



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
SEPTEMBER 2021

Board Approves Maximum COLA for 2022

At its September meeting, the Board unanimously voted to approve a 2.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2022.

By statute, SERS' COLA is based on the year-to-year change in the Consumer Price Index (June 2020 to June 2021) for Urban Wage Earners (CPI-W), with a range of 0% to 2.5%. While the Board has the authority to adjust the percentage to maintain the financial stability of the fund, data provided to the Board from the actuary indicates that awarding a 2.5% COLA would not materially impair the fiscal integrity of the system.

Benefit recipients whose benefit effective date is on or after April 1, 2018, must wait until the fourth anniversary of their allowance or benefit before receiving a COLA.

Actuarial Factors Presented; Selection of Optional Benefit Plan and Partial Lump Option Reduction Factors

Tracy Valentino, chief financial officer at SERS, presented recommendations for various actuarial factors resulting from the [five-year experience study](#) recently conducted by Cavanaugh Macdonald Consulting.

Valentino discussed each factor, including:

- **Optional Benefit Plan and PLOP Reduction Factors** - Because the option and PLOP factors change in conjunction with mortality tables and the assumed investment rate, it was recommended that new option and PLOP factors be raised slightly for the individual plan and lowered slightly for retirees who choose joint or survivor plans. This means slightly higher benefit payments for individual plan retirees and slightly lower benefit payments for joint and survivor plan retirees.
- **Early Retirement Incentive (ERI) Rates** - It was recommended that new ERI factors apply to all new ERI plans.
- **Reemployed Retiree Annuity Factors** - It was recommended that slightly higher annuity factors be effective for initial monthly annuities paid on and after January 1, 2022. This means slightly lower monthly annuity amounts.
- **Reemployed Retiree Annuity Interest on Contributions** - It was recommended to continue to pay 3% on reemployed retiree contributions.
- **Reemployed Retiree Annuity – Employer Contributions** - It was recommended that reemployed retirees continue to receive the 8% employer contribution match for the next five years.
- **Interest Rates and Factors** - It was recommended to maintain the 3.00% rate for the interest credited to additional annuity contributions and used in the money purchase calculation, to maintain the 24.00% of salary required for purchase of exempted credit, and that the interest charged on purchased service and unpaid ERI balances be reduced from 7.50% to 7.00%.
- **Money Purchase Annuity Factors** - It was recommended that new larger factors be approved for future benefits.
- **School Board Service Credit Purchase – Liability Factors** - It was recommended that no changes be made to the factors.

After some discussion, the Retirement Board approved all of the recommended changes.

RETIREMENT BOARD

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JEFFREY T. DELEONE
Vice-Chair, Appointed Member

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Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

All changes will become effective on January 1, 2022.

Investments Quarterly Report

Joanna Bewick and David Lindberg of Wilshire Associates provided the Board with an update of current global market conditions, as well as SERS' fourth quarter (April-June) and year-end investment results for FY2021.

During the quarter, the U.S. stock market was up 8.4% with 10 of the 11 sectors registering positive returns.

Bewick noted that the biggest concern in the U.S. is the current acceleration of inflation. Major indexes like the Consumer Price Index, the U.S. National Home Price Index, and Commodity Price Index all show big jumps in inflation. It is unclear at this time whether inflation will become a persistent trend or if it is temporary due to the rapid reopening of the U.S. economy following the pandemic shutdowns.

In Europe, economic conditions in the United Kingdom and Germany are improving as pandemic-related restrictions are being lifted, which should benefit SERS' non-US Equity portfolio.

Lindberg reviewed SERS' quarterly and fiscal year 2021 results and discussed comparisons to other U.S. public pension funds.

For the quarter, SERS' Total Fund returned 5.49%, 74 basis points higher than the benchmark. For the fiscal year, SERS' portfolio returned 26.76%, the highest return since 1985.

The Total Fund has outperformed the benchmark for the 3-, 5-, and 10-year periods and, over the last 20 quarters, SERS' Total Fund has added value in 17 quarters.

When compared to other U.S. pension funds, SERS' total fund performance ranks in the top quartile over the 3-year period, top 14% in the 5-year period, and top 11% in the 10-year period. In addition, SERS has been achieving higher returns with less risk than the majority of U.S. pension funds.

Over the last five years, SERS' Total Fund risk exposure was less than 85% of other pension funds, and SERS achieved better returns on the risk it does take than 96% of funds in the peer comparison universe.

In FY2021, all of SERS' portfolios in the Total Fund produced positive results. The highest returning portfolios were emerging markets equity at 50.1%, private equity at 45.8%, and U.S. equity at 41.5%.

Total Fund Update

TOTAL FUND BALANCE		
June 30	July 31	Difference
\$17.77 billion	\$17.81 billion	▲\$40 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲0.51%	▲9.97%	▲11.33%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲0.23%	▲1.23%	▲0.81%

Investment Committee Approves Three Investments

The SERS Investment Committee approved a \$150 million commitment to Arcmont SMA and a \$150 million commitment to FP Credit Fund II, both direct lending strategies within the private credit portfolio, and a \$100 million commitment to TPG Capital Rise Climate, an ESG strategy within the private equity portfolio.

These investments will be funded from cash reserves.

Board Approves Final Filing of Amended Administrative Rules

The Board approved final filing of two administrative rules that were reviewed by the Joint Committee on Agency Rule Review (JCARR).

The first amended rule adds a provision establishing employer liability for errors in reporting. The amendment requires the Board to seek reimbursement from employers for any penalties that SERS incurs as a result of the error.

The second amended rule provides that individuals who fail to enroll in Medicare Part B during their Medicare initial or special enrollment period will lose eligibility for SERS' health care coverage. If an individual enrolls in Medicare Part B coverage but then fails to maintain the coverage, the individual must re-enroll during Medicare's first available general enrollment period.

The rule provides a deadline for individuals not currently enrolled in Medicare Part B to take action in order to remain eligible for SERS' coverage. The following individuals must enroll/re-enroll in Medicare Part B during Medicare's 2022 general enrollment period (January 1, 2022 through March 31, 2022) to remain eligible for SERS' health care coverage:

- Individuals who did not enroll in Medicare during their initial or special enrollment period(s) between January 1, 2019 and December 31, 2021
- Individuals who lost Medicare Part B coverage between January 1, 2019 and December 31, 2021

Individuals who, prior to January 1, 2019, failed to enroll in Medicare Part B during their initial/special enrollment period or lost Medicare Part B coverage, will not lose eligibility for SERS' health care coverage for failure to enroll.

Executive Director's Update***Federal Legislative Activity***

Late last year, the Trump administration introduced a rule that would prohibit pharmacy benefit managers from retaining rebates paid by drugmakers.

This would have a negative impact on SERS' health care fund as SERS passes these savings on to retirees in the form of reduced premiums.

The Senate recently passed bi-partisan infrastructure legislation that delays the rebate rule in 2026. Staff sent letters to Senators Brown and Portman thanking them for their support of the provision.

SERS staff continues to work with legislators to urge them to consider the harmful impact this rule would have on SERS' prescription drug plan, as well as educate them on the need for consideration of Employer Group Waiver Plans (EGWP) like SERS' when addressing Medicare Part D prescription drug reform legislation.

SERS will also continue to work through the Public Sector HealthCare Roundtable, a non-partisan, member-directed coalition that collectively engages with legislators on national health care policy, to advocate for a solution that addresses the high cost of prescription drugs.

Staff Gives Back to Charity

For the sixth consecutive year, SERS partnered with Volunteers of America to participate in the Operation Backpack program, which aids students who our members serve.

Backpacks filled with school supplies are distributed to homeless and at-risk children throughout the Greater Columbus area.

This year, staff donated 154 backpacks, plus an additional amount donated online, over 41% more than 2019's donation of 109 backpacks. Due to the pandemic, last year's Operation Backpack event was limited to online donations only.

Monthly Retirement and Survivor Benefit Transactions

For September, the SERS Board approved 663 active members for service retirements, and 34 survivor benefits for spouses and/or dependents.

October Meeting Dates

The next Board meeting will take place Thursday, October 21, at 8:30 a.m., and Friday, October 22 (if necessary), at 8:30 a.m.