

SERS Retirement Board Meeting Minutes

February 17, 2022

The nine hundredth and forty-sixth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, February 17, 2022.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 a.m. with the Pledge of Allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Barbra Phillips, Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, and Daniel Wilson. Absent: Catherine Moss. Also attending in person was Lisa Reid, representative of the Ohio Attorney General's Office and various members of the SERS staff. Attending virtually was Joe Rice from CBIZ, Joanna Bewick and David Lindberg of Wilshire Associates, along with members of the public.

Approval of Out-of-State Board Travel

Jeffrey DeLeone moved and Frank Weglarz seconded the motion that the travel requests by Board Members to travel and receive reimbursement for the following out-of-state conferences and meetings be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
NCPERS Annual Conference & Exhibition	Barbra Phillips	May 22-25, 2022	Washington DC	\$2914
NCPERS Annual Conference & Exhibition	Catherine Moss	May 22-25, 2022	Washington DC	\$2682

Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

Consent Agenda

The consent agenda for February 17, 2022, included:

- Minutes from the **December 16, 2021**, board meeting
- Summary of Investment Transactions for the period of **November 1, 2021, through November 30, 2021, and December 1, 2021, through December 31, 2021.**
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal on Personal Appearance, and Disapproval of Appeal or Termination – Any Occupation

Matthew King moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, February 17, 2022. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

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Compensation Committee Update

In accordance with the SERS Employee Compensation Policy, every five years, or as recommended by the executive director, SERS must use an independent source to determine the competitiveness and effectiveness of the employee compensation program. The last compensation study was performed in 2013. CBIZ Compensation Consulting was selected to conduct a compensation study. Dan Wilson, SERS Compensation Committee chair provided an update on the findings of the compensation study performed by CBIZ and asked for a motion to approved the recommendations.

It was moved by James Rossler and seconded by Jeffrey DeLeone that:

Whereas, SERS is committed to maintaining a high performance culture focused on providing excellent service to SERS' active members, retirees and participating employers; and

Whereas, in order to continue to be successful at its mission, SERS must be able to attract and retain qualified, skilled and motivated staff; and

Whereas, the SERS Board recognizes that to meet this goal, it is a best practice to conduct periodic compensation studies to assure the compensation for SERS staff positions both enables SERS to be competitive in the labor markets where SERS sources staff and is at an appropriate level relative to those markets; and

Whereas, the SERS Board recognizes that to secure the necessary and correct information for determining proper staff compensation, the best practice is to engage an independent consultant with experience in evaluating compensation at public retirement systems and who can identify the appropriate organizations, industries and geographic parameters for establishing reasonable compensation benchmarks; and

Whereas, the SERS Board further recognizes that in the current challenging labor market environment it is important to have comprehensive data to support compensation determinations;

NOW THEREFORE, BE IT RESOLVED the Compensation Committee has determined that: (1) The approach, analysis and findings of the engaged independent consultant – CBIZ Compensation Consulting – correctly identified the appropriate labor markets for SERS staff positions and the appropriate labor market benchmark compensation levels for SERS positions.; (2) The resulting salary grade and salary range adjustments recommended by CBIZ are reasonable and necessary for maintaining SERS' ability to attract and retain a high performing workforce; (3) The recommendations by CBIZ that the compensation levels be brought to at least the minimum of the new salary ranges and that adjustments be made to address pay compression within pay grades to keep salaries in line with experience are reasonable and necessary for maintaining internal pay equity; (4) The cost to make the compensation structure adjustments recommended by CBIZ is reasonable and reflective of prudent and responsible management of the compensation structure since the last compensation study; and (5) The 3.2% merit-based salary adjustment recommended by CBIZ for FY 22-23 is reasonable, supported by the economic data, and necessary to preserve the impact of the compensation structure adjustments.

Accordingly, the Compensation Committee recommends that the SERS Board adopt the foregoing determinations. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

Board Chair Barbra Phillips and Board Vice-Chair Jeffrey DeLeone thanked the Compensation Committee and CBIZ for their hard work and the time taken to complete this study. Ms. Phillips further stated that the compensation study was very much needed to attract and retain the best and the brightest at SERS.

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Investment Report

Annual Portfolio Review – Real Assets

SERS Investment Staff Paul Cheng and Michael Browning presented the Real Assets portfolio review. Mr. Cheng provided a summary of the portfolio structure and performance. The portfolio had a 17.24% net return in 2021 and was 509 basis points above the benchmark. Infrastructure is 28% of the total Real Assets portfolio. Portfolio returns outperformed the benchmark for the one, three, and five-year periods. Investment staff also discussed gross income component returns, fees, and the portfolio's 2022-2023 goals. Following discussion, the Board thanked Mr. Cheng and Mr. Browning for their presentation.

Wilshire Associates Quarterly Performance Report

Joanna Bewick and David Lindberg from Wilshire Associates provided a Quarterly Investment Performance report as of December 31, 2021. Ms. Bewick reviewed asset class performance and capital market assumptions. She also discussed the current inflation and job shortage effects of COVID-19 on the U.S. economy. Mr. Lindberg discussed SERS' total fund attribution and performance asset allocation compliance. He also discussed the total fund vs. all public plans-total fund. After a robust discussion, the Board thanked Ms. Bewick and Mr. Lindberg for their presentation and for their collaborative work with the SERS Investment team.

Quarterly Investment Report

Farouki Majeed, SERS Chief Investment Officer, presented the SERS monthly investment report for the quarter ending December 31, 2021. Following comments, the Board thanked Mr. Majeed for his presentation and continued hard work.

Amendment to Statement of Investment Policy

Farouki Majeed presented the Statement of Investment Policy (SIP) with proposed changes to co-investment, leverage, and Private Credit Benchmark. After discussion, the Board approved the revised SIP effective February 18, 2022. AS discussed in the February 17, 2022 Board meeting, Hugh Garside moved and James Rossler seconded the motion to approve amendments to the Statement of Investment Policy. The amended Statement of Investment Policy will become effective February 18, 2021 and replaces the Statement of Investment Policy dated February 18, 2021. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

The Board took a break at 10:25 a.m.

The Board reconvened at 10:35 a.m.

Executive Director's Report

Personal Appearance

Jeffrey DeLeone moved and Frank Weglarz seconded the motion that the Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

The board convened in executive session at 10:35 a.m.

The board returned to open session at 11:00 a.m.

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Executive Director's Report (cont.)

COVID-19 Health Care Report

Richard Stensrud, SERS Executive Director, provided an update on the Covid-19 numbers for the system. To date, there have been 391 member deaths and 70% of the members had at least one round of the Covid-19 vaccine, based on reported numbers. The number could be higher if vaccinations were received at public health clinics or other public vaccination sites.

Ohio Retirement Study Council

Mr. Stensrud reported the ORSC met on February 10th and Mr. Stensrud provided summaries of several reports that had been submitted to the Council including the Iran/Sudan Report, Mitigating Rate Report, Actuarial Valuation Report and the Annual Health Care Report. Mr. Stensrud reported SERS has reduced the market value of holdings from questionable companies from \$168M to \$30M. Mr. Stensrud also spoke about common "Myths and Misconceptions" about SERS including one myth that SERS members retire young and get rich when they do retire. Mr. Stensrud refuted this claim and the "Myths and Misconceptions" information provided was well received.

Advocacy Groups

Mr. Stensrud continued by reporting on January 21st, the annual SERS Pension and Health Care Advocacy Group Roundtable was held virtually using Zoom, which was also attended by six members of the SERS Retirement Board. 11 representatives from 8 different advocacy groups attended to hear presentations about the state of the SERS retirement system as well as a look forward to key activities in 2022.

Mr. Stensrud stated the meeting provided a state of the retirement system and SERS staff touched on ongoing sustainability work, CBBC work, and moving forward with a direct deposit mandate for retirees & a transition away from paper checks.

Ohio General Assembly

Mr. Stensrud reported Reps. Ghanbari (R-Perrysburg) and Kelly (D-Cincinnati) have re-introduced their three bills from last session that would require the retirement systems to broadcast their board meetings, provide greater fee disclosure for certain investments, and prohibit the systems from doing business with entities that employ former system staff. Mr. Stensrud stated SERS supports this proposal and will do this without being mandated by law. SERS will provide transparency regarding greater fee disclosure for certain investments and will continue to do so.

Mr. Stensrud reported SERS will continue to work with the ORSC and Ohio legislative leaders to identify the best way to move forward with our CBBC (Contribution-Based Benefit Cap) proposal. Mr. Stensrud met with Rep. Carfagna, the outgoing chair and looked for a recommendation for a successor and new sponsor. SERS Staff want to add the CBBC language to other bills down the road to hoping to implement sooner than later.

Mr. Stensrud also reported the Ohio General Assembly recently approved legislation (HB 51) to provide temporary authority, expiring July 1, 2022, for members of a public body to meet by means of teleconference or video conference, restoring meeting flexibility that had been provided through June 2021. The amendment was part of a larger bill and will go into effect immediately once signed. Mr. Stensrud stated his hope that this authority would be extended, and SERS thinks this measure adds value because of the flexibility it provides, which is very helpful. Mr. Stensrud remains optimistic the measure to extend this authority will be passed.

Mr. Stensrud also reported on SERS plans to not do business with investment firms that have former pension staff. No former SERS staff are an issue, but SERS wants to dialogue with representatives to show we are supportive of this concept.

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Mr. Stensrud reported the Ohio Supreme Court has twice rejected legislative district maps that were approved on a partisan basis by the Ohio Redistricting Commission. The latest court decision has raised some concerns about a possible delay in the timing of the primary elections this spring, since candidates still do not know which districts they are running in. Mr. Stensrud and SERS staff will continue to monitor this issue.

Federal Advocacy

Mr. Stensrud continued by reporting on President Biden's Build Back Better plan, which stalled in the Senate after objections raised by Senator Manchin (D-WV). The draft bill language included prescription drug cost reform provisions that would have negatively impacted Employer Group Waiver Plans (EGWP) like the one SERS currently has. SERS staff had worked successfully in coalition with other organizations through the Public Sector Healthcare Roundtable to include language to mitigate the cost. Now that the comprehensive reconciliation bill has been shelved, SERS staff will continue to monitor any effort to break-out individual portions, like the prescription drug cost reforms, to ensure that our provisions remain a part of the bill. SERS staff will continue to work so proper consideration is taken.

Mr. Stensrud also reported that an extension to the Continuing Resolution, set to expire on February 18th was passed by the House, giving Congress until March 11th to negotiate the FY2022 federal budget. The Senate is expected to approve the extension as well. Mr. Stensrud stated funding levels continue to be mostly frozen at fiscal year 2021 levels.

Joint Trustee Training planning

Mr. Stensrud reported Ohio retirement systems' general counsels are working on plans for a joint trustee training session for later this year, likely early November. The board and the public will be notified when plans are finalized.

Board Retreat

Mr. Stensrud reported the annual SERS Board Retreat is scheduled for Friday morning, February 19, 2022, starting at 8:30am in the O'Keefe conference center. There will be presentations from an economist providing an analysis of the economy's shifts during the pandemic, followed by a global market forecast for the year to come.

Member Outreach

Mr. Stensrud shared several member outreach stats, stating that the next SERS Retirement Virtual Conference, which is a longer format and is being held specifically for people closer to the retirement age, is scheduled for February 26, 2022, and has hit the 300-person capacity. The next conference scheduled for March 26 is almost at capacity and so is the April conference. Attendance numbers are going up as more people are interested in transitioning into retirement.

Mr. Stensrud stated the most recent SERS Retirement Webinar, which are shorter and intended for people not so close to retirement, was held on February 15, 2022, and 250 people attended. There continues to be high levels of interest in the upcoming webinars scheduled for March 9, 2022, and March 29, 2022. SERS will continue to be very active in the member outreach efforts and SERS staff are planning to meet with a treasurer group to provide an overview of retirement eligibility, education opportunities, and to answer questions about employer responsibilities.

Mr. Stensrud also reported on the SERS member services call volume. Compared to this time last year, wait time has declined from four minutes to one minute with 92% of the calls being answered with a very small number of calls being abandoned.

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FY2022 Capital Budget Modification

Mr. Stensrud discussed the FY2022 Capital Budget Modification. Mr. Stensrud reported business resiliency requires robust data protection and recovery strategy and associated technical solution. Information Technology's vision for data recovery is to minimize dependence on the tape media due to the concerns of reliability and recoverability. IT has adopted the industry standard 3-2-1 data backup and recovery principle. The 3-2-1 backup strategy simply states that SRES should have 3 copies of your data (your production data and 2 backup copies) on two different media with one copy off-site for business continuity and disaster recovery. To accomplish this vision, we will be executing to a two phased approach.

Phase 1: Our immediate need is to acquire Commvault's Software-As-A-Service (SaaS) backup solution for Microsoft 365 product. This will allow the back up of all SERS data in the M365 cloud, SharePoint, Teams, OneDrive, etc. Since this a SaaS solution, it requires per user license to be renewed on a yearly basis with a cost of approximately \$20K.

Phase 2: The second phase is to acquire Commvault's cloud storage to allow the replication of our production data. This will eventually replace the tape media and get us to our desired end-state. To align with our 3-2-1 backup principle, we will maintain our production data, and additional copy on-prem and off-site backup copy in the Commvault cloud. This requires SaaS cloud storage from Commvault cost of approximately \$20K - \$25K.

In IT's FY22 budget, we have following line-item as a part of the Capital Budget:

- Back up Tape Replacement: \$80K

Since Phase I and Phase II does not require any capital investment but rather, subscription cloud services, we are requesting an approval to move capital budget to the operating budget to accomplish our data protection and recovery strategy.

The remaining funds of the \$80K will then be applied to the overage we incurred for our Microsoft True Up (i.e., license cost increase) because of the following reasons:

- First and the largest expense was converting Standard Server licenses to Datacenter Server licenses in compliance with Microsoft's updated virtual server licensing model. Microsoft changed their server licensing model from processor/socket to per core and forced an upgrade from standard to datacenter licenses for highly virtualized environments.
- The second part expense is additional data center licenses due to growth in the number of servers in use.

Mr. Stensrud noted this transfer will not increase SERS/IT FY22 budget.

Jeffrey DeLeone moved and James Rossler seconded that the FY2022 Administrative Capital Budget be modified as presented today effective February 17, 2022. The modification reallocates \$80,000 within the SERS Capital Budget earmarked for Backup Tape Replacement to the SERS Operating Budget for acquisition of Commvault's cloud storage with an approximate cost of \$20,000 to \$25,000 with remaining monies from the \$80,000 amount applied to overage (license cost increase) incurred for SERS' Microsoft true-up. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

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Administrative Rules

Mr. Stensrud introduced Dawn Viggiano, SERS Senior Staff Counsel, who provided an update on the proposed amended administrative rule.

- I. **Approval to file with JCARR the following proposed amended rule:**
 - **3309-1-10 Mandatory direct deposit**

Ms. Viggiano stated in 2013, SERS initiated a mandatory direct deposit requirement for all new monthly benefit recipients. The approach has been very effective in delivering a timely and secure payment mechanism for these recipients. Electronic payments are also much more cost-effective than providing paper checks. In recent years, SERS has seen a steady decline in the number of benefit recipients that receive paper checks. Management recommends expanding the direct deposit requirement to all benefit payments – to include both lump sum payments as well as monthly payments made to benefit recipients currently receiving a paper check. This aligns with recent changes to SERS' disaster recovery approach. The proposed amendments to this rule require all payments from SERS be issued by direct deposit, beginning July 1, 2022. If extenuating circumstances exist, a request can be made to be exempt from the requirement; staff will consider the requests on a case-by-case basis.

Mr. Stensrud continued by stating SERS will continue member outreach by including inserts in the April, May, and June paper checks notifying members of the upcoming changes. Mr. Stensrud also stated SERS and POP5 both are supportive of this transition and will reach out to their members as well to get the word out.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-10 Mandatory direct deposit.

Jeffrey DeLeone moved and Frank Weglarz seconded that proposed amended rule 3309-1-10 be filed with JCARR as discussed.

3309-1-10 Mandatory direct deposit.

- (A) For purposes of this rule, “direct deposit” means an electronic fund transfer directly to an individual’s account at a financial institution “alternate payee” has the same meaning as defined in section 3106.80 of the Revised Code.
- (B) Except as provided in paragraph (C) of this rule, an individual whose retirement, benefit, or payment effective date is on or after January 1, 2013 and who receives an annuity, pension, allowance, monthly benefit, or monthly payment from the school employees retirement system All retirement allowances and benefits payable under Chapter 3309 of the Revised Code shall be paid by direct deposit, which is an electronic fund transfer directly to an individual’s account at a financial institution.
- (C) Retirants, benefit recipients, and alternate payees Individuals shall provide to the retirement system valid direct deposit account and routing numbers, the name and contact information of the financial institution, and such other information as may be required by the retirement system. The retirement system may withhold payment until the individual provides the information described in this paragraph.
- (C) If a retirant, benefit recipient, or alternate payee an individual resides outside the United States, in a nursing or convalescent home, correctional facility, jail, or prison, or experiences other circumstances such that compliance with paragraph (B) of this rule is impracticable, the individual may submit a written request for exemption from direct deposit and the retirement system staff shall approve or deny the request.

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Effective: 7/1/22
Promulgated Under: 111.15
Statutory Authority: 3309.04
Rule Amplifies: 3309.03, 3309.341, 3309.344, 3309.35, 3309.36, 3309.3712,
3309.381, 3309.40, 3309.401, 3309.42, 3309.43, 3309.44, 3309.45, 3309.46, 3309.47, 3309.50,
3309.671
Prior Effective Dates: 1/1/13, 4/20/17

Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

Member Appeal

The SERS Retirement Board considered the appeal of Greene County Vocational School District Board of Education ("Board of Education"), from a Final Staff Determination that a construction bonus was not for additional services rendered and was therefore not compensation for purposes of SERS. A personal appearance was not requested.

The SERS Retirement Board went into private session at 11:39 a.m. to discuss a member appeal.

The SERS Retirement board returned to open session at 11:52 a.m.

Frank Weglarz moved and Hugh Garside seconded to affirm the Final Staff Determination to not accept contributions on the construction award earnings reported to SERS. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Catherine Moss. The motion carried.

Technology Committee Report

Matt King, SERS Technology Committee Chair, provided an update on the work being done by the committee, including the recommendations made as a result of the tabletop exercises. Mr. King also updated the board on work being done around cyber-security, cyber-insurance, and cloud migration. Mr. King noted the SERS IT budget modification was approved earlier in the meeting and the Technology Committee is schedule to meet today at 12:30 or following the SERS board meeting. The board thanked Mr. King and the Technology Committee for their work.

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Board Communication and Policy Issues

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 **

AUDIT COMMITTEE MEETINGS

March 16, 2022 - 2:30 p.m. (Weds.)
June 15, 2022 - 2:30 p.m. (Weds.)
September 14, 2022 - 2:30 p.m. (Weds.)
December 14, 2022 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 17, 2022 - 7:30 a.m. (Thurs.)
June 16, 2022 - 7:30 a.m. (Thurs.)
September 15, 2022 - 7:30 a.m. (Thurs.)
December 15, 2022 - 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

March 17, 2022 - 12:30 p.m. (Thurs.)
June 16, 2022 - 12:30 p.m. (Thurs.)
September 15, 2022 - 12:30 p.m. (Thurs.)
December 15, 2022 - 12:30 p.m. (Thurs.)

BOARD MEETINGS

March 17-18, 2022 - 8:30 a.m. (Thurs. and Fri.)
April 21-22, 2022 - 8:30 a.m. (Thurs. and Fri.)
May 19-20, 2022 - 8:30 a.m. (Thurs. and Fri.)
June 16-17, 2022 - 8:30 a.m. (Thurs. and Fri.)
July 21-22, 2022 - 8:30 a.m. (Thurs. and Fri.)
September 15-16, 2022 - 8:30 a.m. (Thurs. and Fri.)
October 20-21, 2022 - 8:30 a.m. (Thurs. and Fri.)
November 17-18, 2022 - 8:30 a.m. (Thurs. and Fri.)
December 15-16, 2022 - 8:30 a.m. (Thurs. and Fri.)

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

Continued or New Business

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

Adjournment

Barbra Phillips moved to adjourn to meet on Thursday, March 17, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting. The SERS board meeting adjourned at 12:00 p.m.

Barbra Phillips, Chairperson

Richard Stensrud, Secretary