



**SERS Retirement Board
Regular Compensation Committee Meeting Agenda
September 16, 2021
7:30 A.M**

To Join Zoom Meeting:

<https://ohsers.zoom.us/j/92276788720?pwd=UGg1aFBJOVhuL2x1SmkveFh3L3ZTQT09>

Meeting ID: 922 7678 8720 **Password:** 183062

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **922 7678 8720** and password: **183062** when prompted.

1. Roll Call
2. Approval of **July 27, 2021** Minutes (R)
3. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee (R)
4. Compensation Study Review/Discussion
5. Recess to reconvene Friday, September 17, 2021, at 8:30am (R)

Compensation Committee Meeting – 9/17/2021 (cont.)

To Join Zoom Meeting:

<https://ohsers.zoom.us/j/95355613586?pwd=RHZtd2xsSmRXaWN5aU5ZTEVmcjBLdz09>

Meeting ID: 953 5561 3586 **Password:** 119525

To join by phone, dial: (929) 205-6099 and enter the meeting ID: **953 5561 3586** and password: **119525** when prompted.

6. Compensation Study Review/Discussion (cont.)
7. Adjournment (R)

**APPROVAL OF MINUTES OF THE COMPENSATION COMMITTEE MEETING HELD ON
JULY 27 2021**

_____ moved and _____ seconded the motion to approve the minutes of the Compensation Committee meeting held on July 27, 2021.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Barbra Phillips	_____	_____	_____

School Employees Retirement System		COMPENSATION COMMITTEE MINUTES	
Preparer	Vatina Gray	Meeting Date:	July 27, 2021
Committee Chair	Daniel Wilson	Committee roll call was as follows: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips Also in Attendance: Sam Peppers from the Ohio Attorney General's Office and SERS Staff: Richard Stensrud, Joe Marotta and Vatina Gray	
Agenda	<ol style="list-style-type: none"> 1. Roll Call 2. Approval of June 17, 2021 Minutes (R) 3. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee (R) 4. Compensation Study RFP Presentations and Review 5. Adjournment 		
Discussion	<p>The special SERS Compensation Committee meeting began in open session at 8:32 a.m.</p> <p><u>ROLL CALL</u> The SERS Compensation Committee roll call was as follows: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, and Barbra Phillips. Also in attendance was Sam Peppers from the Ohio Attorney General's Office, SERS Staff, and other members of the public.</p> <p><u>APPROVAL OF MINUTES</u> Hugh Garside moved and Barbra Phillips seconded the motion to approve the minutes of the Compensation Committee meeting held on June 17, 2021. Upon roll call, the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, and Barbra Phillips. The motion carried.</p> <p><u>EXECUTIVE SESSION</u> Barbra Phillips moved and James Haller seconded the motion to convene in executive session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee. Upon roll call, the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, and Barbra Phillips. The motion carried.</p> <p>The committee convened in executive session at 8:34 a.m.</p> <p>The committee reconvened in open session at 9:03 a.m.</p> <p>Barbra Phillips moved and Hugh Garside seconded the motion to approve the FY22 goals for the SERS Executive Director with amendments as requested. Upon roll call, the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, and Barbra Phillips. The motion carried.</p> <p><u>COMPENSATION STUDY RFP VENDOR PRESENTATIONS AND REVIEW</u> Committee Chair, Daniel Wilson, introduced the three Compensation Study vendors over the course of the meeting. Each vendor was allotted time to provide the committee with an overview of their services provided and qualifications. Mercer was the first to present. CBIZ was the second to present. The third vendor to present was Clemans & Nelson Associates. Following a robust discussion, the committee decided to move forward with CBIZ.</p>		

	<p>Barbra Phillips moved and Hugh Garside seconded to select CBIZ to perform a Compensation and Classification study for SERS. The chair of the Compensation Committee is authorized to sign a contract to retain the selected vendor following legal review. Upon roll call, the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller, and Barbra Phillips. The motion carried.</p> <p><u>ADJOURNMENT</u> Daniel Wilson moved to adjourn the meeting at 12:13 p.m.</p>		
	Action Items	Assigned Person	Due Date
Action Items			
Agenda for Next Meeting			

SCHOOL EMPLOYEES RETIREMENT SYSTEM

COMPENSATION COMMITTEE

September 16 and 17, 2021

_____ A.M.

Roll Call:

Daniel Wilson	_____
Jeffrey DeLeone	_____
Hugh Garside	_____
James Haller	_____
Barbra Phillips	_____

Guests in Attendance:

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee.

IN EXECUTIVE SESSION AT _____ A.M./P.M.

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Barbra Phillips	_____	_____	_____

RETURN TO OPEN SESSION AT _____ A.M. / P.M.

SERS COMPENSATION COMMITTEE – EXECUTIVE DIRECTOR GOALS FOR FY2022

_____ moved and _____ seconded to approve the Executive Director goals for FY2022.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Barbra Phillips	_____	_____	_____



CBIZ Compensation Consulting
721 Emerson Road, Suite 400
Saint Louis, Missouri 63141
(314) 692-2249

DATE: August 23, 2021
TO: Richard Stensrud; Executive Director
FROM: Joe Rice; Director, Compensation Consulting
SUBJECT: Compensation Study Planning Meeting


CBIZ requests a planning meeting with the SERS project team, the goal of which is discuss perspectives regarding the current state of compensation, compensation philosophy, and project goals. In the meeting CBIZ will ask a series of open-ended questions related to the following topics:

- Key drivers behind the compensation review
- Current challenges: broadly as an organization and also compensation specific
- Culture and how should it impact the project
- Compensation philosophy
 - From which organizations to compete for talent (e.g., hire from or lose to)?
 - In what geographic and industry markets do you compete for talent?
 - What is the target market competitive pay position (e.g., match, lead, or lag)?
- Compensation administration
 - Current salary structure
 - Annual salary increase process
 - Pay for performance
- Total rewards (e.g., benefits, work-life, etc.)
- Project timing and key dates

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Rice".

Joe Rice
Director, Compensation Consulting
CBIZ Talent and Compensation Solutions

		<h2>Employee Compensation</h2>			
<p>HR4-016</p>					
Effective Date:	12/11/2012	Revision Date:	04/20/2020	Audience:	Everyone
Owner:	Human Resources	Certifier:	Richard Stensrud	Co-Owner (s):	None
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Purpose

The purpose of this policy is to describe the compensation philosophy and objectives of the School Employees Retirement System of Ohio. This document sets forth policy and describes the organization and division of responsibilities to prudently implement SERS' compensation philosophy and objectives. It also establishes the framework to monitor the effectiveness of the compensation program and to promote effective communication between the Board and staff.

Policy

SERS Compensation Philosophy

SERS recognizes that to fulfill SERS' mission and provide the best service to the members and retirees, SERS must attract, retain, and motivate employees. It is SERS' objective to have a compensation program that supports a high performance culture, the organization's values and strategic goals, and pays competitively and equitably. To accomplish this goal SERS needs to:

- Provide compensation, including salary and benefits, at levels that are externally competitive not only to the other Ohio retirement systems, but also local private sector and government employers with similar characteristics to SERS.
- Provide internal equity by considering differences in each position's level of responsibility, knowledge, skills, education, experience, and working conditions required when determining appropriate compensation.
- Link compensation to performance by utilizing a performance management system that directly connects the employee to organizational goals, and rewards employees for meeting or exceeding expected performance.

To fulfill our philosophy of external competitiveness, internal equity, and pay for performance, the following will apply:

- SERS will target compensation levels which approximate the 50th percentile in the labor market when employees are fully proficient in their position and meeting

expectations. Individual placement relative to that target will be based on experience and performance.

For positions not covered under the Annual Investment Incentive Policy, this means salary range midpoints will represent the "middle of the market". For positions covered under the Annual Investment Incentive Policy, salary range mid-points plus incentive opportunities will represent the "middle of the market". SERS will rely heavily on appropriate market comparisons when determining compensation levels.

- With the exception of the Executive Director and Chief Investment Officer (CIO) positions, SERS will benchmark to other Ohio Retirement Systems, as well as, local private sector and government employers with similar characteristics to SERS in the Columbus, Ohio metro area. SERS will benchmark public pension funds nationwide with similar asset size, staff size, investment management characteristics and are constituted as a separate entity outside of state government for the Executive Director and CIO positions. Cost of living will also be factored into the benchmarks.
- In the absence of market data, jobs will be slotted into the job hierarchy based upon their relative complexity within the organization.
- SERS will consider differences in skill, effort, responsibility, and working conditions when ranking jobs in a hierarchy.
- Merit increases are tied to an effective performance management system and overall SERS philosophy of valuing employees and their contributions.
- No across the board, cost of living, or seniority based salary increases are considered.
- Additional compensation may be earned in the form of incentives for excellent achievements. [e.g. SPARK Continuous Process Improvement (CPI) and Above & Beyond Rewards]

Responsibilities

To maintain SERS' compensation policy the following responsibilities have been assigned:

Retirement Board

- Based upon annual review of information presented by the Executive Director and reviewed by the Compensation Committee of the Board, approve amount to be allotted for staff merit increases and Annual Investment Incentive Plan.
- Every five years, or as recommended by the Executive Director, approve utilization of an independent source to determine the competitiveness and effectiveness of compensation program.

Executive Director and Deputy Executive Director

- Administer the compensation program in accordance with this Policy.
- In coordination with Directors and Human Resources, periodically review grade levels to assure appropriate classification of positions. Review recommendations for promotions, reclassifications, transfers, salary adjustments for internal equity or external competitiveness, and merit increases submitted by Directors.
- Assure performance evaluations are given on a regular basis, to ensure expectations are clear and employees reach their full potential.
- Evaluate performance of Directors. Work with each Director in planning objectives to be accomplished each year to attain long-range goals.
- Annually review salary structure and adjust to current schedule if appropriate.
- Annually review merit and incentive award practices and make recommendations for Board to approve during budget process.
- Oversee awarding of staff merit increases and incentive awards to assure effective utilization of allotted monies to reward employees appropriately for level of performance.

Procedures None

Definitions

None

Related Documents and Information

Statutes: N/A

Rules: N/A


Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

Version 1 – December 11, 2012 – Created – Approved by Lisa Morris

Version 2 – October 27, 2014 – Edited – Approved by Lisa Morris

		<h2>Employee Compensation System Administration</h2>			
<p>HR4-022</p>					
Original Effective Date:	05/15/2013	Revision Date:	09/06/2019	Audience:	Everyone
Owner:	Human Resources	Certifier:	Richard Stensrud	Co-Owner (s):	None
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Purpose

The purpose of this policy is to outline the objectives of SERS’ compensation system and the responsibility of administrating and maintaining the system.

Policy

The overall purpose of SERS’ compensation system is to provide a means to assist in recruiting, retaining, and rewarding employees. The compensation system seeks to establish salary grades that are competitive with the labor markets from which SERS recruits talented employees and reflect the value of positions to SERS, as determined by a job review that takes into account the duties and level of responsibility of each job.

Objectives of the compensation system are as follows:

1. To ensure a compensation philosophy that is reflective of the values and goals of SERS
2. To ensure SERS’ financial resources are used in the most effective and efficient manner
3. To provide a rational basis for making pay decisions, eliminating arbitrary salary assignments, and thereby establishing internal fairness
4. To maintain salary ranges that are competitive with labor markets from which employees are recruited
5. To establish job titles and descriptions that are utilized consistently throughout SERS
6. To clarify relationships among positions to avoid overlaps and gaps in responsibilities
7. To clarify the knowledge, skills, and abilities (KSAs) required to competently perform the position and aid in the development of career paths
8. To assist supervisors in evaluating and rewarding employee job performance

Human Resources (HR), in consultation with the Deputy Executive Director and/or Executive Director, is responsible for the administration and maintenance of the compensation system. These responsibilities include assignment of proposed new jobs to salary grades, reassignment of existing jobs to salary grades, preparation and maintenance of job descriptions, review and approval of pay adjustments, and maintenance and updating of pay structures.

Establishing Pay for New Hires

It is the goal of SERS to offer wages that attract the best possible employees. It is also the goal of SERS to ensure pay fairness among employees within similar job titles. Therefore, a new employee's initial pay should be set in consideration of the candidate's qualifications as defined by knowledge, skills and abilities, the pay of other similarly employed individuals, the pay and pay scales of employees who report to the new employee, and in conformance with external market factors.

Typically, the initial wage should be set between the minimum and the midpoint of the salary grade. Exceptions to this policy may be made in cases with unusual circumstances, where market conditions prohibit hiring within the authorized hiring grade, and/or the current pay or pay scales of employees does not stimulate significant interest in upward career movement. All exceptions must be approved by HR, in consultation with the Deputy Executive Director and/or Executive Director.

Assignment of a New Job to a Salary Grade

HR, in consultation with the Deputy Executive Director and/or Executive Director, is responsible for the assessment of proposed new positions and subsequent assignment to a salary grade. All jobs will be assessed according to SERS' compensation plan based on published salary data and internal comparable equity. This plan establishes a consistent basis for measuring and ranking the relative market salary of each job.

Determining Pay for Job Changes

It is the goal of SERS to ensure pay fairness among employees within similar job titles. Therefore, an employee's pay should be adjusted in consideration of the candidate's qualifications as defined by knowledge, skills, and abilities, the pay of other similarly employed individuals, the pay and pay scales of employees who report to the new position, and in conformance with external market factors.

Merit Increases

Merit increases are intended to recognize and reward employees for performing their job responsibilities well and attaining yearly goals. Merit increases may be awarded during the following times:

- Upon a new employee's successful completion of the orientation period
- When an employee takes on additional job responsibilities
- In conjunction with the annual performance review process
- When an employee exhibits exceptional performance in his or her current position

Department directors are responsible for planning merit increases and including them in their yearly budgets. When merit increases are recommended, Department directors shall provide thorough documentation justifying the rationale for awarding merit increases.

Market-based Pay Adjustments

SERS strives to pay at levels that are competitive with the market. Salary adjustments may be made to employee salaries to address significant discrepancies between SERS' level of pay and market pay levels for jobs. Actual adjustment amounts will be based on SERS' capability to pay as well as individual performance and consultation with the Deputy Executive Director and/or Executive Director.

Requesting a Review of a Salary Grade

A job reassignment occurs when a job is moved to a different grade because the essential job functions have changed significantly. Department directors and/or employees may request a review of the evaluation of their position. Department directors will be consulted before specific requests to HR will be fulfilled.

Pay Above Grade Maximum

The compensation system is a tool used by SERS to provide a rational basis for pay decisions. It helps to ensure that positions are not underpaid or overpaid based on job responsibilities and the competitive labor markets from which employees are recruited. The salary grade assigned to each position indicates the duties and responsibilities of the position within SERS. For any employee whose pay is at or above the maximum for his or her salary grade, future increases will be limited to any adjustments that may be made to adjust (increase) the salary structure.

Salary Structure Adjustments

SERS' salary structure (pay grades) will be reviewed on an annual basis. The salary structure may be adjusted on a periodic basis to ensure that it remains competitive with markets from which it attracts talented employees. Any adjustment to the salary structure must be approved by the Executive Director.

[Establishing Pay for New Hires](#)

[Assignment of a New Job to a Salary Grade](#)

[Determining Pay for Job Changes](#)

Procedures [Merit Allocation and Distribution](#)

[Market-based Pay Adjustments](#)

[Requesting a Review of a Salary Grade](#)

[Salary Structure Adjustments](#)

Establishing Pay for New Hires

Establishing initial pay for new hires will follow the process below:

1. The department director will carefully review the applicant's qualifications in relation to job knowledge, skills, and abilities, external market factors, and the current wages of individuals employed in similar titles. HR will provide guidance to the department director regarding market pay for the position and budget constraints. It is anticipated that most salary offers will be between the minimum and the midpoint of the salary grade.
2. The department director and HR will work together to determine a beginning salary that is attractive to the prospective employee, addresses market pay influences, and is fair to existing employees. Beginning salaries for new employees should not be set at a rate greater than the salaries of existing employees with equivalent qualifications within the same job title in order to reduce the possibility of compression issues.
3. Salary offers will be prepared by HR. HR will then communicate the offer to the prospective employee.

Assignment of a New Job to a Salary Grade

Assignment of new positions to a salary grade will follow the process below:

1. Following approval to create a new position, the department director, or a designee, drafts a job description describing the duties to be assigned to the position.
2. The department director submits the job description to HR for assessment.
3. All new and existing jobs are to be assigned to a salary grade based on the job duties and level of responsibility. Salary is either determined by SERS-approved published salary survey data or SERS' determination of relative internal equity. The first step is to determine if market pay information exists for the job in SERS-approved published salary surveys. HR will compare job duties and responsibilities noted in the job description to the definitions found in the published salary surveys. The job will be assigned to the appropriate salary grade by comparing the salary survey data to the midpoints of the salary grade.
4. If the job does not sufficiently match a salary survey definition it is compared to other jobs within the department. This is accomplished by evaluating and ranking the position based upon its relative equity. HR conducts this assessment of the duties and responsibilities of the position and in consultation with the department director, Deputy Executive Director and/or Executive Director, confirms the position title and assigns a salary grade.
5. The department director is notified in writing of the position title and salary grade assignment after which recruitment for the vacancy may begin. The assigned pay grade provides a spread of a minimum to a maximum rate. New employee compensation within any salary grade is based on such factors as knowledge, skills, abilities, and external market factors in accordance with the policy.

Determining Pay for Job Changes

Promotions

1. HR will provide salary grades, individual pay information, and [promotion](#) adjustment recommendations to each department director upon the notice of the promotion of an employee.
2. The department director in conjunction with HR will determine the promotional increase percentage according to the pay adjustment procedures. The employee's pay shall be adjusted at least to the minimum of the new salary grade.
3. Promotion-based salary adjustments are in addition to annual merit increases if the promotion is made between July 1 and March 31. If promotion is effective between April 1 and June 30, the employee is not eligible for an annual merit increase for that fiscal year.

Demotions

1. In the case of a [demotion](#) resulting from poor performance or employee choice, the employee's current salary is reduced and then compared to the new salary grade maximum. If the employee's adjusted salary is greater than the new salary grade maximum, his or her pay will be reduced to the new salary grade maximum.
 2. In the case of a demotion resulting from an organizational change or development
-

assignment, all attempts will be made to keep the individual at the current salary.

Transfers and Other Job Changes

1. In the case of [transfers](#) and other job changes that do not result in a salary grade change, the employee may not be eligible for a pay increase at time of the transfer.
2. The department director in conjunction with HR will determine if a salary adjustment is needed by considering the employees qualifications as defined by knowledge, skills, and abilities, the pay of other similarly employed individuals, the pay and pay scales of supervised employees, and external market factors.

Acting Pay or Temporary Working Level Adjustment

1. In the case of a position vacancy that requires an employee to temporarily fill a position or the employee's working level is significantly increased, acting pay or a temporary working level adjustment may be granted.
2. The department director in conjunction with HR will determine if a salary adjustment is needed by considering the employee's qualifications as defined by knowledge, skills, and abilities, the pay of other similarly employed individuals, the pay and pay scales of supervised employees, and external market factors.
3. At the completion of the assignment, the employee's pay will be adjusted back to the previous amount. If an annual merit increase was given during the acting pay or working level adjustment, the merit percentage will be applied to the previous salary amount when the salary is change back to its previous amount.

Merit Allocation and Distribution

Merit Allocation

The Executive Director makes a recommendation to the Board, during the annual budget process, for an amount to be allotted for merit increases.

The percent the Executive Director recommends will be multiplied by the salaries in the budget to calculate with the dollar amount which will be included in the budget as a line item for merit increases.

Each department director is responsible for including in his or her department budget merit increases that are planned for outside of the annual performance appraisal process.

Merit Distribution

In Conjunction with Annual Performance Review Process

The Executive Director distributes the total pool of available money for merits, as approved by the Board, to each department director based on the salaries of his or her staff. Example: If the total allotment of money was based on 4% of current salaries, each department director would get an allotment of 4% of his or her staff's salaries to equitably distribute among the department.

The department director may grant the employee a merit increase based on the annual performance appraisal and the recommendation of the employee's supervisor. Merit recommendations are forwarded to HR for review, then sent to the Executive Deputy Director/ Executive Director for approval.

After the Executive Deputy Director/Executive Director's approval, HR will process all approved

merit recommendations and prepare the appropriate paper work.

HR creates the Personnel Action form (HRS-7001) and delivers a supervisor and employee copy to the supervisor. The supervisor then meets with the employee to discuss the merit increase.

Outside the Annual Performance Review Process

The department director may recommend a merit increase outside the annual review process based on the recommendation of the employee's supervisor. Merit recommendations are forwarded to HR, then reviewed and approved by the Executive Deputy Director/Executive Director.

If approved, HR will process the approved merit recommendation and prepare the appropriate paper work.

HR creates the Personnel Action form (HRS-7001) and delivers a supervisor and employee copy to the supervisor. The supervisor then meets with the employee to discuss the merit increase.

Market-based Pay Adjustments

1. HR will periodically compare current employee pay levels to the market pay for similar jobs.
2. If a particular job or department at SERS becomes exceedingly difficult to recruit and retain because of compensation requirements, HR, in consultation with the Deputy Executive Director and/or Executive Director, will recommend salary adjustments to address the demand for greater pay because of extreme market competitiveness.
3. Individual employee pay will be reviewed in consideration of market survey data and recruiting requirements. Based upon this review, individual employee pay may be adjusted to better reflect market rates, decrease compensation-related turnover, or match a job offer. The actual percentage an employee's pay is adjusted will be based on the employee's knowledge, skills, and abilities in comparison to those of the job, and the extent of external market pay factors. Market adjustments will only be considered for employees with at least a satisfactory performance rating.
4. HR will work with department director, in consultation with the Deputy Executive Director and/or Executive Director, to ensure the adjustments are appropriate.

Requesting a Review of a Salary Grade

Reassignment of an existing position to a salary grade will follow the process below.

1. Department directors and/or employees may request a review of a position's classification. A review of a position's classification is warranted when there has been a material, significant, and permanent change in job duties. The direct supervisor or department director is responsible for recognizing such job changes. Additionally, an employee who believes his or her job is not properly evaluated may request a reassessment.
2. When the department director concludes that a material, significant, and permanent change in job duties has occurred, the job description should be updated with input from the employee and the employee's direct supervisor, reviewed by the director, and sent to HR.
3. Upon receipt of a newly completed job description, an assessment of the duties and responsibilities of the position will be made using a review of relative internal equity and

a review of published salary surveys. This process may include an interview with the employee and/or supervisor. Following this evaluation, HR will determine if the job should remain as presently assigned or if a new assignment is appropriate. The department director is notified in writing of the results.

4. If upon the evaluation of a job, it is determined that a job is still within the same salary grade, no salary grade or salary adjustment will be made. In the instance where an employee's job is reassigned to a lower salary grade, the employee's salary will not be changed; however, the reclassified grade maximum will define the limit of future pay increases. In the instance where an employee's job is reassigned to a higher salary grade, the employee's pay shall be adjusted at least to the minimum of the new salary grade. Not all grade reassignments will result in salary changes.

Salary Structure Adjustments

Salary structure adjustments will follow the process below:

1. On an annual basis, HR will review the pay structures in consideration of changing economic and competitive factors as determined by SERS-approved published salary surveys and other data sources.
2. If an adjustment is needed, HR will recommend an appropriate salary structure adjustment to the Executive Director.
3. Salary structures will be adjusted as approved by the Executive Director.
4. Any employee whose salary is below the assigned updated salary range will receive a pay adjustment at least equal to the difference between actual salary and the salary range minimum. Such pay increases will be provided only if sufficient financial resources are available.

Definitions

Demotion: A demotion occurs when an employee's position is reassessed to a lower salary grade or when an employee is transferred to a position in a lower salary grade typically due to reorganization or performance issues. A demotion also occurs when an employee voluntarily accepts a position in a lower salary grade than the position occupied.

Market-based pay adjustment: Salary adjustment made to an employee's salary to address significant discrepancies between SERS' level of pay and market pay levels for jobs.

Promotion: A job change that causes an employee to move to a job in a higher salary grade or range.

Transfer: A job change that causes an employee to transfer to another position in the same salary grade as the position previously occupied.

Related Documents and Information

Statutes: N/A

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

Policy History

Version 1 – May 15, 2013 – Created – Approved by Lisa Morris

Version 2 – November 5, 2014 – Reviewed – Approved by Lisa Morris

School Employees Retirement System of Ohio



Investment Department Incentive Plan for Fiscal Year 2022

Amended May 20, 2021

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**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2021

Section 1: Plan Purpose

The purpose of the Incentive Plan (“Plan”) is to provide a compensation package that allows SERS to recruit and retain talent in the Investment Department that is necessary to maximize investment returns.

Section 2: Plan Objectives

The objectives of the Plan are to:

- a. Reinforce a performance philosophy.
- b. Attract and retain high quality talent.

Section 3: Performance Period

The performance period for purposes of the Plan will coincide with SERS’ fiscal year, i.e. July 1 through June 30 of each year.

Section 4: Eligibility

There are five tiers of participation within the Plan and those tiers cover the following job classifications:

Table 1. Eligibility by Job Title

TIER	JOB TITLES
I	Chief Investment Officer
II	Assistant Director
III	Senior Investment Officer Investment Officer
IV	Associate Investment Officer Senior Investment Analyst
V	Investment Analyst

In order to be eligible to receive incentive compensation, a participant must meet performance expectations (including goals and competencies) on the most recent SERS annual performance evaluation, and the fund must meet certain performance standards. A participant who fails to achieve an overall rating of “Expected Performance” on the annual performance evaluation will be ineligible for incentive compensation for the corresponding year of the evaluation, as will a participant who is no longer in good standing at SERS at the time the incentive compensation is paid.

Section 5: Incentive Compensation Criteria

Incentive compensation will be earned if the Investment Department achieves positive net of fees investment returns in excess of the Board-approved benchmark on the overall fund or specific asset classes.

**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2021

The incentive compensation amount will be calculated on the number, level, and salaries of eligible participants in the Plan as of July 1 of the fiscal year in which the incentive is earned. The Chief Risk Officer verifies the abovementioned information with Human Resources. The Chief Audit Officer reviews the calculations before incentive compensation earnings are approved by the Executive Director.

Fund Performance

Fund performance reflects the planned total fund or asset class goal. Individual incentive compensation may be earned upon achievement of positive excess returns.

For purposes of the Plan, the fund performance goal is positive excess returns relative to the Board-approved benchmark. If the total fund performance or specific asset class performance net of fees is above its respective benchmark that portion of incentive compensation will be earned and conversely, if the total fund performance or specific asset class performance is equal to or below its respective benchmark, that portion of incentive compensation will not be earned.

For purposes of this Plan, the maximum performance goal is 50 basis points over the Board-approved benchmark.

Section 6: Incentive Compensation Opportunity

Distribution under the Plan to eligible participants is determined by performance goals as outlined in Section 7. For purposes of this Plan, the maximum performance goal is 50 basis points over the Board-approved benchmark. Incentive compensation is managed within the range of opportunity noted below.

Based on level of performance, a participant has the opportunity to earn incentive compensation as follows:

Table 2: Opportunity by Level (% applied to Base Salary)

TIER	JOB TITLE	Maximum distribution (50 ps or greater)
I	Chief Investment Officer	90%
II	Assistant Director	60%
III	Senior Investment Officer Investment Officer	60%
IV	Associate Investment Officer Senior Investment Analyst	30%
V	Investment Analyst	10%

Except as provided in Section 10, incentive compensation is calculated based on the salary in effect on July 1 of the fiscal year in which the incentive is earned. Compensation for performance between 1 bps and 50 bps above the benchmark is based on defined performance goals and is prorated on a linear basis according to the schedule in Attachment 1.

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Section 7: Performance Goals

The incentive compensation is based on a combination of individual and department performance goals in reference to the Board-approved benchmark. Portfolio performance is calculated by SERS' third-party performance and analytics consultant based on SERS' annual returns net of investment manager fees and certified by Investment Accounting Division within SERS' Finance Department. Two primary performance measures noted below are defined as critical to the success of the Investment Department.

Individual Goals

Portfolio Performance

Portfolio performance is based on results relative to the Board-approved performance benchmark for each asset class. Performance goals for each asset class are calculated based on annual returns net of investment manager fees for that particular asset class as described in the previous paragraph. The Board-approved benchmarks are stated in the current Statement of Investment Policy (SIP).

Department Goals

Total Fund

The performance benchmark for the total fund is a weighted average of the performance benchmarks and the policy allocation of each asset class as stated in the SIP.

Section 8: Incentive Compensation Calculation

In determining the appropriate percent applied to an individual's base salary, the calculation by the Chief Risk Officer includes the achievement of both individual and department goals as described in Section 7. The performance goals are weighted as follows:

Table 3. Performance Goal Weights

TIER	JOB TITLE	INDIVIDUAL GOALS	DEPARTMENT GOALS
		Portfolio Performance	Overall Fund
I	Chief Investment Officer	30%	70%
II	Assistant Director	60%	40%
III	Senior Investment Officer Investment Officer	70%	30%
IV	Associate Investment Officer Senior Investment Analyst	70%	30%
V	Investment Analyst	75%	25%

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The portfolio performance portion of the incentive compensation for the Chief Investment Officer and the Investment Officer – Risk Management and Analytics is based on aggregate performance in each asset class and strategy on an equally weighted basis. If an incentive eligible employee covers two asset classes, his/her portfolio performance is weighted 50%/50% for both asset classes.

Multiple Year Results

Incentive compensation for portfolio performance and overall fund performance considers both current year results and results over multiple years. During year one of an individual's participation in the Plan, incentive compensation is based solely on the performance for the first year. In year two of participation in the Plan, 50% of the incentive compensation is based on performance for the current year and 50% on the performance for the two-year period. In years three and beyond, 25% of the incentive compensation is based on performance for the current year and 75% on the performance for the three-year period or on a rolling three year period. When employees become eligible for the Plan, their compensation will be calculated as described above, based on their years of participation in the Plan.

Table 4. Plan Year Weights

Plan Year Weighting	Employee's Year of Participation		
	Year 1	Year 2	Year 3 /Subsequent Years
Current Year	100%	50%	25%
Second Year		50%	
Third Year/Subsequent Years			75%
Total Weighting	100%	100%	100%

Asset Class Assignments

If an incentive-eligible employee transfers to a different asset class at the beginning of the fiscal year, he/she is phased into the new asset class performance cycle over a 3-year period, based on the following table:

Table 5. Asset Class Weights by Plan Year

	Returns	Weights
Current Year	1-Year	100% current asset class
	3-Year	33% current asset class, 67% previous asset class
Second Year	1-Year	100% current asset class
	3-Year	67% current asset class, 33% previous asset class
Third Year/Subsequent Years	1-Year	100% current asset class
	3-Year	100% current asset class

If an incentive-eligible employee transfers from one asset class to another mid-year, performance is calculated on a pro-rata basis for the number of whole months worked in each asset class.

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Section 9: Incentive Compensation Adjustment

If the total fund's total return (net of fees) in the current fiscal year is negative (less than 0%) then the total incentive compensation will be calculated according the foregoing methodology and the total payout will be reduced as follows:

Table 6. Incentive Compensation Adjustments

Total Fund 1-Year Returns	Incentive Adjustment
0%	0%
-.01% to -2%	-10%
-2.01% to -4%	-15%
-4.01% to -6%	-20%
-6.01% to -8%	-25%
-8.01% to -10%	-35%
-10.01% or lower	-50%

Additionally, if the five-year annualized return of the total fund (net of fees) is less than the actuarial assumed rate of return (currently 7.0%), the total incentive compensation for each incentive-eligible employee will be reduced by 10%. For example, if the total fund one-year net return is negative 5%, and the five-year annualized return of the total fund is less than the actuarial assumed rate of return, then the incentive compensation for each incentive eligible employee will be reduced by a total of 30%.

Section 10: Plan Administration

The Board of Trustees of SERS adopts, modifies, and monitors the Plan, and delegates to the Executive Director the administration of the Plan. The Executive Director shall have the right to interpret the plan and may administer the plan through the Incentive Plan Committee, which is a staff committee comprised of the Executive Director, Deputy Executive Director, General Counsel, Chief Risk Officer, Director of Human Resources and the Chief Investment Officer.

Calculation of Performance

An independent third party calculates annual, two-, three- and five-year Portfolio Performance and Overall Fund results.

Termination of Employment

In order to be compensated under this Plan, a participant must be employed and considered an active employee on the date the incentive compensation is paid. If a participant terminates from SERS for any reason other than death, disability, or normal retirement prior to the date of the incentive payment, that employee is ineligible to receive compensation under the Plan. If a participant terminates from SERS for reasons of death, permanent or total disability, or normal retirement, then pro-rata compensation is payable for the period of time the participant was employed based on the number of whole months worked during the performance period divided by 12. The pro-rata compensation is paid at the same time all other payments are made under

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the Plan. The target compensation payment date is September following the end of the performance period.

New Hires, Promotions and Salary Adjustments

If an employee is hired or promoted into an incentive-eligible job during the first nine months of the performance period, he or she is eligible for a pro-rata payment based on the number of whole months he or she worked during the performance period.

If, during the first nine months of the performance period, a current incentive-eligible employee's base salary is adjusted and/or incentive level changes, he or she is eligible for a pro-rata payment based on the number of whole months worked at each salary and/or incentive level during the performance period.

Other Adjustments

If an incentive-eligible employee is away from work for an extended period of time such that he or she is not able to contribute to the management of the fund during the performance period, adjustments to that employee's incentive compensation may be made to reflect the period of time away. These situations will be considered on a case-by-case basis and handled at the discretion of the Incentive Plan Committee.

Plan Amendment, Suspension, or Termination

The Board shall review the Plan annually. The Plan may be amended, suspended or terminated at any time by the Board without advance notice. Further, nothing in the Plan shall confer on the participant the right to continued employment or affect SERS' right to terminate a participant's employment at any time and for any reason.

Deferral of Compensation

The Board may from time to time adopt a resolution or take other action to amend or otherwise modify this Plan to approve and provide for a deferral of payment of all or any part of any compensation earned under the Plan (a "Deferral").

Regardless of whether expressly so stated in the resolution or other action of the Board approving the Deferral (the "Deferral Action"), unless a different form of deferred compensation agreement is adopted, every Deferral shall be structured, administered and paid in a manner consistent with the provisions of Treas. Reg. § 1.409A-1(b)(4) concerning short-term deferrals and Code section 457, including specifically,

- a. the action shall specify a date of payment of the Deferrals that satisfies the requirements of the applicable two and one-half (2 ½) month period specified in Treas. Reg. § 1.409A-1(b)(4) (the "Payment Date");
- b. the action shall state:
 - (i) the period of substantial services to be performed and/or the business condition(s) to be satisfied prior to any payment of a Deferral, however, if satisfaction of such a business condition is not required prior to deferral, the period of services required shall be at least

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as long as reasonably required under then applicable statutory, regulatory or other requirements or guidance so as to constitute a substantial risk of forfeiture; and

- (ii) the requirement that the person eligible for payment of the Deferral must be in the employment of SERS as of the Payment Date in order to be eligible to receive the Deferral payment.

Dispute Resolution

The Executive Director, in consultation with the Board, resolves all disputes, and such resolution is final.

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Exhibit A HISTORY

Action	Approval Period
Adopted by the Retirement Board on March 15, 2001	July 1, 2001 through June 30, 2002
Amended by the Retirement Board on June 25, 2004	July 1, 2004 through June 30, 2005
Amended by the Retirement Board on October 20, 2005	July 1, 2005 through June 30, 2006
Amended by the Retirement Board on May 19, 2006	July 1, 2006 through June 30, 2007
Unchanged by the Retirement Board on May 17, 2007	July 1, 2007 through June 30, 2008
Amended by the Retirement Board on May 22, 2008	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on March 19, 2009	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on July 23, 2009	July 1, 2009 through June 30, 2010
Amended by the Retirement Board on May 19, 2010	July 1, 2010 through June 30, 2011
Amended by the Retirement Board on June 16, 2011	July 1, 2011 through June 30, 2012
Amended by the Retirement Board on May 14, 2012	July 1, 2012 through June 30, 2013
Amended by the Retirement Board on May 16, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on Nov. 21, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on May 15, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on September 18, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on May 22, 2015	July 1, 2015 through June 30, 2016
Amended by the Retirement Board on June 16, 2016	July 1, 2016 through June 30, 2017
Amended by the Retirement Board on May 18, 2017	July 1, 2017 through June 30, 2018
Amended by the Retirement Board on May 24, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on December 20, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on May 16, 2019	July 1, 2019 through June 30, 2020
Amended by the Retirement Board on May 21, 2020	July 1, 2020 through June 30, 2021
Amended by the Retirement Board on May 20, 2021	July 1, 2021 through June 30, 2022

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ATTACHMENT 1

0 to 50 Basis Points

WE DO NOT PAY OUT ON NEGATIVE RETURNS TO THE BENCHMARK

Chief Investment Officer			Assistant Director Sr. Investment Officer Investment Officer			Assoc. Investment Officer Sr. Investment Analyst			Investment Analyst		
Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent	Excess Return %	Incremental Increase	Payout Percent
0.00	0.018	0.0%	0.00	0.012	0.0%	0.00	0.006	0.0%	0.00	0.002	0.0%
0.01	0.018	1.8%	0.01	0.012	1.2%	0.01	0.006	0.6%	0.01	0.002	0.2%
0.02	0.018	3.6%	0.02	0.012	2.4%	0.02	0.006	1.2%	0.02	0.002	0.4%
0.03	0.018	5.4%	0.03	0.012	3.6%	0.03	0.006	1.8%	0.03	0.002	0.6%
0.04	0.018	7.2%	0.04	0.012	4.8%	0.04	0.006	2.4%	0.04	0.002	0.8%
0.05	0.018	9.0%	0.05	0.012	6.0%	0.05	0.006	3.0%	0.05	0.002	1.0%
0.06	0.018	10.8%	0.06	0.012	7.2%	0.06	0.006	3.6%	0.06	0.002	1.2%
0.07	0.018	12.6%	0.07	0.012	8.4%	0.07	0.006	4.2%	0.07	0.002	1.4%
0.08	0.018	14.4%	0.08	0.012	9.6%	0.08	0.006	4.8%	0.08	0.002	1.6%
0.09	0.018	16.2%	0.09	0.012	10.8%	0.09	0.006	5.4%	0.09	0.002	1.8%
0.10	0.018	18.0%	0.10	0.012	12.0%	0.10	0.006	6.0%	0.10	0.002	2.0%
0.11	0.018	19.8%	0.11	0.012	13.2%	0.11	0.006	6.6%	0.11	0.002	2.2%
0.12	0.018	21.6%	0.12	0.012	14.4%	0.12	0.006	7.2%	0.12	0.002	2.4%
0.13	0.018	23.4%	0.13	0.012	15.6%	0.13	0.006	7.8%	0.13	0.002	2.6%
0.14	0.018	25.2%	0.14	0.012	16.8%	0.14	0.006	8.4%	0.14	0.002	2.8%
0.15	0.018	27.0%	0.15	0.012	18.0%	0.15	0.006	9.0%	0.15	0.002	3.0%
0.16	0.018	28.8%	0.16	0.012	19.2%	0.16	0.006	9.6%	0.16	0.002	3.2%
0.17	0.018	30.6%	0.17	0.012	20.4%	0.17	0.006	10.2%	0.17	0.002	3.4%
0.18	0.018	32.4%	0.18	0.012	21.6%	0.18	0.006	10.8%	0.18	0.002	3.6%
0.19	0.018	34.2%	0.19	0.012	22.8%	0.19	0.006	11.4%	0.19	0.002	3.8%
0.20	0.018	36.0%	0.20	0.012	24.0%	0.20	0.006	12.0%	0.20	0.002	4.0%
0.21	0.018	37.8%	0.21	0.012	25.2%	0.21	0.006	12.6%	0.21	0.002	4.2%
0.22	0.018	39.6%	0.22	0.012	26.4%	0.22	0.006	13.2%	0.22	0.002	4.4%
0.23	0.018	41.4%	0.23	0.012	27.6%	0.23	0.006	13.8%	0.23	0.002	4.6%
0.24	0.018	43.2%	0.24	0.012	28.8%	0.24	0.006	14.4%	0.24	0.002	4.8%
0.25	0.018	45.0%	0.25	0.012	30.0%	0.25	0.006	15.0%	0.25	0.002	5.0%
0.26	0.018	46.8%	0.26	0.012	31.2%	0.26	0.006	15.6%	0.26	0.002	5.2%
0.27	0.018	48.6%	0.27	0.012	32.4%	0.27	0.006	16.2%	0.27	0.002	5.4%
0.28	0.018	50.4%	0.28	0.012	33.6%	0.28	0.006	16.8%	0.28	0.002	5.6%
0.29	0.018	52.2%	0.29	0.012	34.8%	0.29	0.006	17.4%	0.29	0.002	5.8%
0.30	0.018	54.0%	0.30	0.012	36.0%	0.30	0.006	18.0%	0.30	0.002	6.0%
0.31	0.018	55.8%	0.31	0.012	37.2%	0.31	0.006	18.6%	0.31	0.002	6.2%
0.32	0.018	57.6%	0.32	0.012	38.4%	0.32	0.006	19.2%	0.32	0.002	6.4%
0.33	0.018	59.4%	0.33	0.012	39.6%	0.33	0.006	19.8%	0.33	0.002	6.6%
0.34	0.018	61.2%	0.34	0.012	40.8%	0.34	0.006	20.4%	0.34	0.002	6.8%
0.35	0.018	63.0%	0.35	0.012	42.0%	0.35	0.006	21.0%	0.35	0.002	7.0%
0.36	0.018	64.8%	0.36	0.012	43.2%	0.36	0.006	21.6%	0.36	0.002	7.2%
0.37	0.018	66.6%	0.37	0.012	44.4%	0.37	0.006	22.2%	0.37	0.002	7.4%
0.38	0.018	68.4%	0.38	0.012	45.6%	0.38	0.006	22.8%	0.38	0.002	7.6%
0.39	0.018	70.2%	0.39	0.012	46.8%	0.39	0.006	23.4%	0.39	0.002	7.8%
0.40	0.018	72.0%	0.40	0.012	48.0%	0.40	0.006	24.0%	0.40	0.002	8.0%
0.41	0.018	73.8%	0.41	0.012	49.2%	0.41	0.006	24.6%	0.41	0.002	8.2%
0.42	0.018	75.6%	0.42	0.012	50.4%	0.42	0.006	25.2%	0.42	0.002	8.4%
0.43	0.018	77.4%	0.43	0.012	51.6%	0.43	0.006	25.8%	0.43	0.002	8.6%
0.44	0.018	79.2%	0.44	0.012	52.8%	0.44	0.006	26.4%	0.44	0.002	8.8%
0.45	0.018	81.0%	0.45	0.012	54.0%	0.45	0.006	27.0%	0.45	0.002	9.0%
0.46	0.018	82.8%	0.46	0.012	55.2%	0.46	0.006	27.6%	0.46	0.002	9.2%
0.47	0.018	84.6%	0.47	0.012	56.4%	0.47	0.006	28.2%	0.47	0.002	9.4%
0.48	0.018	86.4%	0.48	0.012	57.6%	0.48	0.006	28.8%	0.48	0.002	9.6%
0.49	0.018	88.2%	0.49	0.012	58.8%	0.49	0.006	29.4%	0.49	0.002	9.8%
0.50	0.018	90.0%	0.50	0.012	60.0%	0.50	0.006	30.0%	0.50	0.002	10.0%

Salary Ranges			
as of			
July 1, 2021			
Job Grade	Minimum Salary	Mid Point Salary	Maximum Salary
A	\$23,899	\$28,660	\$33,423
B	\$26,290	\$31,527	\$36,765
C	\$28,919	\$34,680	\$40,441
D	\$31,812	\$38,148	\$44,484
E	\$35,604	\$42,726	\$49,846
F	\$39,879	\$47,853	\$55,828
G	\$43,751	\$53,595	\$63,439
H	\$50,314	\$61,634	\$72,954
I	\$57,861	\$70,880	\$83,897
J	\$65,209	\$81,512	\$97,813
K	\$74,991	\$93,739	\$112,484
L	\$88,113	\$110,141	\$132,170
M	\$103,532	\$129,417	\$155,300
N	\$119,266	\$152,063	\$184,862
O	\$140,138	\$178,673	\$217,212
P	\$168,164	\$214,409	\$260,654
Q	\$197,916	\$257,289	\$316,665
R	\$237,499	\$308,751	\$379,998

RECESS (R)

_____ moved that the Compensation Committee recess to reconvene on Friday, September 17, 2021 to continue the committee meeting and to discuss the Compensation Study.

The meeting recessed at _____ a.m./p.m.

Daniel Wilson, Compensation Committee Chair

ADJOURNMENT

_____ moved that the Compensation Committee adjourn to meet on _____
or the next compensation committee meeting.

The meeting adjourned at _____ a.m.

Daniel Wilson, Compensation Committee Chair