



**SERS Retirement Board
Compensation Committee
Meeting Agenda
Thursday, September 18, 2025
7:30 A.M**

To Join Zoom Meeting:

<https://ohsers.zoom.us/j/97473318773?pwd=sObYgkbZWehpJEUcSkGq1ZMZengKBY.1>

Meeting ID: 974 7331 8773 Password: 12345

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **974 7331 8773** and password: **12345** when prompted.

1. Roll Call
2. Approval of **June 18, 2024**, Special Compensation Committee Meeting Minutes (R)
3. SERS' Employee Health Insurance Plan and Retiree Life Insurance Plan discussion.
4. Executive session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee (R)
5. Adjournment (R)

SCHOOL EMPLOYEES RETIREMENT SYSTEM

COMPENSATION COMMITTEE

September 18, 2025

_____ **A.M.**

Roll Call:

Daniel Wilson - Chair	_____
Jeanine Alexander	_____
Jeffrey DeLeone	_____
Rebekah Roe	_____
Frank Weglarz	_____

Guests in Attendance:

APPROVAL OF MINUTES OF THE SPECIAL COMPENSATION COMMITTEE MEETING

_____ moved and _____ seconded the motion to approve the minutes of the Special Compensation Committee meeting held on June 18, 2025.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
Rebekah Roe	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____

School Employees Retirement System		SPECIAL COMPENSATION COMMITTEE MEETING MINUTES	
Preparer	Vatina Gray		Meeting Date: June 18, 2025
Committee Chair	Daniel Wilson	Committee Roll Call was as follows: Present: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson. Also in Attendance: Maggie O'Shea, representative from the Ohio Attorney General's Office. Also in attendance were SERS Staff: Richard Stensrud, Joe Marotta, Michelle Miller, and Vatina Gray.	
Agenda	1. Roll Call 2. Approval of April 17, 2025, Special Compensation Committee Minutes (R) 3. Discussion of Changes to Employee Leave Time Program 4. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R) 5. Adjournment		
Discussion	<p>The SERS Special Compensation Committee meeting convened in open session at 7:33 a.m.</p> <p><u>ROLL CALL</u> The SERS Special Compensation Committee roll call was as follows: In-Person: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson.</p> <p><u>APPROVAL OF MINUTES</u> James Haller moved and Aimee Russell seconded the motion to approve the minutes of the Special Compensation Committee meeting held on April 17, 2025. Upon roll call the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson. The motion carried.</p> <p><u>DISCUSSION OF CHANGES TO EMPLOYEE LEAVE TIME PROGRAM</u> SERS Executive Director, Richard Stensrud, provided an update on the SERS Employee Leave Program. Mr. Stensrud reported that annually, the Executive Director, with input and guidance from the Deputy Executive Director and the Directors of Human Resources, Health Care Services, and Finance, reviews and considers potential adjustments to the non-salary benefits provided to SERS employees. The primary goal is to assure that we are being fiscally prudent while providing a benefits package that supports our overall compensation objective of being able to attract and retain well-qualified personnel.</p> <p>Mr. Stensrud continued, stating Examples of the benefits reviewed and adjusted annually include the elements of the employee health care plan such as:</p> <ul style="list-style-type: none">• Premiums• Co-pays• Co-insurance• Deductibles• Out-of-pocket maximums• Prescription formulary changes• Wellness and disease management programs• Flexible Spending Account vendors <p>Mr. Stensrud reported that other benefits that have been reviewed and adjusted over the last several years include:</p> <ul style="list-style-type: none">• Provisions of the life insurance offered to retired SERS employees• The length of the SERS work week• Parental leave• The tuition reimbursement program• The cell phone reimbursement program• Short term disability benefit levels		

- Expanding 'stop loss' coverage to employee prescription claims
- Sick leave accrual and cash out
- Vacation leave accrual and cash out

Mr. Stensrud stated that a chronological list of these latter benefit changes has been provided. The longstanding practice at SERS has been that benefit adjustments such as those referenced above are made pursuant to the operational authority granted to the Executive Director, with no Board approval required. However, in situations where adjustments are more widespread and/or substantial, it has been my practice to advise the Compensation Committee about what is being done and why. This can be seen in the chronology, where in December 2017, I reported to the Committee on a package of benefit adjustments that would be implemented beginning in 2018. A copy of the memorandum to the Compensation Committee describing those changes is attached for your reference.

Mr. Stensrud advised the Compensation Committee about a package of adjustments to the employee sick and vacation leave accrual and cash out program that will be implemented over the next year.

Mr. Stensrud continued, stating that re-assessing sick and vacation leave accrual and cash out has become more important in recent years. Those adjustments (which for past years are described in the chronology and memorandum referenced above) are largely for three reasons: (1) GASB has issued directives requiring that more accumulated leave time must be reported on SERS' financial statements as an expense accrual, which places a strain on current and future operating budgets; (2) Leave usage by employees has declined, causing leave balances to increase and financial statement reporting levels to increase, and further resulting in the potential for larger leave cash outs before retirement/separation from service; and (3) A difference between some of SERS' leave accrual and cash out caps and those at the other Ohio retirement systems.

Mr. Stensrud reported as of December 2024, there was \$1.6 million in vacation leave liability and \$2.1 million in sick leave liability that must be reported on the financial statements.

Mr. Stensrud continued, outlining SERS' current vacation and sick leave accrual and cash out provisions and the adjustments that will be made to the program.

Current Vacation Leave Accrual and Cash Out Provisions

- SERS employees earn 4,5,6,7, or 8 hours of vacation leave per pay period depending on seniority.
- All employees are required to use at least 40 hours of vacation leave time per year.
- Accrued vacation leave over 80 hours can be cashed in up to 3 times per year at the employee's current rate of pay.
- Vacation leave maxes out at 2 years' worth of accruals (208 – 416 hours).
- All vacation leave is paid out at time of separation.
- As of December 2024, 75% of SERS' employees have 80 or more hours of accrued vacation leave and 35% have more than 200 hours.

Vacation Leave Accrual and Cash Out Changes

- The accrual rates and maximum accrual levels will not change, and employees with more than 80 hours will still be able to cash in up to three times a year.
- However, there will be an annual 120-hour cap on vacation leave cash ins effective July 1, 2026.
 - This is intended to help alleviate large cash in spikes which are hard to plan and budget for.
 - The 120-hour cash-in-cap should also encourage employees to use more leave time on an annual basis without instituting a mandate for all employees to use more hours in a year. If more people use leave time within the year, it will reduce the leave expense assumption over time for budgeting purposes.
- The 40-hour vacation leave usage requirement will remain in effect for all staff except Executive level staff who earn more than 8 hours of vacation leave per pay period. Given

their higher vacation accrual rate, those individuals will be required to use 80 hours of vacation leave per year.

Current Sick Leave Accrual and Cash Out Provisions

- SERS employees earn 4 hours of sick leave per pay period regardless of seniority.
- There is currently no cap on the number of sick leave hours that can be accrued; however a maximum of 960 hours is payable upon separation from service.
- Employees with over 500 sick leave hours in January of each year have the option to cash in one half of the sick leave hours they earned over the year and did not use. The other half is carried forward. The maximum annual cash in is 52 hours.
- As of December 2024, 32% of SERS employees have 500+ hours of sick leave, 22% have 720+ hours, and 11% have 1000+ hours.

Sick Leave Accrual and Cash Out Changes (effective January 2026)

- A hard cap of 960 hours will be established for sick leave accrual.
- Employees can voluntarily cash in sick leave if they have at least 480 hours of accrued sick leave.
- Sick leave cash in will be mandatory for employees with at least 720 hours of accrued sick leave.
- The cash in will be for all hours earned but not used in the past year and will be paid out at a 50% rate. The dollar amount paid out under the former and new provisions would be the same, the difference is that the half of the hours that used to be carried over will no longer carry over.

Long Term Impact

Mr. Stensrud stated that the changes to the leave time program will allow SERS to maintain our current sick and vacation accruals and continue to provide the opportunity for an annual cash-in of unused leave time. With the phase-in of the provisions being changed, those employees closest to retirement will be the least impacted by the changes.

The leave accrual rate, the leave accrual caps, and the leave accrual cash in opportunities will be on par with those at the other retirement systems and will help enable SERS to attract and retain high quality employees. At the same time, SERS will benefit by reducing cash in volatility and reducing the rate of growth of the future leave liability over time. It is estimated that the future leave liability will be reduced by over 10% within 5 years.

Following a robust discussion, the Compensation Committee members thanked Mr. Stensrud for his report.

EXECUTIVE SESSION

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

The committee convened in executive session at 7:53 a.m.
The committee returned to open session at 8:29 a.m.

ADJOURNMENT

Daniel Wilson moved to adjourn the meeting at 8:30 a.m.

	Action Items	Assigned Person	Due Date
Action Items			

Memo

To: SERS Compensation Committee
From: Richard Stensrud
cc: Karen Roggenkamp, Michelle Miller
Date: September 10, 2025
Re: **Health Care Plan Changes**

At the June Compensation Committee Meeting I advised the Committee about a package of adjustments to the employee sick and vacation leave accrual and cash out program that will be implemented over the next year. This memorandum is being presented for a similar reason: To advise you about changes that are planned to the employee health insurance plan.

You will recall that annually the Executive Director, with input and guidance from the Deputy Executive Director and the Directors of Human Resources, Health Care Services, and Finance, reviews and considers potential adjustments to the non-salary benefits provided to SERS employees. The primary goal is to assure that we are being fiscally prudent while providing a benefits package that supports our overall compensation objective of being able to attract and retain well-qualified personnel.

Background

The employee health insurance plan is an important component of SERS' non-salary benefit package. SERS' employee health care plan is self-insured, which means that SERS pays the health care claims (both medical and drugs (Rx)) up to \$250,000 per member per year. Claim costs above that amount are covered by stop-loss insurance.

Because the plan is self-insured, CavMac provides guidance on the projected annual cost of the plan based on our prior plan experience and medical cost trends. The analysis also includes any plan changes that would have a projected positive, negative, or neutral cost impact. That can include changes to premiums; co-pays; co-insurance; deductibles; out-of-pocket maximums; prescription formulary changes; and plan coverage changes. SERS' portion of the projected cost is then built into the administrative budget.

SERS medical and prescription costs have been at elevated levels for the last several years relative to past years. With the exception of a low cost year in FY 22-23, health insurance costs have been consistently above 10% of the total budget, with three of the last five years over 11%. In the fiscal year just ended, they were 11.44% of the total budget, and as you will recall from Marni's comments at fiscal year end, more than \$1 million over what was budgeted. There is a similar pattern when looking at health insurance costs as a percentage of overall personnel costs, including salaries.

The increased cost picture is made even clearer when we look at the experience in calendar year 2024 (recall that while budgets work on a fiscal year basis, health insurance plans operate on a calendar year basis). In 2024, medical cost paid Per Member Per Month (PMPM) increased 72.3% with the average PMPM increasing from \$420 to \$723. Having six High-Cost Claimants (HCCs) with average claims paid of \$303,853 drove up the PMPM in 2024. There was one HCC that drove a majority of the plan spend – over \$1M in CY2024. This is compared to 2023, when we had one HCC with claims paid of \$116,509.

The Rx plan saw a 6.3% increase in total plan cost from 2023 to 2024. Net plan cost increased from \$734,072 to \$780,320. We continue to have a high-cost claimant whose Rx claims exceeded \$250,000 in 2024 and they are expected to exceed that threshold in 2025. The member's Rx claims cost increased 14.7% in 2024. This HCC has not historically had high-cost medical claims. However, they hit the stoploss threshold on Rx claims alone.

Thus far in 2025, we are continuing to see high medical and Rx claims cost. Average PMPM costs are trending over \$700 PMPM and we expect to have 2-3 people hit the stoploss threshold. SERS has already received \$132,388 in medical plan stop-loss reimbursement for plan year CY2025.

Increased GLP-1 usage in 2025 is driving the Rx plan cost increases. Cost of GLP-1's in the first half of CY25 is \$121,192 with two thirds of that cost (\$82,512) for GLP-1s for weight loss. If this continues into the second half of CY25, the plan could see a 46% increase in cost of GLP-1 claims.

As previously noted, CavMac provides guidance on the projected overall costs of the health insurance plan and recommends the rate paid per member to address that cost. That rate is then allocated between SERS and the employee. For the past several years, SERS has paid for 89% of the cost, and the employee pays the remaining 11% in the form of premiums. Covering 89% of the cost of coverage is generous and compares favorably based on national averages. For example, the Bureau of Labor Statistics reports that for government employers the average employer portion is 86% and the average employee portion is 14%.

SERS offers four tiers of coverage: Employee only; Employee and spouse; Employee and child(ren); and Family. The premium cost varies by coverage type, but the cost for participants in all tiers is 11% of the total cost. Many employers require an employee to pay a higher premium for covering family members beyond the employee. For example, the Bureau of Labor Statistics reports that the national average for the employee-paid portion of a family plan is 29%.

Proposed Changes for Calendar Year 2026

While some year-to-year variability in health care cost is to be expected, the trend of continued high medical and Rx costs will result in increased budgetary strain for SERS, beginning with SERS' FY 25-26 budget, and increased premiums for employees.

Specifically, no changes to the plan design or the premium structure will result in a 12.2% cost increase.

Accordingly, in an effort to maintain a health insurance plan that is attractive and affordable to employees while managing the long term costs and sustainability of the benefit plan, several proposed changes have been identified.

- Increase the out-of-pocket maximum (OPM) on the Rx plan from \$1,250/\$2,500 to \$1,500/\$3,000.

- Four employees exceeded the OPM in 2024 and the same four have exceeded it in 2025.
- Update the Rx co-pay structure.
 - Generic – no change at \$10
 - Preferred brand – no change at \$40
 - Preferred insulin – no change at \$25
 - Specialty generic – no change at \$10
 - Specialty Preferred brand – increase to \$100 from \$50
 - Most specialty drug patients participate in the SaveOn program and will not have a cost increase.
- Increase medical deductible.
 - In-network - \$500/\$1000 to \$750/\$1500
 - Out-of-network - \$1000/\$2000 to \$1500/\$3000
 - Estimated impact based on 2024 claims - 2.85% to the medical claims (\$117K)

The Rx changes plus the increase in the medical deductible will lower the cost increase to 9.8%.

- Exclude GLP-1s from plan coverage for weight loss purposes.
 - Coverage for GLP-1's for diabetes doesn't change. Diabetic versions are also less costly compared to the weight loss versions.
 - OPERS not covering them effective 1/1/2025 and State of Ohio not covering them effective 7/1/2025.
 - While weight loss could lead to health improvements over time, potential reduction in health care costs will be longer term rather immediate.

The Rx changes, increase in medical deductible and exclusion of GLP-1s for weight loss will lower cost increase to 9.2%.

- Adopt a premium differential model under which SERS pays more of the employee rate and a reduced spouse/dependent rate.
 - The employee-only rate would be reduced from 11% to 10%. This would allow the employee cost to remain flat.
 - The spouse/dependent rate would increase from 11% to 15%. The rate would still be generous relative to most government employers.

All the above changes together would lower the cost increase to 7.4%.

Below is the cost impact of the proposed changes by coverage tier.

Medical Rx, Dental & Vision Monthly EE Premium Comparison			
Tier	2025	2026	Increase*
Employee Only	\$108.08	\$108.08	\$0.00
EE + Spouse	\$216.16	\$263.80	\$47.64
EE + Child(ren)	\$179.99	\$211.04	\$31.05
Family	\$323.99	\$422.08	\$98.09

As noted above the proposed changes will result in SERS employees who have employee-only coverage (60, or approximately one third of the staff) having no cost increase. While there will still be a cost increase for both SERS and employees with dependent coverage, the size of the increase will be reduced by 40%.

Overall, I believe the proposed changes will allow SERS to maintain a health insurance plan that is attractive and affordable to employees while managing the cost and sustainability of the benefit plan. Since the premiums and plan design features are reviewed annually, these changes can be revisited if experience and cost improves in future years.

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Compensation Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee.

Upon roll call, the vote was as follows:

ROLL CALL

	YEA	NAY	ABSTAIN
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
Rebekah Roe	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____

CONVENE IN EXECUTIVE SESSION AT _____ A.M./P.M.

RETURN TO OPEN SESSION AT _____ A.M. / P.M.

ADJOURNMENT

_____ moved that the Compensation Committee adjourn to meet on _____
or the next compensation committee meeting.

The meeting adjourned at _____ a.m.

Daniel Wilson, Compensation Committee Chair