

## **September 19 & 20, 2019**

The nine hundredth and twenty-three meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, September 19, 2019. The meeting convened in open session at 8:34 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: Catherine Moss, Chair, Jeffrey DeLeone, Hugh Garside, James Haller, Barbra Phillips and Daniel Wilson. Catherine Moss excused the absence of James Rossler. Also in attendance was Mary Therese Bridge, representative of the Attorney General, various members of the SERS staff, and members of the public.

### **APPROVAL OF MINUTES OF THE RETIREMENT BOARD RETREAT HELD ON July 17, 2019**

Barbra Phillips moved and James Haller seconded the motion to approve the minutes of the Retirement Board Retreat meeting held on Wednesday, July 17, 2019. Upon roll call, the vote was as follows: Yea: Hugh Garside, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. Abstain: Jeffrey DeLeone. The motion carried.

### **APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON July 18, 2019**

Barbra Phillips moved and Jeffrey DeLeone seconded the motion to approve the minutes of the Retirement Board Retreat meeting held on Wednesday, July 17, 2019. Upon roll call, the vote was as follows: Yea: Hugh Garside, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. Abstain: Jeffrey DeLeone. The motion carried.

Board Chair Catherine Moss asked Chief Investment Officer Farouki Majeed to present the Investment Report.

## **INVESTMENT REPORT**

### **Asset Allocation**

David Lindberg and Joanna Bewick of Wilshire Associates, discussed the 2019 Asset Allocation review in terms of Wilshire's capital market assumptions including asset class risk, return, and correlation. In theory, asset allocation drives 90 percent of the variation in portfolio returns, therefore the inputs into the process are critical. Ms. Bewick informed the Board as of June 30, 2019 return expectations have steadily declined, but active managers can add alpha and boost returns. Current Fixed Income yields are critical for return expectations, as these yields form the building blocks of return expectations for other asset classes. Mr. Lindberg discussed equity returns within the next ten years. As of the end of the third quarter, Wilshire's forecast for U.S. Stocks is 6.00% while Private equity is 8.35%. Following questions the Board thanked Mr. Lindberg and Ms. Bewick for their presentation.

Farouki Majeed discussed the role of Asset Allocation. Mr. Majeed reviewed asset class return assumptions compared to actual returns over a ten year period. He also reviewed input assumptions, which include expected return, risk (standard deviation), and correlation. Mr. Majeed provided a comparison of 2019 return assumptions within a 10-year timeframe from different sources. After discussion the Board thanked Mr. Majeed for his presentation.

### **Wilshire Associates Quarterly Performance Report**

David Lindberg presented Wilshire's quarterly Investment performance report. The quarterly report included asset class performance, assumptions as of June 2019, an economic review, employment

conditions and a breakdown of the Total Fund. Performance for the total fund was 3.1% for the quarter. The Board thanked Mr. Lindberg for his presentation.

### Quarterly Investment Report

Mr. Majeed provided a summary of the Investment report for the periods ending June and July, 2019. Mr. Majeed informed the Board the Fund is currently \$14.4 billion with a FYTD return of (0.58) % as of August 31, 2019. The Board thanked Mr. Majeed for the presentation.

### SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and James Haller seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **June 1, 2019** through **June 30, 2019** hereby be approved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

#### A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 67.3
Non-US Equities	91.8
Fixed Income	389.7
Multi-Asset Strategies	30.7
Private Equity Capital Calls	37.9
Real Asset Capital Calls	11.1
Opportunistic	9.6
Cash Equivalents	230.7

#### B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 175.5	\$ 17.5
Non-US Equities	83.5	(0.2)
Fixed Income	357.5	3.5
Multi-Asset Strategies	3.1	0.5
Private Equity distributions	39.8	n/a
Real Asset distributions	5.6	n/a
Opportunistic	20.5	1.0
Cash Equivalents	168.8	n/a

### SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and James Haller seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **July 1, 2019** through **July 31, 2019** hereby be approved. Upon roll call, the vote was as follows: Yea: Hugh

Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 50.4
Non-US Equities	98.4
Fixed Income	520.6
Multi-Asset Strategies	0.4
Private Equity Capital Calls	54.8
Real Asset Capital Calls	2.4
Opportunistic	8.4
Cash Equivalents	356.8

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 46.5	\$ 5.1
Non-US Equities	94.9	(2.2)
Fixed Income	476.2	2.8
Multi-Asset Strategies	38.2	2.8
Private Equity distributions	39.9	n/a
Real Asset distributions	9.9	n/a
Opportunistic	13.6	1.7
Cash Equivalents	292.5	n/a

The Board took a break at 10:11 a.m., and reconvened at 10:22 a.m.

**MEMBER APPEAL**

The Board considered an appeal filed by retiree Brian Adams regarding staff determinations of his effective date of retirement; the methodology and rationale used to determine Mr. Adams' SERS compensation; his pension and PLOP amount; and contribution amounts due to SERS by community schools that engaged Mr. Adams. Representing Mr. Adams were his attorneys Karen Hockstad and Justin Burns from the law firm Dinsmore & Shohl. Also appearing on behalf of Mr. Adams were Darlene Holt, a treasurer who provides services to several community schools that previously engaged Mr. Adams, as well as a representative from YouthBuild Columbus Community School and its attorney.

**BRIAN ADAMS APPEAL - AFFIRM FINAL STAFF DETERMINATIONS**

Barbra Phillips moved and Hugh Garside seconded to affirm the Final Staff Determinations regarding 1) the effective date of Mr. Adams' retirement; 2) the methodology and rationale used to determine Mr.

Adams' SERS compensation; 3) Mr. Adams' pension and PLOP amount; and 4) contribution amounts due to SERS by the community schools that engaged Mr. Adams. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

The Board took a break at 11:05 a.m., and reconvened at 11:12 a.m.

Executive Director Richard Stensrud announced that today's session on Pension Sustainability will begin this afternoon in the Boardroom; however, the discussion will continue into the following day, Friday, September 20<sup>th</sup>, wherein the meeting will take place in the O'Keefe Conference Room.

## **EXECUTIVE DIRECTOR'S UPDATE**

### **Ohio Retirement Study Council**

Executive Director Richard Stensrud noted that the ORSC held its September meeting on the 12<sup>th</sup> and that he presented SERS FY2019 Disability Report.

### **Advocacy Groups**

Mr. Stensrud reported that staff had engaged in outreach to stakeholder groups regarding the July Board retreat and sustainability initiatives. Mr. Stensrud also noted that a page had been added to the SERS website pertaining to the sustainability discussions. Mr. Stensrud further reported that one-on-one outreach to stakeholders regarding health care and pension sustainability initiatives will be forthcoming.

### **Marketplace Wraparound Plan**

Mr. Stensrud noted that SERS continues to advocate at the federal level to extend the Limited Wraparound program beyond the expiration date at the end of this year. Mr. Stensrud reported that staff has been working with Congressional staff to add a two-year extension for the Wraparound program to the Labor HHS appropriations bill. Mr. Stensrud stated that staff is prepared to pivot as the appropriations process timeline shifts to find other legislative vehicles to add Wrap program language.

Additionally, Mr. Stensrud noted that should SERS not be successful in securing an extension, efforts were ongoing to secure an alternative in the form of a Health Reimbursement Account (HRA). Although not equivalent to the Wraparound Plan, the HRA would allow reimbursements up to a cap of \$1800 per family. Mr. Stensrud noted that staff is making preparations in case the Wraparound program is not extended so that current participants will have the HRA option available to them.

### **Board Elections Materials**

Mr. Stensrud noted that there are two vacant Board seats up for election later this year. Resumes for the open employee member seat are due by October 1, with the Board identifying candidates who will be interviewed at the October Board meeting, and electing a successor member in November. Resumes for the open retiree member seat are due by November 5, with the Board identifying candidates who will be interviewed at the November Board meeting, and electing a successor member in December. Mr. Stensrud stated that elections for two full-term seats, the employee seat that will be filled in November and the second retiree seat, will occur next March, with nominating petitions due in December.

Mr. Stensrud noted that all board elections materials have been available on the SERS website since August 1<sup>st</sup>.

### **Cristo Rey High School intern students**

Mr. Stensrud noted that SERS has two Cristo Rey High School students this school year, and that this is the 5<sup>th</sup> year SERS has hired interns from the school. Students this year are placed in our Finance

department and the Print Shop. Each student works 1-2 days per week, and the money they earn goes directly to the school to pay for their education.

### **Operation Backpack results**

Mr. Stensrud stated that SERS's Charity Committee challenged all staff to beat last year's donation of 69 full backpacks, which was an increase of 25 backpacks over the previous year.

Mr. Stensrud reported that staff donated 104 backpacks this year. SERS' Administrative Services department and Finance department led the way with 21 backpacks each.

### **Year-End Financials Update**

Chief Financial Officer Tracy Valentino provided financial highlights for Fiscal Year-End 2019. Ms. Valentino reminded the Board that these are preliminary numbers, as staff continues to work on year-end activities. Below are the results:

- Net position is 14.9%;
- Employee and Employer contributions have gone up about 6% due to increased reported compensation;
- Benefit payments are up less than 1% due to the COLA freeze and lower retirements than in previous years;
- Refunds and lump sum payments are up by 27% as a result of an increase in refunds related to RMD;
- 96% of the administrative budget was spent in 2019. Savings were realized due to lower than anticipated cost for some capital expenditures, less than anticipated travel/training, and the timing of some invoices that will be accrued during the final closing; and
- There is a slight increase in the health care balance due to lower expenses and the allocation of the 0.50% of the employer premium.

## **LEGISLATIVE REPORT**

### **STATE LEGISLATION BOARD REPORT 133<sup>rd</sup> General Assembly**

**(Prepared by Chris Collins as of September 6, 2019)**

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SB10 THEFT IN OFFICE PENALTIES Steve Wilson (R-Maineville) To expand the penalties for theft in office based on the amount stolen and to include as restitution audit costs of the entity that suffered the loss.

Current Status: 05/09/2019 Reported Out

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HB326 PUBLIC EMPLOYEE RETIREMENT-DISABILITY BENEFIT Adam Miller (D – Columbus) To allow a Public Employees Retirement System or School Employees Retirement System disability benefit recipient elected to certain offices to continue receiving a disability benefit during the term of office.

Current Status: 08/28/2019 Introduced

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**FEDERAL LEGISLATION BOARD REPORT**  
**116<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of September 6, 2019)**

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H.R. 141

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/31/2019 Referred to the Subcommittee on Social Security

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 198 co-sponsors; eight Ohioans

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H.R. 748

SPONSOR: Rep. Joe Courtney (D-CT)

LAST ACTIONS: Senate - 07/22/2019 Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 157

CAPTION: Middle Class Health Benefits Tax Repeal Act of 2019

COMMENT: Repeals the health care "Cadillac Tax." 369 co-sponsors; 14 Ohioans

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H.R. 1398

SPONSOR: Rep. Ami Bera (D-CA)

LAST ACTIONS: House - 02/28/2019 Referred to the Subcommittee on Health.

CAPTION: To delay the reimposition of the annual fee on health insurance providers until after 2021

COMMENT: Delays the health care HIF tax. 124 co-sponsors; seven Ohioans

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S. 521

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 02/14/2019 Referred to Committee on Finance

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 32 co-sponsors.

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S. 684

SPONSOR: Sen. Martin Heinrich (D-NM)

LAST ACTIONS: Senate - 03/06/2019 Referred to the Committee on Finance

CAPTION: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage

COMMENT: Repeals the health care "Cadillac Tax." 61 co-sponsors; two Ohioans

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H.R.3934

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTIONS: House - 07/24/2019 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 non-covered employment, and for other purposes.

COMMENT: 28 co-sponsors; one Ohioan

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## MEMORANDUM

To: Chris Collins, Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: September 4, 2019

Re: Federal Legislative and Regulatory Report

### **OVERVIEW**

**Highlights for August and early September include:** trade war and tariffs against China by the Trump administration; the British exit from the European Union (Brexit) deadline is fast approaching; the need for passage of several spending bills in the Senate and two in the House; advocacy for the SERS Wraparound Program; and advocacy related to health care and prescription drug legislation.

**On Sunday, September 1, President Trump's next round of tariffs took effect against goods manufactured in China.** According to The Hill, the "Trump administration imposed 15 percent tariffs on roughly \$112 billion of Chinese imports on Sunday amid growing fears of a global economic downturn and increasing pessimism about the prospects of striking a trade deal. The tariffs also cover [school supplies](#), such as including pencils, crayons, calendars, ballpoint pens, and boys' and girls' overcoats and windbreakers."

**The United Kingdom faces the coming deadline to leave the European Union, with questions continuing whether a deal will be reached.** Newly elected Prime Minister Boris Johnson has indicated that he is prepared to move forward without a deal. The Prime Minister asked Queen Elizabeth II for permission to suspend Parliament for several weeks, to which the Queen reluctantly agreed, according to media sources. The lawmakers, however, had other ideas and on September 4, the House of Commons voted to prevent the Prime Minister from taking the UK forward without a Brexit deal. The House of Lords will consider the bill this week before Parliament might be suspended. The Prime Minister has indicated that he will call for new elections to allow citizens to decide whether to vote for lawmakers who support the Prime Minister or lawmakers who want a Brexit deal. The next meeting of the European Council is October 17. There is an expectation that a UK representative will attend the meeting to present a Brexit plan for consideration by the 27 other member states.

**The escalating tariffs between the U.S. and China, and Brexit issues are being monitored closely by institutional investors for at least two reasons:** the potential for market volatility due to global economic uncertainty, and the ramifications on international trade and monetary policies.

**The House returned for Committee activity on Wednesday, September 4, however, the full House will be back in session on Monday, September 9.** That gives the House only thirteen days to finalize the remaining two spending bills it must pass or reach an agreement with the Senate on a continuing resolution beyond September 30. Hearings of interest in September include:

- **The Future of Identity in Financial Services: Threats, Challenges, and Opportunities**  
Committee on Financial Services, Task Force on Artificial Intelligence, Thursday, September 12.
- **Oversight of the Securities and Exchange Commission: Wall Street's Cop on the Beat**  
Committee on Financial Services, Tuesday, September 24.
- **Promoting Financial Stability: Assessing Threats to the U.S. Financial System**  
Committee on Financial Services, Subcommittee on Consumer Protection and Financial Institutions, Wednesday, September 25.

**The Senate will return on Monday, September 9 and be in session for fifteen days until the end of the month.** Many federal spending bills and bills to address the high cost of prescription drugs and medical costs are pending. The Senate also has a hearing of interest for SERS:

- **A markup of a bill making appropriations** for the Department of Labor, Department of Health and Human Services, Department of Education, and Related Agencies for the fiscal year ending September 30, 2020. Committee on Appropriations, Subcommittee on Departments of Labor, Health and Human Services, and Education, and Related Agencies, Tuesday, September 10.

**I reported previously that H.R. 2740, an appropriation bill that provided funding for the Departments of Labor, Health and Human Services, Education and Related Agencies was passed by the House on June 19.** The bill was the House vehicle for language supporting an extension of limited wraparound plans. The final report of the bill included language to encourage CMS to extend the program or make it permanent and to conduct a study of limited wraparound plans:

**Limited Wraparound Coverage.**—The Committee strongly urges CMS to extend the pilot program established by a final regulation published on March 18, 2015, to allow limited wraparound benefits, or supplements, to individual health insurance coverage (or Basic Health Plan coverage). Wraparound coverage is a specialized offering targeted to help part-time workers and retirees whose employers or former employers meet standards of responsibility and have agreed to provide this supplemental coverage as an option. The Committee recommends this pilot program be made permanent. The Committee requests a report within 90 days of enactment of this Act on the status of the program. (p. 135)

**During the August recess, there were behind the scenes discussions among members and staff to prepare for the September rush of must pass bills.** The media reported that Senate Appropriations Committee member, Senator Steve Daines (R-MT) expected a “stopgap measure” or continuing resolution would be approved. Senate Appropriations Chairman Senator Richard Shelby (R-AL) hoped that a large spending package, including Defense, Labor-HHS-Education and Energy and Water appropriations, would be signed into law before the September 30 deadline. Other programs would be covered by a continuing resolution for a limited period of time, until Congress can reach a final agreement for the President’s signature.

#### **SERS WRAPAROUND PLAN**

**After the House action, we turned our attention to the Senate to seek authority for an extension of limited wraparound plans pursuant to the House’s effort.** Over the last two years, SERS representatives and I have had many conversations on the value of the Limited Wraparound Plan with Senator Sherrod Brown’s office (D-OH) and Senator Portman’s office (R-OH). Since the last Congressional session, we have been pursuing a permanent program or extension of the program.

**On August 21, Christi Pepe, Director of Health Care Services, and I flew to Washington, D.C. for two full days of visits to Senate and House offices, and for appointments with key Committee staff to discuss the extension of limited wraparound plans and the proposals to lower prescription drugs.** Our flight to Washington was cancelled early in the morning, however, we were able to book a slightly later flight into Washington to keep all but one appointment.

**That one appointment we missed was with a senior majority committee staff member for the Committee on Appropriations, and it could not be rescheduled while we were in Washington due to his schedule.** He was able to speak with us on the phone on Wednesday, September 4. During our call, the staff member indicated that, in his view, the request for an extension was better suited for the Senate Committee on Finance or Health, Education, Labor and Pensions (HELP). He acknowledged that a Senate member could request that the extension language be added to an Appropriations bill. The preference, however, is for the language to be added from another Committee bill as a rider to an Appropriations bill. He appreciated the information we shared with him and asked us to stay in touch during September. I have already begun to follow up with these Committees. Senators Brown and Portman both serve on the Committee on Finance and we know they understand the priority for this program.



**During the two days, Ms. Pepe and I met with legislative staff members from the offices of Senator Shelley Moore Capito (R-WV), Lindsey Graham (R-SC), Marco Rubio (R-FL), Rob Portman (R-OH) and James Lankford (R-OK).** The legislative aide for Senator Lankford indicated that she handled only education issues and recommended that we discuss the matter with another person. I have followed up with him. Other than Senator Portman, these Senators serve on the Committee on Appropriations.

**We met with senior majority and minority staff members on the Senate Committee on Finance and Appropriations.** During our meeting with the Senate minority staffer on the Committee on Appropriations, she mentioned that the Committee prefers regular order for a request like this one. She did not think that the \$1 million per year expense for the extension, as costed out by the Joint Committee on Taxation (JTC) was a problem. In her view, with the sums of money that Congress appropriates, a \$2 million number was comparable to a rounding error. When we met with the Senior majority staff member on the Committee on Finance, she was very interested in the details on the cost of the proposed changes to the Medicare Part D payment structure and the House proposal to allow the federal government to negotiate the cost of up to 250 drugs. Ms. Pepe covered the proposed changes in the bill related to CMS catastrophic reinsurance and the manufacturers' reimbursement in the coverage gap that could cost SERS and ultimately retirees who would have higher premiums. We were not able to discuss the extension of the Wraparound Plan due to her schedule and will talk with her about it as soon as possible.

**We also met with House legislative aides from Reps. Tim Ryan (D-OH), Marcy Kaptur (D-OH), and David Joyce (R-OH), who serve on the House Committee on Appropriations.** We scheduled a meeting with a representative from the International Brotherhood of Teamsters to update him on our advocacy. The Teamsters have expressed an interest in setting up a limited wraparound plan and wrote two letters in 2018 to the regulatory agencies on SERS' behalf. We met with representatives from Aetna and the incoming Director of Federal Relations for Governor Mike DeWine. We also met with Diann Howland, Senior Vice President with the American Benefits Council, to compare notes on the various health care bills, the possible repeal of the Cadillac Tax, and advocacy for the Wraparound Plan. Our scheduled meeting with Kathryn Olson, Staff Director of the Social Security Subcommittee, Committee on Ways and Means, to discuss the Windfall Elimination Provision (WEP) was cancelled when she had a conflict come up. (Chris Collins and I followed up with a phone call that is summarized in this report.)

**We should know before the Subcommittee on Labor-HHS has its markup on September 10, whether the extension language will be part of the bill. We have been told that Senator Sherrod Brown (D-OH) will indicate that this is a priority for his office.** As reported earlier, Senator Portman has a policy that he does not make appropriations requests for any issue. Per his staff, Senator Portman believes that it is better for him to serve as a member of authorizing committees, instead of weighing in on the affairs of the Appropriations Committee.

**Our goal is to have the language passed by the full Committee on Appropriations, or if necessary, the Senate Committee on Finance or HELP as the committee with jurisdiction, which then will be part of a larger bill for the Senate to pass before September 30.** If the Senate decides that a continuing resolution is necessary past September 30, we will seek language in the CR to preserve the ability for SERS to offer the Wraparound Plan past December 31, 2019.

**To support the advocacy, retirees are still contacting offices of Senators to encourage their support of the extension for Wraparound Plans.** Thus far, over 1,600 email messages have been sent to Senators from retirees in 20 states.

- 817 retirees have responded (including 69 from outside of Ohio).
- 1695 emails have been sent (including 144 to non-Ohio Senators).
- Retirees have reached out to 40 different Senators. 11 of them are members of Appropriations.

**SERS and I are still working with Rep. Marcy Kaptur's office (D-OH) who has drafted authorizing language to be inserted into a moving vehicle or introduced as a stand-alone bill, if necessary.** The final language is being prepared by Legislative Counsel if Rep. Kaptur needs to introduce the bill. In the authorizing language, limited wraparound plans that were already in existence during the three-year pilot program will be able to continue indefinitely under the authority of the Plan Sponsor.

**We also were told that the Senate Committee on Finance has legislation that it would like to pass in September.** Both Senators Brown and Portman serve on this Committee. This will be another avenue for SERS to seek authorizing language for the Wraparound Plan. We also know that Congress will need to consider how to address the Medicare extenders package that will need to pass before the end of the fiscal year. Congress has used extenders to establish programs for a shorter period of time and are funded by Congress every one to two years. SERS could request language which would give SERS a one-or two-year extension for the Wraparound Plan using this vehicle.

#### **HRA EXCEPTED BENEFITS RULE**

**SERS has continued to review the final rules for the creation of an HRA Excepted Benefit Program, which became effective on August 19 and apply for plan years beginning on or after January 1, 2020.** CMS has clarified that the \$1,800 maximum amount is per family, not per individual. This is not an equivalent program to the Wraparound Plan. The proposed maximum amount will be indexed to inflation to the C-CPI-U for plan years beginning after December 31, 2020.

#### **WINDFALL ELIMINATION PROVISION**

**On Wednesday, August 28, Chris Collins, Government Relations Officer, and I had a conference call with Elisa Walker, staff member for Kathryn Olson, Majority Staff Director, Subcommittee on Social Security, House Committee on Ways and Means.** We wanted to hear new details for Chairman Richard Neal's (D- MA) bill that he anticipated introducing in July but was delayed. On August 21, Ms. Olson sent a message to stakeholders interested in WEP reform, indicating that Chairman Neal would be introducing his own bill after the August recess. Ms. Walker was not able to reveal any provisions in the Chairman's bill, however, she did say that the Committee members were working together. It would be helpful for passage if the Chairman's bill, or the previous bill introduced by Rep. Kevin Brady (R-TX) in late July would receive bipartisan support. Ms. Walker told us that full repeal of WEP is not on the table. She said that we would be receiving a copy of the bill as soon as the Chairman releases it.

**As previously reported, S. 521, the "Social Security Fairness Act," was introduced by Senator Sherrod Brown (D-OH) and now has 32 cosponsors as of today.** The bill would amend title II of the Social Security Act to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). There has been no action on the bill and Senator Portman is still not one of the co-sponsors.

**H.R. 141, the companion House bill to repeal GPO and WEP, now has 198 co-sponsors,** as of today's date, including eight Ohio delegation members, who are Reps. Tim Ryan (D-OH), David Joyce (R-OH), Steve Stivers (R-OH), Bob Gibbs (R-OH), Marcy Kaptur (D-OH), Michael Turner (R-OH), Marsha Fudge (D-OH) and Joyce Beatty (D-OH). The bill has been referred to the Committee on Ways and Means, Subcommittee on Social Security. There has been no further action on the bill.

#### **SOCIAL SECURITY**

**H.R. 3417, the "Beneficiary Education Tools, Telehealth, and Extenders Reauthorization Act of 2019," was introduced on June 21, by Rep. Richard Neal (D-MA). Rep. Kevin Brady (R-TX) is a cosponsor.** It is known as the "BETTER Act of 2019," and would amend title XVIII of the Social Security Act to provide a way for participants age 25 and older to receive a copy of their statement in the mail, rather than requiring them to create an online account to view their account information. Earlier in the year, Social Security released a study that showed online viewing dropped to only 43% of participants. The bill was reported out of Committee in the nature of a substitute. The bill also authorizes more opportunities for health care services for Medicare recipients through telehealth options.

**H.R. 2302, the "Protecting and Preserving Social Security Act," introduced by Rep. Theodore Deutsch (D-FL) still has eight co-sponsors,** along with Rep. Marcy Kaptur (D-OH). This bill, like the "Social Security 2100" bill, H.R. 860, seeks to improve the solvency of Social Security.

**The House has had more activity on Rep. John Larson's (D-CT) bill, which is H.R. 860, called the "Social Security 2100 Act."** The bill has 210 cosponsors, four of whom are from Ohio. All members of Ohio's Democratic delegation are cosponsors, Reps. Joyce Beatty, Marcia Fudge, Tim Ryan and Marcy

Kaptur. The Senate companion bill is S. 269, introduced by Senator Richard Blumenthal (D-CT). Senator Chris Van Hollen (D-MD) is the only cosponsor.

**The Social Security Administration has posted a notice on its website for recipients and family members impacted by Hurricane Dorian.** information on Social Security office closures, safety preparedness in case of emergencies, signing up for direct deposit of benefit payments, and more information is offered. The notice may be viewed here: <https://www.ssa.gov/agency/emergency/>

#### **MEDICARE AND MEDICAID**

**H.R. 1346, a bill to “Amend title XVIII of the Social Security Act to provide for an option for individuals who are ages 50 to 64 to buy into Medicare,** has 47 cosponsors, however, no members of the Ohio delegation are cosponsors. S. 470, the “Medicare at 50” bill is the companion Senate bill that Senator Sherrod Brown (D-OH) has co-sponsored. Senator Rob Portman (R-OH) is not one of the 20 cosponsors.

#### **HEALTH CARE**

**On July 29, CMS issued a proposed rule which would require hospitals to publicly post online all hospital standard charges.** According to the rule, the Proposed Definition of ‘Standard Charges’ means:

We are proposing to define “standard charges” to mean the hospital's gross charge and payer-specific negotiated charge for an item or service. Hospitals would be required to make public all hospital standard charges for all items and services provided by the hospital in a digital and machine-readable file posted online. Additionally, we propose that hospitals make public the payer-specific negotiated charge for a limited set of ‘shoppable’ services that are displayed and packaged in a consumer-friendly manner.

The rule has a 60-day comment period that ends on September 27, 2019. The fact sheet may be read here: <https://www.cms.gov/newsroom/fact-sheets/cy-2020-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center>

**According to an August 19 news release, the “Centers for Medicare & Medicaid Services (CMS) is announcing plans to update the quality measurement methodology of the Overall Hospital Quality Star Ratings located on CMS’ popular *Hospital Compare* website in 2021.** The *Hospital Compare* website’s Overall Hospital Quality Star Ratings rate hospital quality on a scale from one to five stars.” The news release may be viewed here: <https://www.cms.gov/newsroom/press-releases/cms-announces-upcoming-enhancement-overall-hospital-quality-star-ratings>

**As reported, Senator Rob Portman (R-OH) is one of the co- sponsors of S. 1125, the “PROTECT Act” which amends the Health Insurance Portability and Accountability Act (HIPAA).** The bill contains language to protect people with pre-existing conditions and requires that each health insurance issuer that offers health insurance coverage in the individual or group market in a State must accept every employer and individual in the State that applies for such coverage. The bill has 24 co-sponsors.

**H.R. 1884, the “Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019,”** would lower healthcare premiums and ensure coverage for pre-existing conditions. The bill has 159 cosponsors.

#### **PUBLIC SECTOR HEALTHCARE ROUNDTABLE CONGRESSIONAL FORUM**

**The Roundtable held a webinar for members on August 6 that several SERS representatives and I participated in to discuss recent legislative and regulatory activity, the bipartisan drug pricing bill advanced by the Senate Committee on Finance and other House and Senate proposals.** The Roundtable will host its annual meeting, "Public Purchasers Addressing Challenges, Seizing Opportunities: Navigating a Dynamic Washington Health Policy Environment," in early November.

## **PRESCRIPTION DRUGS**

**Three Senate Committees, namely the Committee on the Judiciary; Health, Education, Labor and Pensions (HELP); and Finance, have become the Senate Committees most focused on addressing the high cost of prescription drugs.** In late July, the Committee on Finance, chaired by Senator Chuck Grassley (R-IA), held its markup of legislation, the “Prescription Drug Pricing Reduction Act,” that has not been released yet. We heard from staff members that upon their return on September 9, the final bill will be released and should move quickly. During our discussions with staff from Senators’ offices, we explained the need for the bill to include language to make sure that the manufacturers are held accountable for lowering prices. If this does not happen, according to SERS’ customized handout, premiums for retirees could go up from \$144 to \$205 per member per month at a minimum.

**The House is also continuing its work on drug pricing reforms. Democrats in the House have expressed a desire for the federal government to be able to negotiate drug prices for up to 250 drugs.** During our Hill visits, Ms. Pepe was able to provide a handout with the top 25 drugs by plan cost net. SERS supports this proposal on the basis that it will directly reduce drug prices without negative impact to your retirees. In the document, it lists SERS’ top 25 Medicare drugs which represent 34.7% of the total cost for 11 indications; 16 of these are specialty drugs.

**The Senate Committee on the Judiciary, chaired by Senator Lindsey Graham (R-SC), reviewed several bills related to drug pricing this summer.** The Senate HELP Committee has been working on health care-related bills, with a bipartisan collaboration between the Chairman, Senator Lamar Alexander (R-TN and Ranking Member, Senator Patty Murray (D-WA). One area of this Committee’s focus is surprise medical billing. The House has already passed a similar bill. The American Benefits Council and AARP are two national organizations that are urging Congress to act.

**H.R. 965, the “CREATES Act of 2019,” which aims to increase competition by cracking down on brand-name drug manufacturers using tactics to keep generic manufacturers from entering the market, was advanced out of the Committee on Energy and Commerce and a supplemental report was filed in the Committee on the Judiciary.** The bill is cosponsored by 68 members, including Reps. David Joyce (R-OH), Jim Jordan (R-OH) and Anthony Gonzalez (R-OH). The bill will also enable generic drug companies to sue brand-name drug companies for withholding product samples. S. 340 is the identical Senate bill and has 37 cosponsors, including Senator Sherrod Brown (D-OH).

**S. 474, the “Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act of 2019,” and its companion House bill, requires drug companies to publicly justify any substantial price increases, has 11 cosponsors but neither Senators Brown nor Portman as of this date.** The bill would require manufacturers to submit justification explaining the causes of the increase or high launch price, as well as information on additional expenses from developing, manufacturing or marketing the drug.

## **RETIREMENT SECURITY**

**On July 24, the House passed H.R. 397, the “Rehabilitation for Multiemployer Pensions Act,” known as the “Butch Lewis Act.”** It amends the Internal Revenue Code of 1986 to create a Pension Rehabilitation Trust Fund and to establish a Pension Rehabilitation Administration within the Department of the Treasury to make loans to multiemployer defined benefit plans. The roll call vote was 264-169. There was bipartisan support for the bill, with Ohio Republican Reps. Steve Stivers, Bob Gibbs, Michael Turner, David Joyce voting in favor of the bill with Democratic Reps. Marcia Fudge, Joyce Beatty, Tim Ryan and Marcy Kaptur. Ohio Republican members that voted against the bill were Reps. Troy Balderson, Jim Jordan, Steve Chabot, Bob Latta, Anthony Gonzalez, Brad Wenstrup, Warren Davidson and Bill Johnson. A related Senate bill, S. 833, sponsored by Senator Rob Portman (R-OH) and cosponsored by Senator Sherrod Brown (D-OH) and five other Senators has not moved.

**Senate Finance Committee Chairman Senator Chuck Grassley (R-IA) and Ranking Member Senator Ron Wyden (D-OR) introduced S. 972, the “RESA Act,” in April, which is a similar bill to the House’s version of the “SECURE Act.”** Their bill does not include the provisions relating to 529 plans. The House passed the SECURE Act in May and Senator Grassley said:

“The SECURE Act, which passed today in the House of Representatives and includes my Retirement Enhancement and Savings Act, takes an important step forward to help encourage and facilitate retirement savings. It also includes an important fix to eliminate unintended effects of the tax law on children with unearned income, such as Gold Star families and students who earn scholarships and grants,” Grassley said. “This legislation is an example of bipartisan cooperation to solve issues on behalf of Americans. I appreciate the hard work of my colleagues in the House and look forward to its quick passage in the Senate.”

**On July 31, Senator Ben Cardin (D-MD) introduced S. 2352, a bill, “To amend the Internal Revenue Code of 1986 to modify nondiscrimination rules to protect older, longer service participants in retirement plans.”** Senator Rob Portman (R-OH) is a cosponsor. Both Senators have a history of working closely together on retirement legislation, as they did when they introduced S. 1431, the “Retirement Security and Savings Act,” on May 20. It has not moved out of Committee and has no new sponsors.

### **SECURITIES AND EXCHANGE COMMISSION (SEC)**

**On August 21, the SEC issued a press release on its action to “issue guidance to assist investment advisers in fulfilling their proxy voting responsibilities, particularly where they use the services of a proxy advisory firm.”** According to the press release:

The investment advisers owe each of their clients a duty of care and loyalty with respect to services undertaken on the clients’ behalf, including proxy voting. Rule 206(4)-6 under the Advisers Act requires an investment adviser who exercises voting authority with respect to client securities to adopt and implement written policies and procedures that are reasonably designed to ensure that the investment adviser votes proxies in the best interest of its clients.

The guidance clarifies how an investment adviser’s fiduciary duty and Rule 206(4)-6 under the Advisers Act relate to an adviser’s proxy voting on behalf of clients, particularly if the investment adviser retains a proxy advisory firm. The guidance follows a question and answer format and provides examples to help facilitate compliance.

A copy of the Guidance may be read here: <https://www.sec.gov/rules/interp/2019/ia-5325.pdf>

### **REPORTS**

**The Center for State and Local Government Excellence (SLGE) issued the findings of its recent report, State and Local Government Workforce: 2019 Survey, which showed that state and local governments continue to face challenges filling a wide array of positions.** SLGE reported that “Policing, engineering, maintenance work/labor, skilled trades, dispatch, and information technology/network top the list of positions hardest to fill. The results also indicate that top workforce issues for state and local governments are competitive compensation packages (87 percent), recruitment and retention of qualified workers (87 percent), employee morale (86 percent), employee engagement (84 percent) and leadership development (74 percent).” SLGE noted that most state governments have balanced-budget requirements and they may not spend more than they raise in revenue. They are concerned that the “shortage of talent means the public sector (home to both schools and police departments) is often running short-staffed.” The report is available [here](#).

**On September 3, The Boston College Center for Retirement Research issued a brief entitled, “Investment Update: How Do Public Plans Value Their Assets?”** In the brief, Researchers Jean-Pierre Aubry and Kevin Wandrei concluded:

Average investment returns fell short of assumed returns in fiscal year 2018. More troubling is the fact that annualized returns from 2001-2018 also fell short of current assumed returns for even the best performing plans. Even though plans have incrementally reduced their return expectations since 2001, the pressure to reduce the assumed returns further will likely intensify as the period of underperformance grows longer.

Additionally, fair value asset data from new GASB disclosures show that – after properly accounting for NAV assets – nearly a quarter of public plan assets are likely valued based on appraisals. The new standards are an important step towards greater investment transparency, but they could be improved with clearer disclosure of NAV assets. Such information would allow the public to better understand what portion of plans’ reported assets are based on estimates that, by necessity, are more subjective.

The report is here: <https://crr.bc.edu/briefs/investment-update-how-do-public-plans-value-their-assets/>

### **OTHER MATTERS OF INTEREST**

**The State and Local Government Benefits Association (SALGBA) has issued a call for presentations for the National Conference in April 2020.** SERS submitted a proposal for Chris Collins and Christi Pepe to discuss the experience that SERS has had with the Wraparound program, describing the benefits both to the Fund and retirees. In addition, the panel will detail the effort by SERS and many stakeholders to engage with the Administration and Congress to extend the pilot and explore other alternative solutions.

**At the end of August, media reported that President Trump expressed support for a 2.6 percent wage increase for civilian federal workers.** He said: “Specifically, I have determined that for 2020—while across-the-board base pay will increase by 2.6%, as prescribed by [FEPCA]—the locality pay percentages . . . will remain at their 2019 levels,” he wrote. “This alternative pay plan decision will not materially affect our ability to attract and retain a well-qualified federal workforce.”

**The Volcker Rule, passed after the financial crisis, was quietly updated in August to allow banks some leeway in making speculative investments and reporting based on a tiered regulatory framework that exempts them from some of the strictest requirements of the Rule.** The ban on proprietary trading was left largely intact, according to the news from the FDIC and the Comptroller of the Currency that approved the changes. The SEC and Federal Reserve will also need to approve the final changes. Last year, the SEC approved the proposed amendments by a close 3-2 vote.

### **ACTIVITIES:**

1. Trip to Washington, D.C. with Christi Pepe on August 21-22 for appointments with legislative staff members from the offices of Senators who serve on the Committee on Appropriations, Ohio delegation offices, Committee staff, and stakeholders.
2. Scheduled appointments for the trip and created a detailed itinerary for the two-day schedule of meetings. This included many calls and emails to the offices to set up appointments and change the schedule due to the flight cancellations.
3. Follow up after the August meetings to provide the requested information to staff members.
4. Meeting at SERS to review the proposed documents for packets and to discuss the appointments.
5. Outreach to stakeholders via calls and emails to discuss House/Senate appropriation efforts on Limited Wraparound Plans and to discuss legislative and/or regulatory solutions.
6. Participated on conference calls and in meetings with SERS representatives to update them on advocacy efforts.
7. Requested information from CMS on HRA Excepted Benefits Rule on behalf of SERS.
8. Monitored bills from the Committee on Appropriations, Finance, Judiciary and others related to public pensions, retirement security, health care, prescription drugs, Social Security and kept informed of relevant House and Senate Committee hearings and witnesses.
9. Reviewed bills that were introduced by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
10. Reviewed public notices or proposed rules from the SEC, HHS/CMS and regulatory agencies.
11. Monitored organizations, such as the Social Security Administration, American Benefits Council, AARP and other entities on pension, investment, and/or health-care-related issues.
12. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable, Social Security, retirement issues and prepared the Federal Policy Memo.

## **INFORMATION SECURITY UPDATE**

Deputy Executive Director Karen Roggenkamp and Chief Technology Officer Jay Patel presented an update of Information Security through September 2019. Ms. Roggenkamp stated that while there continues to be an expanded risk and exposure environment, progress continues towards improving SERS' Information Security.

Mr. Patel acknowledged staff, noting that accomplishments occurred as a result of teamwork. He further stated that approximately 3-4 years ago, SERS established five pillars. These pillars include: Cyber Hygiene, Threat Detection, Employee/Stakeholder Engagement, Incident Response, and Third-Party Assurance. Mr. Patel provided an update on these pillars and the accomplishments made as a result.

Concluding, Ms. Roggenkamp stated that she and staff are pleased with early Fiscal Year 2020 progress, which includes greater operational risk focus and the addition of experienced information security resources. In addition, the completion of two third-party assessments around external and internal data management have helped to highlight some of the progress by also providing recommendations for improvements. Ms. Roggenkamp stated that she and staff will continue to provide updates throughout the year as progress is made. The Board thanked Ms. Roggenkamp and Mr. Patel for their presentation.

Susan Russell discussed the final filing of proposed amended administrative rules.

## **FINAL FILING OF PROPOSED AMENDED ADMINISTRATIVE RULES**

Legal Counsel discussed with the Retirement Board the following proposed amended administrative rules: 3309-1-13 Obtaining optional or compulsory service credit, and 3309-1-40 Application and procedures for receiving disability benefits, that have been reviewed by JCARR and are ready for final adoption by the Board.

Barbra Phillips moved and James Haller seconded that the proposed amended rules 3309-1-13, and 3309-1-40 be adopted. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

### **3309-1-13 Obtaining optional or compulsory service credit.**

#### **(A) Optional service credit**

- (1) Except as provided by section 3309.012 of the Revised Code, a member of the school employees retirement system, public employees retirement system, or state teachers retirement system shall be eligible to purchase service credit for any period during which contributing service was optional. Contributing service shall be deemed to be optional when contributions were not required by the school employees retirement system and no contributions or member record was received. In order to receive optional service credit, payments shall be made as provided in this paragraph.
- (2) For any period of optional service, the member shall pay to the school employees retirement system an amount equal to the employee's and employer's contributions for such period, plus interest at the rate to be set by the school employees retirement board from the end of each year compounded annually. Such amounts paid by the member shall be credited to the employees' savings fund.
- (3) In lieu of the member paying the amounts described in this paragraph, the employer for which the optional service was performed may pay an amount equal to either the employee's and employer's, or only the employer's, contributions for such period, plus interest at the rate set by the retirement board from the end of each year compounded annually. If paid by the

employer, such amounts shall be credited as follows:

- (a) The amount and interest attributable to the employee's back contributions shall be credited to the employees' savings fund; and,
- (b) The amount attributable to the employer's contributions shall be deposited in the employers' trust fund and the interest collected on such amount shall be credited to the guarantee fund.

If the employer pays only the amount equal to the employer's contributions and interest on that amount, the member shall pay the amount equal to the employee's contributions and interest on that amount.

(B) Compulsory service credit

- (1) Except as provided in paragraph ~~(B)(3)(D)~~ of this rule, to receive service credit for periods of compulsory service prior to June 30, 1991, for which the employer did not deduct and transmit contributions, the member shall pay the employee's share of the back contributions and the employer shall pay the employer's share of the back contributions. Payments for both the employee's and the employer's shares of back contributions shall include a charge for interest at the rate set by the retirement board from the end of each year, compounded annually.

~~(a)(2) Payments of the employee's share of back contributions shall include a charge for interest at the rate to be set by the retirement board from the end of each year, compounded annually.~~ The employee's back contributions and interest shall be credited to the employees' savings fund, and in the event of death or withdrawal from service prior to retirement, shall be paid in the same manner as accumulated contributions pursuant to sections 3309.42 and 3309.44 of the Revised Code.

~~(b)(3) The employer's share of back contributions shall include a charge for interest at the rate to be set by the retirement board from the end of each year, compounded annually.~~ The employer's share of back contributions shall be deposited in the employers' trust fund and the interest collected thereon shall be credited to the guarantee fund.

- ~~C)(2)(4)~~ Except as provided in paragraph ~~(B)(3)(D)~~ of this rule, to receive service credit for periods of compulsory service after June 29, 1991, for which the employer did not deduct and transmit contributions, the employer shall pay both the employer's share and the employee's share of the back contributions. Payments for both the employee's and the employer's shares of back contributions shall include a charge for interest at the rate set by the retirement board ~~from~~ the end of each year, compounded annually.

- (a) The employee's back contributions and interest shall be credited to the employees' savings fund, and in the event of death or withdrawal from service prior to retirement, shall be paid in the same manner as accumulated contributions pursuant to sections 3309.42 and 3309.44 of the Revised Code.

- (b) The employer's share of back contributions shall be deposited in the employers' trust fund and the interest collected thereon shall be credited to the guarantee fund.

- ~~D)(3)~~ When a member has left service with an employer after attaining sixty-five and applies for retirement, the member shall receive service credit in accordance with section 3309.48 of the Revised Code for periods of compulsory service for which the employer did not deduct and transmit contributions.

~~(CE)~~ The salary compensation and service of the member shall be certified by a fiscal officer of the school district who has knowledge of and access to the records of the district. A member cannot



certify his own [salarycompensation](#) or service.

- (~~DF~~) The member's share of back contributions may be paid directly to the retirement system.
- (~~EG~~) The employer's share of back contributions may be paid either by an official warrant or collection from the employer's share of the state school foundation fund.
- (F) Service credit for any period described in this rule shall be credited to the member's account on the date payment in full has been received by the retirement system for both the employee and employer shares of back contributions.

HISTORY: 4/1/13, 5/9/03, 11/1/01, 7/30/01 (Emer), 2/11/00, 6/12/95, 2/1/92, 12/24/76

Promulgated Under: 111.15

Statutory Authority: 3309.04

Rule Amplifies: 3309.23, [3309.34](#), 3309.47, 3309.48, [3309.49](#), [3309.51](#), [3309.56](#), [3309.57](#)

Review Date: 2/1/22

#### **3309-1-40      Application and procedures for receiving disability benefits.**

- (A) For purposes of sections 3309.39, 3309.40, 3309.401 and 3309.41 of the Revised Code and SERS rules:
  - (1) "Disability" or "disabled" means that the member meets the following applicable standard of disability:
    - (a) At the time of application: A disabling condition, either permanent or presumed to be permanent for twelve continuous months following the filing of an application, which has occurred or increased since the applicant last became a member and which renders the member mentally or physically incapacitated for the performance of the member's last assigned primary duty as an employee.
    - (b) At the time of annual examination:
      - (i) For a disability benefit recipient with a benefit effective date before January 7, 2013 and for a disability benefit recipient with a benefit effective date on or after January 7, 2013 who is on leave of absence, a disabling condition that renders the member mentally or physically incapable of resuming the service from which the member was found disabled.
      - (ii) For a disability benefit recipient with a benefit effective date on or after January 7, 2013 who is not on leave of absence, a disabling condition that renders the member mentally or physically incapable of performing the duties of any occupation.
  - (2) "Ongoing disability" means:
    - (a) For a disability benefit recipient with a benefit effective date before January 7, 2013, a disability for which medical treatment presently offers no reasonable expectation of improvement to the extent that a member may be found mentally and physically capable of resuming employment that is the same or similar to that from which the

member was found disabled.

- (b) For a disability benefit recipient with a benefit effective date on or after January 7, 2013, a disability for which medical treatment presently offers no reasonable expectation of improvement to the extent that a member may be found mentally and physically capable of employment in any occupation.
- (3) "Medical treatment" means treatment of common medical acceptance that is readily available, would be covered under the system's health care plan and may include but is not limited to, medicine, physical therapy, psychological or psychiatric services or mechanical devices, but would exclude surgery or other invasive procedures.
- (4) "Board physician" means the chairman of the medical advisory committee.
- (5) "Examining physician(s)" means the disinterested physician(s) assigned by the system or the chairman of the medical advisory committee to conduct medical examinations of a disability applicant or recipient to determine eligibility to obtain or continue to receive disability benefits.
- (6) "Any occupation" means a position that meets all of the following criteria:
  - (a) Replaces not less than seventy-five per cent of the member's final average salary, adjusted each year by the actual average increase in the consumer price index prepared by the United States bureau of labor statistics (U.S. City Average for Urban Wage Earners and Clerical Workers: "All items 1982-84=100");
  - (b) Is reasonably to be found in the member's regional job market;
  - (c) Is one that the member is qualified for by experience or education.
- (7) "Vocational rehabilitation" means tests, evaluations, and/or training whose purpose is to enable a disability benefit recipient to find employment in any occupation.
- (8) "Annual disability benefit" means the annuity and pension, or allowance, calculated under section 3309.40 or 3309.401 of the Revised Code at the time the member is determined to qualify for a disability benefit.
- (9) "Employee" includes service as a school board member or governing board member as defined in section 3309.012 of the Revised Code.

(B)

- (1) The school employees retirement board shall appoint a minimum of three members to the medical advisory committee who shall be physicians who demonstrate a wide range of competent medical experience, and a chairman for the medical advisory committee who shall act as medical advisor to the board. The chairman shall have authority and responsibility to assign competent and disinterested physicians to conduct medical examinations of disability applicants and recipients for the purpose of determining the member's eligibility to obtain and continue to receive disability benefits, to recommend and review medical treatment and/or vocational rehabilitation, to certify a disability as ongoing and to submit to the board a recommendation to accompany the report of the medical examiner and/or the medical advisory committee.
- (2) The board may appoint as consultants, professionals in the field of vocational rehabilitation to provide services to the board on matters of vocational rehabilitation, including to conduct evaluations and to advise and make recommendations to the medical advisory committee,

the board physician, and the board.

- (C) The board shall be responsible for screening disability benefit applications; serving as a hearing committee for disability applicants; and determining eligibility to obtain or continue to receive disability benefits.
- (D)
  - (1) In order to qualify for a disability benefit, a member shall submit an application and undergo a medical examination by the examining physician(s) as required. The application shall include report(s) from the member's health care provider(s) that identify the medical bases of the application and include supportive medical evidence, a job duty form, and a job description provided by the last employer. Medical examinations will only be assigned for conditions identified by a health care provider.
  - (2) For purposes of division (C) of section 3309.39 of the Revised Code,
    - (a) A disability occurs before termination of contributing service if the underlying medical condition existed while the member was contributing to SERS;
    - (b) A disability occurs after last becoming a member if the underlying condition did not exist or did not render the member incapacitated from working for at least twelve continuous months when the member last became a member of SERS.
- (E) The examining physician(s) shall make a report of the examination on a form provided by the board that sets forth the examining physician's medical opinion as to the nature of any disabilities disclosed; and
  - (1) Any recommended medical treatment, and the period of time in which recovery may reasonably be expected with such treatment, or
  - (2) That the disability is ongoing.
- (F) Upon receipt of a completed application, report of the examining physician(s), and any other available evidence pertaining to the application for disability, the board's medical advisory committee and/or the chairman of the medical advisory committee shall review all such information and prepare a recommendation to the board. The recommendation shall include a description of any disability, the nature and duration of any recommended medical treatment and/or vocational rehabilitation, where applicable, or a certification from the board's physician that the disability is ongoing, and any recommended reexamination requirements.
- (G) The board shall determine whether the applicant is eligible for disability benefits. Notice of denial or termination of disability benefits shall be sent to the applicant by regular U.S. mail or certified mail pursuant to rule 3309-1-41 of the Administrative Code. Notice of eligibility for disability benefits shall be sent by regular U.S. mail or certified mail.
- (H) If the board's physician recommends medical treatment and if the board's physician or consultant recommends vocational rehabilitation, the grant of disability benefits, or continuation of disability, shall be conditioned on the applicant completing and returning a signed agreement to obtain recommended medical treatment on a form included with the notice of the conditional grant of disability benefits. Failure to return this agreement, properly completed, within sixty days of the date mailed by the system constitutes failure to meet conditions for granting the disability benefits and will result in an automatic denial of disability benefits without further action by the board, with all rights of appeal pursuant to rule 3309-1-41 of the Administrative Code. Notice of the denial will be sent to the applicant pursuant to rule 3309-1-41 of the Administrative Code.
  - (1) A copy of the notice of a conditional grant or continuation of disability benefits shall be sent to the health care provider designated on the member's application for disability benefits as

authorized to receive the applicant's disability information unless the applicant subsequently provides a signed release designating another health care provider. The applicant's health care provider shall also receive:

- (a) A description of the disabling condition,
  - (b) The nature and duration of any recommended medical treatment.
- (2) The applicant's notice of the conditional grant or continuation of disability benefits shall inform the applicant that information regarding the nature of the disability and recommended treatment has been forwarded to the applicant's health care provider and that the applicant must contact that health care provider to review this information. The applicant shall be informed that the agreement to obtain recommended medical treatment and/or vocational rehabilitation must be properly completed and returned to the system within sixty days of the date that the system mailed the notice. Proper completion requires the signature of the health care provider indicating that the provider has communicated the disability information and recommended medical treatment to the applicant and the signature of the applicant indicating agreement to obtain the recommended medical treatment and/or vocational rehabilitation.
- (3) Upon the timely return of a properly completed agreement to obtain recommended medical treatment and/or rehabilitation, the system shall forward to the applicant an acknowledgment of receipt of the agreement containing the effective date of the disability benefits and annual reexamination and reporting requirements necessary to continue receiving disability benefits.
- (I)
- (1) Based on a certification of ongoing disability by the board physician, the board may waive annual examinations required by division (B) of section 3309.41 of the Revised Code, the filing of annual earnings statements and current medical information required by division (D) of section 3309.41 of the Revised Code, and the filing any other information required in this rule.
- If not previously waived, the obligation to file annual earnings statements of a disability recipient whose disability has been certified as ongoing shall automatically be waived when the benefit recipient has satisfied one of the following requirements:
- (a) Has received a disability benefit for twenty years, or
  - (b) Has attained age sixty-five.
- (2) The board may review any disability granted including those certified as ongoing and request other information pursuant to division (D) of section 3309.41 of the Revised Code.
- (3) The board or the board's physician may require a disability recipient to submit to a medical examination by an examining physician and a vocational rehabilitation evaluation by a vocational rehabilitation professional or health care professional assigned by the system.
- (J) In the absence of a waiver from the board based on a certified ongoing disability, in order to continue receiving disability benefits, the recipient shall comply with the following conditions as set forth in section 3309.41 of the Revised Code:
- (1) Submit to an annual medical examination,
  - (2) If required, submit to a medical examination,
  - (3) If required, submit to a vocational rehabilitation evaluation,

- (4) If applicable, obtain any recommended medical treatment and submit medical reports regarding the treatment,
- (5) If applicable, obtain any recommended vocational rehabilitation and submit required reports regarding the rehabilitation,
- (6) Annually file an earnings statement, current medical information, and any other information required by the board.

(K)

- (1) If a recipient refuses to submit to a required examination or evaluation or to file required information, the disability benefits shall be suspended until the examination or evaluation is obtained or the information is filed.
- (2) If, when applicable, the recipient fails to obtain recommended medical treatment and submit medical reports regarding the treatment, the disability benefits shall be suspended until the treatment is obtained and the report of the treatment submitted, or the board physician certifies that the treatment is no longer helpful or advisable.

Medical treatment is no longer helpful or advisable if, after a period of time in which it would be medically reasonable to see results, the treatment has failed to produce improvement in the disability, or continuation of the treatment presents a medically significant risk of aggravation or complication of an existing disability or creation of an additional disability.

- (3) If, when applicable, the recipient fails to obtain required vocational rehabilitation and submit reports regarding the rehabilitation, the disability benefits shall be suspended until the rehabilitation is obtained and the report submitted, or the board physician or consultant certifies that vocational rehabilitation is no longer helpful or advisable.

Vocational rehabilitation is no longer helpful or advisable if:

- (a) The recipient's disability renders the recipient unable to perform the duties of any position and is not expected to improve sufficiently, or
- (b) After a period of time in which the recipient has complied with recommended vocational rehabilitation, the recipient cannot be reasonably expected to obtain employment in any occupation.

(L) If the recipient's failure to comply with any of the applicable conditions set forth in paragraph (J) of this rule continues for one year from the date of the suspension of benefits for noncompliance, the recipient's right to the disability benefits shall be terminated as of the date of the original suspension.

(M) On reexamination the board's medical advisory committee and/or the board physician shall review the medical and vocational reports and certify to the board whether the recipient continues to be disabled.

- (1) If the medical advisory committee and/or the board physician certifies that the recipient continues to be disabled, the medical advisory committee and/or the board physician shall make recommendations regarding reexamination and, where applicable:
  - (a) Recommend a continuation of the medical treatment and/or vocational rehabilitation previously recommended,
  - (b) Recommend a modification in medical treatment and/or vocational rehabilitation, or
  - (c) Certify that the disability is ongoing.

(2) When the termination standard is whether the recipient can perform any occupation, a recipient shall not be certified for termination unless

(a)(i) A SERS appointed vocational consultant has submitted a report that is based on findings made at the time of the review and that identifies a minimum of three positions that meets the any occupation definition and has submitted a job descriptions that includes a discussion of the physical and mental demands of the position; and

(ii) An examining physician or the medical advisory committee concludes that the recipient is capable of meeting the physical and mental demands of a minimum of three of the positions; or

(b) The recipient's current earnings statement establishes that the recipient is employed in a position whose annual earnings are seventy-five per cent or more of the recipient's final average salary, adjusted each year by the actual average increase in the consumer price index prepared by the United States bureau of labor statistics (U.S. City Average for Urban Wage Earners and Clerical Workers: "All items 1982-84=100").

(3) If the medical advisory committee and/or the board physician certifies that the recipient meets the applicable standard for termination of disability under division (C) of section 3309.41 of the Revised Code and the board concurs, the board shall:

(a) Terminate the disability benefits effective as of a date not later than three months after the board's concurrence, or upon notice of employment of the recipient as an employee.

(b) (1) If the leave of absence has not expired when the board votes to terminate the disability benefit, the board shall certify to the recipient and the recipient's last employer as applicable that the recipient is no longer incapable of resuming service that is the same or similar to that from which the recipient was found disabled and shall identify the scheduled termination date of the disability benefit.

(2) The employer must notify the system if the member returns to work before the scheduled termination date. If the employer fails to notify the system, the amount of benefits paid to the member after the member's return to work shall be paid from amounts allocated under Chapter 3317. of the Revised Code.

(N)

(1) Disability benefit recipients with a benefit effective date before January 7, 2013 shall be considered on leave of absence from employment during the first five years following the effective date of their disability benefit.

(2) Disability benefit recipients with a benefit effective date on or after January 7, 2013 shall be considered on leave of absence from employment during the first three years following the effective date of their disability benefit; thereafter, their leave of absence shall terminate as follows:

(a) If medical treatment and/or vocational rehabilitation is not recommended, at the end of the first three years;

(b) If medical treatment and/or vocational rehabilitation is recommended, but the recipient is not participating in the recommended treatment or rehabilitation, the earlier of the last month the benefit recipient participated in recommended treatment or rehabilitation or the end of five years following the benefit effective date;

(c) If medical treatment and/or vocational rehabilitation was recommended and the recipient is participating in the recommended treatment or rehabilitation, at the end of five years following the benefit effective date.

- (O) A disability benefit recipient is employed for purposes of division (E) of section 3309.41 of the Revised Code if they hold office as a school board member or governing board member as defined in section 3309.012 of the Revised Code, regardless of whether the disability recipient elects membership under that section.
- (1) Upon receipt of notice that a disability recipient holds office as a school board member or governing board member, the system shall notify the recipient that the recipient must terminate their service in order to continue to receive a disability benefit.
  - (2) The disability recipient shall send written notice to the system within thirty days from the date on the notice sent under division (O)(1) of this rule, indicating whether they will resign their office.
  - (3) If the disability recipient affirms a continuation of service or if the recipient fails to provide notice to the system, the disability benefit shall be terminated on the date the recipient first held office as a school board member or governing board member and any overpayments shall be collected as authorized in Chapter 3309 of the Revised Code.
  - (4) If the disability recipient affirms a termination of service, the termination shall be effective on the receipt of the notice described in division (O)(1) of this rule. Any employee contributions remitted for the service shall be unauthorized and returned to the employer.

(P)

- (1) Amounts paid by a member to purchase service credit shall be credited to the employees' savings fund.
- (2) Service credit for a period of disability shall be considered the equivalent of Ohio service credit.
- (3) Service credit granted or purchased under section 3309.41 of the Revised Code for a period of disability shall not result in the member receiving more than one year of service credit for any year as defined in division (R) of section 3309.01 of the Revised Code.

HISTORY: 8/13/17, 4/6/17, 10/4/15, 1/7/13, 4/3/08, 1/30/06, 1/6/05, 1/2/04, 5/9/03, 11/9/98, 1/2/93, 2/1/92, 10/26/84, 2/19/82, 1/21/77

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.39, 3309.41  
Review Date: 2/1/22

## AUDIT REPORT

Chief Audit Officer Joe Bell provided a brief update on the Audit Committee's meeting held on Wednesday, September 18, 2019. Mr. Bell stated that the Committee discussed risk associated with data, and he provided an update on the FY2020 Internal Audit Plan. Mr. Bell also stated that the Chief Financial Officer provided an update on SERS financials. Additionally, Mr. Bell provided a brief update on Q1 audit activities, noting that 3 internal audits have been completed. Mr. Bell stated that good progress has occurred.

The Board took a break at 12:00 noon, and reconvened at 1:04 p.m.

## EXECUTIVE SESSION

At 1:04 p.m., Barbra Phillips moved and James Haller 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. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

The Board returned to open session 1:05 p.m.

## APPROVAL OF DISABILITY BENEFITS

Barbra Phillips moved and Hugh Garside seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and that the persons named below be granted a disability benefit. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>	<b>Treatment/ Re-exam</b>
Arnett, Colleen G	Valley View Local Schools	
Bailey, Curtis G	Brecksville Broadview Hts City Schools	required
Baizel, David L	Mayfield City Schools	required
Boron, Joan L	Plain Local Schools	
Carnahan, LeAnn R	Defiance City Schools	required
Craycraft, Lisa K	Delaware Area Career Center JVSD	
Griesinger, Jason L	Anthony Wayne Local Schools	
Griffin, Carol R.	Nordonia Hills City Schools	
Hof-Johnson, Laurel K	Columbus City Schools	
Holland, Carmen A.	Reynoldsburg City Schools	
Holland, Heath	Toledo City Schools	required
Johnson, Rebecca L	Columbus State Community College	
Lane, Sharon K	Marion City Schools	
Lash, Cindy R	Kettering City Schools	
Little, Dona L	Middletown City Schools	required
Orr, Robert T	Boardman Local Schools	
Parker-Barry, Kimberly L	Westerville City Schools	required



<b>Name</b>	<b>School Employer</b>	<b>Treatment/ Re-exam</b>
Quarterman, Amanda J	Cleveland Metropolitan Schools	
Ranker, Daniel J	Columbus City Schools	
Reay, Timothy	London City Schools	
Reese, Tina D	Forest Hills Local Schools	required
Reyes, Coleen R	Maple Heights City Schools	required
Reynolds, David L	Warren Local Schools	required
Ruschau, Karen A	Shawnee Local Schools	
Sheesley, Victoria J	Mayfield City Schools	
Sheriff, Leslie M	Vermilion Local Schools	required
Simmons, Leonard	Cleveland Metropolitan Schools	
Stevens, Karen K	Washington Local Schools	required
Sweeney, Cheryl A	Fremont City Schools	
Ware, Dominic C	Cleveland Metropolitan Schools	
Wilcox, Shirley J	Westerville City Schools	required
Wilson, Mary J	Wyoming City Schools	required
Woolever, Mara	Beavercreek City Schools	required
Woolridge, Charles A	Reynoldsburg City Schools	

### **DISAPPROVAL OF DISABILITY BENEFITS**

Barbra Phillips moved and James Haller seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the disability benefit for the persons named below be disapproved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Busby, Teresa	Columbus City Schools
Moore, Larisa	Marysville Exempted Village Schools
Prikkel, Theresa	Oakwood City Schools
Reese, Lisa	Gallia Local Schools
Shoemaker, Anna	Xenia Community Schools
Stevens, Lisa	Columbus City Schools

### **TERMINATION OF DISABILITY BENEFITS – ANY OCCUPATION**

Barbra Phillips moved and James Haller seconded that the following report, as recommended by the Medical Advisory Committee and Vocational Expert, and prepared by staff be approved, and further, that the disability benefit for the persons below be terminated. Upon roll call, the vote was as follows: Yea:

Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Ainsley, Dina	Champion Local Schools
Akers, Katina	Edgewood City Schools
Aloi, Shirley	Nordonia Hills City Schools
Conway, Caroline	Polaris Joint Vocational Schools
Hodgson, Mary Ellen	Akron Public Schools
Schultz, Bonnie	Toledo City Schools
Townsend, Remus	Cleveland Metropolitan Schools
Wilson, Wendy	Archbold Area Local Schools

#### **DISAPPROVAL OF APPEAL FOR DISABILITY BENEFITS**

Hugh Garside moved and Barbra Phillips seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the disability appeal of the persons named below be disapproved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Pitsinger, Barry	Valley View Local Schools
Thayer, Sharon	Valley Local Schools

#### **DISAPPROVAL OF APPEAL ON PERSONAL APPEARANCE**

Barbra Phillips moved and Hugh Garside seconded that the following report, as recommended by the Medical Advisory Committee and prepared by staff be approved, and further, that the disability appeal on personal appearance of the persons named below be disapproved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Kinton, LaVerne	West Carrollton City Schools
McDonie, Susan	Waverly City Schools
Sanchez, Ruth	Cleveland Metropolitan Schools
Toland, Lisa	Upper Sandusky Exempted Village Schools

**APPROVAL OF APPEAL OF TERMINATION – ANY OCCUPATION**

Barbra Phillips moved and James Haller seconded that the following report, as recommended by the Medical Advisory Committee and Vocational Expert, and prepared by staff be approved, and further, that the appeal on termination of the persons named below be approved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Knott, Deborah	Miami Trace Local Schools
Walter, Fitch	Campbell City Schools

**DISAPPROVAL OF APPEAL OF TERMINATION ON PERSONAL APPEARANCE – ANY OCCUPATION**

Barbra Phillips moved and James Haller seconded that the following report, as recommended by the Medical Advisory Committee and Vocational Expert, and prepared by staff be approved, and further, that the appeal on termination on personal appearance of the persons named below be disapproved. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson and Catherine Moss. The motion carried.

<b>Name</b>	<b>School Employer</b>
Hradilek, Richard	Solon City Schools

The Board continued with the review of future calendar dates.

**FUTURE CALENDAR DATES FOR 2019**

**AUDIT COMMITTEE MEETINGS**

September 18 - 2:30 p.m. (Weds.)  
December 18 - 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

September 19 - 7:30 a.m. (Thurs.)  
December 19 - 7:30 a.m. (Thurs.)

**BOARD MEETINGS**

October 17 and 18 (Thurs. and Fri.)  
November 21 and 22 (Thurs. and Fri.)  
December 19 and 20 (Thurs. and Fri.)

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**FUTURE CALENDAR DATES FOR 2020**

**AUDIT COMMITTEE MEETINGS**

March 18 - 2:30 p.m. (Weds.)  
June 17 - 2:30 p.m. (Weds.)  
September 16 - 2:30 p.m. (Weds.)  
December 16 - 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

March 19 - 7:30 a.m. (Thurs.)  
June 18 - 7:30 a.m. (Thurs.)  
September 17 - 7:30 a.m. (Thurs.)  
December 17 - 7:30 a.m. (Thurs.)

**BOARD MEETINGS**

February 20 and 21 (Thurs. and Fri.)  
March 19 and 20 (Thurs. and Fri.)  
April 16 and 17 (Thurs. and Fri.)  
May 21 and 22 (Thurs. and Fri.)  
June 18 and 19 (Thurs. and Fri.)  
July 16 and 17 (Thurs. and Fri.)  
September 17 and 18 (Thurs. and Fri.)  
October 15 and 16 (Thurs. and Fri.)  
November 19 and 20 (Thurs. and Fri.)  
December 17 and 18 (Thurs. and Fri.)

**\*\*NOTE: The above dates are *tentative*.**

The Board continued with the review of continued or new business. Chairperson Catherine Moss stated that future sustainability meetings will coincide with future Board dates.

### **HEALTH CARE SUSTAINABILITY**

Michael Madalena of Madalena Consulting, LLC, facilitated the Health Care Sustainability discussion at the September Board meeting.

The Board was provided with the most recent versions of the Health Care Guiding Principles. Penny Baker, Health Care Assistant Director, explained the Guiding Principles resulted from the Health Care Preservation Task Force and were adopted in 2007. A revised version was drafted by staff in 2015 at the Board's direction, but was never formally adopted.

The current premium subsidy structure, non-Medicare and Medicare program expenses and enrollment were reviewed. Service retirees account for 86% of the subsidy dollars and 92% of subsidized enrollees have more than 20 years of service. Disability benefit recipients are subsidized at a higher rate than service retirees.

Dr. Michael Steiner, SERS Health Care Data Analyst, pointed out that the Medicare program is self-sustaining. Medicare costs have decreased during the past four years because of CMS revenue and other cost management strategies.

The staff asked Board members for their input on where cost savings might exist for the more costly non-Medicare program. Discussion highlighted enrollment trends, the disability population, incentives for enrollment in the SERS Marketplace Plan, and eligibility for Medicaid.

Non-Medicare enrollment continues to decrease in part as a result of pension reform, and staff expects the trend to continue. For the disabled population, data provided pointed out differences in pension benefit amounts between the new and old disability plans.

The SERS Marketplace Plan was described as positively impacting plan costs by allowing non-Medicare enrollees to select a plan on the federal Marketplace. Mr. Madalena pointed out that for some groups, SERS non-Medicare group plan subsidized premiums are lower than federal Marketplace premiums, so SERS premiums do not always provide an incentive to select the Wraparound plan.

It was also noted that members with Medicaid are not prevented from enrolling in a SERS non-Medicare plan. For 56 current SERS enrollees who are also enrolled in Medicaid, the SERS plan pays primary and Medicaid secondary. Madalena said that today's Medicaid plans have much broader networks than they once did. Savings would be realized if SERS had a policy that stated non-Medicare members eligible for Medicaid would not be eligible for SERS coverage.

Staff noted there are a number of non-Medicare group plan enrollees whose gross SERS benefit amount is less than the Medicaid eligibility threshold. It is not known how many of these would be Medicaid eligible based on total household income, which is not known to SERS. Board members raised the possibility of requiring non-Medicare members to submit tax returns to show total household income; the staff agreed to consider implementation methods if the Board determined that non-Medicare group plan enrollees are not eligible for SERS coverage if they are eligible for Medicaid.

At the conclusion of the presentation, the staff was tasked with assigning cost savings to each of the non-Medicare strategies for the Board's further discussion and consideration. The Board thanked Mr. Madalena and SERS' staff for their presentation.

The Board took a break at 3:05 p.m., and reconvened at 3:16 p.m.

Following the discussion on health care sustainability, Executive Director Richard Stensrud asked Michael Perri and Michele Berry of Lincoln Crow, to facilitate the discussion on pension sustainability.

## **PENSION SUSTAINABILITY**

### **Exploring Purpose and Structure**

Michael Perri and Michele Berry, consultants with Lincoln Crow Strategies, facilitated the second session of pension sustainability discussions with the Board, with the primary goal of crafting a definition of the purpose of SERS.

The Board members engaged in a series of discussions designed to examine reasons for the System's existence. Discussions not only focused on the importance of each Board member's commitment to the sustainability process, but also identified possible threats to the System as well as strengths that should be promoted.

During these discussions, Board members expressed a shared responsibility to the entire SERS membership. Despite their different careers and backgrounds, they also recognized a mutual respect for one another and each other's opinions, as well as an openness to new ideas.

One threat to SERS that resonated with all the Board members was the impact of technology on education. Even though the need for education will continue, the information delivery model of the future may look very different as technology potentially replaces human workers.

Some Board members noted that there already was a decline in rehiring support staff at schools as new machinery allowed fewer custodians to do the same amount of work, and that continued advances in technology could lead to a permanent decline in many areas of SERS' membership in the future.

The Board recessed at 5:03 p.m.

September 20, 2019

The Board reconvened at 8:30 a.m.

### **PENSION SUSTAINABILITY - CONTINUED**

Continuing the discussion and prior to a brainstorming session to develop a working definition of the purpose of SERS, Board members divided into pairs to talk about their personal vision of SERS' future. The one-on-one interrogational-style conversations allowed individuals to explore the similarities and differences in their visions. A group session followed in which several Board members discussed a need to be realistic, while not being constrained by previous decisions.

The working definition of the purpose of SERS agreed upon by all of the Board members was, "to provide a retirement benefit to career employees." The Board agreed that this definition could undergo additional changes as the definitions for "retirement benefit," "career employees," and other terms may be refined at future meetings.

At the conclusion of the session, Mr. Perri and Ms. Berry circulated a Proposed Pension and Sustainability Initiative Process and Outline handout containing an overview of future sustainability session goals. The Board asked that future meetings with SERS' advocacy groups be added to the outreach structure as important decision points are reached.

The Board thanked Mr. Perri and Ms. Berry.

### **ADJOURNMENT**

Catherine Moss moved that the Board adjourn to meet on Thursday, October 17, 2019 for their regularly scheduled meeting. The meeting adjourned at 11:04 a.m.

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Catherine Moss, Chair

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Richard Stensrud, Secretary