

SERS Special Retirement Board Meeting Minutes

June 18, 2025

The nine hundredth and eightieth 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 Wednesday, June 18, 2025.

Pledge of Allegiance

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

Oath of Office

With his re-appointment to a new term on the SERS Board, the Oath of Office was administered to Board Member Jeffrey DeLeone. The Board congratulated Mr. DeLeone on his re-appointment.

Roll Call

The roll call was as follows: Matthew King, Catherine Moss, Jeffrey DeLeone, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, and Daniel Wilson. Also attending was Maggie O'Shea, 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.

Proclamation – James Haller

The Retirement Board of the School Employees Retirement System of Ohio adopted the following resolution on June 18, 2025 to honor James Haller, who will be leaving the Board when his term ends on June 30, 2025.

WHEREAS, the School Employees Retirement System of Ohio provides pension benefits to nearly 246,000 active and retired non-teaching public school employees; and

WHEREAS, Mr. James Haller has served with distinction as a Trustee of the School Employees Retirement System as an active member representative since 2016; and

WHEREAS, He took seriously his fiduciary duty on behalf of the entire membership and was a trusted resource who spoke to the impact of system changes on every worker, especially those involved in manual labor positions, including custodians and maintenance workers; and

WHEREAS, Mr. Haller's collaboration with fellow Board members was noteworthy during the pension and health care sustainability discussions designed to keep SERS financially solvent well into the future; and

WHEREAS, Mr. Haller was a dependable and dedicated in-person attendee during his entire service on the Board, with his steadfast presence offering stability and constancy to meetings and discussions; and

WHEREAS, Mr. Haller's thoughtful and conscientious leadership style, along with his quiet confidence and strength of character, have been instrumental in shaping investment and health care policies that will affect the system's financial strengths for many years to come; now therefore;

BE IT RESOLVED, that the Retirement Board of the School Employees Retirement System of Ohio applauds and recognizes Mr. James Haller for his stewardship, service, and dedication to the retirement security of Ohio's non-teaching public school employees.

Consent Agenda

The consent agenda for **June 18, 2025**, included:

- **Minutes** of the May 15, 2025 Retirement Board Meeting.
- **Summary of Investment Transactions** for the period of April 1, 2025, to April 30, 2025.
- **Retirement Report** – Superannuations, Survivor Benefits, Transfers, and Special Cases

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- **Disability Report** – Approval of Disability Benefits, Approval of Appeal for Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation.

James Haller moved and Frank Weglarz seconded the motion to approve the Consent Agenda of the Special Retirement Board meeting held on Wednesday, June 18, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Investment Report

Educational Session under R.C. 171.50 and 3309.051 – Fixed Income Market Update and Portfolio Review by Dodge & Cox

SERS Chief Investment Officer, Farouki Majeed, introduced Terrill Armstrong and Nils Rueter of Dodge & Cox (D&C) Investment Focus, an investment management firm, who provided an educational session for the Board featuring a Fixed Income Market Update and a Portfolio Review.

Mr. Armstrong explained that by using fundamental research, D&C constructs and manages a diversified portfolio of fixed income securities with the goal of generating alpha over a three- to five-year time period. Mr. Armstrong stated that independent research is the foundation of all investment decisions and risk management is critical. Mr. Armstrong also stated that D&C uses a bottom-up approach to portfolio construction and stressed the importance of a long-term view.

Mr. Rueter reported that in the US economic environment, growth is slowing, the labor market is gradually loosening, and inflation has declined. But risks are intensifying from tariff, immigration, and fiscal policy factors. He noted that the Fed has cut rates by 100bps and recently signaled a slower pace of cuts amid high uncertainty.

Mr. Rueter also reported that D&C formalizes U.S. interest rate views within their U.S. Rates Group, whose members combine expertise in macroeconomics, U.S. Treasury/Rates markets, and portfolio management. Its regular deliberations focus on assessing ranges for the Federal Funds Rate (FFR) and longer-term U.S. Treasury rates over 2–3 year horizons. Each scenario (base, up and down) is fleshed out with a description of the associated macroeconomic environment. Mr. Rueter also stated that the output of this process is a valuable input into various investment-related processes and decisions across the firm.

Mr. Armstrong reported that market volatility provides D&C with opportunities to add value as an active manager:

- When the market experiences spread widening and high dispersion of valuations, D&C leans into compelling opportunities where they believe securities of issuers with sound underlying credit profiles are attractively priced.
- When spreads tighten, the Fund's higher credit weighting and OAS together can generate opportunities for both higher income as well as greater price appreciation.

Mr. Armstrong continued, stating that corporate bonds have historically provided higher excess returns versus Treasuries when purchased at wider spread levels. Mr. Rueter stated that since 1990, the Bloomberg U.S. Corporate Investment Grade Index has produced positive excess returns in ~74.7% of rolling three-year periods. Mr. Rueter also stated that the Bloomberg U.S. Corporate Bond Index ended the quarter with an OAS(b) of 94 bps. When starting with an OAS between 85 bps and 105 bps, IG Corporate Bonds have generated positive excess returns in 65.6% of rolling three-year periods from 1990 – present.

Mr. Rueter also reported that the Securitized market continues to offer attractive long-term opportunity given the combination of strong fundamentals/low prepayments and market technicals keeping MBS spreads close to long-term averages. D&C continues to find compelling opportunities in ABS, particularly within student loans.

Mr. Armstrong provided a review of SERS portfolio structure. The goal is to add value for the clients they serve.

After a robust discussion and several questions, the Board thanked Mr. Armstrong and Mr. Rueter for their report.

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Monthly Investment Report – As of March 31, 2025

Chief Investment Officer Farouki Majeed provided a monthly economic environment and investment performance update. Mr. Majeed reported that the US labor market may tighten in the coming months as the number of job openings decline. Mr. Majeed also reported that the federal debt continues to grow and has not been at this level since World War II. Mr. Majeed continued, stating the value of the US dollar is decreasing globally and the investments staff will keep the Board updated on any developments.

Mr. Majeed discussed the total fund investment performance and the performance by asset class as April 30th. Mr. Majeed noted that the total fund has consistently outperformed its benchmark over all time periods, adding substantial value above the benchmark.

Following a few questions, the Board thanked Mr. Majeed for his presentation.

Statement of Investment Policy Amendments

Chief Investment Officer Farouki Majeed provided an overview of proposed changes to the Statement of Investment Policy which he had discussed more extensively at the May Board Meeting. Jeanine Alexander moved and Jeffrey DeLeone seconded the motion to approve the proposed amendments to the Statement of Investment Policy. The amended Statement of Investment Policy will become effective July 1, 2025, and replaces the Statement of Investment Policy dated July 1, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

FY2026 Annual Investment Plan

Mr. Majeed provided an overview of proposed changes to the Annual Investment Plan that he had discussed more extensively at the May Board Meeting. James Rossler moved and Aimee Russell seconded the motion to approve the Annual Investment Plan for fiscal year ending June 30, 2026 ("the FY26 Plan"), as presented. The FY26 Plan replaces the FY25 Plan originally approved June 21, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Audit Committee Report

Audit Committee Update

Audit Committee Chair, James Rossler, provided an update on the work being done in the Audit Committee. Mr. Rossler reported that in May, the SERS Audit Committee began screening candidates for the Chief Audit Officer position that will become vacant soon due to current Chief Audit Officer Jeff Davis's retirement. After several interviews, the field was narrowed to two candidates. Mr. Rossler advised that those two candidates were invited to today's Board meeting to meet with the full Board. Mr. Rossler also advised that the Audit Committee had reviewed the status of all external and internal audits as well as the draft FY2026 Internal Audit Plan.

Executive Session

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

The Board convened in executive session at 10:03 a.m.

The Board returned to open session at 11:20 a.m.

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It was moved by Jeanine Alexander and seconded by Jeffrey DeLeone to authorize Hudepohl and Associates to negotiate employment terms for the SERS Chief Audit Officer position with the designated candidate. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Chief Audit Officer Compensation

It was moved by Frank Weglarz and seconded by James Rossler that as recommended by the Audit Committee, SERS Chief Audit Officer Jeff Davis receive a 4.9% merit increase in salary effective the first pay date in fiscal year 2026. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Executive Director's Update

Ohio Retirement Study Council

Executive Director Richard Stensrud provided an update for the Board on the June ORSC meeting. Mr. Stensrud noted that at the June meeting the ORSC discussed and voted on Council recommendations regarding certain provisions in the state operating budget legislation moving through the General Assembly that would negatively impact the state retirement systems.

State Legislative Activity

Mr. Stensrud discussed the provisions of concern in the operating budget bill. He also outlined the steps in the legislative process through which the provisions would progress.

The first provision would include the retirement systems in the definition of 'state agency' for the purpose of limiting remote work options. Mr. Stensrud noted that the retirement systems have never been characterized as state agencies in the law, and that the systems are governed by independent boards vested with fiduciary responsibilities to the members of the system. He noted that the retirement systems were concerned that the proposed legislation could lead to a progressive erosion of the independence and autonomy essential to the performance of those fiduciary duties. For those reasons the retirement systems and the ORSC were recommending that the provision be removed from the budget bill in the upcoming Conference Committee.

The second provision would carve out a category of employees of third party vendors providing certain services to the schools from the characterization under the law that they are SERS members. Mr. Stensrud noted this would disrupt the uniformity and consistency of membership treatment of individuals working for third party vendors in positions common to the normal daily operation of an educational unit. He noted that it would impact hundreds of current SERS members and lead to a loss of contributions that would weaken long term sustainability. He noted that the ORSC expressed concern that the attempt to carve out these individuals from the category of public employees could have broad ramifications for the characterization of public employees as outside of Social Security. For these reasons, SERS and the ORSC recommended that the provision be removed in Conference Committee.

The third provision involves a requirement that upon request of a benefit recipient, the retirement systems withhold school income tax from benefit payments. Mr. Stensrud explained that the primary concern was that the effective date of the withholding requirement was originally set as January 1, 2026 which did not allow time to prepare the necessary systems and processes for the unbudgeted cost to carry out the mandate. Mr. Stensrud reported that the effective date had subsequently been moved out to January 1, 2027, and that the retirement systems and the ORSC were recommending that that change be maintained in the Conference Committee.

Mr. Stensrud noted that SERS had engaged in substantial communication, education and advocacy on the issues and he was cautiously optimistic that those efforts would lead to favorable results.

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Advocacy Groups

Mr. Stensrud reported that the annual OASBO/SERS 'state of the union' update meeting was held on May 23rd. He reported that the virtual event had a good turnout. At the meeting, SERS staff provided a system overview and update on current system conditions, and discussed future initiatives and challenges. SERS leadership also answered questions from stakeholders. Mr. Stensrud reported that the information was well received by the attendees.

Member and Employer Engagement

Mr. Stensrud reported on the various member and employer education programs that had been conducted over the past month, as well as member and employer communication pieces. Mr. Stensrud also provided comparative information on engagement activities over the last few years.

Retirement Levels

Mr. Stensrud reported that retirement levels for the current fiscal year were running higher than in the past and that he believed this was attributable to the repeal of WEP/GPO which was causing members to feel that the somewhat reduced SERS benefit they would get by retiring earlier would be more than offset by the unreduced Social Security benefit they will now get.

Review of Administrative Expenses

Chief Financial Officer Marni Hall provided an update on the May administrative expenses. Ms. Hall also provided an update on expenditures under the current budget. Ms. Hall reported SERS is over budget on medical expenses due to large, unexpected claims, however, overall, final administrative expenses for FY2025 are expected to be at or under budget.

SERS FY2026 Administrative Budget (R-2)

Chief Financial Officer, Marni Hall provided a final review of the draft FY2026 Administrative Budget for the Board. The proposed FY2026 Administrative Budgets for SERS and OSERS Holdings, LLC were presented and the Board was asked to approve the final version of these budgets through separate resolutions – one for SERS' operating budget and one for the transfer of funds to OSERS Holdings, LLC to cover the net operating expenses of OSERS Broad Street, LLC.

Ms. Hall also provided information in response to questions asked in the previous month's budget discussions. Ms. Hall addressed payroll processing costs, building vacancy levels at 300 East Broad Street and surrounding areas, and a ten year history of budget utilization (expenditures relative to budget).

Frank Weglarz moved and Catherine Moss seconded that the following budget of \$41,246,670 for the fiscal year beginning July 1, 2025, and ending June 30, 2026, be approved, with such approval effective June 30, 2025.

<u>Expense Classification</u>	<u>Budget</u>
Personnel	\$ 28,514,219
Professional Services (including Investment-Related Consultants)	7,044,466
Communications	821,240
Other Operating Expenses	4,853,745
 SERS Administrative Expenses	 \$ 41,233,670
 Administrative Capital.....	 13,000
 Administrative Budget	 \$ 41,246,670

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

Operating Transfer Resolution – FY2026

Frank Weglarz moved and Catherine Moss seconded that SERS transfer to OSERS Holdings, LLC up to \$2,224,594 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2025, and ending June 30, 2026 with such approval effective June 30, 2025. OSERS Holdings, LLC shall report quarterly to the SERS Board of Trustees on the expenditure of all funds and receipt of all revenues. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Travel Handbook Provisions Follow-Up

Mr. Stensrud reported that at the May Board Meeting there was discussion regarding proposed revisions to the SERS Travel Handbook, which covers all SERS travelers. Mr. Stensrud noted that two topics in particular were the focus of discussion – meals at conferences and travel within three hours of home and the meeting/conference location. As a result of those discussions it was agreed that the proposed provisions on those topics would be revised to provide greater clarity.

Mr. Stensrud provided the revised Handbook provisions for the Board's consideration. He explained the guidelines for meals served at a conference and paid with registration fees state that a conference-provided meal will be deducted from the U.S. General Services Administration (GSA) daily limit based on the GSA amount allocated to that meal. However, a separately purchased meal will be reimbursed if the meal provided did not meet the traveler's dietary restrictions. He also explained the provisions concerning when lodging and meals will be reimbursed for travel to meetings and programs within three hours of the traveler's home.

No concerns were expressed regarding the proposed provisions.

Healthcare Report

Dr. Michael Steiner, Director of Health Care Services, discussed and requested the Board's approval of the following changes to the healthcare program.

Medicare Premiums and Benefits

1. A reduction of the health care premium surcharge from \$35 to \$15 for the Aetna Medicare Advantage plan. The full premium will change from \$198 to \$178. The most common premium will change from \$68 to \$48.
2. Out-of-pocket Part D prescription drug expenses will not exceed the federally established \$2,100 limit for 2026.

Non-Medicare Premiums and Benefits

1. The Aetna Choice POS II premium will increase by approximately 3%. The full premium will change from \$1,630 to \$1,671. The most common premium will change from \$354 to \$362.
2. The AultCare premium will increase by approximately 4%. The full premium will change from \$1,183 to \$1,228. The most common premium will change from \$265 to \$274.
3. The Wraparound HRA total annual reimbursement limit will increase from \$2,150 to \$2,200.

Dental Plan

The SERS dental benefit is offered by Delta Dental and the benefit is fully supported by member premiums. The benefits for the upcoming two-year enrollment period (2026 and 2027) are not changing. The premiums for the upcoming two-year enrollment period are increasing by approximately 12%. For example, the premium for a single enrollee will increase from \$30.37 to \$33.56.

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Vision Plan

SERS vision coverage is offered by VSP. The program is also fully supported by member premiums. The benefits for the upcoming two-year enrollment period (2026 and 2027) are not changing. The premiums for the upcoming two-year enrollment period are increasing by approximately 10%. For example, the premium for a single enrollee will increase from \$6.17 to \$6.81.

Approval of the 2026 Health Care Premiums and Plan Design Changes

It was moved by James Haller and seconded by Catherine Moss to approve the 2026 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2026. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Premium Discount Program

Michael Steiner, Director of Health Care, provided a brief update on the SERS Premium Discount Plan.

Dr. Steiner noted that the 2026 Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare Advantage plan and to "split families" in which one family member is enrolled in a SERS Medicare Advantage plan.

Dr. Steiner continued, stating that eligibility for the Health Care Premium Discount Program during the 2026 calendar year will be based upon the applicant's qualifying household income for calendar year 2024. Medicare Part B reimbursement is excluded from the definition of qualifying household income. Members who are determined eligible by manual application will be presumed to be eligible in subsequent years. If the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is less than or equal to 175% of the 2025 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS.

Dr. Steiner continued, stating that if the applicant's qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is more than 175% of the 2025 federal poverty level for the household size, the applicant may request special consideration.

Dr. Steiner closed stating that SERS health care participants approved by Medicare for the non-institutionalized Part D low-income subsidy program, which has similar household income eligibility requirements to the Premium Discount Program, will be automatically enrolled into the Premium Discount Program. Previously approved participants will continue to be enrolled for the program without reapplication.

2026 Health Care Premium Discount Program (Safety Net)

It was moved by Catherine Moss and seconded by Aimee Russell to approve the 2026 Health Care Premium Discount Program. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Compensation Committee Report

Compensation Committee Update

Compensation Committee Chair Daniel Wilson provided a report on the work being done in the Compensation Committee. Mr. Wilson stated that the Executive Director's FY2025 goals were reviewed at the morning's meeting and that the Committee believes the Executive Director's performance continues to be excellent.

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Retirement Report

There was no executive session for the retirement report.

Executive Director's Report (cont.)

Board Self-Assessment Discussion

The Board engaged in its annual self-assessment discussion. The Board agreed that the SERS Board is high functioning, balanced, collegial, collaborative and professional. The Board believes that as a unit they work well with each other and with SERS staff to move the work of the retirement system forward. Several Board members expressed their appreciation for the great relationship between the Board and SERS staff.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

No additional follow-up items were noted.

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

September 17, 2025 - 2:30 p.m. (Weds.)
December 17, 2025 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

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

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

BOARD MEETINGS

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.**

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Board Officer Elections

Board Chair, Matthew King, opened the floor for Board Chair nominations. Catherine Moss nominated James Rossler to be the next SERS Board Chair. Frank Weglarz seconded the nomination. As Chairperson of the SERS Board, Matthew King declared James Rossler Board Chair for FY2026 (which is July 1, 2025 through June 30, 2026).

Board Chair, Matthew King, opened the floor for Board Vice-Chair nominations. Catherine Moss nominated Daniel Wilson to be the next SERS Board Vice-Chair. Jeffrey DeLeone seconded the nomination. As Chairperson of the SERS Board, Matthew King declared Daniel Wilson Board Vice-Chair for FY2026 (which is July 1, 2025 through June 30, 2026).

The Board congratulated Mr. Rossler and Mr. Wilson on their nominations.

Adjournment

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

The SERS Board meeting adjourned at 12:18 p.m.

Matthew King, Board Chair

Richard Stensrud, Secretary