

# SERS Retirement Board Meeting Minutes

## March 20, 2025

The nine hundredth and seventy-seventh meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, March 20, 2025.

### Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:34 a.m. with the Pledge of Allegiance.

### Roll Call

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

### Consent Agenda

The consent agenda for **March 20, 2025**, included:

- **Minutes** of the February 19, 2025 Annual Board Workshop.
- **Minutes** of the February 20, 2025, Retirement Board meeting.
- **Summary of Investment Transactions** for the period of January 1, 2025, to January 31, 2025.
- **Retirement Report** – Superannuations, Survivor Benefits, and Transfers.
- **Disability Report** – Approval of Disability Benefits, Termination of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation

James Haller moved and Jeanine Alexander seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, March 20, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### Investment Report

#### **Annual Portfolio Review – Private Credit**

SERS Chief Investment Officer, Farouki Majeed, introduced Adam Messerschmitt and Brad Carr, SERS Investment staff members, who provided the Board with an overview of SERS' Private Credit investment portfolio.

Mr. Messerschmitt reported the private credit portfolio has a current market value of \$1.2B with 12 managers, 24 funds, and 1 co-investment. The Global Private Credit allocation is currently 6.1% of the total SERS retirement fund.

Mr. Messerschmitt continued, stating the private credit has a net return of 11.3% for the one-year period ending February 28, 2025, which outperformed the policy benchmark by 120 basis points or 1.2%. 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. The performance objective is to provide returns in excess of the 90-day Treasury bill rate + 4.5%, net of fees. The Global Private Credit allocation is set at 5% with a permissible range of 3% to 7%.

Mr. Carr reported that the objectives for the private credit portfolio for 2025 are to:

- 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.

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- Evaluate new investment ideas within Asset Based Lending/Other to build the sub-asset class towards the target allocation.
- Review the appropriateness of the benchmark and recommend changes if necessary.

Following several questions, the Board thanked Mr. Messerschmitt and Mr. Carr for their presentation.

### **Quarterly Risk Report – As of December 31, 2024**

SERS Chief Investment Officer, Farouki Majeed, introduced Investments team member Christopher Hyland, who joined Mr. Majeed in providing an update on the SERS Risk Report. Mr. Majeed and Mr. Hyland described the ways that risk is assessed and reported, including the use of standard deviation as the risk metric for individual asset classes and the total portfolio. They also described how different parts of the portfolio contribute different levels of risk and how asset classes taken together can produce lower risk through diversification. Mr. Hyland and Mr. Majeed noted that Public Equity and Private Equity are the largest providers of risk in the total portfolio. They also noted that the Public and Private Equity portfolios are expected to deliver higher returns compared to other asset classes. Mr. Hyland stated that the Total Fund's forecast risk was 10.09% at the end of the fourth quarter.

Mr. Hyland continued, reporting that the composition of the Fund's forecast risk by asset class changed slightly over the quarter. Global Equities' contribution to the Fund's forecast risk declined from 58.6% to 57.1%, mostly due to a 0.9% reduction in Global Equities' allocation from 43.7% to 42.8%. Global Equities and Private Equity together contributed 77.6% of the Fund's forecast risk as of December 31. Fixed Income contributed 2.7% of the Fund's forecast risk, despite making up 13.0% of Fund assets, demonstrating its risk-diversifying effect. The Overlay program reduced the Fund's risk by 4.3% due to its negative correlation with the rest of the Fund. Mr. Hyland also reported that the composition of the Fund's forecast risk by factor changed slightly over the quarter. Equity factors, arising principally in the Global Equities and Private Equity portfolios, contributed 73.3% of the Fund's forecast risk, down from 74.1% on September 30 and up from 72.5% in December 2023. Equity factors remain the largest source of the Fund's total risk.

Mr. Hyland stated that the Fund's active risk was 1.36% as of December 31, well below the policy limit of 3%, up slightly from 1.35% on September 30 and down from 1.47% in December 2023. Mr. Hyland continued, stating that forecast correlations show the expected co-movement of asset market values in the same (positive) or opposite (negative) direction.

Following a few questions, the Board thanked Mr. Hyland for his report.

### **Monthly Investment Report – As of December 31, 2024**

Chief Investment Officer, Farouki Majeed, provided a brief update on the investment fund status for the month ending January 31, 2025. Mr. Majeed reported that the US economy growth was 2.3% in Q4, decelerating from 3.1% in Q3. Mr. Majeed continued, stating that the US labor market weakened, adding 143,000 jobs in January, significantly lower than the revised number of 307,000 in December 2024. Inflation continued to tick up to 3.0% in January, 0.1% higher than in December.

Mr. Majeed stated that Equity markets were mixed, and the US Fixed Income market was up to 2.07% in February. After several questions, the board thanked Mr. Majeed for his report.

### **Executive Director's Report**

#### **ORSC Update**

SERS Executive Director Richard Stensrud reported that the ORSC met in March and Representative Adam Bird was appointed as Chair. SERS provided several ORSC-required reports, including the audit activity report, the pension fund valuation report, the health care program and valuation report, and the Iran/Sudan report.

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### **Advocacy Partners**

Mr. Stensrud reported that two stakeholder events are upcoming, the SERO annual meeting is scheduled to take place on May 5, 2025 and the annual meeting with OASBO will take place on May 23, 2025. Mr. Stensrud noted that a 'state of the union' report on SERS will be provided at those meetings. Mr. Stensrud stated that such meetings are an important way for SERS to provide transparency and assure accountability with SERS' stakeholders.

### **Ohio General Assembly**

Mr. Stensrud reported that the state legislature reconstituted committees recently and there is no longer a House Pensions Committee. Instead, moving forward, consideration of pensions-related legislation will be done by the House Public Insurance and Pension Committee. Mr. Stensrud reported that meetings are being held with Committee Members to provide a status report on SERS and to discuss the things that differentiate SERS from the other systems.

### **Federal Legislative Activity**

Mr. Stensrud reported that healthcare is expected to be an area of interest in the new Congress, including pharmacy benefit regulations and potential changes to Medicare and Medicaid. SERS staff will continue to monitor this situation and will keep the Board updated on any developments.

Mr. Stensrud continued noting that the Social Security Administration has been moving more quickly than originally expected to implement the recent legislation repealing the WEP/GPO. Mr. Stensrud noted that Social Security is updating their website with new information as it becomes available. Mr. Stensrud further noted that SERS is updating its retirement preparation presentations and counseling materials to help members understand how the changes might impact members.

### **Member and Employer Engagement**

Mr. Stensrud reported on various programs through which SERS was engaging with SERS members and employers. Mr. Stensrud noted that there have been several webinars focused on preparing members for retirement and educational programs for employers.

### **Review of Administrative Expenses**

Chief Financial Officer, Marni Hall, provided a brief update on SERS administrative expenses. Ms. Hall reported that a draft version of the FY2026 SERS budget will be sent to the ORSC. Ms. Hall noted the Finance team is forecasting the rest of the budget for FY2025 based on the last 9 months of actuals and meetings with each department. Actuals to date are on schedule, but medical and prescription claims are running higher than expected. Ms. Hall also stated that she will be providing expenses by vendor at future meetings. Following several questions, the Board thanked Ms. Hall for her report.

### **Discussion of Salary Growth Information for Preliminary FY2026 Budget**

Mr. Stensrud provided the Board with information to assist in the Board in providing guidance on the level of salary budget growth to be incorporated in the upcoming budget.

He noted that annually, CBIZ, a compensation consultant, provides the Board with labor market salary data for the markets against which SERS' positions are benchmarked along with labor market-based recommendations on the annual salary structure adjustment (i.e., the salary ranges for all positions) and total salary budget adjustment. Making these adjustments annually is considered a best practice for maintaining the compensation structure and objectives established in the most recent compensation study.

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Mr. Stensrud noted that SERS' employees do not receive automatic step increases or cost of living adjustments and that an annual merit increase was the primary source of salary growth. While CBIZ did not recommend a specific level of merit increase as part of their salary budget adjustment recommendation, they did recommend that the merit growth be approximately 1.2% more than the structure adjustment.

Mr. Stensrud explained that based on the CBIZ recommendations, scenarios were modeled to illustrate the fiscal impact of various combinations of structure, merit and total salary budget growth levels. Mr. Stensrud reviewed the scenarios with the Board and answered several questions. After a robust discussion, it was consensus of the Board that the elements of the third scenario (2.7% structure adjustment, 3.9% merit component, and 4.71% salary budget growth (with a new FTE)) would be used for purposes of developing a draft budget which will then be submitted to the ORSC. Mr. Stensrud advised that the Board would be provided with a copy of the draft budget to be submitted to the ORSC at the next meeting and then presented with a proposed budget for Board consideration in May.

The Board took a break at 9:52 a.m.

The Board reconvened at 10:03 a.m.

### **Age Reduction Factor Table Discussion**

Mr. Stensrud reported on the identification, analysis and proposed remediation of a benefit administration issue that has recently been discovered, as well as the steps that are being implemented to assure that similar situations do not occur in the future.

Mr. Stensrud explained that the issue centers on the actuarial-based reduction that is made to a retiree's service retirement benefit when the person retires earlier than reaching eligibility for an unreduced benefit. This actuarial 'age factor' reduction is made pursuant to a table prepared by SERS' actuary, which is built into SERS' pension calculation and administration system. That table is supposed to be reviewed and revised as appropriate by the actuary every five years as part of the quinquennial experience study.

Mr. Stensrud explained that in the case at hand the updated table was not properly submitted and installed in the pension administration system (first in MARS, then in SMART) following the five year experience studies in 2016 and 2021. As a result, from August 1, 2017 to the present, retirees who were subject to the age factor reduction have received a larger reduction to their benefit than they should have.

Mr. Stensrud explained that extensive analysis has been undertaken to identify the retirees who experienced this over-reduction, the level of the over-reduction in each case, and how long the over-reduction has gone on. Through this analysis, the amount necessary to correct for the over-reduction has been identified and will be paid to each impacted benefit recipient. Pursuant to federal tax law requirements, interest will be added to the corrective payment.

Mr. Stensrud reported that the difference between the correct reduction and incorrect reduction was small and the problem was not something that was easily identifiable. As evidence, Mr. Stensrud noted that benefit calculations undergo annual internal and external audit review and had also been subject to an actuarial audit review. That said, the issue was very disappointing and regrettable. Mr. Stensrud noted that a number of measures will be implemented to help assure that a similar situation does not occur in the future.

Mr. Stensrud stated that with the Board's approval of certain elements of the remediation plan, corrective payments will go out in April and May. Most of the recalculated payments are standard but some are more complicated and require manual recalculation. Mr. Stensrud said that payment of all corrections is targeted to be complete by the end of the fiscal year.

Questions and a robust discussion followed including whether some portion of the internal cost incurred by SERS to address the problem, or the interest added to the corrective payments, should be reimbursed by the actuary who failed to provide the updated age reduction tables. Mr. Stensrud advised that the Board will be provided with the number of hours worked to correct this issue and that discussions can follow on what amount SERS

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might seek to recover. Mr. Stensrud also advised the Board that they will be provided with a copy of the communication that will go out to affected members regarding this issue.

### **Age Reduction Factor Tables – Implementation of Tables and Adjustment of Benefits**

It was moved by James Rossler and seconded by Frank Weglarz that SERS will fully correct operational oversights pursuant to the IRS's Self Correction Program under the Employee Plans Compliance Resolution System (EPCRS) as follows:

1. Implement the age reduction factor table approved by the Board in March 2017, with an effective date of August 1, 2017;
2. Adopt effective April 1, 2022, the age reduction factor table recommended by SERS' actuary CavMac and presented at the March 2025 Board meeting, and implement the table;
3. Make retirees who are affected by the change in age reduction factor tables whole as required by EPCRS by adjusting their current monthly benefit and remitting retroactive payment for underpaid benefits; and
4. Include simple interest at a rate of 3%, a rate recommended by SERS' actuary CavMac, on retroactive payments for retirees with a benefit effective date before July 1, 2024.

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

### **Filing of Proposed Amended Administrative Rule**

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-29 Purchase of Service Credit; out-of-state and other. James Haller moved and Catherine Moss seconded that proposed amended rule 3309-1-29 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

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

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new and amended rules: 3309-1-07 Application for payment of accumulated contributions; 3309-1-09 Federal Taxation; 3309-1-11 Membership determinations; 3309-1-20 Validity of marriage; 3309-1-61 Reemployment covered by section 3309.345; and 3309-1-70 Contribution based benefit cap; that have been reviewed by JCARR and are ready for final adoption by the Board.

Daniel Wilson moved and Jeanine Alexander seconded that proposed new and amended rules 3309-1-07, 3309-1-09, 3309-1-11, 3309-1-20, 3309-1-61 and 3309-1-70 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### **Remote Board Meeting Attendance Policy**

Mr. Stensrud reported as discussed at the February Board meeting, recently enacted House Bill 257 (HB 257) authorizes Ohio pension system Board members to remotely attend a limited number of Board meetings every year. HB 257 also directs that to take advantage of this authority the Board must adopt a policy that comports with certain attendance and participation requirements. Mr. Stensrud stated that a proposed Remote Board Meeting Attendance Policy is being presented for consideration that tracks the new statute (R.C. 3309.091) created by HB 257.

Mr. Stensrud stated should the Board wish to adopt the Policy, a resolution to do so is included. HB 257 is effective April 9, 2025, so the resolution has that date as the effective date of the Policy. The Policy would then be in effect for the April Board meeting.

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It was moved by Catherine Moss and seconded by James Rossler to adopt a Remote Board Meeting Attendance Policy. The Policy shall be effective April 9, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### **Retirement Report**

There was no executive session for the retirement report.

### **Audit Report**

SERS Chief Audit Officer, Jeff Davis, provided an update on the work being done in the Audit Committee. Several audit projects have been completed and several are in progress. Mr. Davis also reported that there are new audit standards that will be implemented. Those changes have been added to the Audit Charter and that charter is available for review.

### **SERS Audit Committee Charter Amendments**

It was moved by Catherine Moss and seconded by Jeanine Alexander to accept the recommendation of the SERS Audit Committee and amend the SERS Audit Committee Charter effective March 20, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### **Board Communication and Policy Issues**

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

The board also requested that CavMac be contacted regarding reimbursement of work hours and interest cost incurred by SERS due to the Age Factor Reduction Table issue.

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

The Board members reviewed the 2025 meeting calendar with no further comment.

### **CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2025 \*\***

#### **AUDIT COMMITTEE MEETINGS**

June 17, 2025 – 2:30 p.m. (Tues.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 17, 2025 - 2:30 p.m. (Weds.)  
December 17, 2025 – 2:30 p.m. (Weds.)

#### **COMPENSATION COMMITTEE MEETINGS**

June 18, 2025 – 7:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17, 2025 – 7:30 a.m. (Thurs.) **\*\* Special Meeting \*\***  
September 18, 2025 – 7:30 a.m. (Thurs.)  
December 18, 2025 – 7:30 a.m. (Thurs.)

#### **TECHNOLOGY COMMITTEE MEETINGS**

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June 18, 2025 – 12:30 p.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 19, 2025 – 12:30 p.m. (Thurs.)

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December 19, 2025 – 12:30 p.m. (Thurs.)

### BOARD MEETINGS

April 17 – 18, 2025 - 8:30 a.m. (Thurs. and Fri.)  
May 15 – 16, 2025 – 8:30 a.m. (Thurs. and Fri.)  
June 18, 2025 – 8:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)  
September 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 16 – 17, 2025 – 8:30 a.m. (Thurs. and Fri.)  
November 20 – 21, 2025 – 8:30 a.m. (Thurs. and Fri.)  
December 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)

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

### Adjournment

Board Chair, Matthew King, moved to adjourn to meet on Thursday, April 17, 2025, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 11:16 a.m.

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Matthew King, Board Chair

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Richard Stensrud, Secretary