

# SERS Retirement Board Meeting Minutes

**March 17, 2022**

The nine hundredth and forty-seventh 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, March 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, Hugh Garside, James Haller, Matthew King, James Rossler, Frank Weglarz, and Daniel Wilson. Absent: Jeffrey DeLeone. 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 other SERS staff and members of the public.

## **Approval of Out-of-State Board Travel**

Catherine Moss moved and Barbra Phillips seconded the motion that the travel request by Board Member to travel and receive reimbursement for the following out-of-state conference and meetings be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
Certificate of Achievement in Public Plan Policy (CAPP) Health Part I and Part II	James Rossler	June 6 – 9, 2022	Santa Monica, CA	\$4,670

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

## **Consent Agenda**

The consent agenda for March 17, 2022, included:

- Minutes from the:
  - **February 16, 2022, Sustainability Session**
  - **February 17, 2022, Board Meeting**
  - **February 18, 2022, Board Retreat**
- Summary of Investment Transactions for the period of **January 1, 2022, through January 31, 2022.**
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report - Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation, and Rejection of Reapplication

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

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## **Investment Report**

### **Annual Portfolio Review – Opportunistic and Tactical**

SERS Chief Investment Officer Farouki Majeed and SERS Investment Staff Paul Sisson presented the Opportunistic and Tactical portfolio review for 2021. Mr. Sisson provided a summary of the portfolio structure and performance. The portfolio had a 21.0% one-year net return in 2021; an 8.1% three-year net return and is exceeding benchmarks across all time periods. The portfolio has seven funds totaling \$427 million added to the portfolio in the last 12 months. Portfolio value increased from \$423 million to \$884 million, and allocation grew from 2.5% to 4.9%. Mr. Sisson reported the allocation range for these investments is 0-5%. SERS invests in opportunistic strategies that do not fit with the existing asset classes. Investments are defined as tactical or non-traditional investment opportunities and such investments may involve capitalizing on short-term market dislocations or other unique situations or innovative strategies including tactical asset allocation. Following discussion, the Board thanked Mr. Sisson and Mr. Majeed for their presentation.

### **Monthly Investment Report**

SERS Chief Investment Officer, Farouki Majeed, continued by presenting the SERS monthly investment report for the period ending January 31, 2022. Mr. Majeed reported there is likely to be stagnation in the market for the foreseeable future and it will be challenging for allocators to find profitable funds. However, SERS investment portfolio is in a better position than most public pension funds. Following comments, the Board thanked Mr. Majeed for his presentation and continued hard work.

## **Executive Director's Report**

### **ORSC**

Richard Stensrud, SERS Executive Director, reported the ORSC met on March 10, 2022. The main topic of discussion was Russian divestment. Each retirement system was asked to provide an update on their Russian investments and plans for divestiture. As requested, Mr. Stensrud provided robust information to the ORSC regarding SERS Russian holding and assets.

Mr. Stensrud reported that the ORSC elected Rep. Phil Plummer (R-Dayton) as Chairman and Rep. Adam Bird (R-New Richmond) to replace former Rep. Rick Carfagna.

Mr. Stensrud also reported Rep. Lightbody (R-Columbus) introduced a bill that would require a COLA for all members and would increase employer contributions. Unfortunately, SERS was included but was not advised or consulted. SERS has concerns about this bill and doesn't feel its necessary. SERS will continue to monitor this bill as we are not requesting any mandates at this time.

### **Advocacy Groups**

Mr. Stensrud presented the State of SERS Address at the March 15, 2022, Ohio Federation of Teachers committee meeting. The information presented was well received by the group, and it is the goal of SERS leadership to stand out from the other public pension systems in a positive way.

Mr. Stensrud continued, reporting that the SERS/OASBO joint meeting is scheduled for May 6, 2022. Like last year, the meeting will take place via Zoom to allow for additional OASBO member participation.

Mr. Stensrud also stated SERO will have its annual meeting at Villa Milano on May 10, 2022, after a 2-year hiatus. SERS staff is preparing materials and a presentation for the SERO meeting attendees for this in-person event. SERS will present the latest pension and healthcare news.

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## Ohio General Assembly

Mr. Stensrud reported SERS continues to track the progress of HB 499 which would allow SERS and OPERS disability recipients to run for elective office without terminating their disability benefits. ORSC is preparing an analysis of this proposed bill and SERS will continue to monitor the bill's progress.

## Federal Legislation

Mr. Stensrud provided a brief update on current federal legislation and stated there had been no movement on the WEP bill introduced in January 2021. SERS continues to monitor any developments and will provide updates as needed.

## Russian Asset Holdings

Mr. Stensrud provided a brief history of mandating divestment as discussed in the March ORSC meeting. The ORSC understands that the pension systems in Ohio may feel it's necessary to take a more nuanced or measured approach. An example of what has been done in the past is the Iran/Sudan policy where the systems established "divestment unless" parameters whereby the systems could continue to maintain the investment if there was no other alternative that provided similar investment attributes or value. With reasonable accommodations by the systems the legislature has not felt the need to mandate divestment in the past.

Mr. Stensrud reported as of March 1, 2022, SERS has \$42.12M in Russian assets. Those assets include \$33.25M in equities, \$8.87M in bonds, and stated Russian investments make up 0.24% of the total SERS fund (\$17.799B). Mr. Stensrud also stated that because there is currently no market for Russian assets, per generally accepted accounting principles and SERS' investment valuation policy, SERS' holdings have been marked down to zero. Although assets have been marked down to zero, they have not been fully written off and will remain on the books with the expectation that at some point, they will become tradeable and given value. At this time, a flat commitment to divest would be purely symbolic as there is no market to sell Russian assets.

Mr. Stensrud further stated that SERS is adhering to all sanctions that have been put in place by the US Federal Government and no new Russian assets have been or will be acquired until the sanctions are lifted. SERS has also instructed fund managers to avoid purchasing Russian assets until sanctions are lifted.

Mr. Stensrud also stated SERS will do what is right and what is prudent for our investments. When the Russian market reopens, divestiture will be assessed at that that time.

Mr. Stensrud further recommended that the SERS board not adopt a flat divestment commitment at this time but rather consider approving a policy statement that includes the following elements:

- A strong condemnation of Russian actions.
- Recognition of the bravery and courage of the people of Ukraine and support of the Ukrainian cause.
- A commitment to fiduciary responsibility and prudent investment practices.

Mr. Stensrud attested that SERS will actively monitor developments and will assess:

- The Russian market when it re-opens
- The value of holdings, both when markets re-open and prospectively
- When it is reasonable and prudent to sell Russian assets
- If and when divestment is in SERS fiduciary best interest.

## Sustainability Session Tomorrow

Mr. Stensrud reported there will be a Medicare Part B reimbursement discussion tomorrow, Friday, March 18, 2022, in the SERS board room. Cavanaugh Macdonald (CAVMAC), SERS actuaries, will be attending virtually to provide comments of upcoming adjustments or changes to actuary practices. There will be a

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change to ASOP 4. This actuarial standard of practice (ASOP) provides guidance to actuaries when performing professional services with respect to measuring pension obligations and determining plan costs and contributions. This measure has the potential to cause confusion. SERS will continue to provide outreach to the public to provide clarification on this confusing topic. The change went into effect as of the 2022 valuation. SERS will be ready to address any changes that may affect the system.

## **Outreach**

An employer services webinar on compensation and reporting was recently held. The Member Services Department also continues to host virtual retirement conferences, which are for members within two years of retirement. SERS also hosts a different webinar, which is for members within one year of retirement. Both continue to have high attendance.

Mr. Stensrud also reported SERS often surveys members on their satisfaction with SERS and the service they get from SERS. 4th quarter 2021 data says SERS members rated their interactions 9.6 to 9.8 out of 10, across the board with very high numbers on staff responsiveness, courtesy, and processes. SERS staff received a 9.1 score on process clarity. The board thanked Mr. Stensrud for his report and thanked SERS staff for their continued hard work.

The board took a break at 10:15 a.m.

The board returned from break at 10:27 a.m.

## ***Personal Appearance***

Catherine Moss moved and James Haller seconded the motion that the Committee convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbara Phillips. Absent: Jeffrey DeLeone. The motion carried.

The board convened in executive session at 10:28 a.m.

The board reconvened in open session at 11:00 a.m.

Due to technical difficulties, the member was unable to connect virtually. The member will be rescheduled to appear at the April meeting.

## **Healthcare Report**

Christi Pepe, SERS Director of Health Care Services, provided an update on the SERS health care plan. Ms. Pepe further outlined SERS staff's recommendation that SERS enter into contract extensions with Aetna Life Insurance Company to provide Medicare Advantage PPO and non-Medicare medical services to SERS' retirees.

Ms. Pepe stated Aetna has provided medical services to SERS benefit recipients since 1974 and satisfaction with Aetna continues to be high among SERS enrollees. Aetna provides operational support to SERS to identify Medicare and Medicaid eligibility, to inform SERS' enrollment and eligibility processes.

Ms. Pepe reported that in response to Buck Consulting's recommendation to re-negotiate with Aetna for both Medicare Advantage PPO and non-Medicare medical services, staff has achieved agreement to specific contract improvements. The Aetna Medicare Advantage PPO risk share is proposed to improve by \$21.5 million over the 5-year contract term, based on 2019 results. Aetna has agreed to a 0% increase in the administrative fee for the non-Medicare group plan for the entire 5-year period. Aetna has also agreed to improvements in care management intending to increase engagement levels, and to improve enrollees' use of the highest quality providers.

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Ms. Pepe stated these proposed contract changes will support the long-term sustainability of the Health Care Fund and continue to provide value for SERS enrollees. SERS staff believes that continuing SERS' relationship with Aetna to provide medical benefits for SERS retirees will contribute to continuing satisfaction and lower costs for benefit recipients and their families and continue to improve sustainability of the Health Care Fund.

James Haller moved and Barbra Phillips seconded the motion to authorize staff to extend the current contract with Aetna Life Insurance Company for provision of Medicare Advantage benefits and administration to eligible SERS participants. The extension shall be for a term of five years beginning January 1, 2023. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel. Upon roll call, the vote was as follows: Yea: Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Jeffrey DeLeone. The motion carried.

Frank Weglarz moved and James Haller seconded the motion to authorize staff to extend the contract with Aetna Life Insurance Company in order to provide medical services benefits and administration to eligible SERS participants. The extension shall be for a term of five years beginning January 1, 2023, with no fee increases and under the terms presented to the Board on March 17, 2022. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel. Upon roll call, the vote was as follows: Yea: Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Jeffrey DeLeone. The motion carried.

Ms. Pepe closed her presentation by introducing several members of the SERS Healthcare Team who worked to complete this process. New staff members were given an opportunity to see how their work culminates in a board decision. The board thanked Ms. Pepe and her team for their due diligence, hard work, and welcomed them to SERS.

## **Audit Committee Report**

Jeffrey Davis, SERS Chief Audit Officer, provided an update on the work of the Audit committee. Mr. Davis provided a Q3 update on the FY2022 audit plan and stated that things are going smoothly and according to schedule. Mr. Davis continued, stating there is a Microsoft 365 review taking place and the scope of the review will include both governance components that support the management of Microsoft 365, as well as the technical implementation of security configurations within SERS. The RFP process is complete, review is expected to begin in March, and the intent is to have a report/presentation for the Audit committee at the June meeting. The goal of this review is to identify potential security gaps in our current environment and to identify recommendations to improve SERS security posture.

Mr. Davis closed by letting the board know that the FY2023 audit planning is underway and is on schedule. Mr. Davis also reported on the recently completed audits and other activities. The board thanked Mr. Davis for his presentation.

## **Compensation Committee Report**

Dan Wilson, Chair of the Compensation Committee, reported that the committee met this morning to conduct a Q3 review of the Executive Director's goals. The majority of the Compensation committee meeting was conducted in executive session and the goals review was the only agenda item.

## **Technology Committee Report**

Matt King, SERS Technology Committee Chair, provided an update on the work being done by the SERS Technology Committee. Mr. King reported the Technology Committee last met on February 17, 2022, and SERS staff presented a five-year technology investment plan and how it aligns with the strategic plan to attract and retain talent. The committee then went into executive session to discuss security matters. The

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committee will meet again this afternoon, March 17, 2022, at 12:30pm. The board thanked Mr. King and the Technology Committee for their work.

## **Board Communication and Policy Issues**

### **CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 \*\***

#### **AUDIT COMMITTEE MEETINGS**

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**

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**

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**

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**

Hugh Garside moved to adjourn to meet on Thursday, April 21, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting. The SERS board meeting adjourned at 11:38 a.m.

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Hugh Garside, Board Member

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Richard Stensrud, Secretary