntary or involuntary termination of health care coverage under Medicaid;
    - (iii) Involuntary termination of health care coverage under another plan, including a Medicare advantage plan, or Medicare part D plan.

(c) Within ninety days of becoming eligible for medicare.

(D) Cancellation of health care coverage

(1) Health care coverage of a person shall be cancelled when:

- (a) The person's eligibility terminates as provided in paragraph (B)(2) of this rule;
- (b) The person's eligibility terminates as provided in paragraph (B)(3) of this rule;
- (c) The person's health care coverage is cancelled for default as provided in paragraph (F) of this rule;
- (d) The person's health care coverage is waived as provided in paragraph (G) of this rule;
- (e) The person's health care coverage is cancelled due to the person's enrollment in a medicare advantage plan or medicare part D plan as provided in paragraph (H) of this rule;
- (f) The health care coverage of a dependent is cancelled when the health care coverage of a benefit recipient is cancelled; or
- (g) The person's benefit payments are suspended for failure to submit documentation required to establish continued benefit eligibility under division (B)(2)(b)(i) of section 3309.45 of the Revised Code, division (F) of section 3309.39 of the Revised Code, division (D) of section 3309.41 of the Revised Code, or division (D) of section 3309.392 of the Revised Code.

(E) Effective date of coverage

(1) The effective date of health care coverage for persons eligible for health care coverage as set forth in paragraph (B) of this rule shall be as follows:

- (a) For a disability benefit recipient or dependent of a disability benefit recipient, health care coverage shall be effective on the first of the month following the determination and recommendation of disability to the retirement board or on the benefit effective date, whichever is later.
- (b) For an age and service retirant or dependent of an age and service retirant, health care coverage shall be effective on the first of the month following the date that the retirement application is filed with the retirement system or on the benefit effective date, whichever is later.
- (c) For an eligible dependent of a deceased member, deceased disability benefit recipient, or deceased age and service retirant, health care coverage shall be effective on the effective date of the benefit if the appropriate application is received within three months of the date of the member's or retirant's death, or the first of the month following the date that the appropriate application is received if not received within three months of the date of the member's or retirant's death.

(F) Premiums

(1) Payment of premiums for health care coverage shall be by deduction from the benefit recipient's monthly benefit. If the full amount of the monthly premium cannot be deducted from the benefit recipient's monthly benefit, the benefit recipient shall be billed for the portion of the monthly premium due after any deduction from the monthly benefit.

(2) Premium payments billed to a benefit recipient shall be deemed in default after the unpaid

premiums for coverage under this rule and supplemental health care coverage under rule 3309-1-64 of the Administrative Code reach a total cumulative amount of at least three months of billed premiums. The retirement system shall send written notice to the benefit recipient that payments are in default and that coverage will be cancelled on the first day of the month after the date of the notice unless payment for the total amount in default is received prior to the date specified in the notice. If coverage is cancelled due to a recipient's failure to pay premium amounts in default, the recipient shall remain liable for such amounts due for the period prior to cancellation of coverage.

- (3) After cancellation for default, health care coverage can be reinstated as provided in paragraph (l) of this rule, or upon submission of an application for reinstatement supported by medical evidence acceptable to SERS that demonstrates that the default was caused by the benefit recipient's physical or mental incapacity. "Medical evidence" means documentation provided by a licensed physician of the existence of the mental or physical incapacity causing the default. Health care coverage reinstated after termination for default shall be effective on the first of the month following the date that the application for reinstatement is approved and payment for the total amount in default is received.
- (4) A person enrolled in SERS' health care plan cannot receive a premium subsidy unless that person is:
  - (a) A dependent child.
  - (b) An age and service retiree:
    - (i) An age and service retiree with an effective retirement date before August 1, 1989; or
    - (ii) An age and service retiree with an effective retirement date on or after August 1, 1989 and before August 1, 2008 who had earned fifteen years of service credit; or
    - (iii) An age and service retiree with an effective retirement date on or after August 1, 2008 who had earned twenty years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
      - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
      - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.
  - (c) A disability benefit recipient:
    - (i) A disability benefit recipient with an effective benefit date before August 1, 2008; or
    - (ii) A disability benefit recipient with an effective benefit date on or after August 1, 2008 who:
      - (a) Was eligible to participate in the health care plan of his or her employer at the time of separation from SERS service; or
      - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding separation from SERS service.
  - (d) A spouse:
    - (i) A spouse or surviving spouse of an age and service retiree or disability benefit

recipient with an effective retirement date or benefit date before August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code;

(ii) A spouse or surviving spouse of an age and service retiree or disability benefit recipient with an effective retirement date or benefit date on or after August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:

(a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or

(b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.

(iii) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date before August 1, 2008; or

(iv) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date on or after August 1, 2008, and the member;

(a) Was eligible to participate in the health care plan of his or her employer at the time of death or separation from SERS service; or

(b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding the member's death or separation from SERS service.

(e) For purposes of determining eligibility for a subsidy under paragraph (F)(4) of this rule, when the last contributing service of an age and service retiree, disability benefit recipient, or member was as an employee as defined by division (B)(2) of section 3309.01 of the Revised Code, the health care plan participation requirement shall be if the individual would have been eligible for the public employer's health care plan if the individual were an employee as defined by division (B)(1) of section 3309.01 of the Revised Code.

(f) Any other individual covered under a SERS health care plan shall be eligible for a premium subsidy under the standard set forth for spouses.

(g) In all cases of doubt, the retirement board shall determine whether a person enrolled in a SERS health care plan is eligible for a premium subsidy, and its decision shall be final.

#### (G) Waiver

(1) A benefit recipient may waive health care coverage by completing and submitting a SERS waiver form to SERS.

(2) The health care coverage of a benefit recipient's dependent may be waived as follows:

(a) For non-medicare eligible dependents, the benefit recipient may waive their coverage by completing and submitting a signed written request to SERS on their behalf.

- (b) For medicare eligible dependents, the dependent may waive their coverage by completing and submitting a signed written request to SERS.

(H) Medicare advantage or medicare part D

SERS shall cancel the health care coverage of a benefit recipient or dependent who enrolls in a medicare advantage or medicare part D plan that is not offered by the system.

(I) Reinstatement to SERS health care coverage

- (1) An eligible benefit recipient, or dependent of a benefit recipient with health care coverage, whose coverage has been previously waived or cancelled may be reinstated to SERS health care coverage by filing a health care enrollment application as follows:
  - (a) The application is received no later than ninety days after becoming eligible for medicare. Health care coverage shall be effective the later of the first day of the month after becoming medicare eligible or receipt of the enrollment application by the system;
  - (b) The application is received no later than thirty-one days after voluntary or involuntary termination of coverage under medicaid. Health care coverage shall be effective the later of the first day of the month after termination of coverage or receipt of proof of termination and the enrollment application by the system; or
  - (c) The application is received no later than thirty-one days after involuntary termination of coverage under another plan, medicare advantage plan, or medicare part D plan with proof of such termination. Health care coverage shall be effective the later of the first day of the month after termination of the other plan or receipt of proof of termination and the enrollment application by the system.
- (2) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(g) of this rule shall be reinstated to SERS health care plan when benefit payments are reinstated.
- (3) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(b) of this rule may be reinstated to SERS health care plan when they no longer have access to the medical plan of an employer by filing a health care enrollment application within thirty-one days of the employment ending.
- (4) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled and who is enrolled in medicare parts A and B or medicare part B only on December 31, 2007 may be reinstated to SERS health care coverage by filing a healthcare enrollment application during the period of time beginning October 1, 2007 and ending November 30, 2007. Health care coverage shall be effective January 1, 2008.
- (5) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled pursuant to paragraph (H) of this rule and who is enrolled in medicare parts A and B or medicare part B only on June 30, 2009 may be reinstated to SERS health care coverage by filing a health care enrollment application during the period of time beginning May 21, 2009 and ending July 15, 2009.
- (6) An eligible benefit recipient who had an effective retirement or benefit date on or after August 1, 2008, who qualifies for a premium subsidy under paragraph (F)(4) of this rule, and whose coverage has previously been waived as provided in paragraph (G) of this rule, may be reinstated to school employees retirement system health care coverage by submitting a complete health care enrollment application on or before December 14, 2012. Health care coverage shall be effective January 1, 2013.
- (7) An eligible benefit recipient for whom SERS is transferring funds to another Ohio retirement

system in accordance with paragraph (G) of rule 3309-1-55 of the Administrative Code may be reinstated to SERS health care coverage by submitting a health care enrollment application during open enrollment periods for health care coverage starting January 1, 2015 or January 1, 2016.

(J) Medicare part B

- (1) A person who is enrolled in SERS' health care shall enroll in medicare part B at the person's first eligibility date for medicare part B.
- (2)
  - (a) The board shall determine the monthly amount paid to reimburse an eligible benefit recipient for medicare part B coverage. The amount paid shall be no less than forty-five dollars and fifty cents, except that the board shall make no payment that exceeds the amount paid by the recipient for the coverage.
  - (b) As used in paragraph (J) of this rule, an "eligible benefit recipient" means:
    - (i) An eligible person who was a benefit recipient and was eligible for medicare part B coverage before January 7, 2013, or
    - (ii) An eligible person who is a benefit recipient, is eligible for medicare part B coverage, and is enrolled in SERS' health care.
- (3) The effective date of the medicare part B reimbursement to be paid by the board shall be as follows:
  - (a) For eligible benefit recipients who were a benefit recipient and were eligible for medicare B coverage before January 7, 2013 the later of:
    - (i) January 1, 1977; or
    - (ii) The first of the month following the date that the school employees retirement system received satisfactory proof of coverage.
  - (b) For eligible benefit recipients not covered under paragraph (J)(3)(a) of this rule, the later of:
    - (i) The first month following the date that the school employees retirement system received satisfactory proof of coverage, or
    - (ii) The effective date of SERS health care.
- (4) The board shall not:
  - (a) Pay more than one monthly medicare part B reimbursement when a benefit recipient is receiving more than one monthly benefit from this system; nor
  - (b) Pay a medicare part B reimbursement to a benefit recipient who is eligible for reimbursement from any other source.

HISTORY: 5/3/19, 10/13/16, 8/13/15, 12/4/14, 7/12/14, 1/1/14, 3/8/13, 1/7/13 (Emer.), 9/30/12, 8/14/11, 9/26/10, 7/1/10 (Emer.), 6/11/10, 8/10/09, 5/22/09 (Emer.), 1/8/09, 8/8/08, 12/24/07, 9/28/07 (Emer.), 3/1/07, 1/2/04, 6/13/03, 11/9/98, 8/10/98, 1/2/93, 7/20/89, 3/20/80, 1/1/77

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.69  
Review Date: 2/1/24

**CLINICAL PHARMACY CONSULTING SERVICES CONTRACT**

Health Care Services Director Christi Pepe outlined staff's recommendation that SERS enter into a contract with Know Your Rx Coalition to provide clinical pharmacy consulting services to achieve cost savings in SERS' pharmacy program and for SERS members.

The Know Your Rx Coalition will offer an intervention to achieve identified clinical cost management opportunities. Two pharmacists employed by the coalition will review SERS claims on a periodic basis, contact members to suggest lower cost prescription alternatives, and contact prescribers to achieve the change. These pharmacists will provide early intervention in high cost cases providing possible alternatives, and make pro-active timely recommendations on formulary and other cost savings opportunities related to pharmacy administration and benefits.

Board member Barbra Phillips expressed concern regarding the contract, and also noted that ESI should already be providing similar services in cost savings through its SERS' Pharmacy program for SERS members and retirees.

**APPROVAL TO CONTRACT FOR CLINICAL PHARMACY CONSULTING SERVICES**

James Rossler moved and Hugh Garside seconded approval to authorize staff to contract with Know Your RX Coalition in order to provide clinical pharmacy consulting services for SERS' Medicare and non-Medicare health care plans. The contract shall be for a term of three years with the option for two one-year renewals, beginning January 1, 2020. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

**EXECUTIVE SESSION**

At 11:14 a.m., Barbra Phillips moved and James Rossler seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler and Catherine Moss. The motion carried.

The Board returned to open session at 11:17 a.m.

**NOMINATIONS FOR THE VACANT EMPLOYEE MEMBER SEAT**

As Chairperson of the SERS Board, Catherine Moss opened the floor to nominations for the vacant employee member seat:

Nominated	<u>Felicia Drummey</u>	By: Catherine Moss
Nominated	<u>Matthew King</u>	By: Hugh Garside



As Chairperson of the SERS Board, Catherine Moss declared two applicants as being nominated to fill the vacancy of the employee-member seat. Board members shall interview the nominated candidates at the November 21, 2019 Board meeting.

The Board continued with the review of calendar dates and future Board meetings. Board member James Rossler stated that he would not be available for the December Board meeting. Board Chair Catherine Moss stated that she would not be available for the February Board Retreat and February Board meeting; however, Ms. Moss noted that Vice-Chair Hugh Garside will chair both meetings in February.

Board member Barbra Phillips provided a brief update on the Special Audit Committee meeting, and requested that the full board be available to meet with proposed candidates for the Chief Audit Officer position on Wednesday, November 20, 2019.

### **FUTURE CALENDAR DATES FOR 2019**

#### **AUDIT COMMITTEE MEETINGS**

November 5 - 8:30 a.m. (Tues. - Special Meeting)  
November 6 - 8:30 a.m. (Weds. - Special Meeting)  
December 18 - 2:30 p.m. (Weds.)

#### **COMPENSATION COMMITTEE MEETING**

December 19 - 7:30 a.m. (Thurs.)

#### **BOARD MEETINGS**

November 21 and 22 (Thurs. and Fri.)  
December 19 and 20 (Thurs. and Fri.)

---

### **FUTURE CALENDAR DATES FOR 2020**

#### **AUDIT COMMITTEE MEETINGS**

March 18 - 2:30 p.m. (Weds.)  
June 17 - 2:30 p.m. (Weds.)  
September 16 - 2:30 p.m. (Weds.)  
December 16 - 2:30 p.m. (Weds.)

#### **COMPENSATION COMMITTEE MEETINGS**

March 19 - 7:30 a.m. (Thurs.)  
June 18 - 7:30 a.m. (Thurs.)  
September 17 - 7:30 a.m. (Thurs.)  
December 17 - 7:30 a.m. (Thurs.)

## **BOARD MEETINGS**

February 19 – Board Retreat (Weds.)  
February 20 and 21 (Thurs. and Fri.)  
March 19 and 20 (Thurs. and Fri.)  
April 16 and 17 (Thurs. and Fri.)  
May 21 and 22 (Thurs. and Fri.)  
June 18 and 19 (Thurs. and Fri.)  
July 16 and 17 (Thurs. and Fri.)  
September 17 and 18 (Thurs. and Fri.)  
October 15 and 16 (Thurs. and Fri.)  
November 19 and 20 (Thurs. and Fri.)  
December 17 and 18 (Thurs. and Fri.)

**\*\*NOTE:** *The above dates are tentative.*

## **DISPOSITION OF TABLED, CONTINUED, OR NEW BUSINESS**

The Board continued with the review of continued or new business.

The Board took a break at 11:27 a.m., and reconvened at 12:58 p.m.

Board Chair Catherine Moss and Vice Chair Hugh Garside welcomed guest and staff to the afternoon session on pension sustainability.

## **PENSION SUSTAINABILITY**

The third pension sustainability session focused on Board efforts to define the terms “career employees” and “retirement benefit” in the SERS purpose statement drafted by the Board in September.

Based on the goals the Board set for the October session, Michael Perri and Michele Berry, consultants with Lincoln Crow Strategies, facilitated discussions to explore the terms previously identified as part of the SERS purpose.

The session began by reviewing the “Purpose of SERS,” which was “to provide a retirement benefit to career employees.” Each Board member then wrote three words or phrases to associate with the term “career member.” The words and phrases were shared with the group, and similar responses were grouped together. The Board members then separated into smaller groups to discuss the responses.

Upon returning to the full group discussion, the Board members agreed that defining the term “career member” was challenging and may not fully reflect the purpose of the retirement system.

One concept dominating the discussion included that SERS was created to serve everyone who contributed, no matter how long or how much, not just the career members. As a group, the Board reaffirmed that SERS was created to provide some type of retirement benefit for everyone who contributed, and that the benefits received should be in proportion to the member’s career contributions and the number of years the member contributed.

The Board agreed that the working purpose statement be changed to: “The purpose of SERS is to provide a retirement benefit to our members.”

Next, discussions turned to defining the term “retirement benefits.” Each Board member was asked to write a statement on “what retirement means to me.” Each response was shared with the group. Because all the responses were different, the Board members decided to explore member demographics to assess how retirement benefits are being distributed in order to aid in their crafting of a definition.

Data being gathered includes: how long retirees are collecting pensions in retirement; what percentage of the final average salary (FAS) is the average benefit; active and retiree demographic data; disability usage; number of retirees who retired before and after 2008/2012 pension reform changes; and the reasons why 120 days came to equal one year of service.

In November, the Board will review and investigate the implications of the demographic data and other information staff gathered so the Board members can continue to refine their definition of the purpose of a SERS retirement benefit.

### **ADJOURNMENT**

Catherine Moss moved that the Board adjourn to meet on Thursday, November 21, 2019 for their regularly scheduled meeting. The meeting adjourned at 4:09 p.m.

---

Catherine Moss, Chair

---

Richard Stensrud, Secretary