



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

JULY 2020

Three Full-Term Board Seats Up for Election

Two employee-member seats and one retiree-member seat are up for election with the terms beginning July 1, 2021, and ending June 30, 2025. Any member of SERS, other than a disability benefit recipient, is eligible to run for an employee-member seat, and any SERS disability or service retiree is eligible to run for a retiree-member seat.

Because of the ongoing state restrictions on large gatherings and efforts to maintain social distancing to reduce the spread of COVID-19, SERS is making changes to its Board election nominating petition process for this election.

To be considered for election, the following requirements must be met:

Employee-Member seat

- Obtain signatures of 500 SERS members on a paper or electronic nominating petition provided by SERS with not less than 20 signatures of members from each of at least 10 counties where those members are employed
- Make sure that each member signing the nominating petition, whether paper or electronic, indicates his or her employer, county of employment, and last four digits of his or her Social Security number or SERS member ID number

Retiree-Member seat

- Obtain signatures of 150 SERS retirees on a nominating petition provided by SERS with not less than 10 signatures of retirees from each of at least five counties where those retirees reside
- Make sure that each retiree signing the nominating petition, whether paper or electronic, indicates his or her county of residence and last four digits of his or her Social Security number or SERS member ID

All seats

- Begin gathering signatures on or after August 3, 2020
- Deliver paper petitions with original signatures and a completed original Certification Form to the SERS office no later than 4:30 p.m., EDT, December 4, 2020; electronic signature collection also will end at this time

The change in the nomination process includes the ability for active and retired members to sign an electronic petition form on SERS' website to nominate a candidate. The electronic form is secure and requires the same information as the paper form. Members may provide only one signature either on paper or electronically. Multiple submissions from one person for the same candidate will not be counted.

Anyone interested in running for one of the open active member Board seats must contact Tim Barbour (tbarbour@ohsers.org) to have an electronic form on the SERS website created with their name.

Certification forms can be downloaded from the SERS website at www.ohsers.org/about-sers/board-of-trustees/board-election. Nominating Petition forms will be available at the above website address on August 3, 2020.

RETIREMENT BOARD

HUGH W. GARSIDE, JR.
Chair, Employee-Member

BARBARA M. PHILLIPS
Vice-Chair, Employee-Member

JEFFREY T. DELEONE
Appointed Member

JAMES HALLER
Employee-Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

General information about the responsibilities of being a SERS Board member can be found in our *Board Member Responsibilities and Election Guide*.

If you have questions regarding these elections, please contact Tim Barbour, External Communications Senior Manager, by phone at 614-222-5901 or by email at tbarbour@ohsers.org.

Five-Year Information Technology Roadmap Presentation

Within SERS' five-year Strategic Plan, major goals include improving customer service and information delivery to members and retirees, and improving operational efficiency throughout the organization.

Achieving both will require Information Technology (IT) support and upgrades to current hardware, software, and security safeguards.

As SERS transitioned the majority of its daily operations from the headquarters building to a remote work model due to the COVID-19 pandemic, staff began using new technology like Zoom and GotoMeeting to conduct business, and webinars and videos to deliver information to SERS' membership. IT found new ways to support these technologies, and these new ways of communicating will most likely continue once daily work transitions back to the traditional office setting.

Through a recent survey, SERS learned that its active members and retirees are more digitally connected, segueing the implementation of new communication technology that can lessen our reliance on paper and mailing.

Beginning this fiscal year, staff will begin building business case profiles for IT projects that support the service delivery and operational efficiency goals. Specific areas of focus will include the secure e-delivery of checks, pay stubs, refunds, and annual statements; online completion of beneficiary changes and retirement forms; mobile solutions for health care open enrollments and virtual assistance; and infrastructure improvements to information security and voice over internet protocol (VOIP) to allow staff to work from remote locations.

The business case profiles will contain rationale for prioritization, schedules for implementation, recommendations for staff education and training, and estimated costs for budgeting purposes. The business case profiles will be presented to the Board for discussion later this fiscal year.

Overlay Program Review

Investment staff gave the Board an overview of SERS' overlay program.

The overlay program does not have a specific asset allocation, but is run as an active long/short strategy with a net zero asset exposure.

The program consists of two sub-programs: active currency and tactical asset allocation (TAA).

The active currency program aims at adding value and reducing the currency risk of the Total Fund. The program adds value by going long on rising currencies and short on falling currencies on average, and also reduces currency volatility.

The program was launched in August 2016 and has generated \$5.6 million since inception. During FY2020, staff rebalanced the currency portfolio based on managers' performance.

The TAA program invests in a strategy which actively allocates exposures across U.S. fixed income, U.S. equity, and non-U.S. equity markets by going long or short based on macroeconomic and market systematic signals.

The program started in December 2014. From inception to January 2020, the program consistently added value to the Total Fund with a total net gain of \$32.7 million. However, the manager recently implemented new long

equity and short bond positions in February and March as equity values fell sharply. Bond yields remained low, resulting in losses since inception of \$9.4 million.

Due to the recent negative performance of the TAA program, the overlay program detracted from the total fund returns. The value added was positive until recently.

Staff expects this to turn positive once equity index values rise and bond yields increase when the economy is fully opened.

Budget Policy Review Presentation

At the request of the Board, staff presented information on the current budgeting process and reporting policy.

During the comparison of the budget reporting policy and actual practice, staff recommended three policy changes:

1. Amend the policy to clearly indicate when and how budget information is presented to the Board
2. Change the policy to reflect that expenditures between the capital and administrative budgets are to be approved by the Board rather than by the Executive Director
3. Provide further clarity on how the information regarding external manager fees is reported

Staff also presented proposed reports that provide more detail on specific expenditures in the budget presented to and approved by the Board, and the ability to track those expenditures over the course of the year. Following the presentation, the Board also proposed that staff look into the possibility of incorporating different budget models into different areas to better control expenditures.

Total Fund Update

TOTAL FUND BALANCE		
April 30	May 31	Difference
\$14.21 billion	\$14.52 billion	▲ \$310 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 2.35%	▼ 3.56%	▲ 6.41%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▼ 0.09%	▼ 0.60%	▲ 0.37%

Executive Director’s Update

Household Income Discussion

The Board continued its discussion of collecting household income data for retirees. This information is already required for retirees who apply for SERS’ health care premium discount program.

Board members asked that SERS staff present recommended methods for collecting this information at its next regular Board meeting.

Wraparound Plan Advocacy Continues

Last month, SERS submitted a letter signed by six Ohio members of Congress to the administration regarding the alternative Health Reimbursement Arrangement (HRA) program. The letter urged the federal agencies responsible for the HRA regulations to consider altering the current \$1,800 per household cap to a cap based on the actuarial value of the overall HRA plan.

Administration representatives responded, indicating that they were not inclined to reconsider the limit, and they considered the \$1,800 limit “appropriate” and “similar” to other limited excepted benefit programs.

In the meantime, SERS staff continues to look for additional opportunities to include Wraparound program reauthorization language in other legislation.

Medicare Part D Reform

In its recent report to Congress, the Medicare Payment Advisory Commission (MedPAC) acknowledged that Employer Group Waiver Plan (EGWP) programs like SERS' plan should be considered when Congress addresses Part D prescription drug reform legislation.

SERS continues to participate in the Public Sector Health Care Roundtable to ensure MedPAC and Congress are prepared to recommend specific and valuable EGWP changes to existing legislative proposals.

Delta Dental Temporarily Reduces Premiums

Benefit recipients who are enrolled in the Delta Dental Plan through SERS will receive a premium reduction during the months of September, October, November, and December this year. This temporary premium reduction is due to reduced dental visits during the COVID-19 pandemic.

Premiums will return to their previous levels effective January 2021.

Board Accepts New Employer

The Board approved a request from the Licking Area Computer Association of Governments (LACA) to be accepted as a new employer unit effective July 1, 2020.

LACA is a regional council of governments organized under Chapter 167 of the Ohio Revised Code that provides services to schools in Eastern Ohio.

Monthly Retirement and Survivor Benefit Transactions

For July, the SERS Board approved 231 active members for service retirements, and 15 survivor benefits for spouses and/or dependents.

August Sustainability Session

There will not be a regular Board meeting in August; however, the Board will meet to discuss sustainability. Please check our [website](#) for details.

September Meeting Dates

The next regular Board meeting will take place Thursday, September 17 at 8:30 a.m., and Friday, September 18 at 8:30 a.m. (if necessary).