



**SERS Retirement Board Agenda  
April 18, 2024**

**Click Link to Join Zoom Meeting:**

<https://ohsers.zoom.us/j/97070686800?pwd=NmlwbzJldDJRcjQ3QkxhUktHbm1XQT09>

**Meeting ID:** 970 7068 6800

**Password:** 12345

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **970 7068 6800** and password: **12345** when prompted.

**PLEDGE OF ALLEGIANCE**

1. Roll Call

**CONSENT AGENDA (R)**

2. Minutes of the **March 21, 2024**, Retirement Board meeting
3. Summary of Investment Transactions
  - **February 1, 2024, to February 29, 2024**
4. Retirement Report
  - Superannuations, Survivor Benefits & Transfers
  - Special Cases
5. Disability Report
  - Approval of Disability Benefits
  - Disapproval of Disability Benefits
  - Termination of Disability Benefits – Any Occupation
  - Approval of Appeal of Termination – Any Occupation

**INVESTMENT REPORT**

6. Annual Portfolio Review – Private Credit
7. Monthly Investment Report & Economic Update

**EXECUTIVE DIRECTOR'S REPORT**

8. Executive session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law (R)
  - Personal Appearance **10:30 a.m.**
9. Executive Director's Update
10. Review of Administrative Expenses
11. Review Draft Administrative Budget – ORSC Submission
12. Filing of Proposed New Administrative Rules (R-2)
13. Pensionable Compensation Discussion
14. Executive session pursuant to R.C. 121.22 (G)(3) to discuss pending litigation (R)

**COMPENSATION COMMITTEE REPORT**

15. Compensation Committee Update

**RETIREMENT REPORT**

16. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (R) *if needed*

**BOARD COMMUNICATION AND POLICY ISSUES**

17. Calendar Dates for Future Board Meetings
18. Continued or New Business
  - Board Information Requests and Follow-up Items

**ADJOURNMENT (R)**

FY2024 SERS Board Roll Call

Frank Weglarz	_____
Matthew King	_____
Jeffrey DeLeone	_____
James Haller	_____
Catherine Moss	_____
Barbra Phillips	_____
James Rossler	_____
Aimee Russell	_____
Daniel Wilson	_____

## **APRIL 2024 CONSENT AGENDA**

1. Minutes of the
  - a. **March 21, 2024**, Retirement Board meeting
2. Summary of Investment Transactions – **February 1, 2024 to February 29, 2024**
3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers
  - b. Special Cases
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Disapproval of Disability Benefits
  - c. Termination of Disability Benefits – Any Occupation
  - d. Approval of Appeal of Termination – Any Occupation

**APPROVAL OF CONSENT AGENDA**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Consent Agenda, which includes the following items:

- 1. Minutes of the
  - a. **March 21, 2024**, Retirement Board meeting
- 2. Summary of Investment Transactions – **February 1, 2024 to February 29, 2024**
- 3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers
  - b. Special Cases
- 4. Disability Report
  - a. Approval of Disability Benefits
  - b. Disapproval of Disability Benefits
  - c. Termination of Disability Benefits – Any Occupation
  - d. Approval of Appeal of Termination – Any Occupation

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

# SERS Retirement Board Meeting Minutes

**March 21, 2024**

The nine hundredth and sixty-eighth 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 21, 2024.

## **Pledge of Allegiance**

The SERS Retirement Board meeting convened at 8:33 a.m. with the Pledge of Allegiance.

## **Roll Call**

The roll call was as follows: Frank Weglarz, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Matthew King. Also attending was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff and the public attended in person. Several SERS staff members and members of the public attended virtually.

## **Consent Agenda**

The consent agenda for **March 21, 2024**, included:

- Minutes of the **February 15, 2024**, Retirement Board meeting
- Minutes of the **February 15, 2024**, Special Board Meeting
- Minutes of the **February 16, 2024**, Annual Board Retreat
- Summary of Investment Transactions for the period of **January 1, 2024**, to **January 31, 2024**
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation

Barbra Phillips moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, March 21, 2024. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Matthew King. The motion carried.

## **Investment Report**

### **Annual Portfolio Review – Global Real Assets**

SERS Chief Investment Officer, Farouki Majeed, introduced Paul Cheng and Michael Browning, Investment staff members, who provided the Board with an overview of SERS' real assets investment portfolio.

Mr. Cheng reported on Jan. 1, 2024, the real assets portfolio was separated into real estate and infrastructure for reporting purposes. At that time, the infrastructure portion of the portfolio began using the quarterly smoothed CPI + 1.20% per quarter benchmark, while the real estate portion continued using the NCREIF Property Index (NPI).

The real estate target allocation is 13% with a range of 10-15%, and the infrastructure target allocation is 7% with a range of 5-10%.

Mr. Cheng continued, stating staff has been able to reduce fees from 115 basis points in FY2018 to 81 basis points in FY2023. This represents about \$20 million in savings each year, which benefits the membership. Some additional fee savings may be realized as recent commitments mature and if more co-investments can be added.

# SERS Retirement Board Meeting Minutes

March 21, 2024

Mr. Cheng continued, reported that real estate currently comprises 66% of the Real Assets portfolio with a market value of \$2.35 billion. SERS' net return for real estate in FY2023 was -10.20%, which was below the benchmark. Challenges in the office and retail sectors were the main contributors to the loss.

Mr. Browning reported that infrastructure is 33% of the Real Assets portfolio and has a market value of \$1.18 billion. Transportation is 48.5% of the portfolio, energy is 23.7%, communication is 13.1%, renewable is 6.3%, social is 4.9%, and utilities is 3.5%.

Mr. Browning stated that most of SERS' investments are in North America (45%) and Western Europe (33%) with smaller exposure to Eastern Europe, Latin America, Middle East, Asia, and the Pacific rim.

The net return for infrastructure in FY2023 was 8.47%. Over the 3 and 5-year periods, the portfolio has returned 9.51% and 9.23% respectively. Mr. Browning closed, stating infrastructure has provided stability and resiliency to the entire Real Assets portfolio.

After several questions, the board thanked the investment staff for the update.

## Quarterly Investment Report

SERS Chief Investment Officer, Farouki Majeed, followed up and provided an investment presentation. Mr. Majeed reported that the US GDP growth and 2024 forecasts continue to rise and there doesn't seem to be a slowdown coming anytime soon. Debt levels in the US continue to rise as well with the federal debt over 121%.

Mr. Majeed continued his presentation stating that the total fund performance is flat with a 10-year net fee return of 8.05, which has decreased slightly. The actuarial rate is 7% and SERS retirement fund continues to outperform benchmarks as global equities performance is highest this year. Mr. Majeed closed his report, stating that the fund is above the benchmark by .34 fiscal YTD.

Following several questions and a brief discussion, the board thanked Mr. Majeed and the investment staff for their presentations.

The board took break at 10:05 a.m.

The board reconvened in open session at 10:17 a.m.

## Executive Director's Report

### ORSC

SERS Executive Director, Richard Stensrud, began his report stating the March ORSC meeting was cancelled. The next scheduled meeting is scheduled for April 11, 2024, or at the pleasure of the chair.

### Advocacy Groups

Mr. Stensrud continued his report stating that SES is scheduled to have the annual joint meeting with OASBO on Friday, May 3. One of the likely discussion topics will be pensionable compensation.

Mr. Stensrud continued stating that SERO's annual meeting is scheduled for May 7th at the Villa Milano. SERO will provide an opportunity for SERS to report on all business areas, but specifically healthcare.

### Ohio General Assembly

Mr. Stensrud continued his report, stating that there currently isn't much activity at the state house. The Senate Oversight Committee met on February 28 and heard sponsor testimony on HB 257, which would provide authority for retirement systems to establish policies to allow board members to participate in meetings remotely. SERS staff is preparing proponent testimony as was done in the House. This capability has already

# **SERS Retirement Board Meeting Minutes**

**March 21, 2024**

provided to STRS. Boards will still need an in-person quorum and each board member must attend a certain number of meetings per year in person.

Mr. Stensrud continued his report stating HCR 6, urging Congress to repeal the WEP and GPO received proponent testimony. SERS submitted a written statement of support to the committee as did the other retirement systems.

## **Federal Advocacy**

Mr. Stensrud continued, reporting that he and other staff leaders visited Washington DC last month for a conference. While in DC last month, SERS staff met with legislative aides from several Ohio congressional offices. SERS staff expressed appreciation for their co-sponsorship of WEP/GPO repeal legislation and educated them on our Wraparound program and the status of the pension system in general.

Mr. Stensrud also reported that the lead sponsors of HR 82, the WEP/GPO repeal legislation, have written to the leadership of the House Ways and Means committee to encourage them to hold hearings on the bill now that they have more than 300 co-sponsors.

## **NCTR/NASRA Winter Joint Meeting**

Mr. Stensrud reported that he, along with Deputy Executive Director Karen Roggenkamp and Chris Collins, SERS Government Relations Officer, attended the NASRA/NCTR winter meeting in Washington, DC last month. There were presentations by veteran political advisors for Jimmy Carter, Bill Clinton, Ronald Reagan and George Bush. Mr. Stensrud stated their approach to working together was refreshing and quite different from the world today.

## **Member Engagement**

Mr. Stensrud continued his report stating that SERS staff continues to engage with members and employers. SERS staff will host several events for employers and retirees in the coming months and will continue to engage with members on a regular and consistent basis.

## **Review of Administrative Expenses**

SERS Chief Financial Officer, Marni Hall, provided a report of administrative expenses so far this fiscal year. Ms. Hall stated there were increased costs due to postage expenses and prescription costs. Other expenses are tracking as expected. With no questions, the board thanked Ms. Hall for her presentation.

## **FY2024 OSERS Broad Street Capital Budget Modification**

Ms. Hall continued, reporting that OSERS recently experienced a critical main driver failure on passenger elevator #2. SERS' elevator vendor successfully replaced the driver and all associated parts. Fortunately, because there are four passenger elevators, the failure did not cause a disruption to passenger elevator services in the building. However, the failure revealed the associated risk to the service elevator.

Upon further review, SERS elevator vendor recommended that OSERS replace the driver and all associated parts in the service elevator. Unlike the passenger elevators, there is no backup to the service elevator in the event of a disruption. For example, if the driver in the service elevator fails, SERS staff will be forced to use the passenger elevators for all service-related tasks. This is not preferred considering the risks of inconvenience and damage to the passenger elevators.

For these reasons, OSERS Broad Street is requesting a transfer of \$28,000 from the OSERS Operations Budget earmarked for tenant remodeling expenses to OSERS Capital Budget to replace the driver on the service elevator. The transfer will produce a net zero impact on the budget. If approved, OSERS will greatly reduce the risk of being without a service elevator and avoid potential damage to the passenger elevators.

# **SERS Retirement Board Meeting Minutes**

**March 21, 2024**

Jeffrey DeLeone moved and Barbra Phillips seconded that the FY2024 OSERS Capital Budget be modified as presented today effective March 21, 2024. The modification reallocates \$28,000 within the OSERS Operations Budget earmarked for tenant remodeling expenses to OSERS Capital Budget to replace the driver on the service elevator.

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

## **Final Filing of Proposed Amended Administrative Rules**

Susan Russell, SERS Legal Counsel, discussed with the Retirement Board filing with JCARR the following proposed amended rules: 3309-1-07 Application for payment upon termination of employment; 3309-1-09 Federal taxation; 3309-1-11 Membership determinations; 3309-1-19 Member enrollment; 3309-1-26 Beneficiaries; 3309-1-29 Purchase of service credit; out-of-state and other; 3309-1-50 Re-employment restrictions; that have been reviewed by JCARR and are ready for final adoption by the Board.

Jeffrey DeLeone moved and Catherine Moss seconded that proposed amended rule 3309-1-07, 3309-1-09, 3309-1-11, 3309-1-19, 3309-1-26, 3309-1-29, 3309-1-50 be filed with JCARR as discussed.

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

## **Discussion of Salary Growth Information for Preliminary FY2025 Budget**

Mr. Stensrud continued, reporting that SERS will need to increase compensation to bring staff up to the proper compensation levels, based on feedback from CBIZ, SERS' compensation consultant. CBIZ recommended in February that compensation amounts be adjusted. CBIZ recommends allocating a merit of 1.2% over the structure to allow staff to move through their respective pay ranges.

Mr. Stensrud provided the board with three compensation and merit scenarios to compare. Mr. Stensrud provided clarity on the scenarios and suggested scenario number three is close to the CBIZ recommendation but allows SERS to remain prudent when adjusting compensation. After a robust discussion, the board agreed to move forward with scenario number three.

## **Pensionable Compensation Discussion**

Mr. Stensrud solicited feedback from the board on the topic of pensionable compensation following a meeting with stakeholders last month. Board members expressed a desire to modernize the definition of pensionable compensation. It was suggested that the definition of pensionable compensation be revised and presented to stakeholders for further consideration. The board agreed that this is not an effort to move away from final average salary calculations for retirement benefits, but rather an effort to clarify what compensation counts towards retirement benefits.

## **Executive Session**

Catherine Moss moved and Barbra Phillips seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(3) to discuss imminent court action. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Matthew King. The motion carried.

The board convened in executive session at 11:05 a.m.

The board returned to open session at 11:29 a.m.

# SERS Retirement Board Meeting Minutes

March 21, 2024

## Retirement Report

There was no executive session for the retirement report.

## Audit Committee Update

### **Audit Committee Report**

Chief Audit Officer, Jeff Davis, provided a brief update on the work of the Audit Committee. The Audit Committee met yesterday afternoon and discussed the corrective actions taken around banking reconciliation after an issue was discovered in the most recent external audit. There were no financial errors to report regarding the audit finding. Mr. Davis also gave an update on the ongoing internal audits, FY2025 audit planning, and the most recently completed audits. The board thanked Mr. Davis for his update.

## Compensation Committee Update

### **Compensation Committee Report**

Compensation Committee Chair, Daniel Wilson, provided an update on the work of the committee. Mr. Wilson reported that the committee met this morning to discuss the executive director's third quarter goals, compensation, and hiring policies at SERS. There will be more discussion at the special Compensation Committee meeting planned for April. The board thanked Mr. Wilson for his report.

## Board Communication and Policy Issues

### **Board Information Request & Follow Up Items**

There were no additional requests. James Rossler and Frank Weglarz both provided the board with brief summaries of the conferences they attended last month.

### **Calendar Dates for Future Board Meetings**

The board reviewed the meeting dates for 2024 and noted that Frank Weglarz will not be attending the May board meeting and Barbra Phillips will miss the June board meeting.

#### CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 \*\*

#### AUDIT COMMITTEE MEETINGS

June 20, 2024 – 2:30 p.m. **(Thurs.) \*\* New Date \*\***  
September 18, 2024 - 2:30 p.m. (Weds.)  
December 18, 2024 – 2:30 p.m. (Weds.)

#### COMPENSATION COMMITTEE MEETINGS

June 21, 2024 – 7:30 a.m. **(Fri.) \*\* New Date \*\***  
July 18, 2024 – 7:30 a.m. (Thurs.) \* **Special Meeting \***  
September 19, 2024 – 7:30 a.m. (Thurs.)  
December 19, 2024 – 7:30 a.m. (Thurs.)

#### TECHNOLOGY COMMITTEE MEETINGS

June 20, 2024 – 1:30 p.m. **(Thurs.) \*\* New Time \*\***  
September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

# SERS Retirement Board Meeting Minutes

March 21, 2024

## BOARD MEETINGS

April 18 – 19, 2024 - 8:30 a.m. (Thurs. and Fri.)  
May 16 – 17, 2024 – 8:30 a.m. (Thurs. and Fri.)  
June 21, 2024 - 8:30 a.m. **(Fri.) \*\* New Date \*\***  
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)  
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)  
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)  
November 21 – 22, 2024 – 8:30 a.m. (Thurs. and Fri.)  
December 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

## Recess

The board recessed for lunch at 11:52 a.m.

The board reconvened in open session at 1:01 p.m.

## Executive Director's Report (cont.)

### **FY2025 Strategic Planning Discussion – RAMA Consultants**

Mr. Stensrud introduced RAMA consultants, who provided a presentation on the status of the FY2025 SERS strategic planning process. RAMA consultants introduced key themes that were consistent with SERS leadership and the board such as sustainability and customer service. RAMA consultants identified six key areas of focus and wanted input from the board to ensure everyone agrees on the focus areas. Following a robust discussion, RAMA consultants stated that they will meet with SERS staff, come up with a final recommendation for the strategic plan, and present to SERS leadership for final input before coming back to the board. After the presentation and discussion, the board thanked RAMA consultants for their presentation and hard work.

## Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, April 18, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 1:46 p.m.

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Frank Weglarz, Board Chair

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Richard Stensrud, Secretary

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

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

The following is a summary of the investment transactions made during the period of **February 1, 2024, through February 29, 2024**. 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	\$194.5
Fixed Income	357.7
Private Equity Capital Calls	59.5
Real Estate Capital Calls	2.1
Infrastructure Capital Calls	3.9
Opportunistic & Tactical	10.4
Global Private Credit	5.4
Cash Equivalents	279.4

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$191.1	24.4
Fixed Income	334.9	(3.9)
Private Equity Distributions	31.9	n/a
Real Estate Distributions	n/a	n/a
Infrastructure Distributions	n/a	n/a
Opportunistic & Tactical	25.3	16.7
Global Private Credit	n/a	n/a
Cash Equivalents	328.4	0.1

# Memo

**To:** Retirement Board  
**From:** Farouki Majeed  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** April 5, 2024  
**Re:** **Investment Report for the April Board Meeting**

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The Investment Report for the Board includes the following agenda items:

- Annual Portfolio Review – Private Credit.
- Investment report and economic update for the period ended February 29, 2024.

Included with the advance Board materials are the following reports prepared by Staff:

- Manager Reviews – Private Credit.
- Monthly Top 20 Equity and Fixed Income Holdings Reports – February 29, 2024.
- Monthly Compliance Update memo – February 29, 2024.

If anyone has any questions prior to the Board meeting, please email me at [fmajeed@ohsers.org](mailto:fmajeed@ohsers.org).



# Global Private Credit Portfolio Review

February 29, 2024

Presented by Investment Staff

*Meeting Date: April 2024*

Adam Messerschmitt & Brad Carr



## \$1.1 Billion Market Value

- 12 Managers, 21 Funds, and 1 Co-investment
- Manager Rankings: 7 managers with a three-year performance, 6 ranked as A and 1 as B
- Total Capital Commitments: \$2.1 billion
  - Unfunded Commitments: \$867 million
- Global Private Credit Allocation: 6.2% of Total Fund

## Performance

- 10.1% net return for the one-year period ending February 29, 2024, which outperformed the policy benchmark by 23 basis points
- 11.7% portfolio income yield and 6.3% cash distribution yield



## Role

- SERS invests in private credit to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent cash yield.

## Objective

- The performance objective is to provide returns in excess of the 90-day Treasury bill rate + 4.5%, net of fees.

## Allocation

- The Global Private Credit allocation is set at 5% with a permissible range of 3% to 7%.



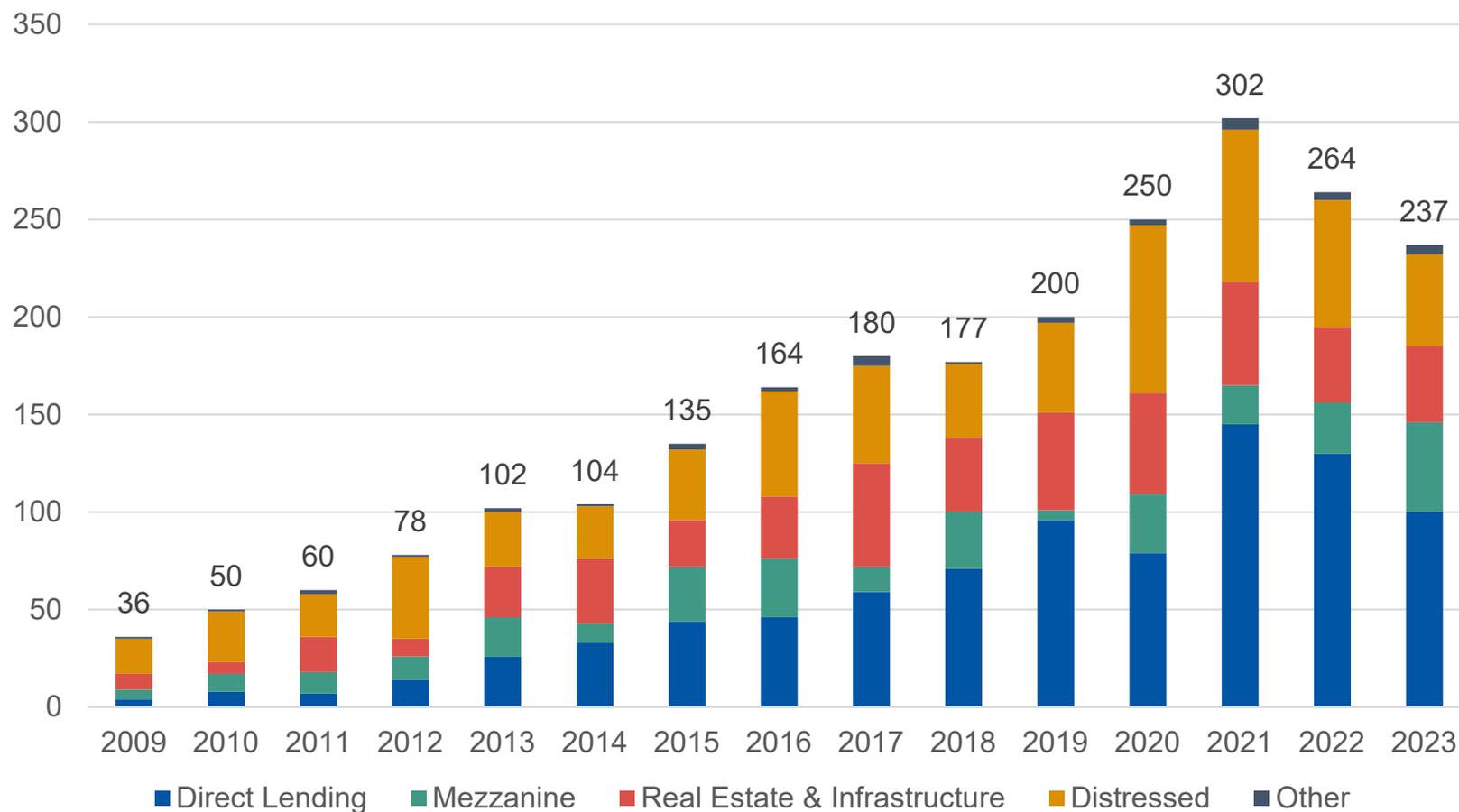
### Morningstar Global Leveraged Loan Index – Yield to Maturity



Performance as of February 29, 2024	1 Year	3 Year	5 Year	10 Year
Morningstar Global Leveraged Loan Index	12.1%	4.6%	4.9%	3.9%
90-day Treasury Bill Rate + 4.5%	9.8%	7.0%	6.6%	5.9%



## Private Credit Fundraising In Billions (USD)



Source: J.P. Morgan Asset Management, Preqin.



## Portfolio Activity During the Last 12 Months

- New Capital Commitments: \$125 million
- Two New Funds with Existing Managers
- Portfolio Market Value Increased from \$1.0 Billion to \$1.1 Billion
- Portfolio Allocation Increased From 5.8% to 6.2%

## Direct Lending Commitments

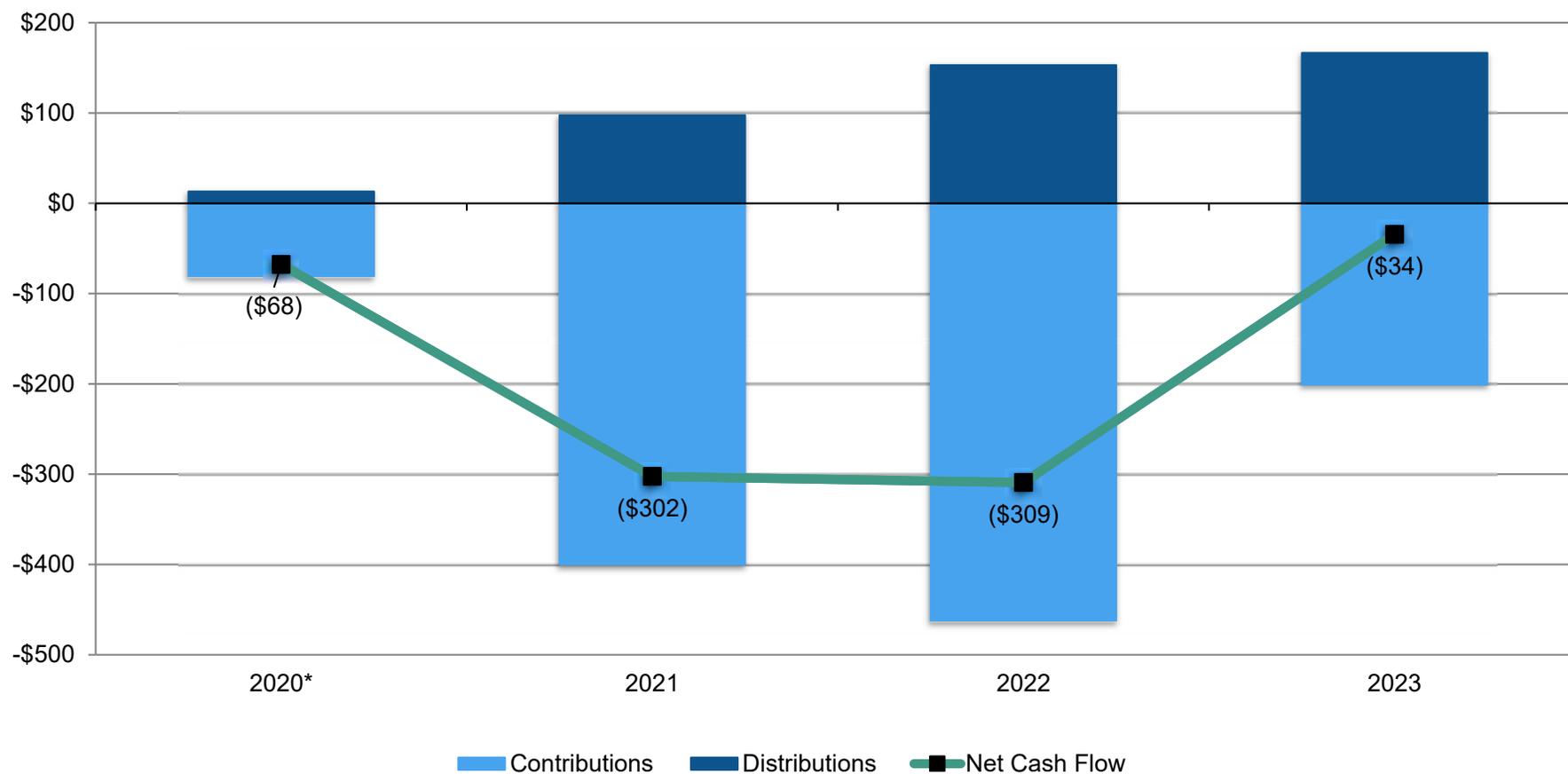
- Barings European Loan Fund IV - \$75 million

## Stressed/Distressed Commitments

- Invesco Credit Partners III - \$50 million



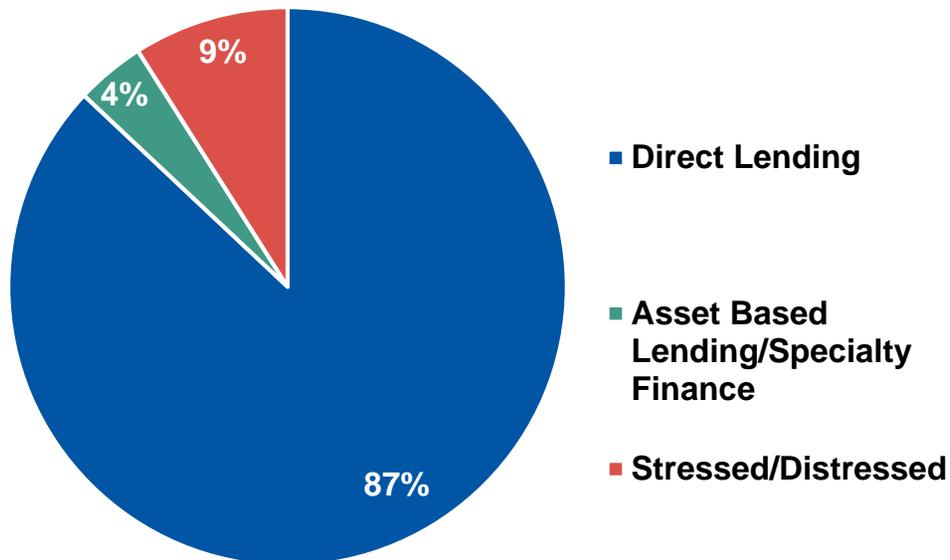
## Annual Cash Flows (millions)



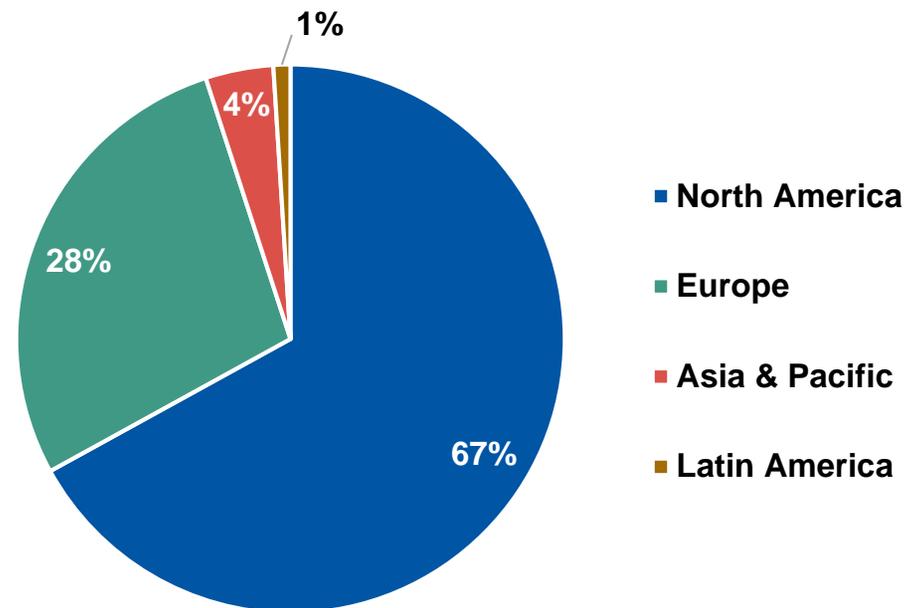
\*As of the Global Private Credit portfolio inception date of 7/1/2020.



### Strategy Allocations

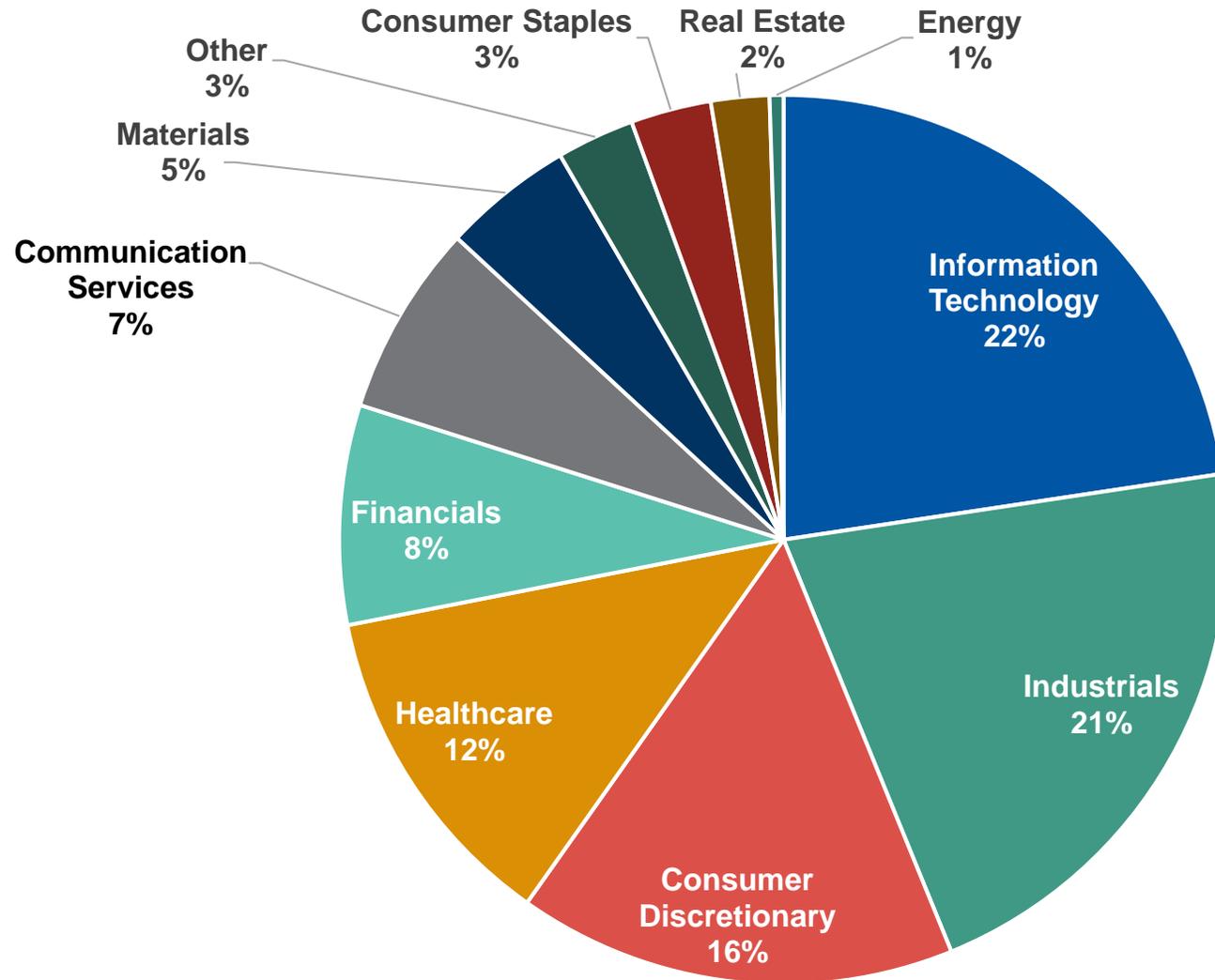


### Geography Allocations





## Industry Allocations



## Performance Results



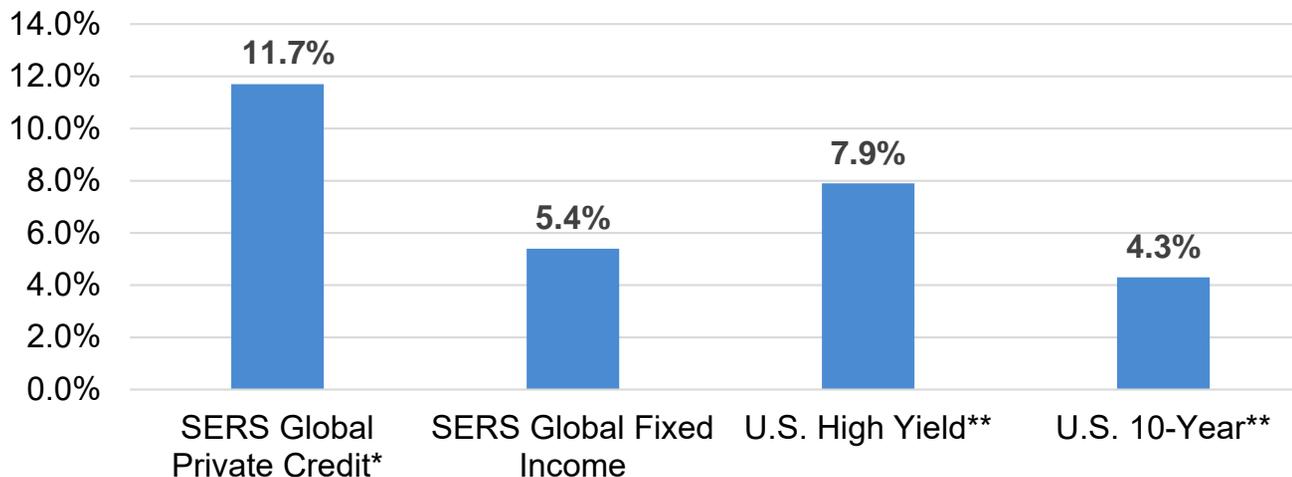
Net of Fees (as of 2/29/2024)	% of Portfolio	Target Allocation Range*	1-Year Return	3-Year Return	Inception to Date**
Private Credit Composite (\$1,136,782,852)			10.1%	9.7%	10.5%
Direct Lending (\$988,671,209)	87.0%	60% – 100%	9.8%	9.6%	9.8%
Stressed/Distressed (\$103,313,358)	9.0%	0% – 15%	10.1%	12.3%	15.2%
Asset Based Lending/Specialty Finance (\$44,798,285)	4.0%	0% – 15%	12.8%	9.2%	11.1%
Private Credit Benchmark			9.8%	7.0%	6.6%
SERS Global Fixed Income			4.8%	-2.2%	

\*SERS has not made a commitment to the Mezzanine sub asset class, which has a target allocation range of 0 – 10%.

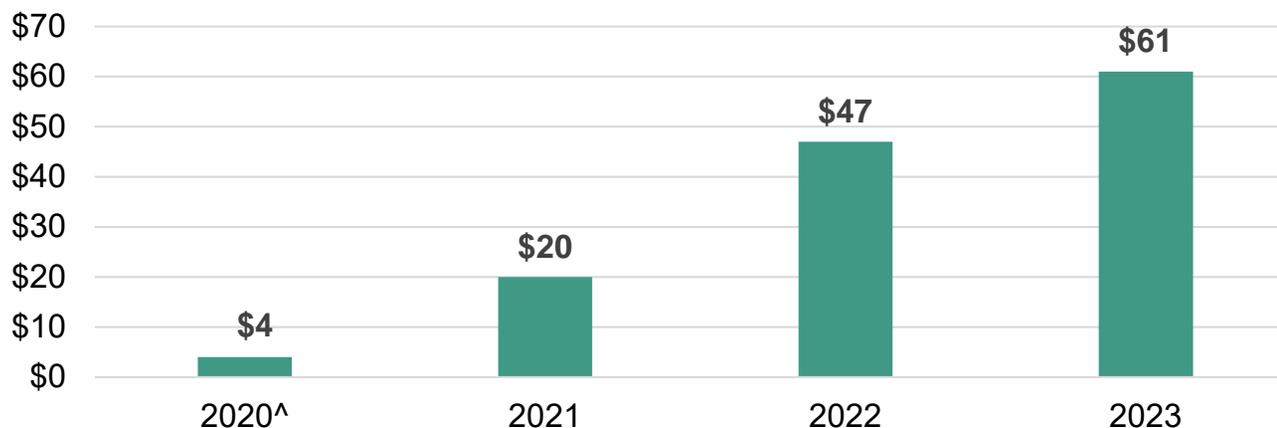
\*\*Inception date is 7/1/2020.



## Portfolio Income Yield



## Portfolio Cash Income



\*As of December 31, 2023.

\*\*Source: BAML, Federal Reserve.

^As of the Global Private Credit portfolio inception date of 7/1/2020.



## Fiscal Year 2024 Objectives

- Manage the Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.
- Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.
- Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.
- Consider adding differentiated strategies to the portfolio if capacity permits that could add further diversification to the portfolio, while also contributing to the portfolio's return and cash yield.
- Review the appropriateness of the benchmark and recommend changes if necessary.



- Direct Lending: loans made directly to small to medium size companies that are secured by cash flows, depending on the type of loan.
- Mezzanine: subordinated debt to senior loans that is typically structured as an unsecured fixed or floating rate loan with an equity component.
- Stressed/Distressed: loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company.
- Asset Based Lending/Specialty Finance: Asset based lending and specialty finance includes investments backed by financial and hard assets, as well as cash flows generated from differentiated sources other than traditional corporate lending. The types of investments may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types.



# Ohio SERS Investment Report

## Monthly Report to the Board

For the period ending: February 29, 2024

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: April 2024*



# Investment Agenda

Annual Portfolio Review – Private Credit  
Monthly Investment Report (February 29, 2024)



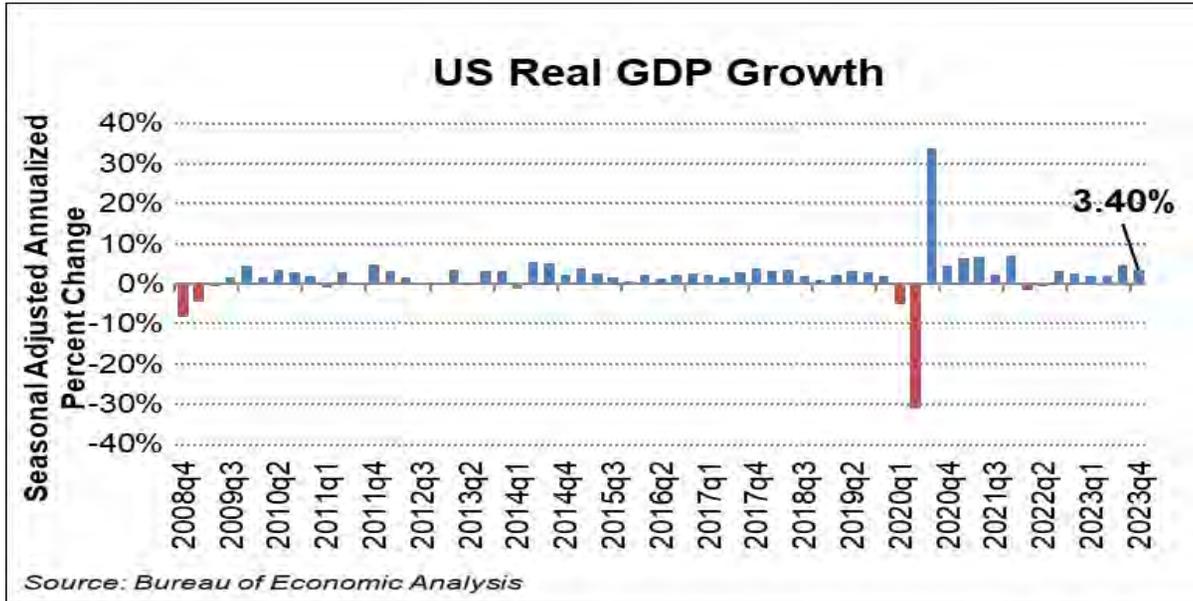
# Economic and Financial Market Outlook

- The US economy exceeded expectations increasing 3.4% in Q4 on an annualized basis, and 2.5% in 2023. The strong growth through the year was led by personal consumption expenditures, government spending, and gross investment. The BCEI consensus raised its growth projection from 2.1% to 2.3% for 2024. (Source: Bureau of Economic Analysis and Blue Chip Economic Indicators (BCEI))
- The US labor market continues to be resilient, adding 303,000 jobs in March. The unemployment rate decreased by 0.1% to 3.8%. The labor force participation increased by 0.2% to 62.7%, remaining below the pre-pandemic level of 63.3%. (Sources: Bureau of Labor Statistics and Department of Labor)
- US headline inflation increased by 0.1% to 3.2% in February. The food index appreciated 2.2% while the energy index declined 1.9% for the last 12 months. Core inflation declined by 0.1% to 3.8% in February. Rent inflation remained elevated with a 5.7% increase over the last 12 months. (Source: Bureau of Labor Statistics).
- The 10-year Treasury nominal yield decreased by 5 bps to 4.20% as of March end. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and current headline inflation increased to 1.05%, below the historical average of 1.80% in February. The Fed Funds rate remained in the range 5.25-5.50%, the highest level since October 2006.
- The housing market (S&P Case-Shiller 20-City home price index) was down 0.1% for the month of January and up 6.6% for the last 12 months as of January 2024.
- The Consumer Sentiment Index released by Thomson Reuters and University of Michigan was 79.4 for March, increased by 3.3% from the previous month and by 28.1% from a year ago. Both US and Global Economic Surprise indices were strongly positive in March. The February Leading Economic Index (LEI) issued by the Conference Board was 102.8, showing the first monthly increase of 0.1% after 2 years of continuously trending down. The index no longer indicated growth downturn ahead.
- In March, the US Manufacturing PMI rose above 50 to 50.3, after more than a year of sub-50 contraction readings. The US Service PMI remained at a solid level of 52.6%. Overall, the US PMI indices indicated expansion in both manufacturing and services sectors. However, high interest rates and sticky inflation continue to be the largest challenges to US and global economies. (Source: Institute for Supply Management and S&P Global).
- The equity markets continued to rally in March as the US market (Russell 3000) was up 3.23%, and the Non-US Developed markets (MSCI World ex-USA) and Emerging markets were up 3.37% and 2.48%, respectively.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was up 0.92% in March.



**ECONOMY**

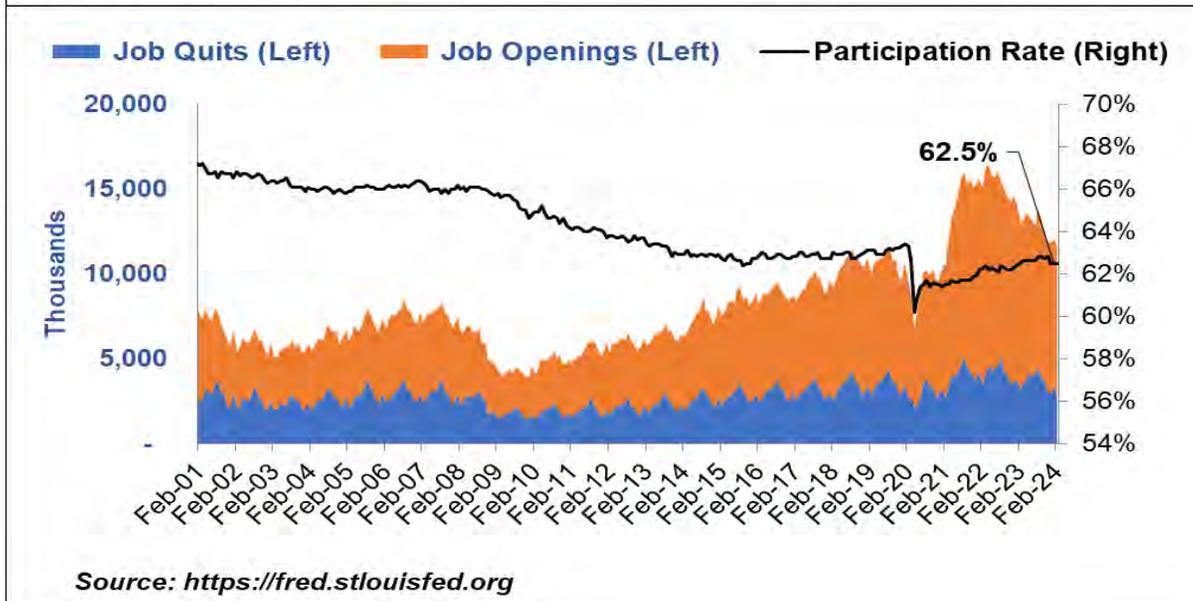
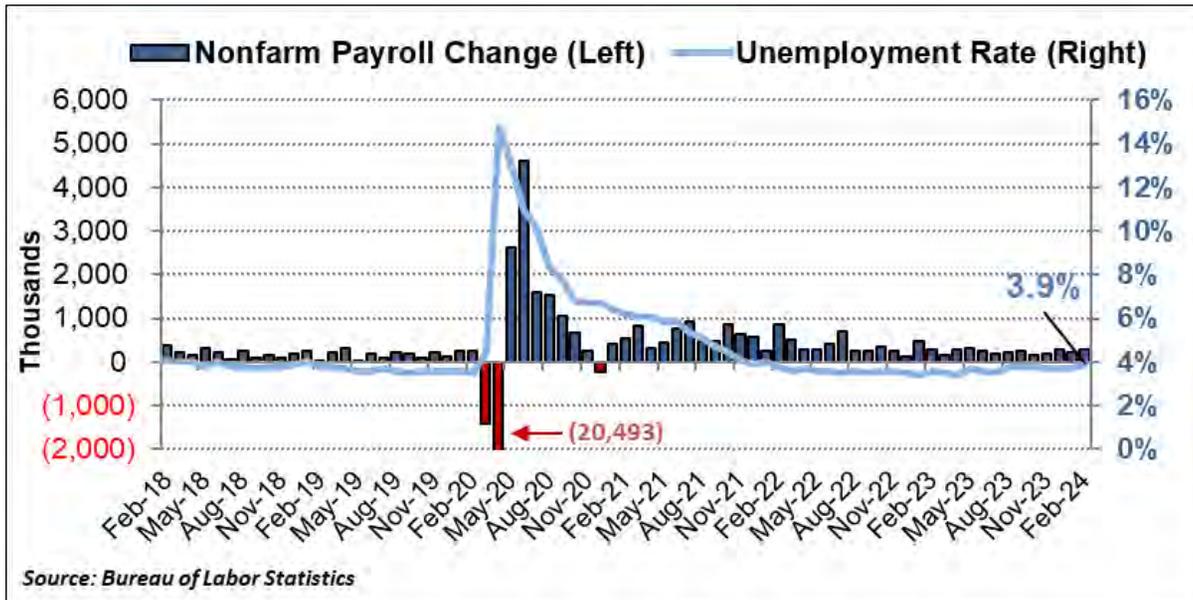
**US Real Gross Domestic Product**





**ECONOMY**

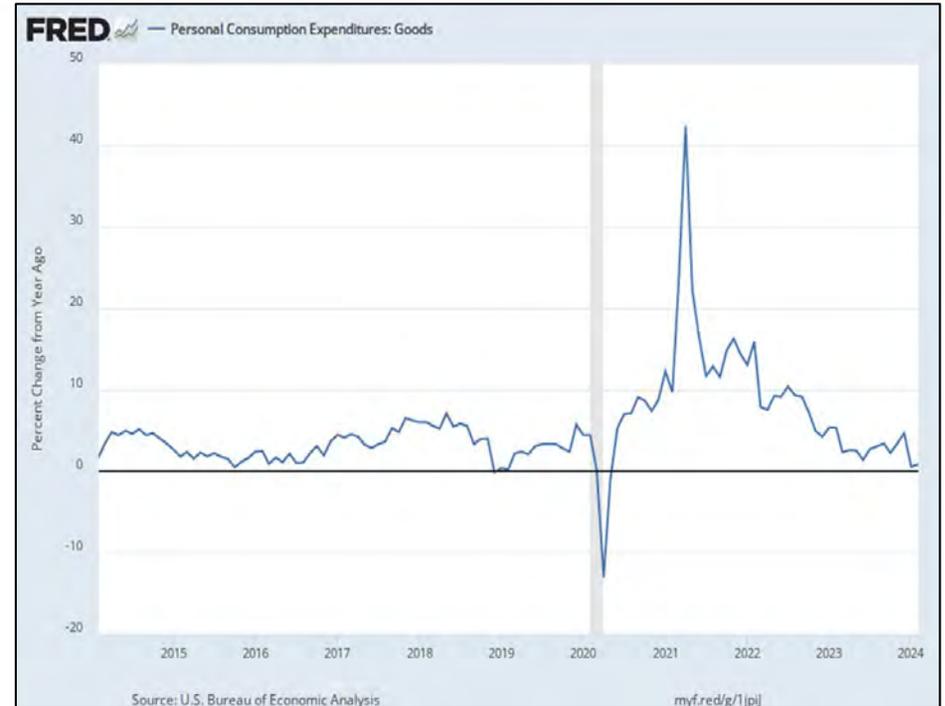
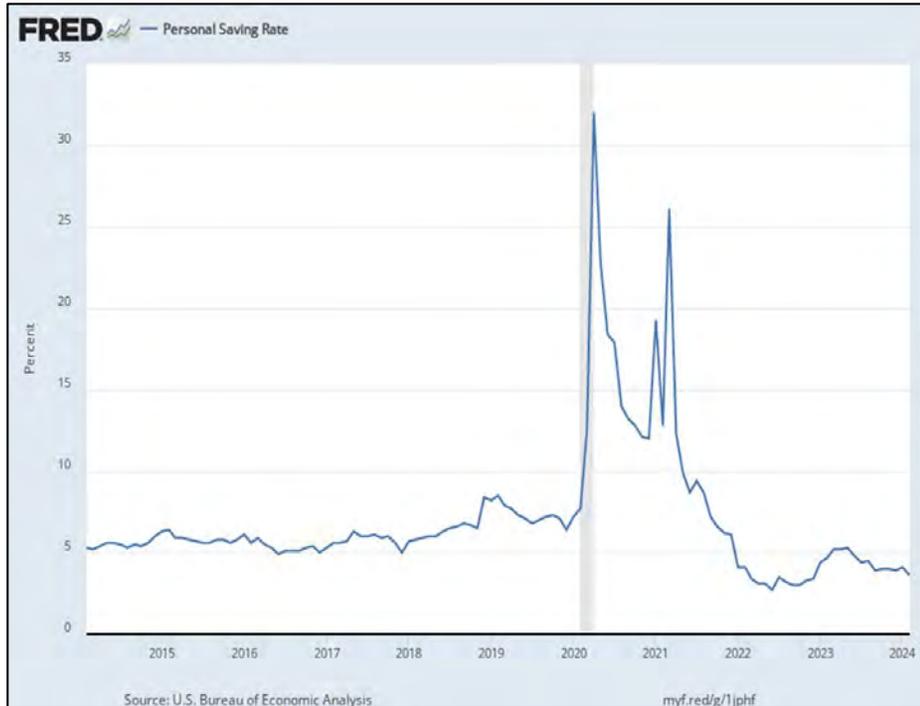
**US Labor Market**





**ECONOMY**

**Personal Savings Rate & Personal Expenditures: Goods**



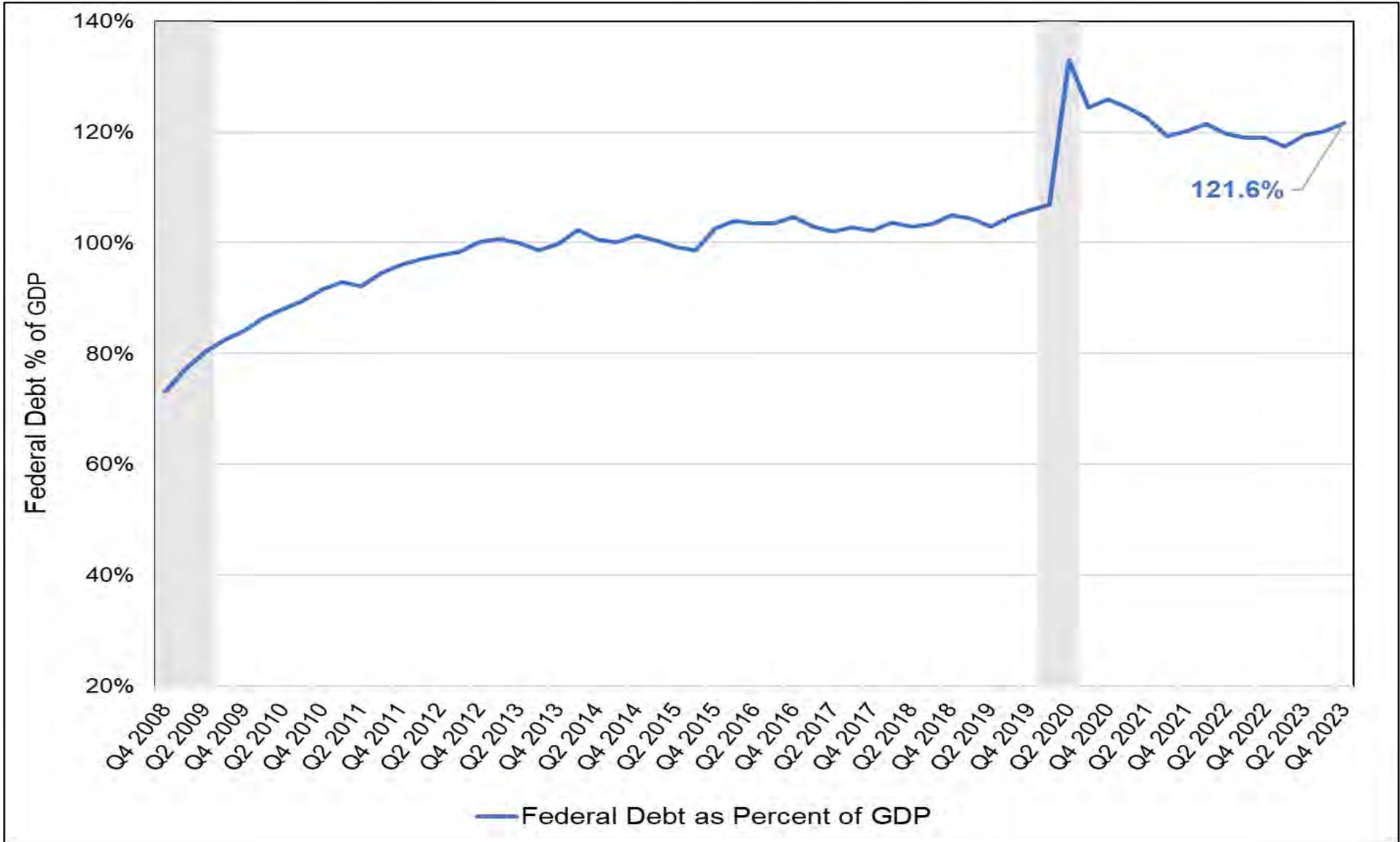
Date	Annual Personal Savings Rate
Jun-20	18.4%
Jun-21	8.7%
Jun-22	2.7%
Jun-23	4.8%
Feb-24	3.6%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-20	5.3%
Jun-21	16.3%
Jun-22	9.1%
Jun-23	1.4%
Feb-24	0.8%



**ECONOMY**

**Federal Debt as Percent of GDP**

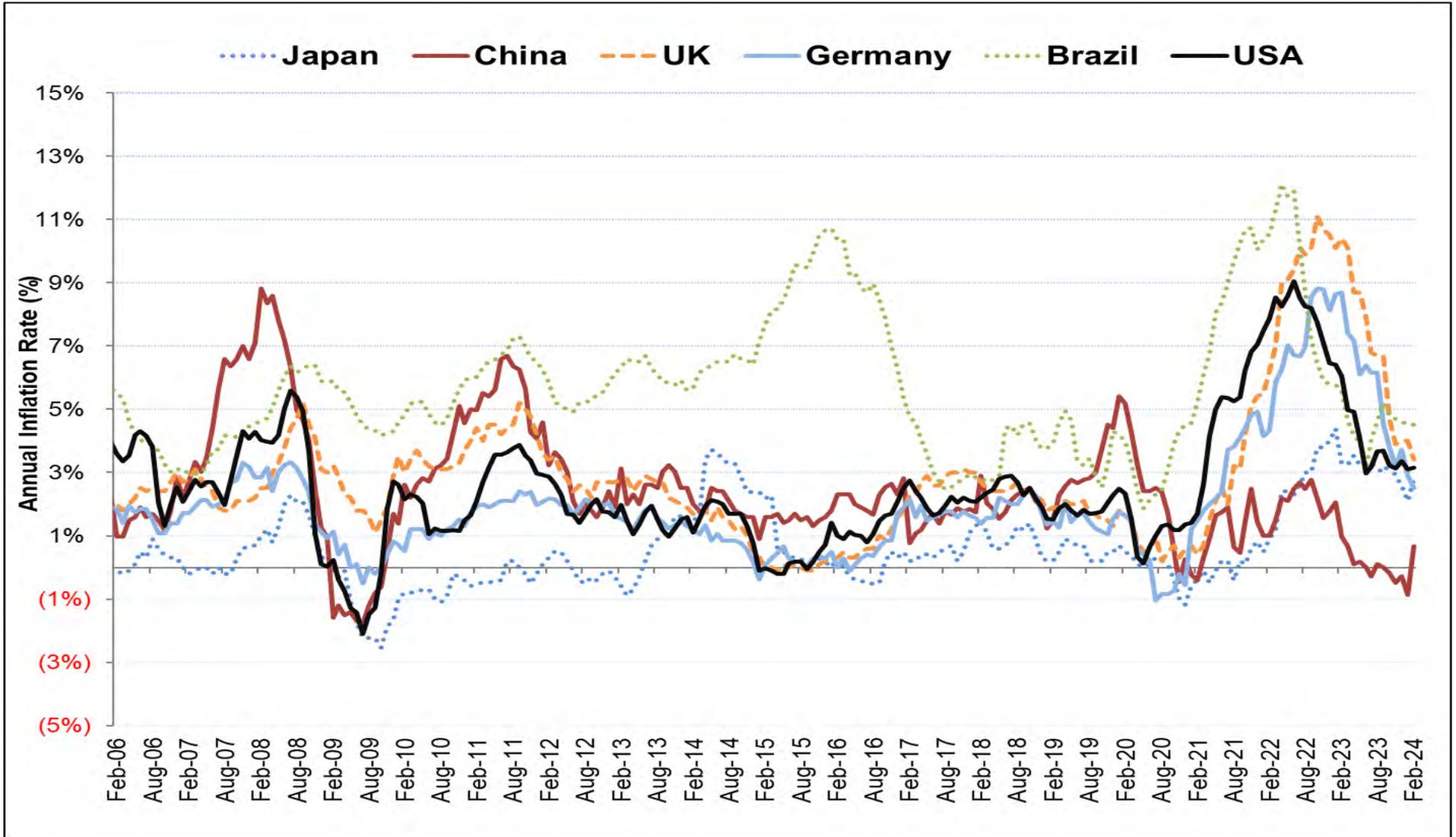


Source: FRED, U.S. Office of Management and Budget



**ECONOMY**

**Headline Inflation**



	Japan	China	UK	Germany	Brazil	USA
Feb-24	2.8	0.7	3.4	2.5	4.5	3.2



**ECONOMY**

**US & Global Manufacturing Activities**

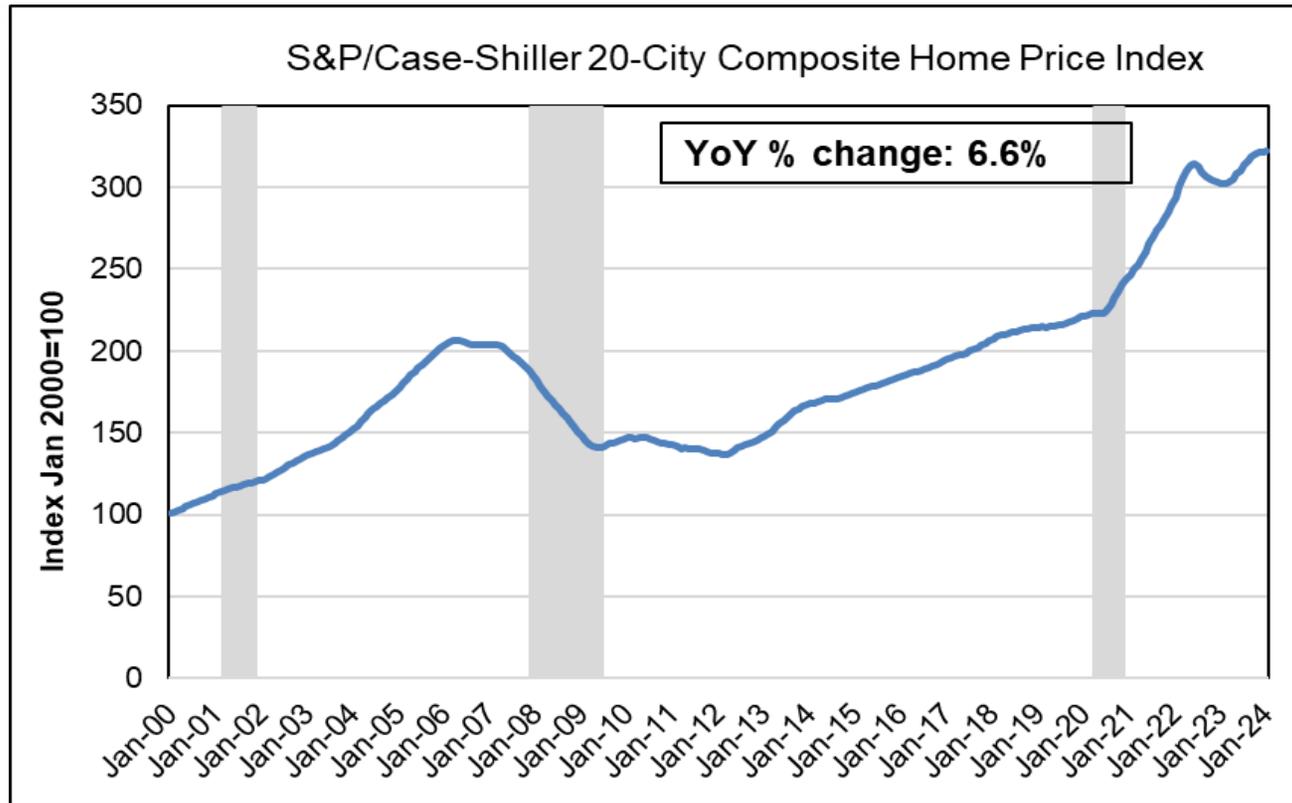


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™  
 Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



**ECONOMY**

**US Housing Market**

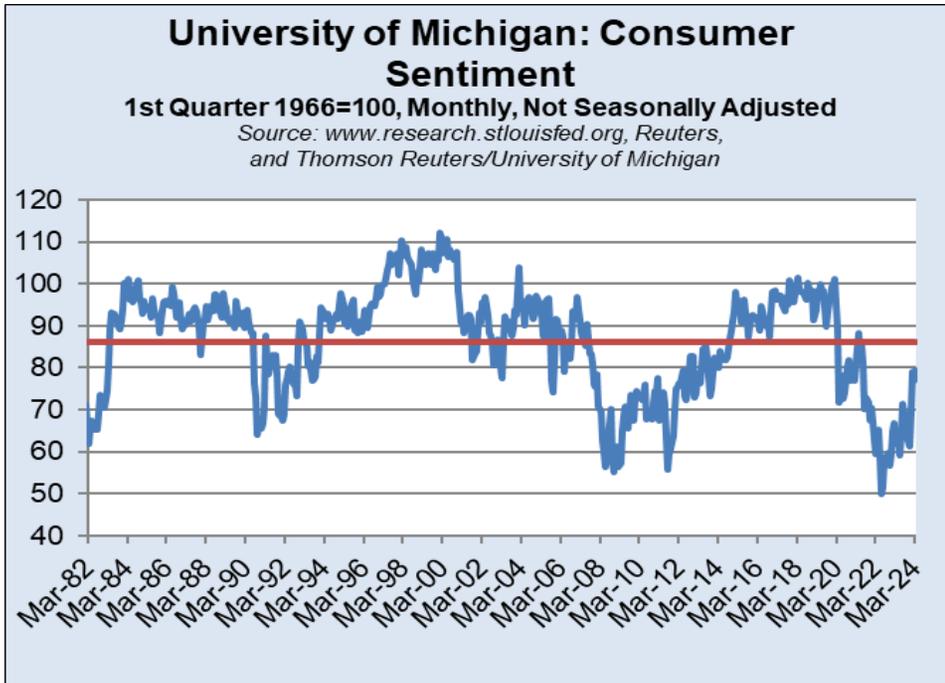


<b>Date</b>	<b>S&amp;P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted</b>
Jul-20	225.02
Jul-21	269.87
Jul-22	312.97
Jul-23	313.36
Jan-24	322.22



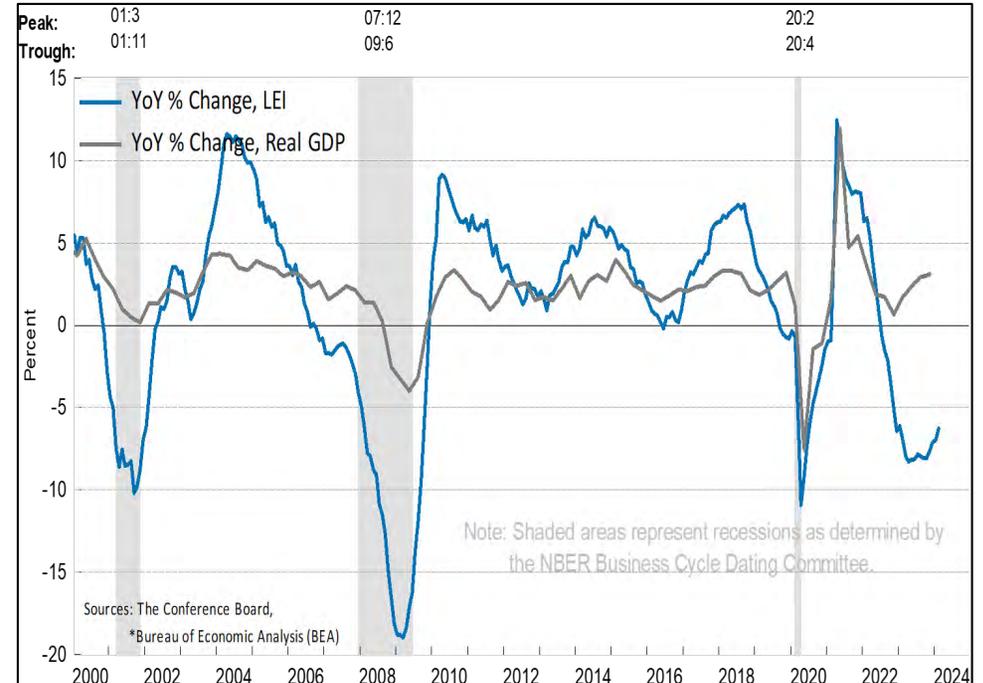
# ECONOMY

## Consumer Sentiment



Index of Consumer Sentiment				
Feb-24	Mar-24	Mar-23	M-M Change	Y-Y Change
76.9	79.4	62.0	3.3%	28.1%

## The Leading Economic Index (LEI)



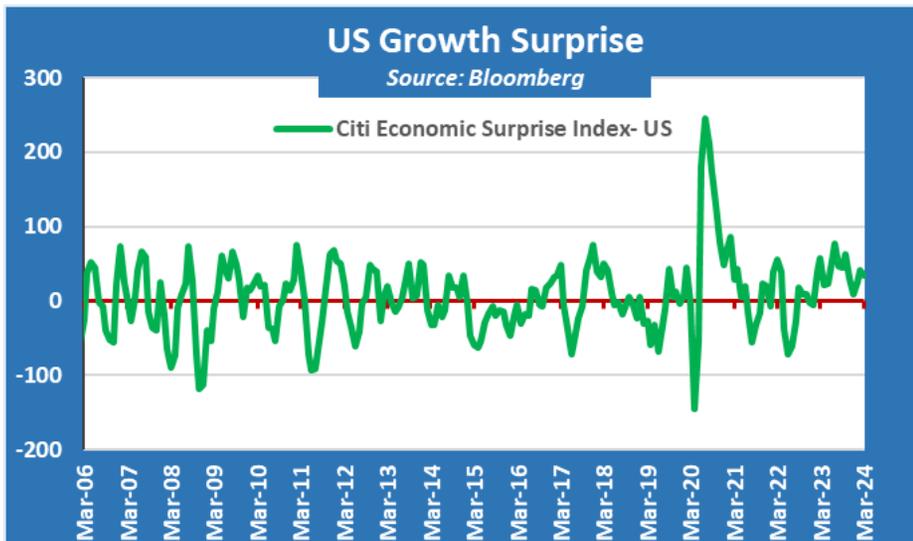
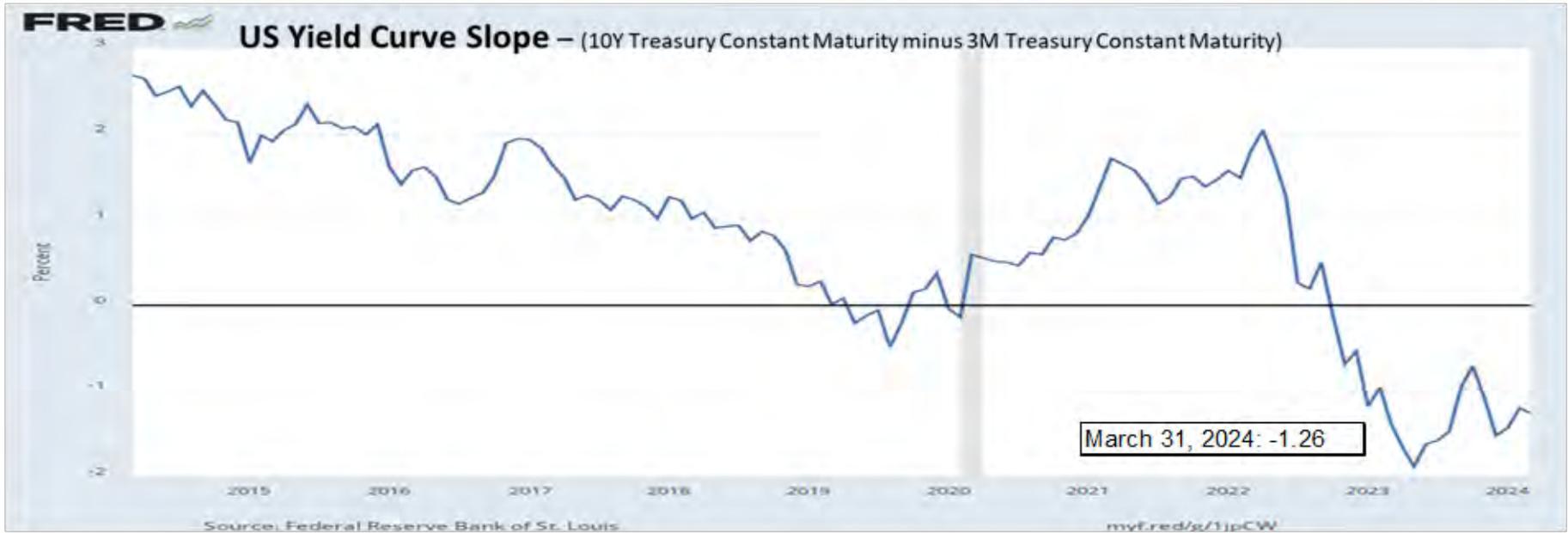
Shaded areas represent US recessions

Index	Jan-24	Feb-24	Month -Month Percent Change	6-Month Percent Change (Aug-Feb)
LEI	102.7 r	102.8 p	0.1	-2.6

p Preliminary; r Revised; Indexes equal 100 in 2016

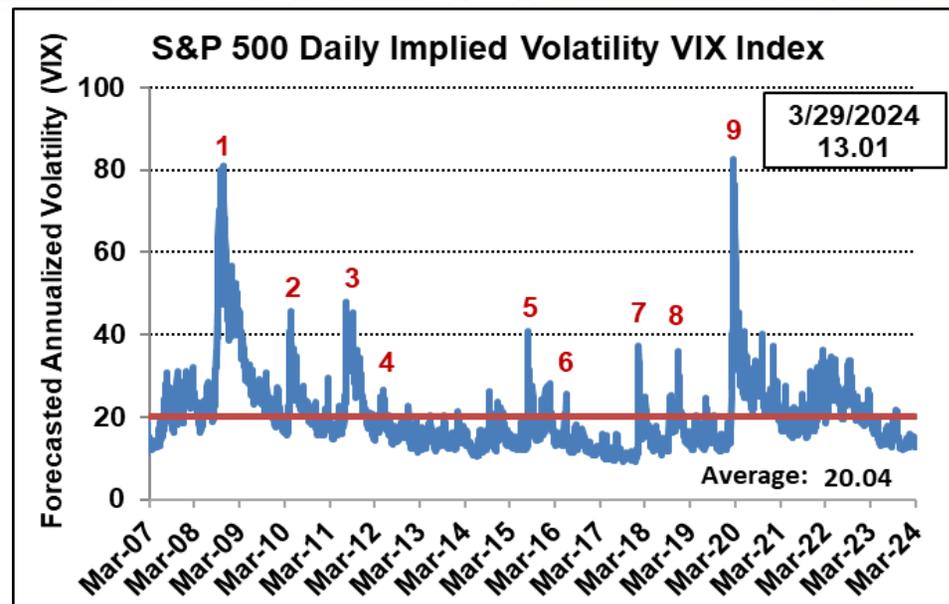
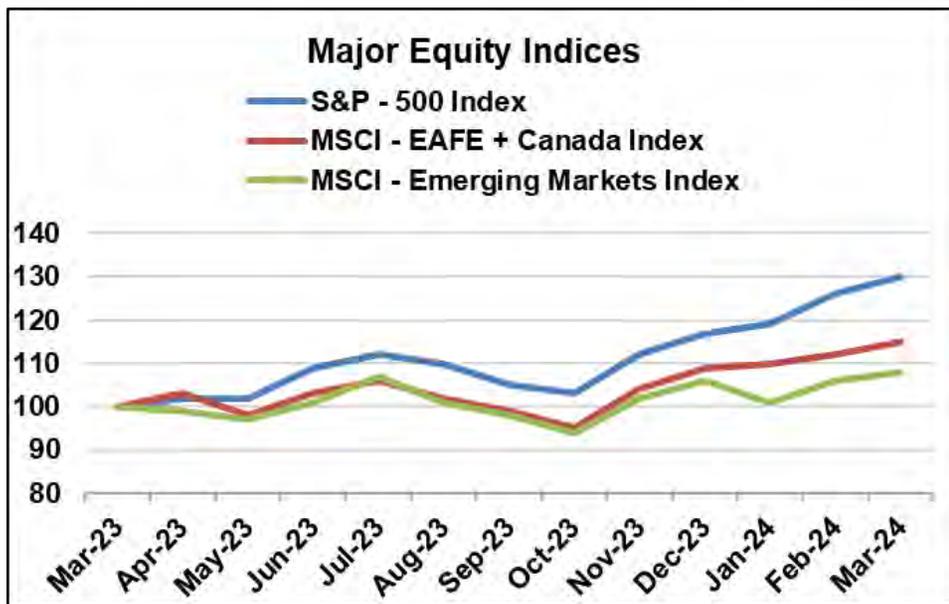


# ECONOMY





# MARKETS **Equity**



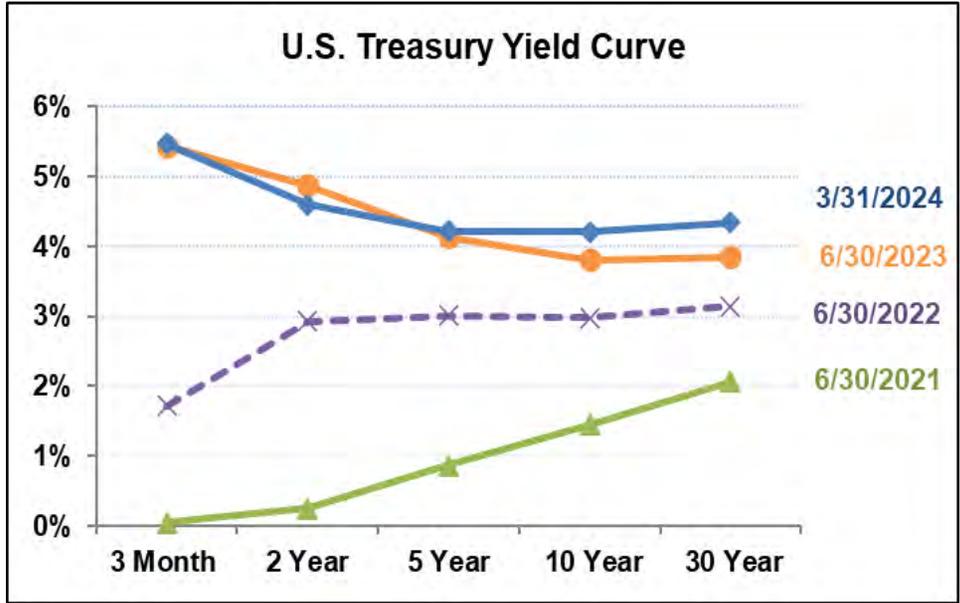
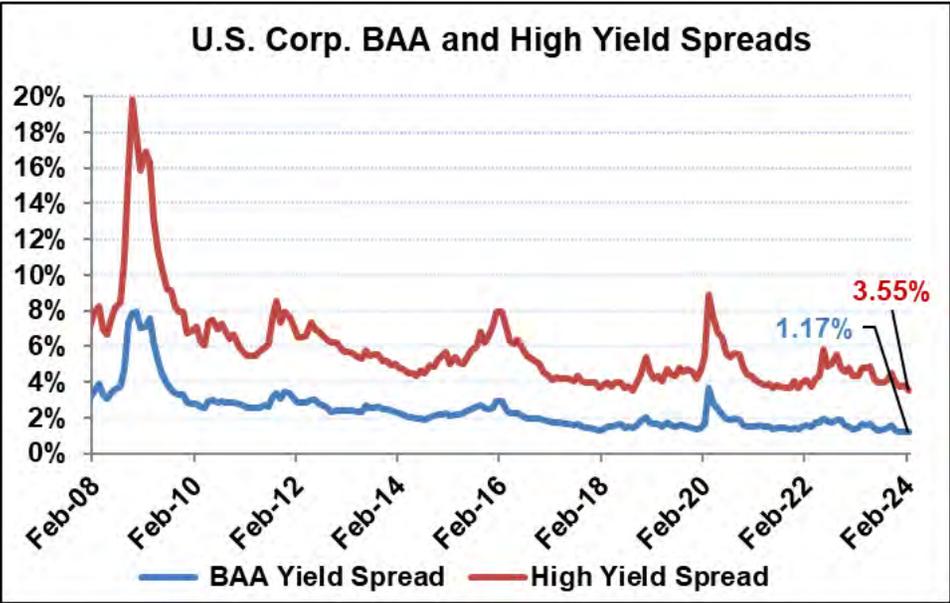
	Return as of 3/31/2024	
	1 Year	FYTD
S&P 500 Index	29.88	19.44
MSCI - EAFE + Canada Index	15.29	11.90
MSCI - Emerging Markets Index	8.15	7.19

- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%



**MARKETS**

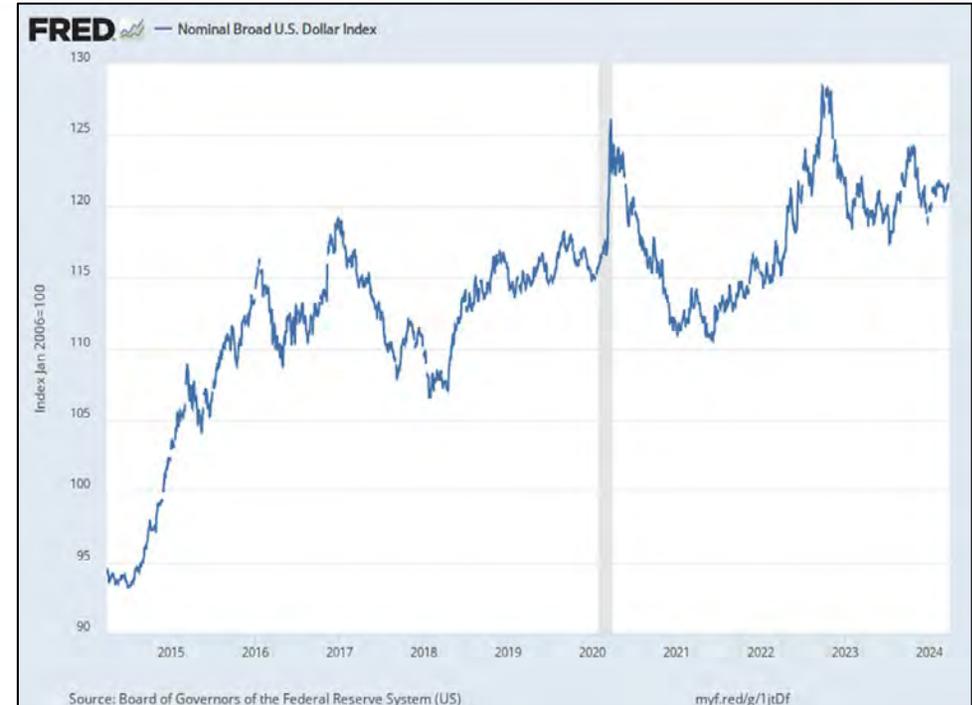
**Fixed Income**



Sources: Wilshire Compass, ThomsonReuters, and Bloomberg



# MARKETS Foreign Exchange



Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-20	1.12
June-21	1.18
June-22	1.05
June-23	1.09
March-24	1.08

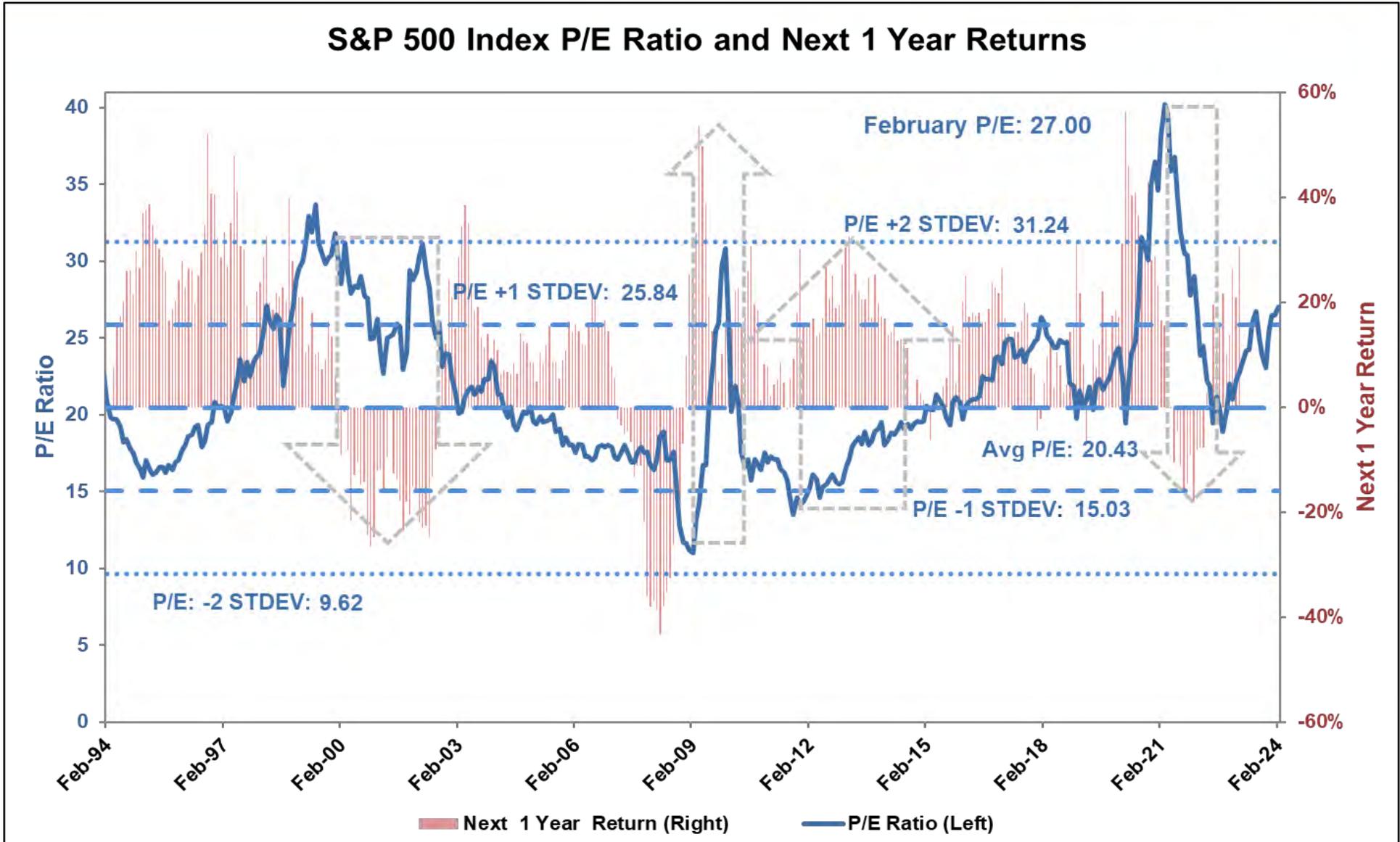
Date	Nominal Broad U.S. Dollar Index January 2006=100
June-20	120.86
June-21	112.85
June-22	121.05
June-23	119.89
March-24	121.41



VALUATION

US Equity

S&P 500 Index P/E Ratio and Next 1 Year Returns

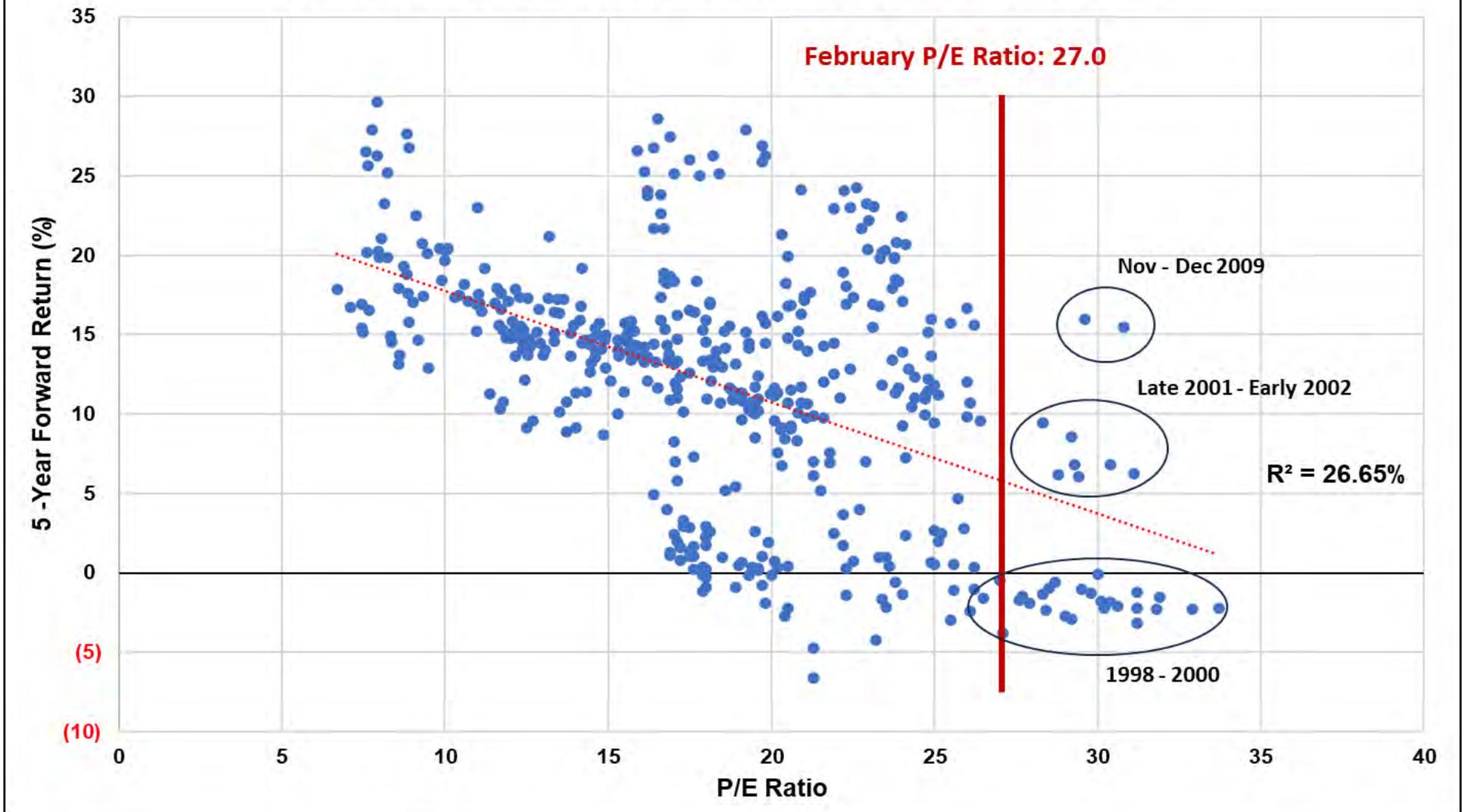




VALUATION

US Equity

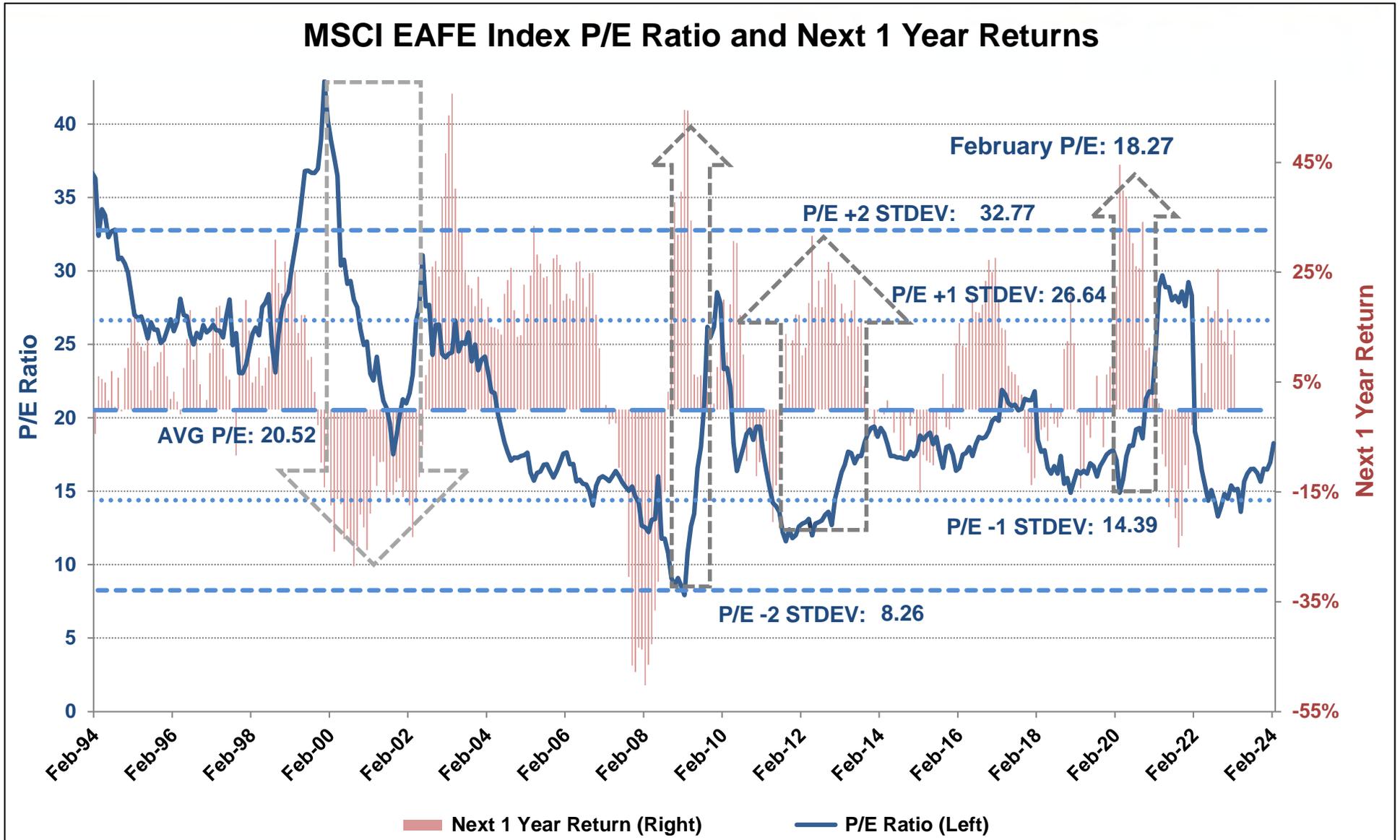
S&P 500 Index P/E Ratio and Subsequent 5-Year Return





**VALUATION**

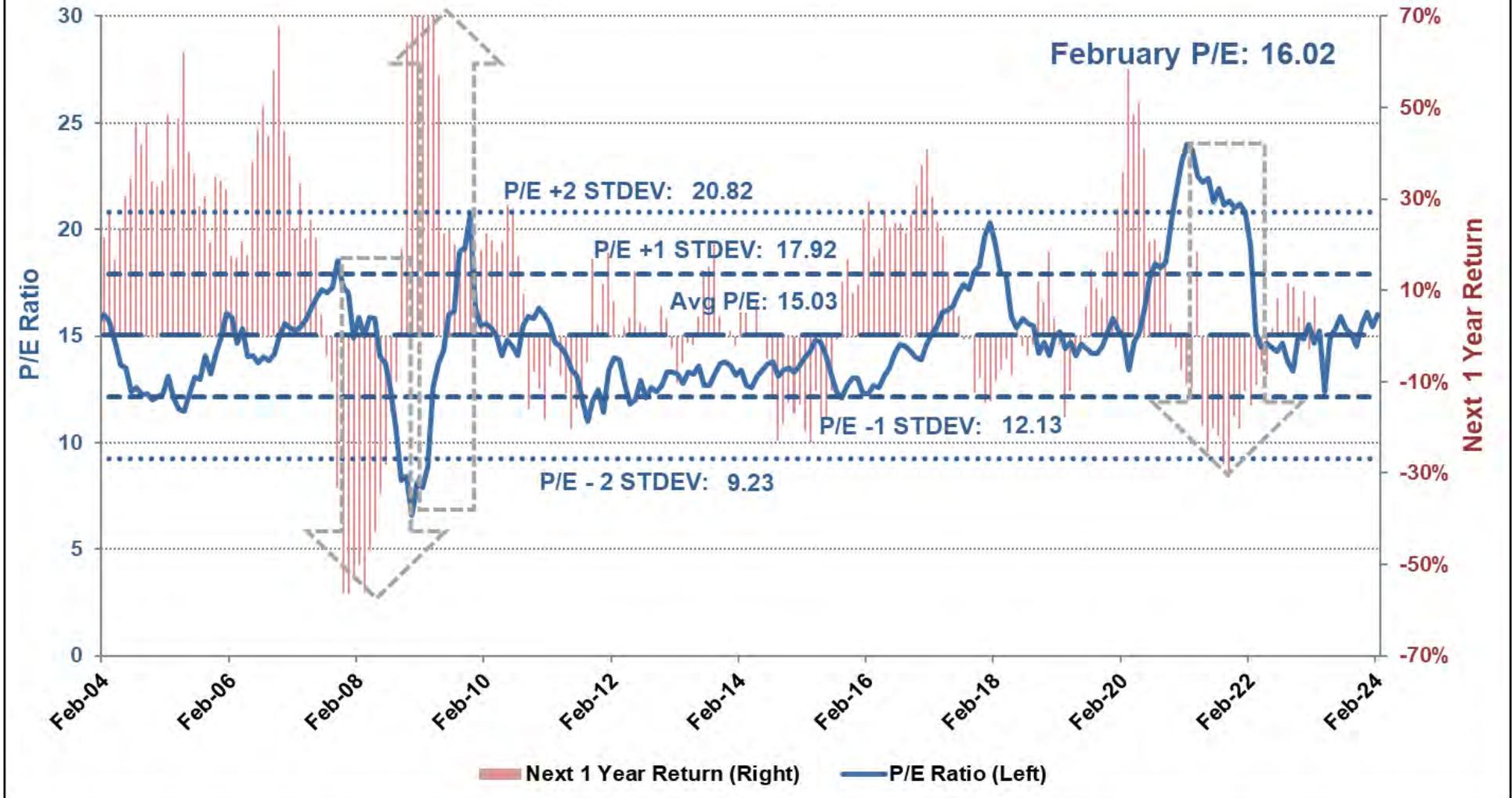
**Non US Developed Market Equity**





# VALUATION Emerging Market Equity

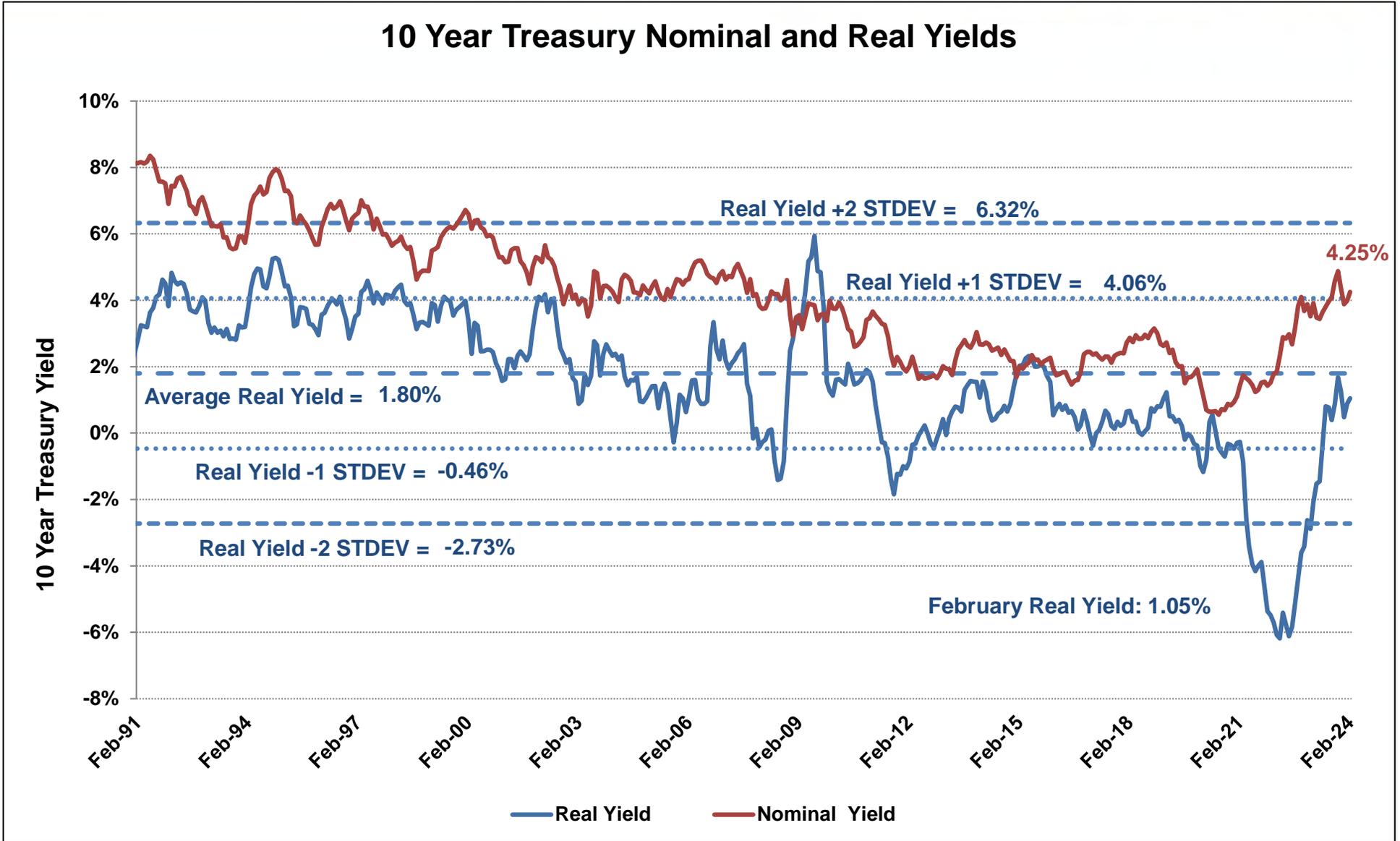
## MSCI Emerging Markets Index P/E Ratio and Next 1 Year Returns





# VALUATION US Treasury Bonds

### 10 Year Treasury Nominal and Real Yields



Sources: Wilshire Compass and U.S. Bureau of Labor Statistics



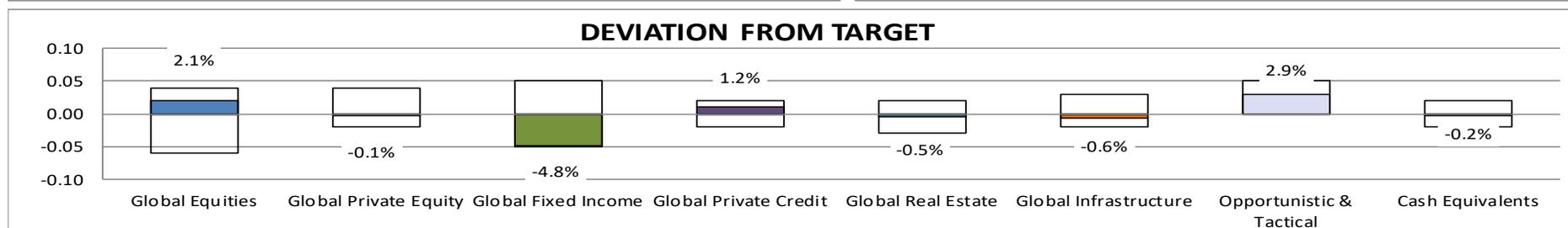
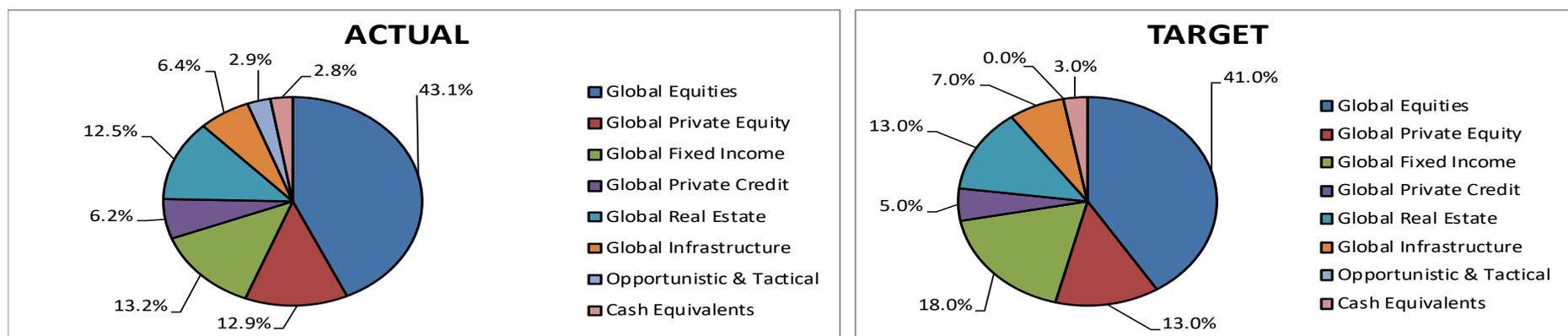
# SERS' Investment Portfolios Review



# Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
<b>Global Equities</b>	<b>7,956,276,443</b>	<b>43.1%</b>	<b>41.0%</b>	35% - 45%
<b>Global Private Equity</b>	<b>2,371,887,900</b>	<b>12.9%</b>	<b>13.0%</b>	11% - 17%
<b>Global Fixed Income</b>	<b>2,440,137,457</b>	<b>13.2%</b>	<b>18.0%</b>	13% - 23%
<b>Global Private Credit</b>	<b>1,136,782,852</b>	<b>6.2%</b>	<b>5.0%</b>	3% - 7%
<b>Global Real Estate</b>	<b>2,304,400,632</b>	<b>12.5%</b>	<b>13.0%</b>	10% - 15%
<b>Global Infrastructure</b>	<b>1,189,738,285</b>	<b>6.4%</b>	<b>7.0%</b>	5% - 10%
<b>Opportunistic &amp; Tactical</b>	<b>539,344,178</b>	<b>2.9%</b>	<b>0.0%</b>	0% - 5%
<b>Cash Equivalents</b>	<b>512,537,138</b>	<b>2.8%</b>	<b>3.0%</b>	1% - 5%
Short-Term	439,419,429	2.4%	2.0%	
Russell EA Overlay	30,792,961	0.2%	0.0%	
Direct Rebalance Overlay	6,482,918	0.0%	0.0%	
Transition / Operational Account	904,739	0.0%	0.0%	
Currency Overlay	34,937,091	0.2%	0.0%	
<b>Total Fund</b>	<b>18,451,104,885</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS

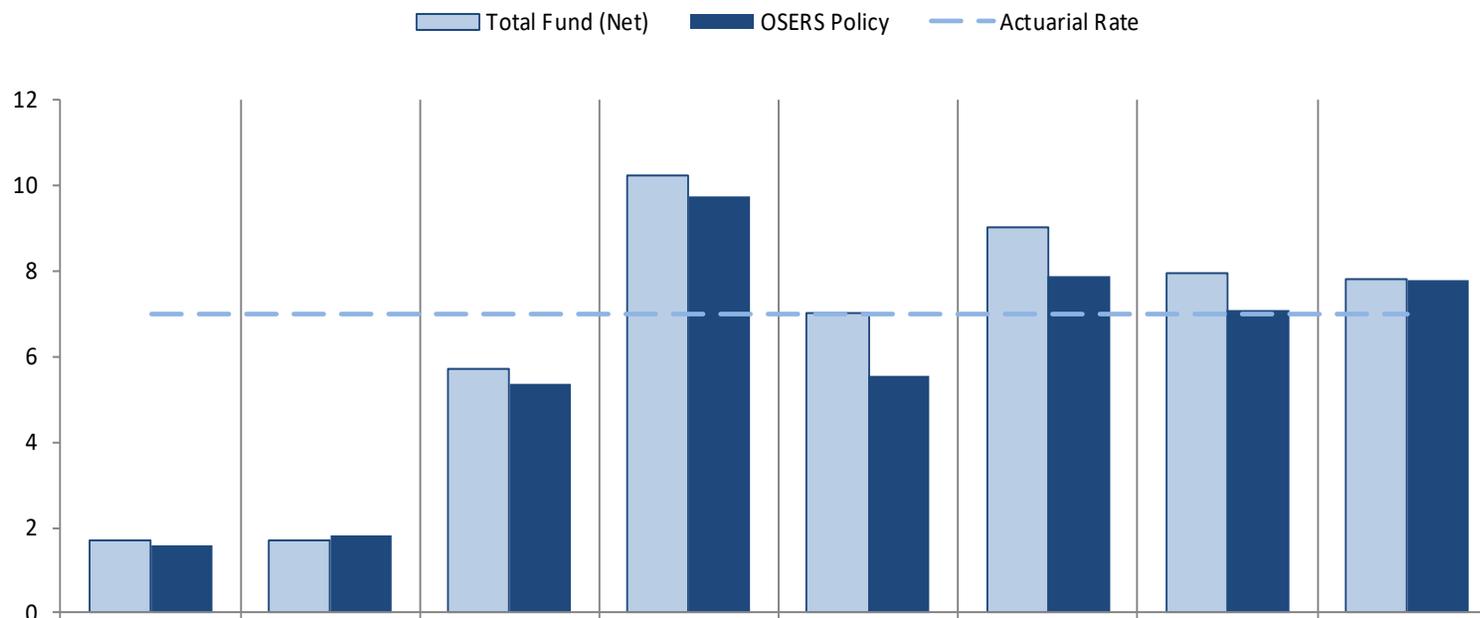




# Total Fund Performance

## Current Benchmark:

41% MSCI ACWI (Net Dividends)  
 13.00% Burgiss All Private Equity  
 benchmark (1q lag) (BAPE)  
 18.00% Bloomberg Aggregate Bond  
 13.00% NCREIF Property (1q lag)  
 7.00% Quarterly (4 qtrs.) smoothed CPI  
 +1.20% per quarter  
 5.00% 90 Day T-Bill (1q lag) + 4.5%  
 3.00% FTSE 30 Day T-Bill



## Actuarial Rate

(7.0% effective 07/01/2021, adopted 04/15/2021)

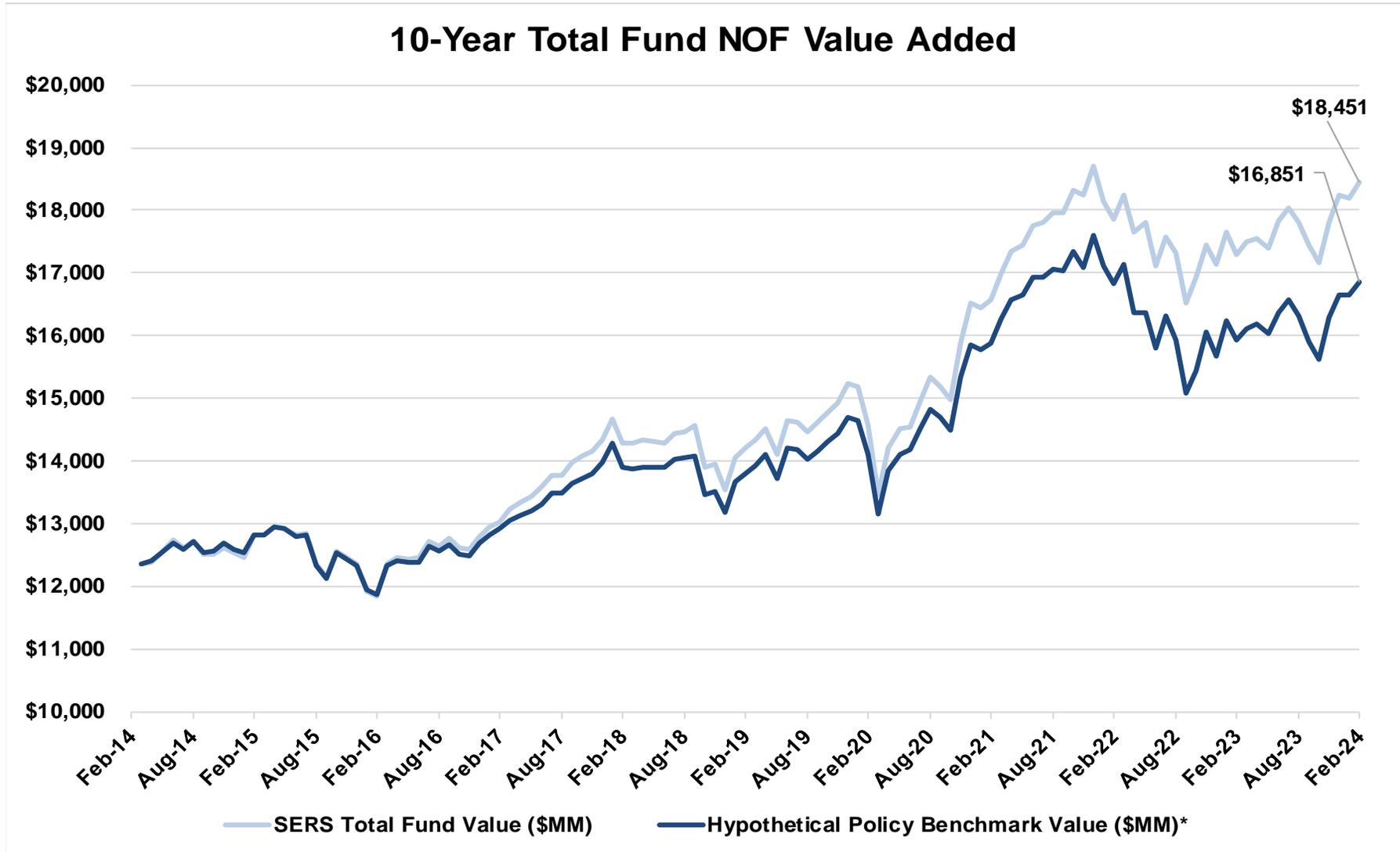
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	1.71	1.77	6.18	11.04	7.74	9.71	8.63	8.37
Total Fund (Net)	1.68	1.70	5.71	10.25	6.99	9.01	7.94	7.84
OSERS Policy	1.56	1.81	5.37	9.74	5.56	7.87	7.09	7.78
Value Added (Net of Fee)	0.12	(0.11)	0.34	0.51	1.43	1.14	0.85	0.06
<b>Estimated Cumulative Net Value Added (\$MM)**</b>	<b>\$21.6</b>	<b>(\$19.0)</b>	<b>\$60.1</b>	<b>\$86.6</b>	<b>\$775.9</b>	<b>\$1,015.4</b>	<b>\$1,599.7</b>	

Source: BNY Mellon GRS

\*ITD is Inception date 10/1/1994 (29 years and 5 months)

\*\*For each period, calculated as the difference between the actual change in fund assets and the hypothetical change in fund assets under a benchmark-returns scenario.

\*\*Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.



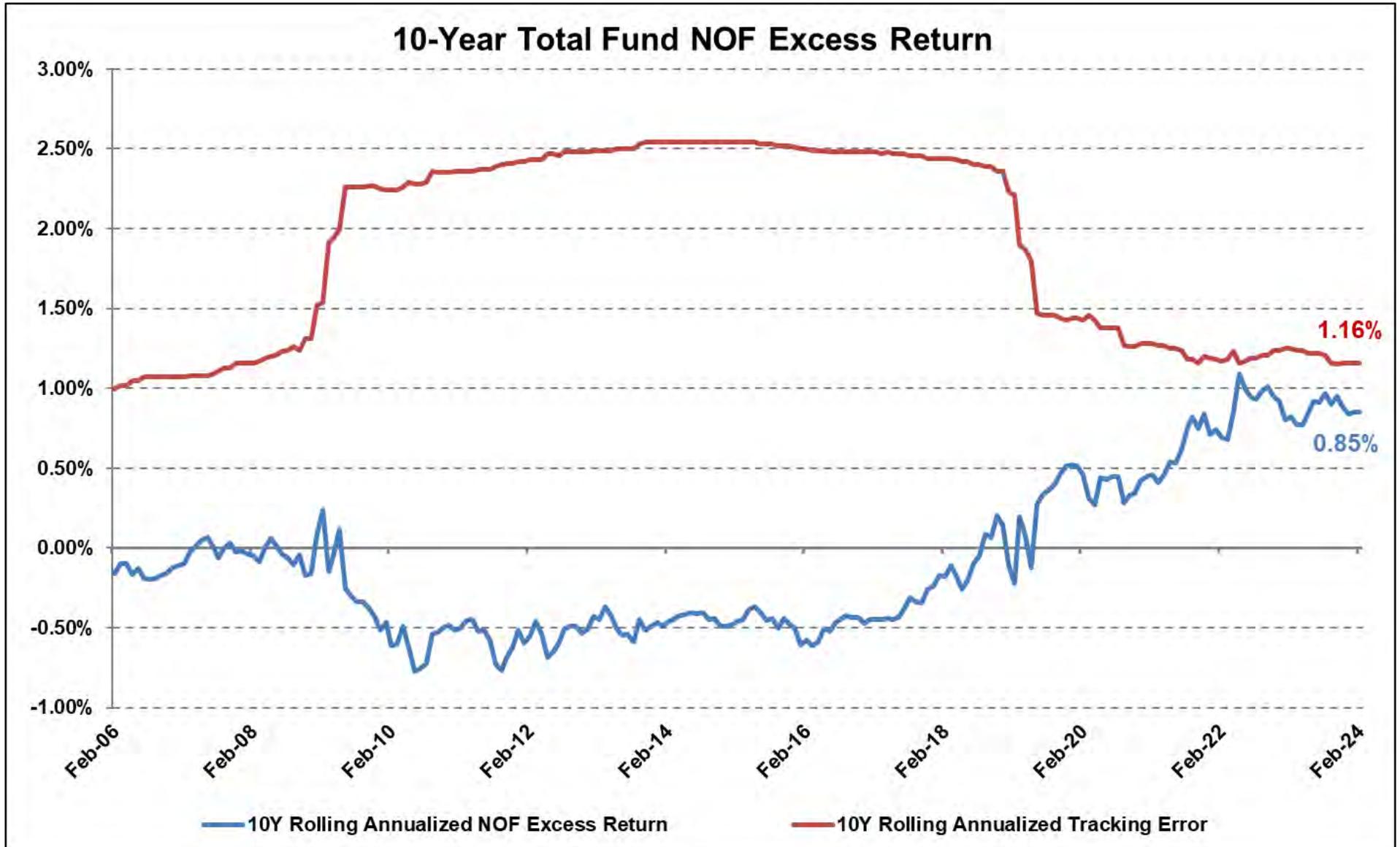
Source: BNY Mellon GRS

\*Calculated as the hypothetical change in fund assets under a policy benchmark-returns scenario.

\*Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.



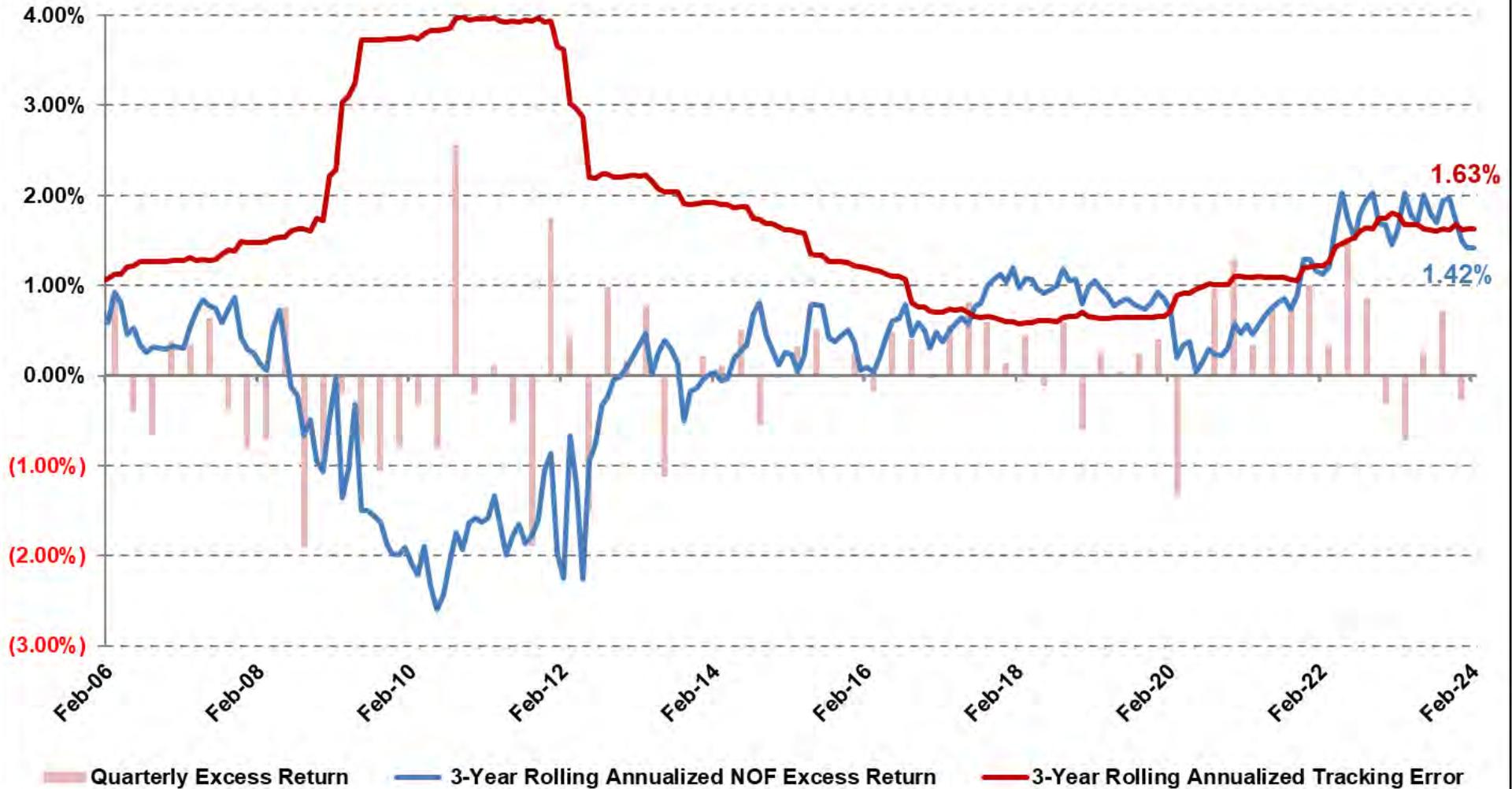
# Total Fund Performance





# Total Fund Performance

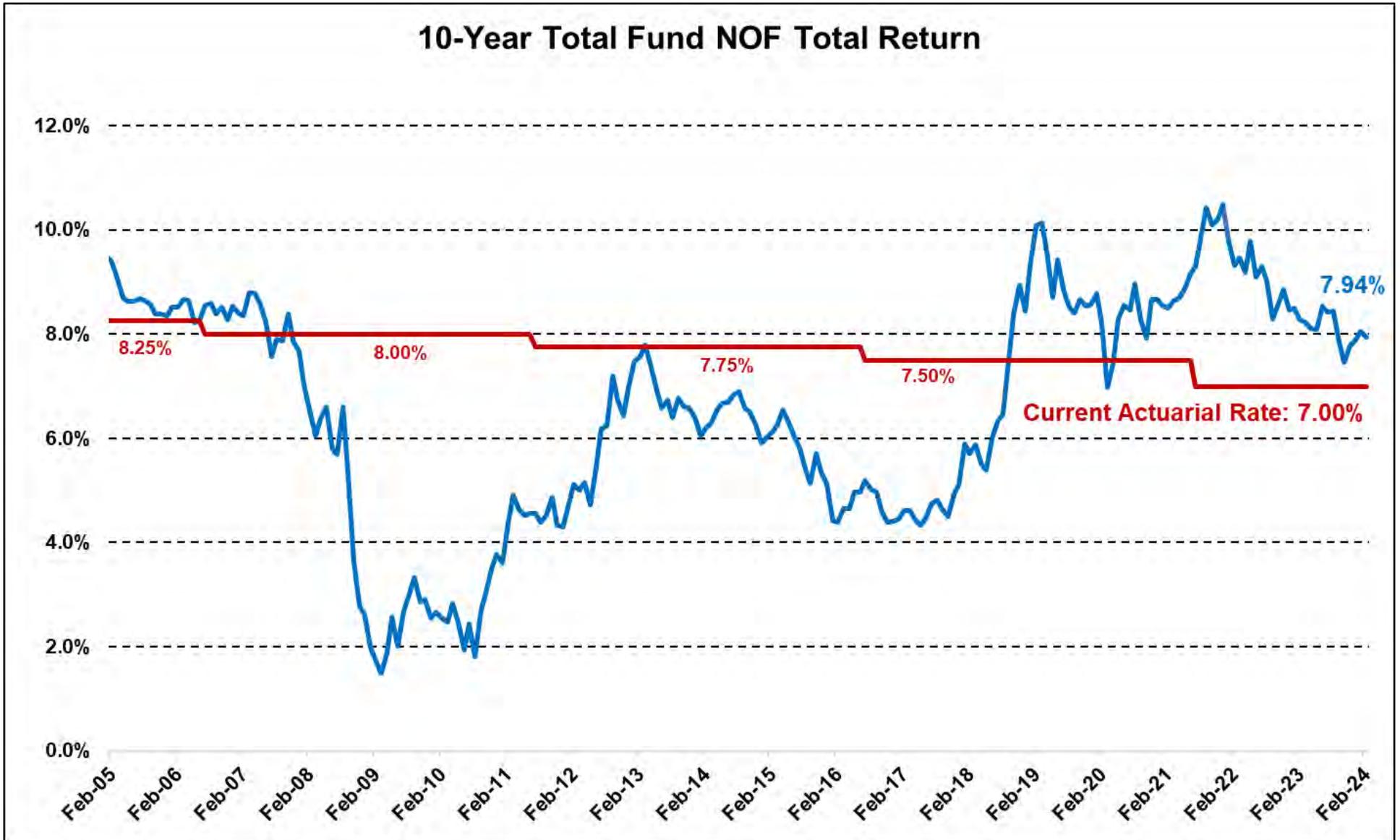
### 3-Year Total Fund NOF Excess Return





# Total Fund Performance

## 10-Year Total Fund NOF Total Return

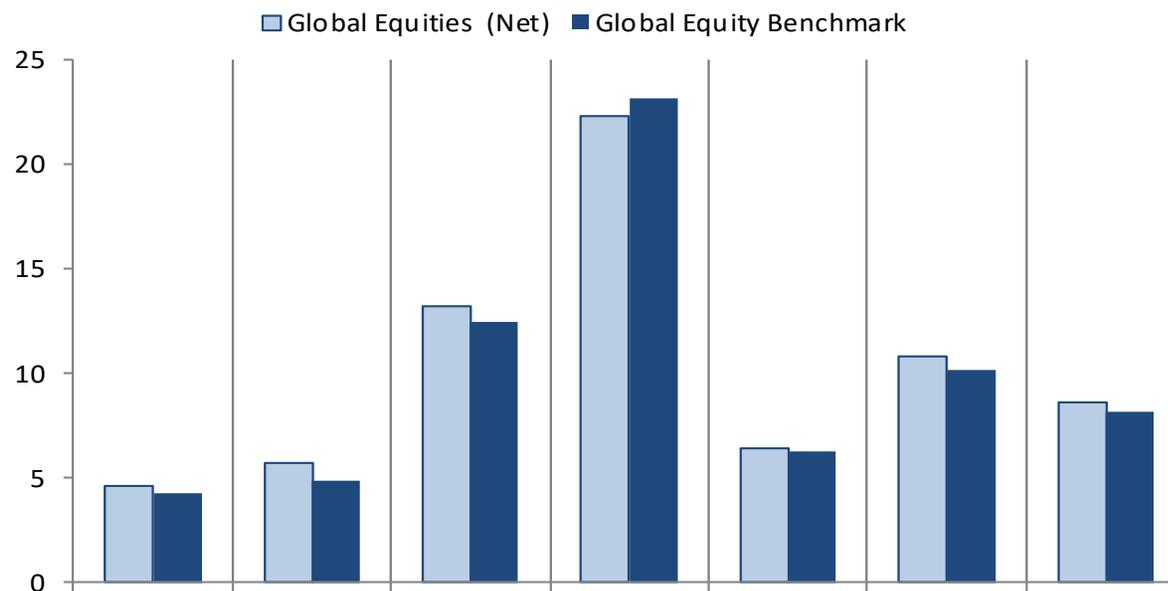




# Global Equities Performance

## Current Benchmark:

MSCI ACWI (Net Dividends)

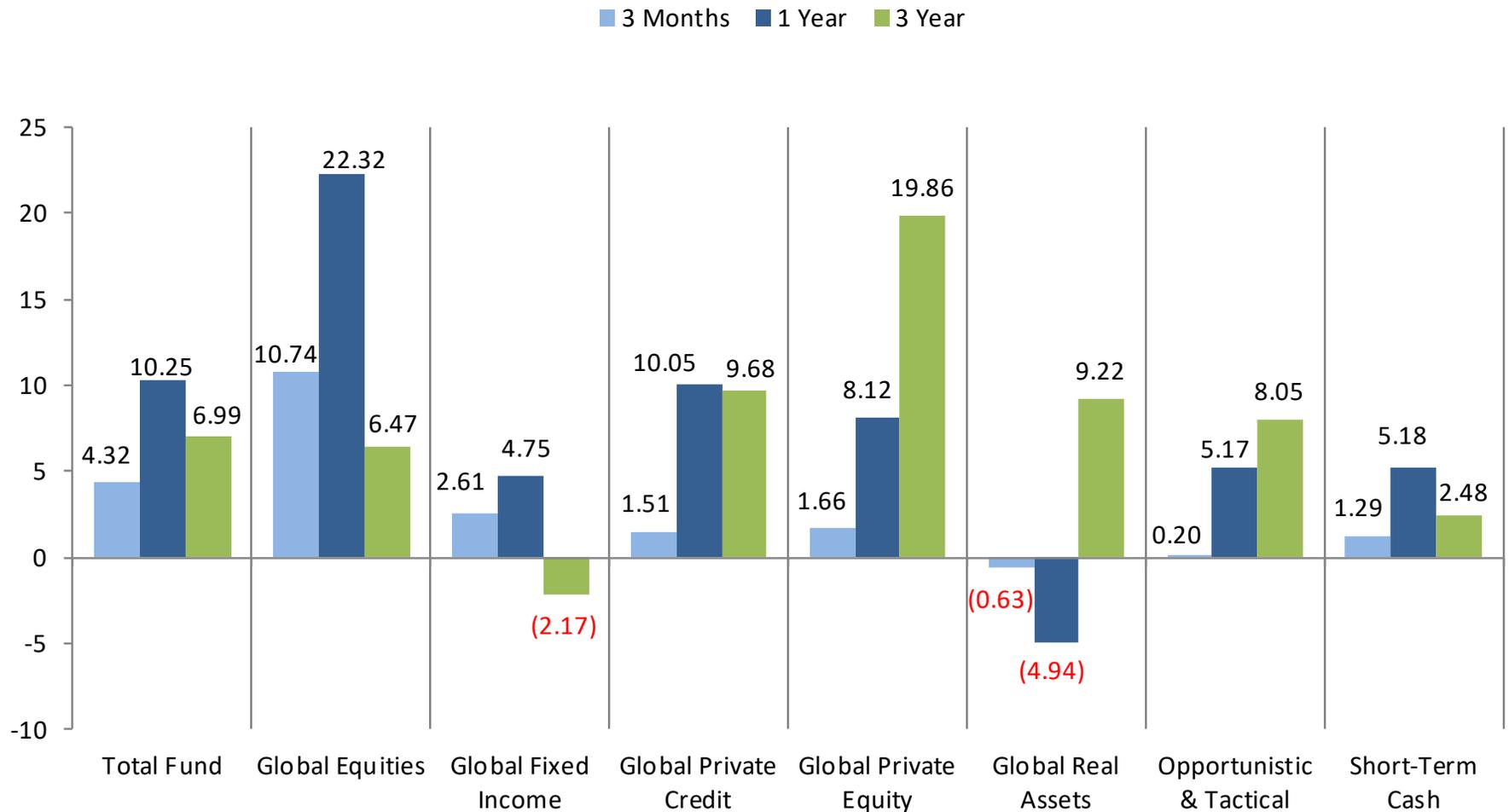


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	4.71	5.85	13.49	22.75	6.80	11.20	8.96
Global Equities (Net)	4.67	5.75	13.21	22.32	6.47	10.87	8.62
Global Equity Benchmark	4.29	4.90	12.51	23.15	6.32	10.14	8.22
Value Added (Net of Fee)	0.38	0.85	0.70	(0.83)	0.15	0.73	0.39
Regional US Equity	5.33	6.65	15.05	26.02	9.19	13.38	11.38
Russell 3000 Index	5.41	6.58	15.56	28.60	9.90	13.94	12.03
Value Added (Net of Fee)	(0.08)	0.06	(0.51)	(2.58)	(0.71)	(0.57)	(0.65)
Regional Non-US Equity	2.89	2.20	7.16	12.31	1.77	7.03	5.22
Custom Non-US Equity BM	2.53	1.51	7.21	12.51	1.21	5.39	3.93
Value Added (Net of Fee)	0.35	0.69	(0.05)	(0.20)	0.56	1.64	1.29

Source: BNY Mellon GRS



# Total Fund and Asset Class Performance (Net)



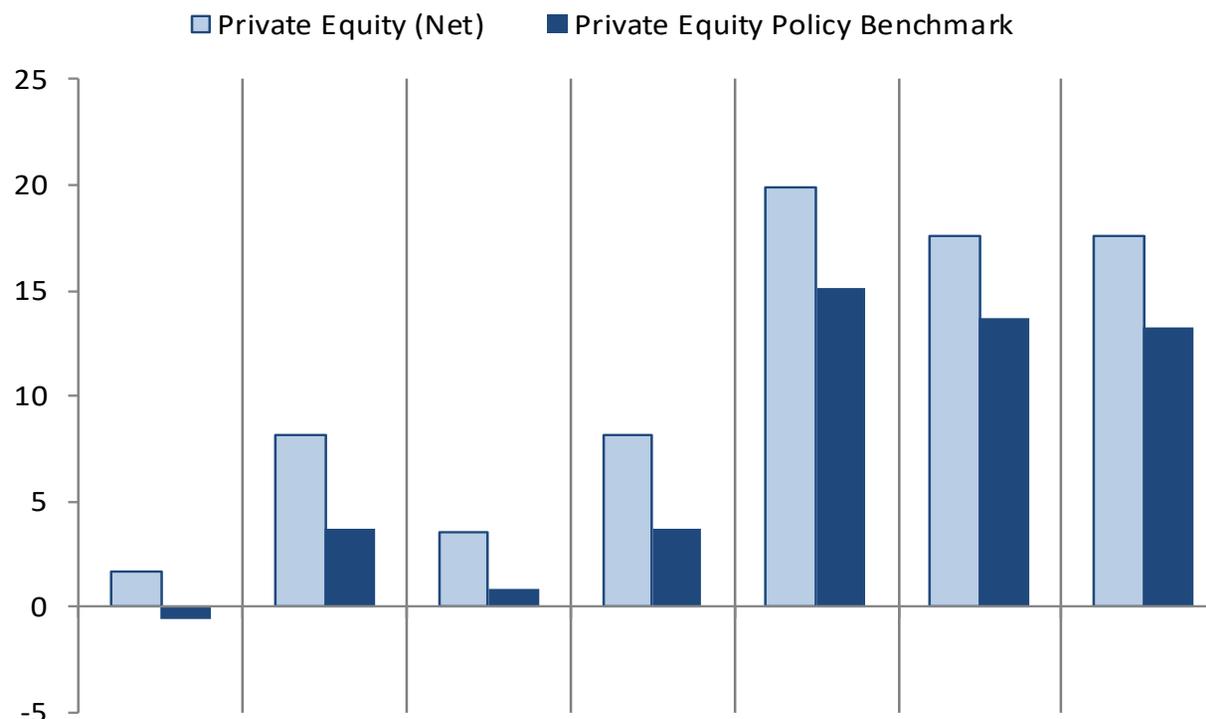
Source: BNY Mellon GRS



# Global Private Equity Performance

**Results as of: 12/31/2023**

**Current Benchmark:**  
*Burgiss All Private Equity Index*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	2.43	10.17	4.82	10.17	21.94	19.43	19.34
Private Equity (Net)	1.66	8.12	3.60	8.12	19.86	17.59	17.64
Private Equity Policy Benchmark	(0.58)	3.77	0.89	3.77	15.06	13.70	13.30
Value Added (Net of Fee)	2.24	4.36	2.71	4.36	4.80	3.89	4.34

Source: BNY Mellon GRS

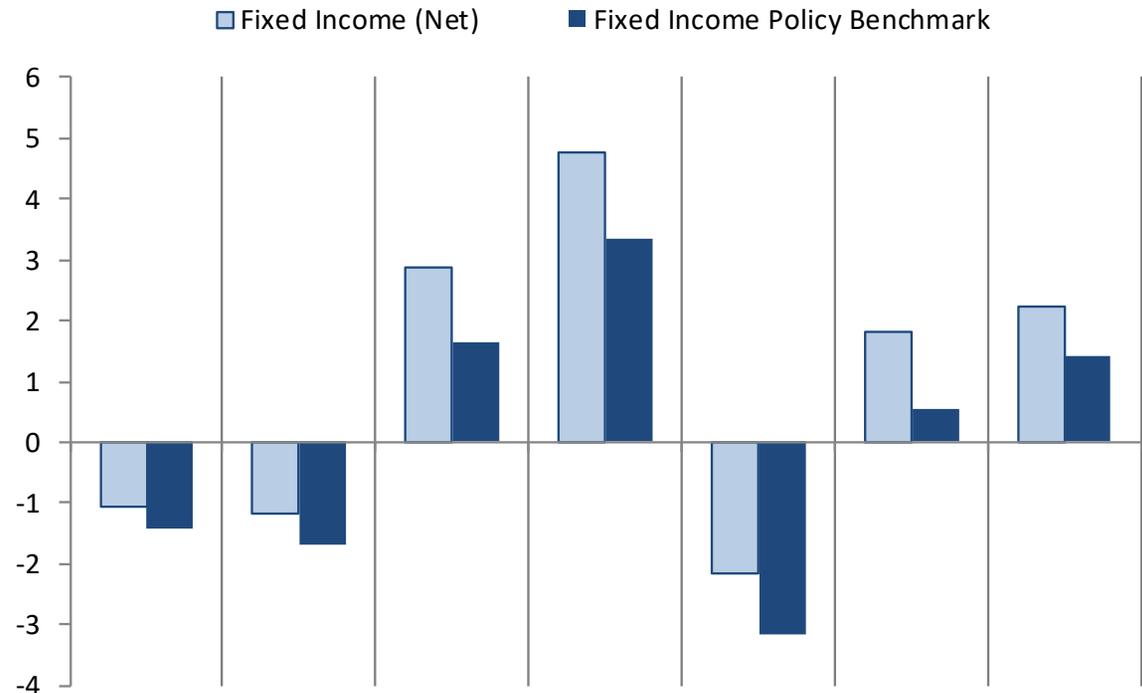
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Private Equity performance is reported one quarter in arrears.



# Global Fixed Income Performance

**Current Benchmark:**  
*Bloomberg Aggregate Bond Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(1.06)	(1.14)	3.03	5.04	(1.90)	2.07	2.47
Fixed Income (Net)	(1.08)	(1.17)	2.86	4.75	(2.17)	1.81	2.23
Fixed Income Policy Benchmark	(1.41)	(1.68)	1.63	3.33	(3.16)	0.56	1.43
Value Added (Net of Fee)	0.33	0.51	1.23	1.42	0.99	1.25	0.80

Source: BNY Mellon GRS

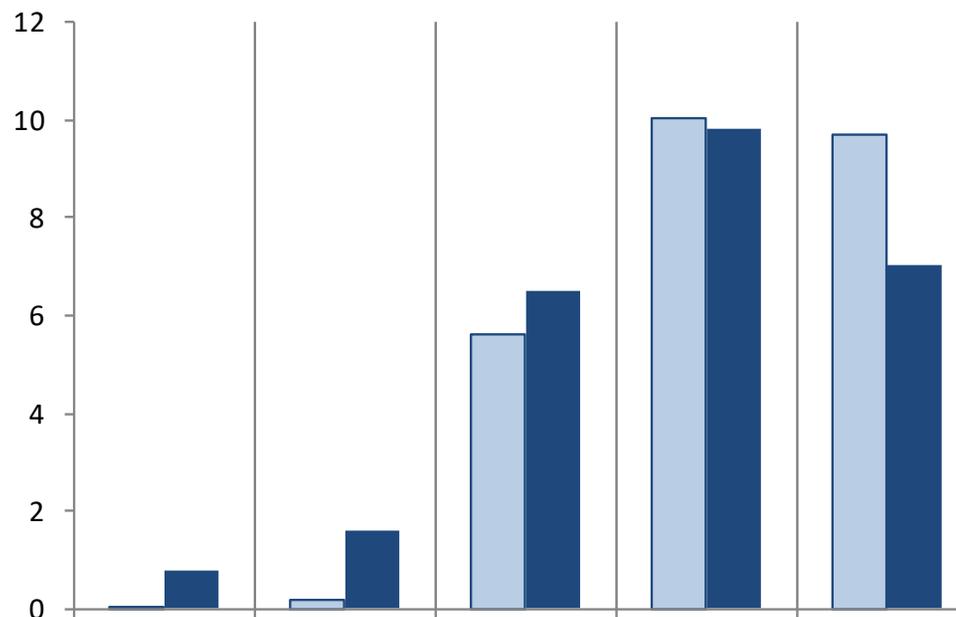


# Global Private Credit Performance

■ Global Private Credit (Net)   ■ Global Private Credit Policy Benchmark

## Current Benchmark:

90 Day T-Bill (1q lag) + 4.5%



	1 Month	CYTD	FYTD	1 Year	3 Year
Global Private Credit (Gross)	0.09	0.22	6.43	11.58	11.32
Global Private Credit (Net)	0.06	0.19	5.62	10.05	9.68
Global Private Credit Policy Benchmark	0.81	1.63	6.53	9.82	7.04
Value Added (Net of Fee)	(0.74)	(1.44)	(0.91)	0.23	2.64

Source: BNY Mellon GRS

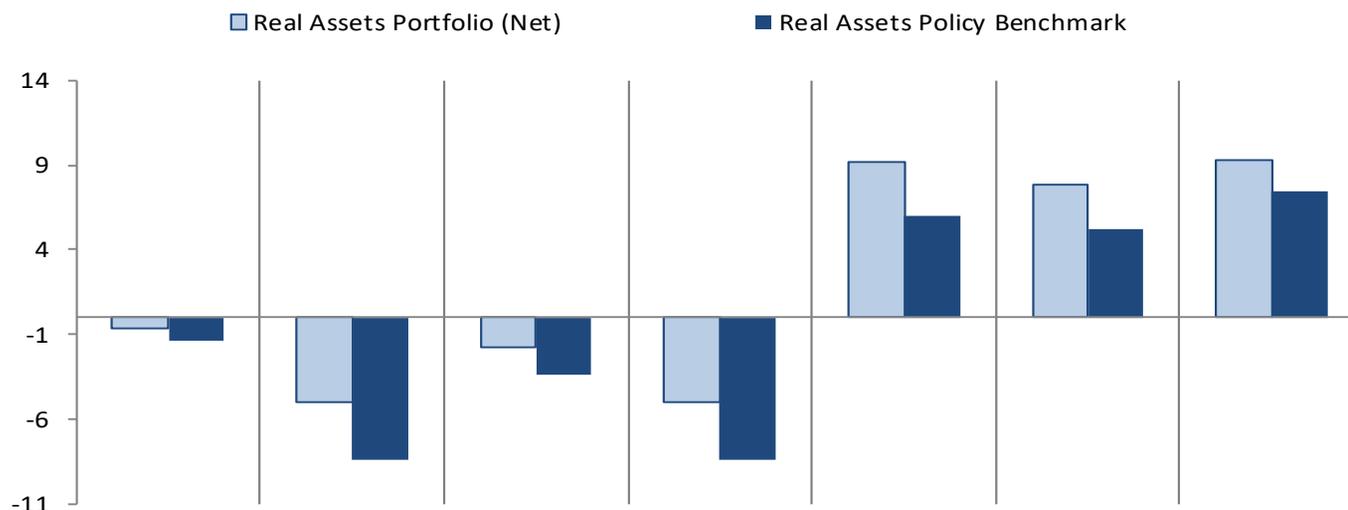


# Global Real Assets Performance

Results as of: 12/31/2023

## Current Benchmark:

NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	(0.42)	(4.14)	(1.30)	(4.14)	10.22	8.72	10.34
Real Assets Portfolio (Net)	(0.63)	(4.94)	(1.71)	(4.94)	9.22	7.81	9.30
Real Assets Policy Benchmark	(1.37)	(8.39)	(3.32)	(8.39)	6.04	5.26	7.40
Real Assets Value Added (NOF)	0.73	3.46	1.60	3.46	3.18	2.55	1.91
Real Assets Core (Net)	(2.01)	(11.15)	(4.01)	(11.15)	9.77	7.79	9.01
Real Assets Policy Benchmark	(1.37)	(8.39)	(3.32)	(8.39)	6.04	5.26	7.40
Real Assets Core Value Added (NOF)	(0.64)	(2.76)	(0.69)	(2.76)	3.73	2.53	1.61
Real Assets Non-Core (Net)	(1.69)	(5.75)	(3.95)	(5.75)	4.42	4.82	8.10
Real Assets Policy Benchmark	(1.37)	(8.39)	(3.32)	(8.39)	6.04	5.26	7.40
Real Assets Non-Core Value Added (NOF)	(0.32)	2.64	(0.63)	2.64	(1.62)	(0.44)	0.70
Real Assets Infrastructure (Net)	1.75	8.47	2.95	8.47	9.51	9.23	n/a
Real Assets Policy Benchmark	(1.37)	(8.39)	(3.32)	(8.39)	6.04	5.26	n/a
Real Assets Infrastructure Value Added (NOF)	3.12	16.86	6.27	16.86	3.47	3.97	n/a

Source: BNY Mellon GRS

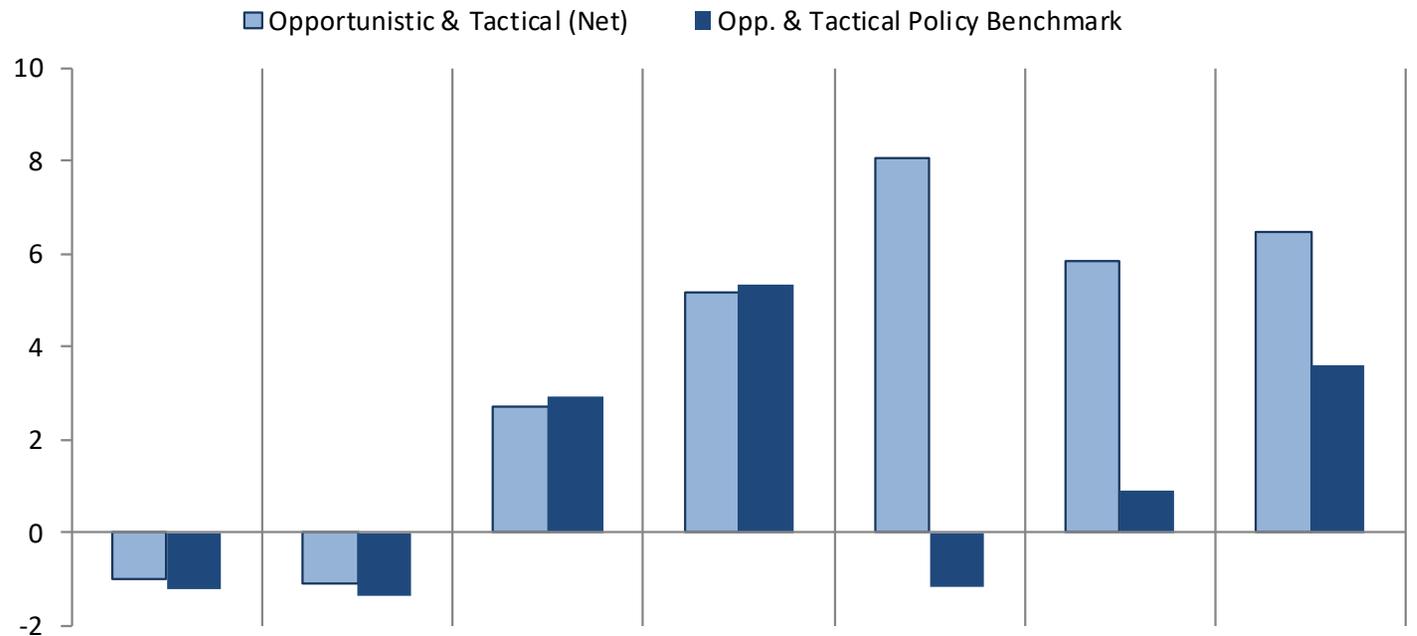
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Assets performance is reported one quarter in arrears.



# Opportunistic & Tactical Performance

**Current Benchmark:**  
 Bloomberg Aggregate  
 Bond Index + 2%



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Opportunistic & Tactical (Gross)	(0.99)	(1.07)	3.31	6.29	9.32	7.13	8.04
Opportunistic & Tactical (Net)	(1.00)	(1.08)	2.74	5.17	8.05	5.84	6.47
Opp. & Tactical Policy Benchmark	(1.23)	(1.35)	2.94	5.33	(1.16)	0.93	3.59
	0.23	0.27	(0.20)	(0.16)	9.21	4.91	2.88

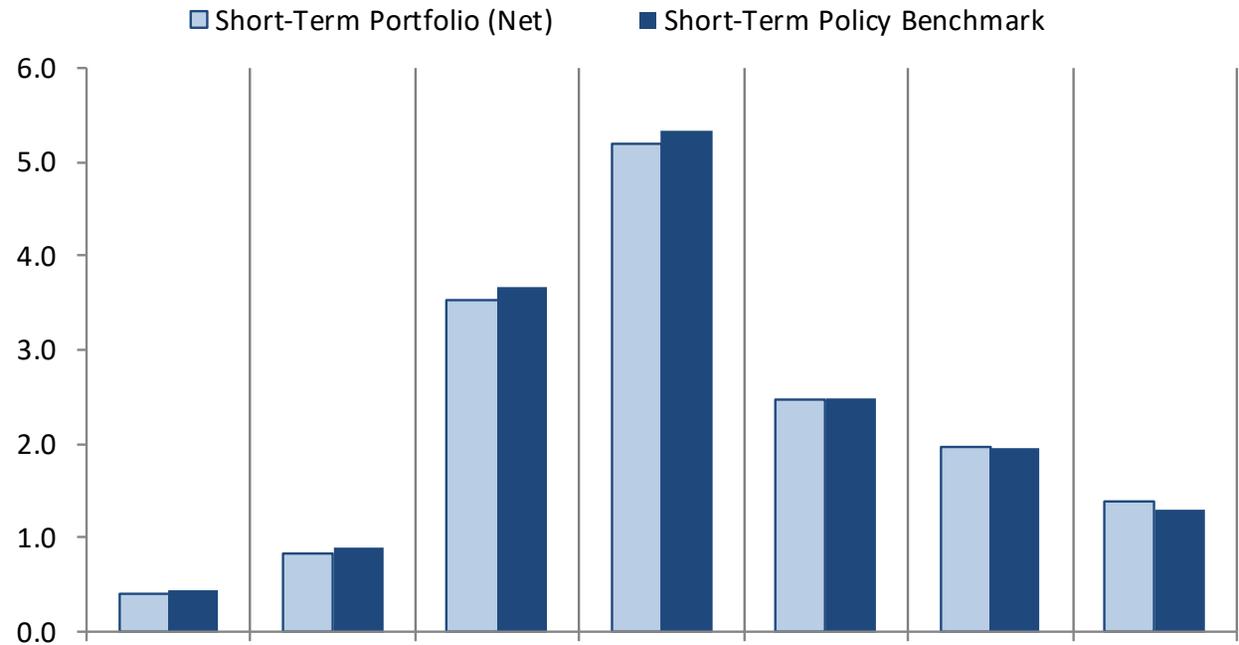
Source: BNY Mellon GRS



# Short-Term Performance

**Current Benchmark:**

*FTSE 30 Day Treasury Bill Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.40	0.84	3.53	5.18	2.48	1.97	1.39
Short-Term Portfolio (Net)	0.40	0.84	3.53	5.18	2.48	1.97	1.39
Short-Term Policy Benchmark	0.43	0.89	3.67	5.33	2.49	1.95	1.30
Value Added (Net of Fee)	(0.03)	(0.05)	(0.14)	(0.15)	(0.01)	0.03	0.09

Source: BNY Mellon GRS



## Overlay Performance

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Cash Equivalents with Overlays (Net)	(4.54)	(4.54)	(6.72)	(6.19)	4.25	2.43	1.95
Short-Term Policy Benchmark	0.43	0.89	3.67	5.33	2.49	1.95	1.30
<b>Value Added (Net of Fee)</b>	<b>(4.97)</b>	<b>(5.43)</b>	<b>(10.39)</b>	<b>(11.52)</b>	<b>1.76</b>	<b>0.49</b>	<b>0.65</b>
Short-term Cash w/o Overlays (Net)	0.40	0.84	3.53	5.18	2.48	1.97	1.39
Short-Term Policy Benchmark	0.43	0.89	3.67	5.33	2.49	1.95	1.30
<b>Value Added (Net of Fee)</b>	<b>(0.03)</b>	<b>(0.05)</b>	<b>(0.14)</b>	<b>(0.15)</b>	<b>(0.01)</b>	<b>0.03</b>	<b>0.09</b>
<b>Overlay Cumulative Net Value Added (\$MM)</b>	<b>(\$30.2)</b>	<b>(\$30.2)</b>	<b>(\$54.9)</b>	<b>(\$45.5)</b>	<b>\$50.5</b>	<b>\$28.3</b>	<b>\$53.8</b>



## Proposed Investment Agenda – Next Meeting

Annual Overlay Program Review  
Wilshire Quarterly Performance Report (March 31, 2024)  
Quarterly Investment Report (March 31, 2024)  
Annual Investment Plan - draft discussion  
Investment Department Incentive Program (possible vote)

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

# Memo

**To:** Retirement Board  
**From:** Chris Collins  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** April 6, 2024  
**Re:** **Federal Legislative Report**

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## OVERVIEW

### FY25 Federal Budget

With Congress finally finishing work on FY 2024 appropriations to keep the federal government funded, attention has turned to the upcoming fiscal year.

President Biden released his \$7.3 trillion budget request for FY 2025 in March. The request repeated many past proposals, including numerous corporate and individual tax reforms such as raising the corporate income tax, the corporate minimum tax, and imposing a 25% minimum wealth tax on taxpayers with assets over \$100 million, among other proposals. The request also prioritizes housing affordability through the creation of a new \$10,000 tax credit for first-time homebuyers. A similar proposal was introduced in the Senate by Senator Whitehouse (D-RI).

On March 21<sup>st</sup>, Treasury Secretary Yellen testified before the Senate Finance Committee to discuss the tax provisions of President Biden's FY 25 budget request.

Republicans criticized the size of the President's FY 2025 budget request and its proposed \$5 trillion in new and increased taxes. They further asserted that if Congress did not extend individual tax cuts from the Tax Cuts and Jobs Act, individuals making under \$400,000 would see tax increases totaling over \$2 trillion.

Treasury Secretary Yellen discussed the Biden Administration's plans to implement an expanded earned income tax credit, child tax credit, and low-income housing tax credit while also supporting the Administration's proposed "billionaire" tax, a proposal to implement a 25 percent tax on all wealth over \$100 million. Secretary Yellen further criticized the employee retention tax credit, which she asserted is rife with fraud. Notably, this credit would be rolled back under a proposed bipartisan tax bill.

Noone expects President Biden's budget proposals to pass as proposed in this Congress, but it provides a backdrop to illustrate the different approaches presented by the White House and the Republican-led House.

Legislative activity has slowed around the Easter holiday, as Congress has been experiencing a "district work period" for the last few weeks. The Senate is scheduled to reconvene on Monday,

April 8<sup>th</sup>, and is expected to continue processing nominees. The House will reconvene on Tuesday, April 9<sup>th</sup>.

## **RETIREMENT SECURITY**

A new report once again confirms that replacing public employees' defined benefit (DB) pension model produces demonstrable changes in public employee attrition. This higher turnover often results in worker shortages, contributes to a less-experienced workforce, and may affect productivity and the quality of public services, an experience that continues to be documented by state and local governments when such shifts occur.

The most recent example of this effect has been identified by the National Institute on Retirement Security (NIRS), which finds that shifting employees in the Employees' Retirement System of Rhode Island (ERSRI) from defined benefit pensions to a hybrid retirement plan is causing changes in public employee retention, demonstrating what NIRS calls "a consistent pattern of higher turnover."

NIRS finds that while the impact of this change varies across professions, including state employees, municipal general employees, police officers, firefighters, and teachers, the overall trend indicates increasing challenges in retaining experienced workers. The result has been what NIRS Executive Director and report author Dan Doonan describes as "severe public service worker shortages" that can affect productivity and the overall value of public services.

Doonan also confirms, "[t]he Rhode Island experience follows the pattern that we observed in Alaska" and both situations "seem to confirm the impact of changing retirement benefits in worker attrition." As he points out, the Rhode Island state employee withdrawal rate "has spiked since 2010 across the full range of years of service as compared to the previous four actuarial studies." Furthermore, he notes "the most recent actuarial study projects only 31 of 100 new hires would remain employed in Rhode Island state government in 20 years," whereas the 2010 actuarial study before benefit changes were implemented "projected 47 employees would still be employed in 20 years."

NIRS points out other issues, like the availability and size of pay raises, employer-initiated terminations during recessions, and the impact of the Covid-19 pandemic, are also likely key factors affecting attrition rates. NIRS also note the ERSRI experience studies provide an accurate snapshot of employee behavior, but do not provide explanations for employee choices and pensions serve as worker magnets in terms of recruitment and retention for public sector jobs that typically offer lower salaries than private sector jobs, Doonan stresses.

The new report on Rhode Island is the latest in a series of reports NIRS has conducted concerning the impact of converting a retirement plan from a DB model to a hybrid or DC approach.

## **ESG INVESTING**

Pension plans, including governmental plans, found to be using non-financial risk and return factors, such as Environmental, Social, and Governance (ESG) factors, risk losing their tax-advantaged status if newly proposed legislation introduced by Congressman Greg Murphy (R-NC) were to become law.

Murphy's bill, H.R. 7780, the "Safeguarding Investment Options for Retirement Act," would amend Section 401(a) of the Internal Revenue Code (IRC). It was cosponsored by Congressman Mike Kelly (R-PA), and Congresswomen Claudia Tenney (R-NY) and Beth Van Duyne (R-TX) and was referred to the House Ways and Means Committee, to which all three, as well as Murphy, belong.

Murphy's latest approach is significantly different than his earlier version of this legislation, introduced in the last Congress as H.R. 9198 in 2022. That version amended the Employee Retirement Income Security Act (ERISA), not the tax code, and provided more leeway for fiduciaries to consider 'non-pecuniary' goals, provided that the fiduciary otherwise satisfied the pecuniary duties of the legislation and does not include such an investment as a default investment.

However, the legislative version recently introduced in the current Congress by Murphy removes that leeway and, most importantly for governmental plans, would now amend the Internal Revenue Code Section 401(a) instead of ERISA, thereby making it clear that governmental DB plans would now be covered by the new bill's prohibitions. (In the 2022 version, the prohibition would only have been specifically applied to governmental defined contribution plans, which continue to be specifically covered in the 2024 legislative proposal.)

IRC Section 401(a) provides that a trust created or organized in the United States and forming a part of a stock bonus, pension, or profit-sharing plan that satisfies the requirements set out in Section 401(a) constitutes a qualified trust. In turn, an employer-sponsored retirement plan of which a qualified trust is a part "qualifies" for special tax treatment, namely that all contributions made to the plan accrue on a tax-deferred basis. So being a "tax qualified plan" is of vital significance.

Therefore, to be a tax-qualified plan, a governmental plan must comply with several provisions imposed by Section 401(a), including the "exclusive benefit" rule. Under H.R. 7780, the term "exclusive benefit" would include a requirement that the corpus and income of the trust must be invested exclusively on the basis of financial risk and return factors.

At the federal level, while no actual laws related to ESG have been adopted to date by the current Congress, with the sole exception of an attempt to overturn the Biden Administration's Department of Labor (DOL) ESG rule, subsequently successfully vetoed by the president, there has been significant activity of note in the House.

And while Murphy's proposal is unlikely to become law at the present, political observers note if Republicans win control of Congress and the White House in the 2024 elections, this kind of federal restriction on ESG use could well become a reality. In short, the ESG battles are far from over and Murphy's new proposal takes the threat level to new heights.

## **HEALTH CARE**

### **CMS Reports on Prescription Drug Savings due to the Inflation Reduction Act**

The Centers for Medicare and Medicaid (CMS) reported that if drug companies increase prices faster than the inflation rate, 41 drugs available through Medicare Part B will have a lowered Part B coinsurance rate from April 1 to June 30, 2024. There are around 763,700 Medicare beneficiaries that utilize one or more of these 41 drugs each year. The Inflation Reduction Act aims to lower prescription drug costs and due to its Medicare Prescription Drug Inflation Rebate Program, Medicare beneficiaries using these drugs could save from \$1 to \$3,575 per average dose.

The U.S. Department of Health and Human Services (HHS) Secretary Javier Becerra applauded President Biden's actions to lower drug prices and emphasized the importance of these cost savings for Americans, particularly older individuals and those with disabilities. When certain drug prices increase faster than the rate of inflation, the Inflation Reduction Act mandates that drug companies pay rebates to Medicare. By fall 2025, CMS expects to invoice prescription drug companies for the rebates owed to Medicare, and the rebate totals will be transferred to the Federal Supplementary Medical Insurance Trust Fund to support Medicare.

In addition to the Medicare Prescription Drug Inflation Rebate Program, the Inflation Reduction Act has broadened eligibility under the Low-Income Subsidy program within Medicare Part D to lower health care costs. This expansion has allowed around 300,000 more people to benefit from the program and a current public education campaign aims to engage the other three million individuals who are eligible to enroll. The law also capped out-of-pocket costs at \$3,500 at the beginning of this year for certain Medicare Part D beneficiaries and in 2025, all people with Medicare Part D will face a \$2,000 cap on annual out-of-pocket prescription drug costs.

#### Commonwealth Fund Examines How MA Plans Impact the Delivery of Care by PCPs

The Commonwealth Fund recently published an issue brief that examined whether primary care physicians (PCPs) who primarily serve Medicare Advantage (MA) patients report differences in care delivery, care coordination, and administrative burdens compared to those who mostly serve traditional Medicare patients. The analysis revealed that one in ten PCPs saw only MA patients, while about one in twenty saw only traditional Medicare patients.

Additionally, findings from the brief show that there were few significant differences between how PCPs who mostly saw MA patients and those who mostly saw traditional Medicare patients engaged with and cared for people with chronic conditions. The brief also explained that PCPs who primarily saw MA patients were significantly more likely to receive notifications about their patients receiving care in other settings, indicating a better coordination of care compared to that of traditional Medicare. Notably, a majority PCPs reported that they are not regularly screening their Medicare patients for social needs, regardless of the plan type of the patient.

#### HHS Testifies on FY25 Budget Request

On March 14<sup>th</sup>, the Senate Finance Committee held a hearing entitled “The President’s Fiscal Year 2025 Health and Human Services Budget.” Topics discussed during the agency’s testimony included IRA provisions, treating and reducing obesity, PBMs, mental and behavioral health, opioid use disorder treatment, transitional coverage for emerging technologies, abortion, HHS oversight, minimum staffing standards, expanding access to health care, and the border crisis.

Chairman Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) both used the opportunity to focus on the need for PBM reforms. In his opening statement, Chairman Wyden stated, “It’s past time to crack down on the shady practices of these pharma middlemen that result in higher drug prices for consumers, and threaten pharmacies across Oregon and nationwide. I’ll be working around the clock to get this done as soon as possible.”

#### Senators Send Letter Urging Action on PBMs

The following day, on March 15<sup>th</sup>, a bipartisan group of Senators sent a letter to Majority Leader Chuck Schumer (D-NY) and Minority Leader Mitch McConnell (R-KY) urging them to enact pharmacy benefit manager (PBM) reforms. In the letter, the Senators wrote, “Immediate action is needed to address these harmful practices by PBMs. Americans deserve and expect protection from inflated prescription drug costs, forced pharmacy closures, formulary manipulation, and barriers to their pharmacy of choice that result from harmful PBM tactics. We cannot sit idly by while patients suffer.”

The letter was signed by Senators James Lankford (R-OK), Jon Tester (D-MT), Chuck Grassley (R-IA), Sherrod Brown (D-OH), Shelley Moore Capito (R-WV), Joe Manchin (D-WV), Joni Ernst (R-IA), Catherine Cortez Masto (D-NV), Roger Marshall (R-KS), Ben Ray Lujan (D-NM), Markwayne Mullin (R-OK), Peter Welch (D-VT), James Risch (R-ID), Maria Cantwell (D-WA), Thom Tillis (R-NC), Angus King (I-ME), Martin Heinrich (D-NM), Mark Warner (D-VA), Tim Kaine (D-VA), Elizabeth Warren (D-MA), and Bob Menendez (D-NJ).

**FEDERAL LEGISLATION BOARD REPORT**  
**118<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of April 5, 2024)**

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**H.R.82**

SPONSOR: Rep. Graves, Garret (R-LA)

LAST ACTIONS: House - 01/09/2023 Referred to the House Committee on Ways and Means

CAPTION: Social Security Fairness Act of 2023

COMMENT: Repeals the GPO and WEP. 311 co-sponsors; 11 Ohioans

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**S.597**

SPONSOR: Sen. Brown, Sherrod [D-OH]

LAST ACTIONS: Senate - 03/01/2023 Read twice and referred to the Committee on Finance.

CAPTION: Social Security Fairness Act

COMMENT: Repeals the GPO and WEP. 53 co-sponsors; Both Ohio Senators

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**H.R.4260**

SPONSOR: Rep. Neal, Richard (D-MA)

LAST ACTIONS: House - 06/21/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 102 co-sponsors; two Ohioans

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**H.R.4583**

SPONSOR: Rep. John Larson (D-CT)

LAST ACTIONS: House - 07/12/2023 Referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

CAPTION: Social Security 2100 Act. To protect our Social Security system and improve benefits for current and future generations.

COMMENT: 183 co-sponsors; four Ohioans

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**H.R.5342**

SPONSOR: Rep. Jodey Arrington (R-TX)

LAST ACTIONS: House - 09/05/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment, and for other purposes.

COMMENT: 30 co-sponsors; two Ohioans

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**H.R.7780**

SPONSOR: Rep. Greg Murphy (R-NC)

LAST ACTIONS: House - 03/21/2024 Referred to the House Committee on Ways and Means

CAPTION: To amend the Internal Revenue Code of 1986 to prohibit certain retirement plans from making investment decisions on the basis of factors other than financial risk and return factors.

COMMENT: 3 co-sponsors; no Ohioans

**STATE LEGISLATION BOARD REPORT**  
**(Prepared by Chris Collins as of April 5, 2024)**

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**135<sup>th</sup> General Assembly**

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**SB6** ESG POLICIES-STATE ENTITIES (Schuring, K) - Regarding environmental, social, and corporate governance policies with respect to the state retirement systems, Bureau of Workers' Compensation, and state institutions of higher education.

Current Status: 05/23/2023, Referred to House Financial Institutions

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**HB4** LEGISLATIVE INTENT-ECONOMIC BOYCOTTS (Young, T., King, A.) To declare the General Assembly's intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.

Current Status: 11/14/2023 Substitute Bill Accepted

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**HB33** FY24-25 OPERATING BUDGET (Edwards, J.) To make operating appropriations for the biennium beginning July 1, 2023, and ending June 30, 2025, to levy taxes, and to provide authorization and conditions for the operation of state programs. [Includes SERS' CBBC provision]

Current Status: 01/24/2024 Consideration of Governor's Veto; Senate Overrides Veto, Vote 24-8

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**HB146** SERS BENEFIT CAP (Bird, A.) To establish a contribution based benefit cap in calculating a School Employees Retirement System member's retirement benefit.

Current Status: 05/16/2023, REPORTED OUT, House Pensions, (Third Hearing)

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**HCR 6** URGE CONGRESS - REPEAL WINDFALL ELIMINATION PROVISION (King, Plummer) To urge Congress to repeal the Windfall Elimination Provision.

Current Status: 02/28/2024 Senate Government Oversight, (Second Hearing)

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**HB257** VIRTUAL MEETINGS FOR PUBLIC BODIES (Hoops, Claggett) - To authorize certain public bodies to meet virtually, and to declare an emergency.

Current Status: 02/28/2024 Senate Government Oversight, (First Hearing)

# Finance Headline News – April 2024



- **Budget Administration**
  - FY24 SERS administrative expenses are tracking under budget through March 2024
    - Prescription claims continue to trend higher than expected
  - FY25 draft budget will be presented in May.
- **The following detailed reports are attached for further analysis:**
  - FY25 Draft Budget Report to ORSC
  - FY24 Budget Administrative expense reports
    - Administrative expense summary for March 2024
    - Administrative expense detail for March 2024
    - Parameters report for March 2024
  - **Financial highlights**
    - As of March 2024

**School Employees Retirement System of Ohio**

Summary of administrative operation expenses during the period **March 1, 2024-March 31, 2024.**

Actuals  
Mar-2024

<b>Account</b>	<b>Amount</b>
Salaries & Wages	1,223,646.04
Salaries & Wages- Overtime	2,628.50
Vacation Leave Expense	109,059.32
Sick Leave Expense	46,017.05
Voluntary Life Insurance Reimbursement	438.84
Employer Contributions- PERS	182,708.12
Group Life	9,956.15
Long Term Disability	3,461.57
Short Term Disability	2,700.81
Group Health Claims	334,395.98
Group Health- Admin Fees	7,563.75
Prescription Claims	(34,819.54)
Group Health- Stop Loss Admin	20,259.75
Vision Claims	2,717.16
Vision Admin Fees	126.00
Group Health- Employee Cost	(33,784.16)
Group Health- Wellness Incentive	3,850.00
Group Health- Tobacco Premiums	(720.00)
Medicare Premium- Employer	18,228.42
Deferred Compensation Match	4,920.00
Actuarial Services	53,271.00
Audit	26,376.00

<b>Account</b>	<b>Amount</b>
Custodial Fees	82,932.59
Custodial Banking	15,329.23
Master Recordkeeper Fees	86,666.67
Investment Advisory Fees	131,250.00
Performance/ Analytics Fee	37,667.66
Bloomberg Terminal Rentals	6,645.00
Medical Consultant	3,750.00
Special Counsel	34,676.08
Technical	119,206.84
Other Professional Services	31,374.66
Postage	2,361.74
Telecommunications Services	9,393.63
Member/Employer Education	80.38
Printing Paper	1,840.00
Software Maintenance	109,799.96
Software Subscriptions	256,757.47
Software < \$25,000	2,970.00
Equipment Repairs & Maintenance	5,726.20
Office Supplies & Expenses	17.49
Seminars & Conferences	14,311.55
In House Training	658.80
Travel & Transportation	10,790.86
Mileage	1,230.54
Subscriptions	428.72

<b>Account</b>	<b>Amount</b>
Memberships	(4,135.00)
Interior Landscaping	2,772.74
Vehicle Expense	34.00
Staff Support	5,536.03
Recruiting Expense	665.69
Reimbursement of Leased Svcs.	(25,416.67)
<b>Total Administrative Expenses</b>	<b>2,928,323.62</b>

School Employees Retirement System of Ohio  
REVIEW OF ADMINISTRATIVE EXPENSES  
Mar-24

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,223,646.04
	Subtotal	1,223,646.04
53110 - Salaries & Wages - Overtime	ADP, LLC	2,628.50
	Subtotal	2,628.50
53111 - Vacation Leave Expense	ADP, LLC	109,059.32
	Subtotal	109,059.32
53112 - Sick Leave Expense	ADP, LLC	46,017.05
	Subtotal	46,017.05
53113- Voluntary Life Insurance Reimbursement	ADP, LLC	438.84
	Subtotal	438.84
53200 - Employer Contributions - PERS	ADP, LLC	182,708.12
	Subtotal	182,708.12
53300 - Group Life	American United Life Insurance Company	9,956.15
	Subtotal	9,956.15
53310 - Long Term Disability	American United Life Insurance Company	3,461.57
	Subtotal	3,461.57
53315 - Short Term Disability	American United Life Insurance Company	2,700.81
	Subtotal	2,700.81
53320 - Group Health Claims	Aetna Daily Wires - ESERS	334,395.98
	Subtotal	334,395.98
53321 - Group Health - Admin Fees	Aetna Admin - ESERS	7,563.75
	Subtotal	7,563.75
53322 - Prescription Claims	Express Scripts - Rebate	(129,257.51)
	Express Scripts - ESERS	88,922.63
	SaveonSP, LLC	5,515.34
	Subtotal	(34,819.54)
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS	20,259.75
	Subtotal	20,259.75
53326 - Vision Claims	VSP - (OH)	2,717.16
	Subtotal	2,717.16
53327 - Vision Admin Fees	VSP - (OH)	126.00
	Subtotal	126.00
53330 - Group Health - Employee Cost	Employee Premiums	(33,784.16)
	Subtotal	(33,784.16)
53331 - Group Health - Wellness Incentive	ADP, LLC	3,850.00
	Subtotal	3,850.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(720.00)
	Subtotal	(720.00)
53340 - Medicare Premium - Employer	ADP, LLC	18,228.47
	ADP, LLC - adjustment	(0.05)
	Subtotal	18,228.42
53380 - Deferred Compensation Match	ADP, LLC	4,920.00
	Subtotal	4,920.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
	Cavanaugh MacDonald Consulting, LLC	41,271.00
	Subtotal	53,271.00
54200 - Audit	Plante & Moran, PLLC	26,376.00
	Subtotal	26,376.00
54310 - Custodial Fees	BNY Mellon Asset Servicing	82,932.59
	Subtotal	82,932.59
54320 - Custodial Banking	Huntington National Bank	15,329.23
	Subtotal	15,329.23
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing	86,666.67
	Subtotal	86,666.67
54420 - Investment Advisory Fees	Wilshire/Aksia	131,250.00
	Subtotal	131,250.00
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing	34,667.66
	Wilshire Advisors, LLC	3,000.00
	Subtotal	37,667.66
54460 - Bloomberg Terminal Rentals	Bloomberg Finance LP	6,645.00
	Subtotal	6,645.00

Expense Account	Vendor	Amount
54520 - Medical Consultant	Borchers, M.D., Glen G.	3,750.00
	Subtotal	3,750.00
54610 - Special Counsel	Ice Miller LLP	18,446.18
	Seyfarth Shaw LLP	12,845.00
	Porter, Wright, Morris,	3,384.90
	Subtotal	34,676.08
54620 - Technical	Sagitec Solutions, LLC	55,902.00
	LexisNexis Risk Data Management, Inc	2,376.09
	ComResource	2,415.00
	Velosio	2,231.25
	Merative US L.P.	31,000.00
	Improving Ohio, Inc.	25,282.50
	Subtotal	119,206.84
54630 - Other Professional Services	Wickert, Kimberly	432.00
	Vorys Advisors LLC	3,666.66
	CBIZ Talent and Compensation Solutions	6,000.00
	Linea Solutions, Inc.	2,451.00
	RAMA Consulting Group	18,750.00
	Tax Me, LLC	75.00
	Subtotal	31,374.66
55100 - Postage	Pitney Bowes Inc.	2,063.97
	Unishippers Association	263.27
	FedEx	34.50
	Subtotal	2,361.74
55200 - Telecommunications Services	Verizon Wireless	393.92
	AT&T	40.10
	LUMEN	4,240.90
	Spectrum	237.34
	Spectrum AWS	1,230.00
	Everstream Solutions LLC	1,376.00
	XO Verizon	1,815.99
	T-Mobile	59.38
	Subtotal	9,393.63
55300 - Member/Employer Education	Holman, Carlisa	25.95
	Vaughan, Cameron	54.43
	Subtotal	80.38
55400 - Printing Paper	Millcraft Paper Co.	1,485.00
	Sterling Paper Company	355.00
	Subtotal	1,840.00
56030 - Software Maintenance	Sagitec Solutions, LLC	105,000.00
	Open Text, Inc	4,799.96
	Subtotal	109,799.96
56035 - Software Subscriptions	Shi International Corp.	90,145.00
	CarahSoft Technology Corp	1,231.20
	ADP, LLC	2,995.84
	CDW-Government, Inc.	1,515.00
	Wellable LLC	473.20
	Expedient	13,380.40
	Insight	47,588.83
	Blackline Systems, Inc.	99,428.00
	Subtotal	256,757.47
56050 - Software < \$25,000	Dell Marketing LP	2,970.00
	Subtotal	2,970.00
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc	830.96
	Digital Print Solutions	1,282.09
	Canon Financial Services, Inc	2,410.40
	US Bank Equipment Finance	1,202.75
	Subtotal	5,726.20
56130 - Office Supplies & Expenses	Amazon.com	17.49
	Subtotal	17.49
56210 - Seminars & Conferences	Fifth Third Bank - Cancelled conference refund	(1,290.00)
	Ohio State University	900.00
	International Foundation of Employee Benefit Plans	5,485.00
	OARnet	8,652.00
	MRA	250.00
	National Association of Parliamentarians	29.55
	Central Ohio RIMS	35.00
	VMware, Inc.	250.00
	Subtotal	14,311.55
56220 - In House Training	ADP, LLC	658.80
	Subtotal	658.80

Expense Account	Vendor	Amount	
56310 - Travel & Transportation	Fifth Third Bank - Room credit	(100.00)	
	Institutional Shareholder Services	149.50	
	Kroger	94.20	
	Rossler, James	3,319.68	
	Haller, James	77.45	
	Phillips, Barbra	362.52	
	Grim, Phil	395.96	
	Hills Market	50.48	
	Sam's Club	28.77	
	Moss, Catherine	345.91	
	City Barbeque, Inc.	516.80	
	Wilson, Daniel L.	122.00	
	Weglarz, Frank	2,350.67	
	Collins, Chris	571.20	
	Cheng, Paul	58.18	
	Corporate Caterers	592.10	
	Berger, Mike	1,520.74	
	Russell, Aimee	334.70	
		Subtotal	10,790.86
	56311 - Mileage	Rossler, James	264.38
Phillips, Barbra		125.70	
Moss, Catherine		231.82	
Wilson, Daniel L.		199.66	
Weglarz, Frank		275.24	
Collins, Chris		23.72	
Russell, Aimee		110.02	
		Subtotal	1,230.54
56410 - Subscriptions	Wall Street Journal	125.73	
	Constant Contact	261.00	
	Shutterstock, Inc.	29.00	
	Toledo Blade	12.99	
	Subtotal	428.72	
56420 - Memberships	Government Finance Officers Association	150.00	
	Public Pension Financial Forum	600.00	
	NCTR - credit/stopped payment	(5,340.00)	
	National Association of Public Pension Attorneys	350.00	
	Realtor Association	105.00	
	Subtotal	(4,135.00)	
56630 - Interior Landscaping	Ambius Inc. (05)	2,772.74	
		Subtotal	2,772.74
56640 - Vehicle Expense	Moo Moo Car Wash	14.00	
	BP Oil Company	20.00	
		Subtotal	34.00
56620 - Staff Support	Cintas Corporation	505.34	
	ADP, LLC	3,485.00	
	Stensrud, Richard	63.24	
	Premier ProduceOne	305.60	
	Amazon.com	232.84	
	Culligan Bottled Water of Columbus	53.94	
	Williams, Todd	41.81	
	Aetna Behavioral Health, LLC	282.60	
	Acorn Distributors Inc.	212.16	
	Inspira Financial	353.50	
		Subtotal	5,536.03
56621 - Recruiting Expense	ADP Screening & Selection Services	178.20	
	Indeed	487.49	
		Subtotal	665.69
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)	
		Subtotal	(25,416.67)
	Total SERS Administrative Expenses	2,928,323.62	

FY2024 Administrative Budget  
Board Expense to Budget Reporting  
Year-to-Date Through March 31st, 2024

Major Category/Sub-Major Category	Line Item	Vendor	FY2024 Budget Approved	Year to Date Expense	Additional Information
<b>PROFESSIONAL SERVICES</b>			<b>\$ 6,456,305.00</b>	<b>\$ 4,326,242.05</b>	
ACTUARIAL ADVISORS			\$ 292,500.00	\$ 228,916.00	
	Actuarial	Cavanaugh Macdonald	292,500.00	228,916.00	Actuarial Consultant
AUDITING			\$ 234,000.00	\$ 164,464.50	
	Auditing	Plante Moran	184,000.00	162,790.00	External Auditor
BANKING FEES			\$ 1,262,940.00	\$ 830,140.97	
	Custodial Banking		1,068,000.00	707,726.63	
		Fifth Third	336,000.00	229,811.11	Domestic Custodian
		BNYM	732,000.00	477,915.52	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	194,940.00	122,414.34	Banking Services
INVESTMENT RELATED			\$ 2,465,349.00	\$ 1,937,470.51	
	Master Recordkeeper		1,056,000.00	778,313.03	
	Investment Consulting & Advisory Services		525,000.00	393,749.99	
		Wilshire	450,000.00	337,499.99	Investment Consulting
	Performance Analytics Services		703,264.92	529,494.73	
		Barra-One Risk Mgmt Sys	238,445.00	178,833.75	Investment Risk Analytics
		BNY Mellon GRS	412,820.00	326,660.98	Investment Performance Analytics
TECHNICAL			\$ 2,156,516.00	\$ 1,131,500.07	
	Special Counsel		240,000.00	243,507.69	
	Technical		1,360,084.00	535,604.50	
		Merative	121,000.00	90,000.00	Data Warehouse
		Sagitec	550,000.00	196,638.76	SMART Development Resources
	Other Professional Services		556,432.00	352,387.88	
<b>OTHER OPERATING EXPENSE</b>			<b>\$ 4,108,942.00</b>	<b>\$ 2,785,107.98</b>	
COMPUTER SUPPORT SERVICES			\$ 2,737,127.00	\$ 1,872,917.04	
	Software Maintenance		1,047,108.00	702,953.26	
		Hyland	119,061.00	117,916.85	ImageNow
		Dell	290,000.00	246,943.83	Microsoft Enterprise Agreement/ True Up
		Sagitec	420,000.00	280,000.00	SMART Silver Support
	Software Subscriptions		1,444,815.00	1,120,484.05	
		DRaaS	158,000.00	134,033.92	Expedient
		Dynamo	202,000.00	199,940.00	Dynamo Software, INC
		Carahsoft	124,850.00	125,911.80	ServiceNow System
		UCaaS Vendor- TBD	128,500.00	-	Telecommunication Services
PROPERTY MANAGEMENT LIABILITY INSURANCE			\$ 582,403.00	\$ 504,500.50	
	Management Liability Insurance		582,403.00	504,500.50	
		Cyber Liability Insurance	190,315.00	163,592.50	ARC Excess & Surplus, LLC
		Crime Fiduciary D&O Insurance	389,388.00	340,908.00	ARC Excess & Surplus, LLC

PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Additional Information
PROFESSIONAL SERVICES	TECHNICAL				

SERS

UNBUDGETED PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Expense Reallocation
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OSERS BROAD STREET, LLC

UNBUDGETED PROJECT ITEMS

Major Category	Line Item	Project	FY2024 Budget	YTD Expense
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# SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

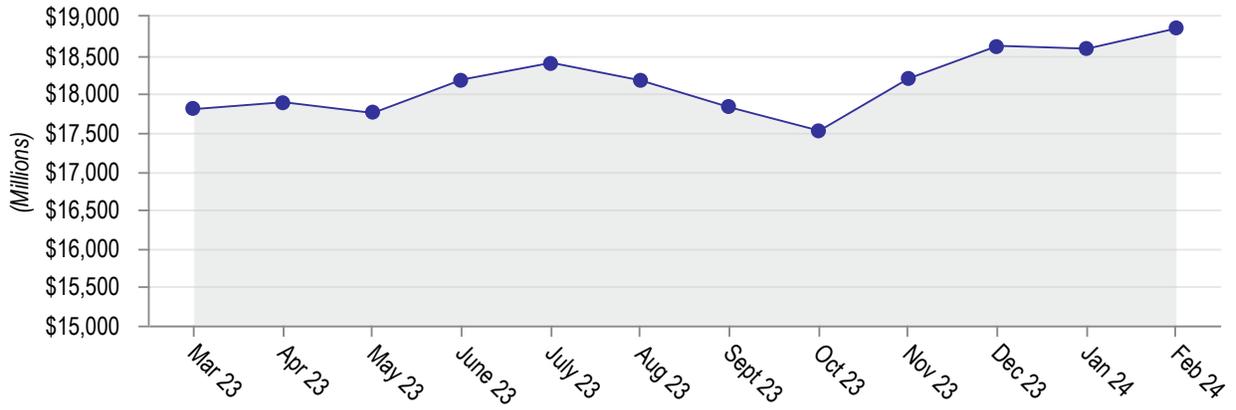
## FINANCIAL HIGHLIGHTS

As of February 29, 2024 and 2023

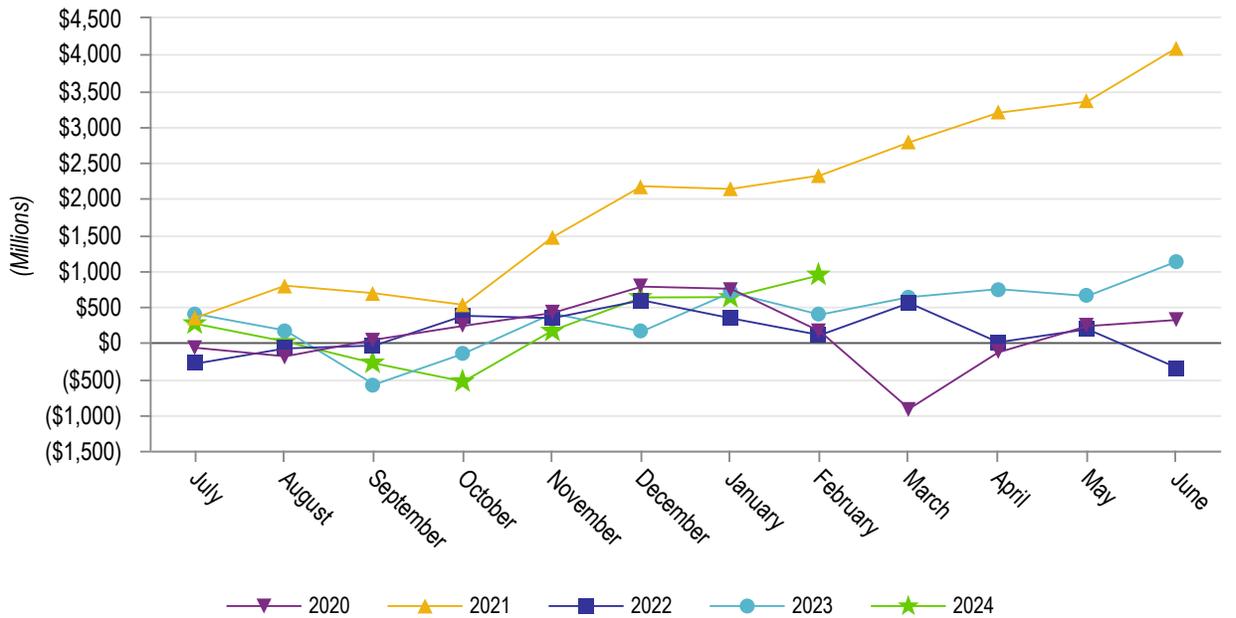
(unaudited)

<b>SERS (All Funds)</b>	<b>2/29/24 YTD</b>	<b>2/28/23 YTD</b>	<b>Comparative Difference</b>	<b>% Difference</b>
<b><u>ADDITIONS</u></b>				
Employer Contributions	\$423,361,461	\$397,532,631	\$25,828,830	6%
Member Contributions	276,465,314	259,406,815	17,058,499	7
Other Income	79,038,752	70,170,905	8,867,847	13
Total Investment Income, Net	935,295,680	387,557,170	547,738,510	141
<b>TOTAL ADDITIONS</b>	<b>1,714,161,207</b>	<b>1,114,667,521</b>	<b>599,493,686</b>	<b>54</b>
<b><u>DEDUCTIONS</u></b>				
Retirement, Disability, Survivor & Death Benefits	944,087,155	911,360,295	32,726,860	4
Health Care Expenses	104,063,069	86,167,554	17,895,515	21
Refunds & Transfers	63,562,634	62,934,203	628,431	1
Administrative Expenses (excluding Investments)	20,004,693	20,034,621	(29,928)	—
<b>TOTAL DEDUCTIONS</b>	<b>1,131,717,551</b>	<b>1,080,496,673</b>	<b>51,220,878</b>	<b>5</b>
Changes in Net Position	582,443,656	34,170,848	548,272,808	1,605
Net Position - Beginning	18,265,722,222	17,574,319,449	691,402,773	4
<b>SERS Net Position - Ending</b>	<b>\$18,848,165,878</b>	<b>\$17,608,490,297</b>	<b>\$1,239,675,581</b>	<b>7%</b>
 <b>HEALTH CARE FUND</b>				
<b><u>HEALTH CARE ADDITIONS</u></b>				
Employer Contributions	\$37,598,923	\$35,198,295	\$2,400,628	7%
Health Care Premiums	39,131,192	40,731,004	(1,599,812)	(4)
Federal Subsidies & Other Receipts	39,870,211	29,278,817	10,591,394	36
Total Investment Income, Net	31,457,026	11,464,712	19,992,314	174
<b>TOTAL HEALTH CARE ADDITIONS</b>	<b>148,057,352</b>	<b>116,672,828</b>	<b>31,384,524</b>	<b>27</b>
<b>TOTAL HEALTH CARE DEDUCTIONS</b>	<b>105,982,277</b>	<b>87,868,825</b>	<b>18,113,452</b>	<b>21</b>
Changes in Net Position	42,075,075	28,804,003	13,271,072	46
Net Position - Beginning	706,785,561	611,574,409	95,211,152	16
<b>SERS Health Care Fund Net Position - Ending</b>	<b>\$748,860,636</b>	<b>\$640,378,412</b>	<b>\$108,482,224</b>	<b>17%</b>

**Total SERS Fund Balance for Previous 12 Months**



**Investment Income (includes realized and unrealized gains & losses)**



**Health Care Fund Balance Trend**





## SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746  
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

April 22, 2024

Bethany Rhodes, Director/General Counsel  
Ohio Retirement Study Council  
30 East Broad Street, 2<sup>nd</sup> Floor  
Columbus, OH 43215

Dear Ms. Rhodes:

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2025 operating budget presented in the ORSC's required format. SERS budgeting practices are aligned with our Mission, Vision, and Values, while continuously evaluating the long-range needs of our membership. For FY2025, SERS' total operating budget increased by 4.5% (\$38,750,339 to \$40,508,034). The significant drivers of this change are a budgeted 4% merit increase and salary adjustments based on CBIZ recommendations to align with current market conditions and an increase in software subscriptions to manage security and technology needs for a cloud-based environment. CBIZ is an independent compensation consultant retained to perform a compensation study in 2022 and provide ongoing recommendations to maintain alignment with the labor market for SERS' positions.

Personnel category increase of 5.6% is attributed to an additional full-time employee; salary adjustments and a performance-based merit increase of 4% as recommended by CBIZ. An increase is expected in health care expenses based on actuarial rates derived from actual plan claims and health care cost trends supplied by our actuary. Also included is the additional recognition of liability for leave earned but not taken as required by the Government Accounting Standards Board (GASB 101 – Compensated Absences).

Professional Services category is relatively flat with a slight increase of 0.5% with the addition of the ORSC requested 10-year actuarial audit and an increase in special counsel. It is offset with decreases in ongoing operational resources in banking costs and technical services. The notable items that contributed to the decrease in technical services is the completion of the microfilm project and the five-year strategic plan in FY2024 as well as additional outsourced support for help desk operations no longer needed.

Communications Expense category is decreased by 7% due to telecommunication costs shifting to Other Operating Expense as a software subscription which has offset increases in postage cost and paper supplies that includes costs of two board elections.

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### RETIREMENT BOARD

FRANK A. WEGLARZ  
*Chair, Retiree-Member*

MATTHEW A. KING  
*Vice-Chair, Employee-Member*

JEFFREY DELEONE  
*Appointed Member*

JAMES H. HALLER  
*Employee-Member*

CATHERINE P. MOSS  
*Retiree-Member*

BARBRA M. PHILLIPS  
*Employee-Member*

JAMES A. ROSSLER, JR  
*Appointed Member*

AIMEE RUSSELL  
*Employee-Member*

DANIEL L. WILSON  
*Appointed Member*

Other Operating Expense increase of 5.5% is a result of increased costs of software licenses that includes replacement of existing general ledger and accounting system to a cloud-based solution and expansion of cyber security tools to protect hardware, systems, and data on SERS networks. SERS completed the transition of unified communications and contact center as a cloud service. This service model type becomes an on-going software subscription cost.

There are no planned Capital expenses in FY2025.

SERS will be in the third year of the Technology Enhancement Project Budget. This five-year plan will improve digital, mobile, and electronic service delivery for employers and members, add pension administration enhancements, and expand business tools. Plans for FY2025 include exploration of generative artificial intelligence opportunities, audio visual refresh of meeting rooms, continued network and server infrastructure improvements, expanded security, and enhancements to SERS Member and Retiree Tracking System.

Net Building Occupancy Expense budget is increased by 8.3% due to a decrease in tenant rental income from FY2024. Tenant income from leases and parking help offset overall building expenses. Also, attributed to the increase is the rising cost for security services and the five-year cyclical refresh of the electric vehicle charging stations in the parking garage. SERS is aggressively marketing the vacant space, expanding the amenities, adjusting parking garage rates, and reviewing building expenses to potentially mitigate some of the increase. No leasehold improvements are planned with the current tenant space in FY25.

I look forward to reviewing the draft budget with you and answering any questions that you have. Please feel free to contact me at 614-222-5801.

Sincerely,

**Richard Stensrud**  
Executive Director

School Employees Retirement System  
2025 ORSC Budget Presentation

**FY2024 to FY2025 Operating Budget and Increase (Decrease)**

Budget category	2025 Budget	2024 Budget	2024 Estimated Actual	2024-2025 Increase (Decrease)	Percent Change (2024 to 2025)
<b>Personnel</b>	\$ 26,904,494	\$ 25,471,425	\$ 25,534,265	\$ 1,433,069	5.6
Salaries and Wages	\$ 19,925,657	\$ 18,853,159	\$ 18,707,348	\$ 1,072,498	5.7
PERS Contributions	\$ 2,683,322	\$ 2,527,867	\$ 2,502,468	\$ 155,455	6.1
Health Insurance	\$ 4,295,515	\$ 4,090,399	\$ 4,324,449	\$ 205,116	5.0
Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0.0
<b>Professional Services</b>	\$ 6,440,168	\$ 6,409,697	\$ 6,196,570	\$ 30,471	0.5
Actuarial	\$ 425,500	\$ 292,500	\$ 314,091	\$ 133,000	45.5
Audit	\$ 220,000	\$ 234,000	\$ 214,945	\$ (14,000)	-6.0
Custodial Banking Fees	\$ 1,020,000	\$ 1,068,000	\$ 947,727	\$ (48,000)	-4.5
Investment Consulting	\$ 2,530,364	\$ 2,465,349	\$ 2,574,707	\$ 65,015	2.6
Other Consulting	\$ 2,056,264	\$ 2,160,308	\$ 1,977,211	\$ (104,044)	-4.8
Banking Expenses	\$ 188,040	\$ 189,540	\$ 167,889	\$ (1,500)	-0.8
<b>Communications Expense</b>	\$ 944,448	\$ 1,015,710	\$ 704,863	\$ (71,262)	-7.0
Printing and Postage	\$ 801,150	\$ 807,752	\$ 530,771	\$ (6,602)	-0.8
Telecommunications	\$ 120,868	\$ 196,208	\$ 164,235	\$ (75,340)	-38.4
Member/Employer Education	\$ 22,430	\$ 11,750	\$ 9,857	\$ 10,680	90.9
<b>Other Operating Expenses</b>	\$ 4,709,472	\$ 4,460,550	\$ 3,849,735	\$ 248,922	5.6
Conferences and Education	\$ 257,030	\$ 274,586	\$ 134,019	\$ (17,556)	-6.4
Travel	\$ 240,360	\$ 228,602	\$ 187,192	\$ 11,758	5.1
Computer Technology	\$ 3,003,345	\$ 2,737,127	\$ 2,431,578	\$ 266,218	9.7
Other Operating	\$ 1,087,047	\$ 1,125,227	\$ 979,628	\$ (38,181)	-3.4
Ohio Retirement Study Council	\$ 68,000	\$ 48,400	\$ 63,492	\$ 19,600	40.5
TOS Warrant Clearing Charges	\$ 5,340	\$ 5,400	\$ 635	\$ (60)	-1.1
Attorney General Charges	\$ 48,350	\$ 41,208	\$ 53,191	\$ 7,142	17.3
<b>Net Building Expense</b>	\$ 1,509,452	\$ 1,392,957	\$ 1,029,157	\$ 116,495	8.4
<b>Total Operating Budget</b>	\$ 40,508,034	\$ 38,750,339	\$ 37,314,590	\$ 1,757,695	4.5

School Employees Retirement System  
2025 ORSC Budget Presentation

Budget category	2025 Budget	2024 Budget
Full-Time Equivalent (FTE) Associates	184	183

\*Please note that SERS reports TOS Warrant Clearing Charges and Attorney General Fees under Professional Services for budget reporting. These have been reported under Other Operating Expenses in compliance with the ORSC approved budget form.

School Employees Retirement System  
2025 ORSC Budget Presentation

**FY2024 to FY2025 Capital Budget**

	2025 Budget (includes carryover from previous years)	2024 Budget	2024 Estimate
<b>Total Capital Budget</b>	\$ -	\$ -	\$ -
Computer Hardware > \$5,000	\$ -	\$ -	\$ -
Computer Software > \$25,000	\$ -	\$ -	\$ -

**Technology Infrastructure Project**

	FY23 to FY27	FY24 Budget	FY24 Estimate	FY25 Budget
<b>Total Project Budget</b>	\$ 8,283,054	\$ 2,985,291	\$ 1,082,017	\$ 2,298,417

**Investment Expenses**

	FY 2023 Actual	FY 2022 Actual	Percent Change (2022 to 2023)
<b>Total Investment Assets</b>	\$ 17,895,114,604	\$ 17,227,747,213	3.874%
Total Internally Managed Assets	438,529,436	458,638,560	-4.385%
Total Externally Managed Assets	17,456,585,168	16,769,108,653	4.100%
<b>Total Investment Expenses</b>	\$ 117,074,961	\$ 112,661,530	3.917%
Total Internal Investment Expenses	4,269,711	4,110,643	3.870%
Total External Investment Expenses	108,061,414	103,130,407	4.781%
Investment Consulting	2,550,641	2,689,015	-5.146%
Brokerage/Commissions-Internal			0.000%
Brokerage/Commissions-External	1,173,989	1,636,879	-28.279%
Custodian Fees	1,019,206	1,094,586	-6.887%

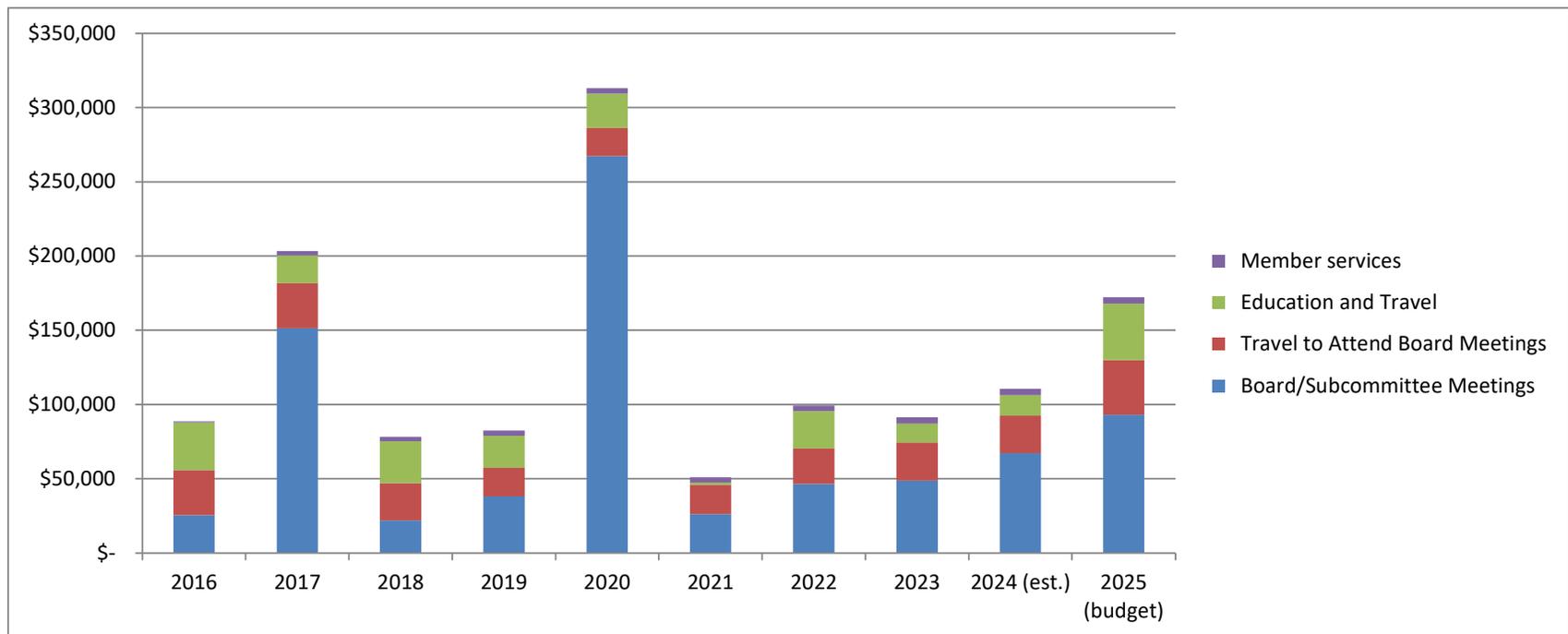
School Employees Retirement System  
2025 ORSC Budget Presentation

Total Investment Expenses as a % of Total Investment Assets	0.634%	0.632%	
Expenses as % of Internally Managed*	0.974%	0.896%	
Expenses as % of Externally Managed*	0.626%	0.625%	

\*Excludes Investment Consulting and Custodian Fees

### Fiscal Year Board Member Expenses

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (est.)	2025 (budget)
<b>Total Board Expenses</b>	<b>\$ 88,590</b>	<b>\$ 203,406</b>	<b>\$ 78,112</b>	<b>\$ 82,534</b>	<b>\$ 313,113</b>	<b>\$ 50,974</b>	<b>\$ 99,198</b>	<b>\$ 91,310</b>	<b>\$ 110,603</b>	<b>\$ 172,307</b>
Board/Subcommittee Meetings	\$ 25,459	\$ 151,328	\$ 21,861	\$ 38,065	\$ 267,297	\$ 26,168	\$ 46,437	\$ 48,742	\$ 67,124	\$ 93,100
Travel to Attend Board Meetings	\$ 30,279	\$ 30,363	\$ 25,183	\$ 19,244	\$ 19,021	\$ 19,784	\$ 23,893	\$ 25,617	\$ 25,337	\$ 36,888
Education and Travel	\$ 32,192	\$ 18,675	\$ 28,083	\$ 21,533	\$ 23,093	\$ 1,500	\$ 25,149	\$ 12,774	\$ 13,930	\$ 38,012
Member services	\$ 660	\$ 3,040	\$ 2,985	\$ 3,692	\$ 3,702	\$ 3,522	\$ 3,719	\$ 4,178	\$ 4,212	\$ 4,307



Board Expenses include the cost of the Internal Auditor search in FY2020, as well as, an Executive Director search in FY2017.

FY2020 includes costs for a consultant to facilitate pension and health care plan design work.

Beginning in FY2023, Board expenses include software to support Board meetings.

The increase in FY2025 includes training for two new board members as well as renewal of Board Smart, a training tool for all board members.

School Employees Retirement System  
2025 ORSC Budget Presentation  
**Staff Training and Travel (Budget to Budget)**

	2025	2024	Increase (Decrease)	% Increase (Decrease)
<b>Administration</b>				
Conferences, Seminars & Travel	\$ 51,720	\$ 50,836	\$ 884	1.7
In-House Training	\$ 27,920	\$ 17,896	\$ 10,024	-
#FTE	35	35	0	
Expense per FTE	\$ 1,478	\$ 1,452	\$ 25	1.7

	2025	2024	Increase (Decrease)	% Increase (Decrease)
<b>Investments*</b>				
Conferences, Seminars & Travel	\$ 85,000	\$ 85,000	\$ -	0
In-House Training	\$ -	\$ -	\$ -	-
#FTE	13	13	0	
Expense per FTE	\$ 6,538	\$ 6,538	\$ -	-

	2025	2024	Increase (Decrease)	% Increase (Decrease)
<b>Finance and Benefits</b>				
Conferences, Seminars & Travel	\$ 47,000	\$ 50,524	\$ (3,524)	-7.0
In-House Training	\$ -	\$ -	\$ -	-
#FTE	25.5	25.5	0	
Expense per FTE	\$ 1,843	\$ 1,981	\$ (138)	-6.97

	2025	2024	Increase (Decrease)	% Increase (Decrease)
<b>Information Technology/Information Services</b>				
Conferences, Seminars & Travel	\$ 155,700	\$ 189,146	\$ (33,446)	-17.7
In-House Training	\$ -	\$ -	\$ -	-
#FTE	44	43	1	
Expense per FTE	\$ 3,539	\$ 4,399	\$ (860)	-19.6

	2025	2024	Increase (Decrease)	% Increase (Decrease)
<b>Member Services</b>				
Conferences, Seminars & Travel	\$ 21,500	\$ 21,528	\$ (28)	-0.1
In-House Training	\$ -	\$ -	\$ -	-
#FTE	66.5	66.5	0	
Expense per FTE	\$ 323	\$ 324	\$ (0)	-0.1

\* Travel costs for Investment and Finance include costs attributed to due diligence visits

School Employees Retirement System  
2025 ORSC Budget Presentation

**Supplementary Statistical Information**

	2020	2021	2022	2023	2024
Active Members	156,579	146,646	155,063	159,873	NA
Inactive Members	265,068	284,631	282,998	280,693	NA
Benefit Recipient (Age, Dis., Survivor)	67,864	68,518	68,481	68,923	NA
Re-employed Retirees	12,987	12,203	12,670	12,910	NA
<b>Total Membership</b>	<b>502,498</b>	<b>511,998</b>	<b>519,212</b>	<b>522,399</b>	<b>NA</b>
<b>Members Per FTE</b>	<b>2,776</b>	<b>2,893</b>	<b>2,869</b>	<b>2,870</b>	<b>NA</b>

# Memo

To: Retirement Board  
From: SERS Legal  
CC: Richard Stensrud  
Date: April 5, 2024  
Re: Administrative Rules

One category of resolutions on Administrative Rules are on the April Board Agenda.

- I. **Approval to file with JCARR the following proposed new rules**
  - **3309-1-69 Cybersecurity incident notification responsibilities**

This new rule amplifies R.C. 3309.55, the statute that states employers must provide information and assistance to the SERS Retirement Board as it requires in the discharge of its duties. The rule provides that if an employer has a cybersecurity incident where it has been determined to have an impact on the employer prompting the need for response and recovery, SERS shall be notified. This includes ransomware that may place a SERS member's personal data at risk or a business email compromise. Notice of the incident shall be within 72 hours of discovery and further information shall be provided later within a reasonable time.

- **3309-1-70 Contribution Based Benefit Cap**

This new rule amplifies R.C. 3309.363, the recently enacted contribution based benefit cap statute. The rule provides that the CBBC will be used when calculating retirement allowances with effective dates of August 1, 2024, or later. The rule makes clear that the CBBC calculation takes place before a retirement allowance is finalized and granted. The rule also sets forth a standard formula provided by SERS' actuary for determining the amount to credit to a member's accumulated contributions when the member's employer has purchased service credit for the member under an Early Retirement Incentive program.

## **FILING OF PROPOSED NEW ADMINISTRATIVE RULE**

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-69 Cybersecurity incident notification responsibilities.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed new rule 3309-1-69 be filed with JCARR as discussed.

### **3309-1-69 Cybersecurity incident notification responsibilities.**

- (A) For the purposes of this rule:
- (1) A “cybersecurity incident” means a cybersecurity event that has been determined to have an impact on the employer prompting the need for response and recovery. This may include ransomware that may place a school employees retirement system member’s personal data at risk or an employer business email compromise that may place a school employees retirement system member’s personal data at risk.
  - (2) “Personal data” means full legal name, date of birth, home address, email address, social security number, driver’s license number, state identification card number, school employees retirement system account username, school employees retirement system account password, record of contributions or financial account numbers.
- (B) Within seventy-two hours of discovery of a cybersecurity incident, an employer shall provide notification of the cybersecurity incident to school employees retirement system by telephone or email. Notification shall be sent to employer services personnel at 1-877-213-0861 or [employerservices@ohsers.org](mailto:employerservices@ohsers.org). The employer shall also provide the following information within seventy-two hours of discovery of a cybersecurity incident:
- (1) The date and time of the discovery of the cybersecurity incident.
  - (2) The name of the employer cybersecurity incident representative and contact information.
- (C) The employer shall provide the following information to employer services regarding a cybersecurity incident within a reasonable period of time:

- (1) Date and time of the cybersecurity incident.
- (2) Nature of the cybersecurity incident, including any potential impact on school employees retirement system member's personal data or email communications from employer.
- (3) Description of personal data involved in the cybersecurity incident.
- (4) Employer action taken to mitigate the cybersecurity incident and secure compromised systems.

Promulgated Under: 111.15  
 Statutory Authority: 3309.04  
 Rule Amplifies: 3309.55  
 Review Date:

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

## **FILING OF PROPOSED NEW ADMINISTRATIVE RULE**

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-70 Contribution Based Benefit Cap.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed new rule 3309-1-70 be filed with JCARR as discussed.

### **3309-1-70 Contribution Based Benefit Cap**

- (A) As used in this rule:
  - (1) "Retirement allowance" has the same meaning as defined in division (A) of section 3309.363 of the Revised Code.
  - (2) "CBBC" has the same meaning as defined in division (A) of section 3309.363 of the Revised Code.
- (B) The calculations required by section 3309.363 of the Revised Code shall be made when calculating retirement allowances with effective dates of August 1, 2024, or later.
- (C) A retirement allowance with an effective date of August 1, 2024 or later shall not be finalized and granted until after the member's CBBC has been calculated.
- (D) When a member's employer has purchased service credit under section 3309.33 of the Revised Code, an amount equal to ten per cent of the member's highest year of compensation multiplied by the years of service credit purchased shall be credited to the member's accumulated contributions.

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.36, 3309.363, 3309.381, 3309.45  
Review Date:

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

# Memo

To: Retirement Board  
From: SERS Legal  
CC: Richard Stensrud  
Date: April 5, 2024  
Re: Definition of Compensation

Under SERS' current compensation rule the form of the payment (flat dollar or percent of pay) can determine whether a payment is compensation. This results in arbitrary results. As the Board has discussed, the character of the payment should determine whether a payment is compensation. What follows is a list of payments for consideration by the Board. Also included is an edited chart from the November Board meeting showing SERS and STRS current compensation treatment of common categories of payments.



# Board Consideration of Compensation

April 2024

Compensation Element	In	Out	Notes
Regular base salary			
Regular/base hourly wages			
Pick up on Pick up			
Overtime paid to non-exempt employees			
Paid leave			
Compensation time cash out			
Leave cash-in			
Longevity/length of service (payment based on total years of employment per written contract or policy and applicable to all employees)			
Employer payments to an eligible retirement plan (e.g..403(B), 457 account)			
Lump sum amounts that are not incentive payments set forth in a collection bargaining agreement			
Lump sum amounts that are not incentive payments set forth in an individual contract			

Compensation Element	In	Out	Notes
Commissions (per contract terms)			
Lump sum merit/performance...			
Bonus payment (discretionary payment not governed in a contract and not performance based)			
Retention (payment to current employee to remain for a certain period of time)			
Attendance (payments for limited use of sick leave per a policy or contract)			
Education (attaining or having a certification or degree only per a written policy or contract)			
Signing (payment to new employee for accepting position)			
Wellness rewards (Payments to employees for achieving measurable health goals as set forth in a written policy)			
Recruitment (payment for referring a job applicant who is hired)			
Back wages			
Severance payment			



# SERS and STRS Compensation Comparison

April 2024

	SERS	STRS Ohio
Base Pay	Yes	Yes
Overtime	Yes	Not applicable
Supplemental programs	Yes	Yes
Cash out sick, vacation and personal leave	No	No
Lump sum amounts in collective bargaining agreement to class of employees	Yes, if in lieu of an existing contractual right to an increase in base pay.	Yes
Bonuses (discretionary payments not connected to performance standard)	Yes, if based on rate of pay. No, if flat dollar amount.	Yes, so long as they are earned by reason of employment. No, if the bonus is attributable to retirement, paid in lieu of items not considered STRS compensation, or retroactive.
Performance Incentive: lump sum, per objective terms	Yes, if based on rate of pay. No, if flat dollar amount.	Yes
Education incentive	Yes, if based on rate of pay. No, if flat dollar amount.	Yes, usually built into teach salary scheduled, but STRS also accepts payments made to teachers to attend education programs.
Attendance Incentive	Yes, if based on rate of pay. No, if flat dollar amount.	No
Signing Bonus	Yes, if based on rate of pay. No, if flat dollar amount.	Yes
Retention Incentive	Yes, if based on rate of pay. No, if flat dollar amount.	Yes
Wellness Incentive	Yes, if based on rate of pay. No, if a flat dollar amount.	Yes, but not in all instances.
Longevity	Yes	Yes
Deferred comp payments into retirement plans	Yes	Yes

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(3) to discuss pending litigation.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**SERS  
COMPENSATION  
COMMITTEE  
REPORT**

**Only If Needed**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M. / P.M.**

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

**RETURNED TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 \*\***

**AUDIT COMMITTEE MEETINGS**

June 20, 2024 – 2:30 p.m. **(Thurs.) \*\* New Date \*\***  
September 18, 2024 - 2:30 p.m. (Weds.)  
December 18, 2024 – 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

June 21, 2024 – 7:30 a.m. **(Fri.) \*\* New Date \*\***  
July 18, 2024 – 7:30 a.m. (Thurs.) \* **Special Meeting \***  
September 19, 2024 – 7:30 a.m. (Thurs.)  
December 19, 2024 – 7:30 a.m. (Thurs.)

**TECHNOLOGY COMMITTEE MEETINGS**

June 20, 2024 – 1:30 p.m. **(Thurs.) \*\* New Time \*\***  
September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

**BOARD MEETINGS**

May 16 – 17, 2024 – 8:30 a.m (Thurs. and Fri.)  
June 21, 2024 - 8:30 a.m **(Fri.) \*\* New Date \*\***  
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)  
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)  
November 21 – 22, 2024 – 8:30 a.m (Thurs. and Fri.)  
December 19 – 20, 2024 – 8:30 a.m (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**

**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

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**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the SERS Retirement board adjourn to meet on Thursday, May 16, 2024, for their next regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ a.m./p.m.

\_\_\_\_\_  
Frank Weglarz – Chair

\_\_\_\_\_  
Richard Stensrud, Secretary