

SERS Retirement Board Meeting Minutes

June 16, 2022

The nine hundredth and fiftieth 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, June 16, 2022.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:36 a.m. with the Pledge of Allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, and Daniel Wilson. Absent: Hugh Garside. 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 several SERS staff members and members of the public.

Consent Agenda

The consent agenda for June 16, 2022, included:

- Minutes from the **May 19, 2022, Board Meeting**
- Summary of Investment Transactions for the period of **April 1, 2022, through April 30, 2022.**
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report - Approval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation, and Disapproval of Appeal of Termination – Any Occupation

Frank Weglarz moved and Catherine Moss seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, June 16, 2022. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Investment Report

Amended Statement on Investment Policy

SERS Chief Investment Officer Farouki Majeed provided a historical review of the SERS Investment Plan and Statement of Investment policy. The AIP includes an overview of the current economic environment based on reports from leading economic firms, SERS' asset allocation target, and long-term performance objectives for each type of investment. In addition, it contains last year's objectives and accomplishments, and details about how each investment portfolio will be managed during the year.

Following discussion, Jeffrey DeLeone moved and Catherine Moss seconded the motion to approve amendments to the Statement of Investment Policy increasing the Opportunistic and Tactical Investments range from 0%-5% to 0%-7% and increasing the Global Real Assets range from 14%-20% to 14%-22%. Targets for those asset classes will not change. The amended Statement of Investment Policy will become effective July 1, 2022 and replaces the Statement of Investment Policy dated February 17, 2022.

<u>ASSET CLASS</u>	<u>TARGET</u>	<u>RANGE</u>
<u>Equity</u>	57%	47% - 67%
Global Equities	45%	35% - 55%
Global Private Equity	12%	8% - 16%
<u>Income</u>	43%	38% - 48%

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Global Bonds	19%	12% - 26%
Global Private Credit	5%	3% - 7%
Global Real Assets	17%	14% - 22%
Cash Equivalents	2%	0% - 5%
STRATEGY		
Opportunistic and Tactical Investments	0%	0 - 7%
Total	100%	
Leverage	0%	0% - 10%
Total Notional Exposure (Including Leverage)	100%	100% - 110%

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

Annual Investment Plan – FY23

Mr. Majeed continued his presentation and discussed the SERS Annual Investment Plan for FY23 that was discussed at the May 2022 board meeting. The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer prepare and present to the Board for its approval an Annual Investment Plan (Plan).

After questions were addressed, Jeffrey DeLeone moved and Catherine Moss seconded the motion to approve the Annual Investment Plan for fiscal year ending June 30, 2023, which replaces the FY 2022 Annual Investment Plan, originally approved June 17, 2021. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Monthly Investment Report

Mr. Majeed updated the board on the economic conditions in the U.S in 2022, and how staff is positioning the pension fund to combat the effects of inflation.

In April, U.S. inflation dipped slightly from the March level of 8.5% to 8.3%, which was still quite high. In May, inflation rose again to 8.6% which was the highest 12-month increase since 1981. Economists are concerned that because inflation has remained at this level for more than three months, it potentially signals a long period of high inflation.

GDP decreased at an annualized rate of 1.5% during the first quarter primarily due to supply chain issues and inflation. Declines in private inventory investments, exports, and government spending also contributed to the negative GDP.

The labor market remained strong with 428,000 jobs added in April and the unemployment rate stayed at 3.6%. While consumer sentiment rose slightly, it was still below historical levels due to rising inflation. The nation's manufacturing PMI (Purchasing Manager's Index) remained solid at 52.2, as a reading over 50.0 indicates growth and expansion.

In the current inflationary period, SERS' investment team received permission from the Board to increase the maximum allocation to real assets from 20% to 22% of the Total Fund and increase the maximum allocation to opportunistic investments from 5% to 7% of the Total Fund.

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Both asset classes perform well during inflationary periods. Staff is likely to reduce exposure to global equity and fixed income as performance in these areas is challenged by inflation. Following a brief discussion, the board thanked Mr. Majeed for his report.

The board took a break at 9:46 a.m.

The board meeting reconvened at 10:00 a.m.

Executive Director's Report

ORSC

Richard Stensrud, SERS Executive Director, reported the ORSC held a special meeting to review the SERS CBBC proposal and an OPERS poll worker amendment. During a special meeting of the Ohio Retirement Study Council (ORSC) in June, Senators Schuring and Hottinger introduced standalone legislation (SB347) of SERS' Contribution Based Benefit Cap (CBBC) proposal, which was unanimously supported by ORSC members.

SERS remains hopeful of action on the bill following the November election and before the end of the year.

The regularly scheduled ORSC meeting was held on Thursday, June 9th. The Council reviewed the STRS 10-year actuarial and fiduciary audits which is part of the ORSC mandate. SERS is setting up an actuarial audit, off cycle and earlier than necessary. Because of the decision to extend the relationship with CavMac, our current actuary, an actuarial audit will be done to review the accuracy of the work being done. An RFP is out and SERS staff hope to have an auditor selected soon. Richard Stensrud and the new CFO will oversee the audit.

Advocacy Groups

Mr. Stensrud continued, reporting on CBBC outreach. SERS did extensive outreach to stakeholder groups to ensure that their organizations were aware of our legislative efforts to advance our CBBC proposal with the General Assembly. Group representatives were universally aware of our proposal based on the discussions held previously as part of the Board's sustainability sessions. Key stakeholders were supportive of our effort and willing to help as necessary. SERS staff is hoping to move CBBC legislation forward this fall.

Ohio General Assembly

Mr. Stensrud reported on June 1st the House Insurance committee held a hearing on HB 499, legislation to allow OPERS and SERS disability recipients to hold elected offices covered by the systems, without terminating their disability benefits. SERS and OPERS staff testified against the bill, due to a lack of clarity regarding how such a change could be implemented and concerned about the policy implications changing the nature of those disability plans. ORSC had at a recent meeting also adopted staff recommendations against passage of HB 499.

After testimony was heard, the committee made amendments to the bill unrelated to the issues raised by the systems but took no further action before adjourning. No action was taken & SERS wants to be sure it is completely understood that we are not in favor of this legislation.

Federal Legislation

Mr. Stensrud reported there continue to be no new developments on the WEP reform front and other WEP and GPO repeal bills don't appear to have any momentum currently. Mr. Stensrud stated the best chance for movement are a reform of a bill already introduced vs. an appeal. SERS staff remain optimistic this will happen. SERS staff will continue to monitor WEP activity and will update the board with any new developments.

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Medicare Part B Premiums

Centers for Medicare & Medicaid Services (CMS) has announced that there won't be any reduction to the Medicare Part B premium of \$170.10 this year. The rate for 2022 was a significant increase due to anticipated usage of a new Alzheimer treatment which has been somewhat mitigated through federal action. The degree of costs is lower than anticipated and it is likely that Part B premiums rates will drop in 2023. CMS has indicated that any additional funding caused by the uncertainty in 2022 will be used to reduce necessary financing in 2023 and later. CMS won't roll back 2022 premium costs but will incorporate lower costs in 2023 that should result in a lower premium. The board expressed an interest in discussing SERS premium reimbursement rates at a future sustainability session, possibly in September. SERS will advise the public when this session has been scheduled.

Virtual Board Meeting Attendance

Mr. Stensrud reported Board members can no longer attend meetings virtually after this month. The legislation temporarily allowing virtual attendance will expire on June 30, 2022. SERS will look for opportunities to continue to provide flexibility about attendance & want to revisit this with the legislature and get this virtual attendance capability reinstated.

Myths and Misconceptions

Mr. Stensrud continued his report stating the Myths and Misconceptions portion of the Executive Director's report are now posted to the SERS website. The Myths and Misconceptions concept was created to address any misinformation the public may have about SERS. Sometimes, efforts to unravel public pension plans involve the pandering of myths and misconceptions designed to portray defined benefit pensions in an unfavorable way and sway opinions in their favor. When dangerous and misinformed myths and misconceptions surface in the media or in SERS' own experience, Executive Director Richard Stensrud addresses the topic at a Board meeting and explains why they are false and misleading.

Past Myths and Misconceptions topics can be found on the SERS' website. The page will be updated as Director Stensrud tackles future myths and misconceptions.

Operation Feed Update

Mr. Stensrud reported the annual staff charitable event Operation Feed is being held this month. Donations are being accepted online by MidOhio Foodbank from June 6th -17th. SERS goal is to reach \$1,200 in donations which will exceed the 2021 amount of \$1,044. SERS will also accept donations of food and basic need items and the donation drop-off on the 7th floor. There was also a contest created for staff to guess the weight of a jar of prizes for a \$1 donation.

Direct Deposit Mandate

Mr. Stensrud continued, stating SERS is moving away from paper checks and will require direct deposit for future member and retiree payments. SERS staff have been working on this initiative for a couple of years to shift to direct deposit. As of June, only 336 members were still being issued paper checks. SERS Staff will continue to reach out to them until July 1. After that date, their payments will be paused. Direct deposit reduces costs and can keep payments coming even in the event of a disaster. It's also easier to push out payments electronically. SERS staff are still working to make sure everyone understands why this change is being made and Mr. Stensrud will continue to provide updates to the board.

SERS Healthcare Plan – Eligibility Update

Mr. Stensrud reported on a change in eligibility for the SERS healthcare plan. The decision was made to require people eligible for Medicare Part B to enroll to participate in the SERS healthcare plan. There are not many people affected by this decision and they have all been contacted via letters and by telephone.

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By July 1, if they haven't met the requirement, they will be terminated by the plan. Of the 151 retirees who are required to enroll, 62 have done so and 89 have not responded. SERS staff will continue outreach and will help people get enrolled and stay enrolled with SERS Plan.

FY2023 Administrative Budget

SERS Chief Financial Officer, Tracy Valentino, provided a brief introduction of the three budget resolutions to be presented to the board. After a robust discussion, Frank Weglarz moved and James Haller seconded that the following budget of \$35,873,439 for the fiscal year beginning July 1, 2022, and ending June 30, 2023, be approved, with such approval effective June 30, 2022.

<u>Expense Classification</u>	<u>Budget</u>
Personnel	\$ 24,392,195
Professional Services (including Investment-Related Consultants)	6,502,883
Communications	1,011,873
Other Operating Expenses	<u>3,912,379</u>
SERS Administrative Expenses	\$ 35,819,330
Administrative Capital	<u>54,109</u>
Administrative Budget	\$ 35,873,439

Be it further provided that the Board has reviewed the estimated fees and expenses for operation of the investment program and authorizes the payment of actual fees to such service providers and in such amounts as is set by the contract with the individual service providers. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Operating Transfer Resolution

Catherine Moss moved and Matthew King seconded that SERS transfer to OSERS Holdings, LLC up to \$2,118,137 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2022, and ending June 30, 2023, be approved, with such approval effective June 30, 2022. OSERS Holdings, LLC shall report quarterly to the SERS Board of Trustees on the expenditure of all funds and receipt of all revenues. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Five Year Technology Enhancement Project Resolution – FY2023 to FY2027

Staff discussed with the Retirement Board the Technology Enhancement Project. The purpose of this project is to deliver a series of well-planned initiatives that will enhance SERS' digital capabilities around SMART, add expanded tools for operational efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, employers, and employees.

Due to the scope of the Project, a five-year budget is recommended.

Frank Weglarz moved and Matthew King seconded that a five-year \$8,283,054 dollar budget for the Technology Enhancement Project be approved for fiscal years 2023 through 2027, with such approval effective June 30, 2022. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

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Following the votes on the FY2023 budget, the board thanked Tracy Valentino for her hard work and guidance as she will be retiring from SERS in the coming weeks. The board wished Ms. Valentino the best.

Executive Session

Catherine Moss moved and Frank Weglarz seconded the motion that the board 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: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

The board convened in executive session at 10:46 a.m.

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

Healthcare Report

Christi Pepe, SERS Director of Health Care Services, presented the 2023 plan and premium changes for Board approval. Staff recommended no premium changes for the Aetna Medicare Plan (PPO). Proposed benefit changes included decreasing the in-network primary office visit co-pay to \$10 from \$20 and decreasing the in-network outpatient short-term rehabilitation co-pay to \$15 from \$20.

For the non-Medicare plan, no premium changes were recommended to the Aetna Choice POS II plan. A 1% premium increase was submitted for the AultCare Plan PPO plan. Benefits will remain the same for both non-Medicare plans.

For the SERS Wraparound HRA, the recommendation is to adopt the new federal reimbursement limit of \$1,950 per calendar year from \$1,800 per calendar year.

Next, Ms. Pepe reviewed 2023 dental and vision plan premiums. No premium or benefit changes were proposed. The Board was also asked to renew the SERS Premium Discount Program with a new qualifying income level at 175% of the federal poverty level from 150%. It was also requested to allow enrollees previously approved for a premium discount by manual application to continue to receive the discount without reapplying.

Approval of 2023 Health Care Premiums and Plan Design Changes

It was moved by James Rossler and seconded by Catherine Moss to approve the 2023 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2023. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Approval of 2023 Dental and Vision Premiums

It was moved by Frank Weglarz and seconded by Matthew King to approve the 2023 dental and vision premiums as described in Appendix A. The premiums are effective January 1, 2023. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

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2023 Health Care Premium Discount Program (Safety Net)

The 2023 Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare Advantage plan and to “split families” in which only one spouse is enrolled in a SERS Medicare Advantage plan.

Eligibility for the Health Care Premium Discount Program during the 2023 calendar year will be based upon the applicant’s qualifying household income for calendar year 2021. Medicare Part B reimbursement is excluded from the definition of qualifying household income. Members who are determined eligible by manual application will be presumed to be eligible in subsequent years.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2022 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *more* than 175% of the 2022 federal poverty level for the household size, the applicant may request special consideration. Special consideration will be given to applicants providing written evidence satisfactory to SERS’ staff that a material change in the applicant’s financial circumstance subsequent to calendar year 2021 has caused the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, to become *less* than or equal to 175% of the 2022 federal poverty level for the household size.

Effective January 1, 2023, SERS health care participants approved by Medicare for the non-institutionalized Part D low-income subsidy program, which has similar household income eligibility requirements to the Premium Discount Program, will be automatically enrolled into the Premium Discount Program.

It was moved by Catherine Moss and seconded by James Haller to approve the 2023 Health Care Premium Discount Program. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Executive Session

James Haller moved and Frank Weglarz seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

The board convened in executive session at 11:13 a.m.

The board reconvened in open session at 11:31 a.m.

Executive Director Compensation

The SERS Compensation Committee recommends that Executive Director Richard Stensrud receive a 3.25% merit increase in salary effective the first pay date in Fiscal Year 2023. Jeffrey DeLeone moved to adopt the Committee’s recommendation. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

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Executive Session

Catherine Moss moved and James Haller seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

The board convened in executive session at 11:35 a.m.

The board reconvened in open session at 11:43 a.m.

Chief Audit Officer Compensation

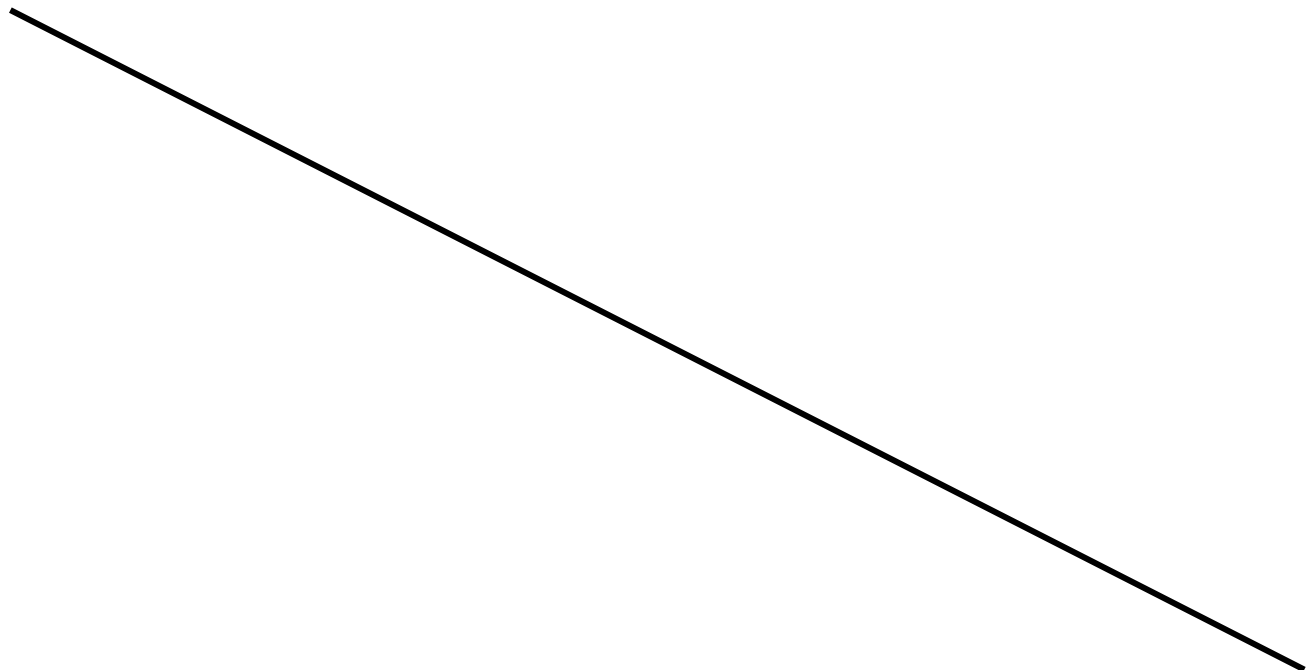
The SERS Audit Committee recommends that Chief Audit Officer Jeff Davis receive a 3.25% merit increase in salary effective the first pay date in Fiscal Year 2023. Catherine Moss and James Rossler moved to adopt the Committee's recommendation. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent: Hugh Garside. The motion carried.

Board Officer Election

The board selected officers for fiscal year FY2023 (July 2022 to June 30, 2023).

Catherine Moss and Frank Weglarz nominated Jeffrey DeLeone to serve as Chairperson. Barbra Phillips, current Board Chair, declared Jeffrey DeLeone Chairperson for the fiscal year 2023 (July 2022 to June 30, 2023).

Catherine Moss and Jeffrey DeLeone nominated Frank Weglarz to serve as Vice-Chairperson. Barbra Phillips, current Board Chair, declared Frank Weglarz Vice-Chairperson for the fiscal year 2023 (July 2022 to June 30, 2023).



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Board Communication and Policy Issues

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 **

AUDIT COMMITTEE MEETINGS

September 14, 2022 - 2:30 p.m. (Weds.)
December 14, 2022 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

September 15, 2022 - 7:30 a.m. (Thurs.)
December 15, 2022 - 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

September 15, 2022 - 12:30 p.m. (Thurs.)
December 15, 2022 - 12:30 p.m. (Thurs.)

BOARD MEETINGS

***** July 22, 2022 – 8:30 a.m. (Friday) *****
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.*

***** The July 2022 board meeting will take place on Friday, July 22, 2022, instead of Thursday. *****

Continued or New Business

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

Adjournment

Barbra Phillips moved to adjourn to meet on Friday, July 22, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:08 p.m.

Barbra Phillips, Board Chair

Richard Stensrud, Secretary

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be
Reported to the Retirement Board for
Ratification in July

The following is a summary of the investment transactions made during the period of **May 1, 2022 through May 31, 2022**. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$ 94.3
Fixed Income	436.6
Private Equity Capital Calls	19.1
Real Asset Capital Calls	0.1
Opportunistic & Tactical	1.7
Global Private Credit	53.4
Cash Equivalents	661.0

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$ 138.0	\$ (1.4)
Fixed Income	370.1	(9.6)
Private Equity distributions	17.1	n/a
Real Asset distributions	5.1	n/a
Opportunistic & Tactical	1.3	0.2
Global Private Credit	n/a	n/a
Cash Equivalents	777.2	n/a