

SERS Retirement Board Meeting Minutes

April 15, 2021

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:31a.m. with the pledge of allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Absent from the meeting was Jeffrey DeLeone. Also attending virtually was Samuel Peppers, representative of the Ohio Attorney General's Office, various members of the SERS staff, and members of the public.

Approval of Minutes

Barbra Phillips moved and James Haller seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, March 18, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Executive Director's Report

Five Year Actuarial Experience Study (2015 – 2020) Cavanaugh Macdonald

Richard Stensrud, SERS Executive Director, began his report by introducing the actuaries from Cavanaugh Macdonald. John Garrett, Todd Green, and Alisa Bennett presented the five-year actuarial experience study materials. Their report included the review of economic and non-economic assumptions that were used over the past 5 years in the annual actuarial valuations. They also reviewed any recommended changes to those assumptions to be used in the annual actuarial valuations for Fiscal Years 2021 through 2025.

The board took a brief recess at 10:38 a.m. and reconvened at 10:50 a.m. to continue with the actuarial presentation.

Following the completion of the presentation, the actuary recommended that SERS adopt the long-term assumptions, as stated in the report, for the following:

- Rate of Price Inflation – 2.40%
- Rate of Investment Return – 7.00%
- Rate of Real Wage Growth - .85%
- Cost-of-Living-Adjustments – 2.00%
- Total Payroll Growth – 1.75%
- Rates of Withdrawal – Liability Weighted Experience
- Rates of Disability Retirement – As presented in the report dated March 31, 2021
- Rates of Pre-Retirement Mortality – As presented in the report dated March 31, 2021
- Rates of Post-Retirement Mortality – Using the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females
- Rates of Disabled Post-Retirement Mortality – Using the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females
- Rates of Service Retirement – As presented in the report dated March 31, 2021
- Rate of Wage Inflation – 3.25%

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- Other Assumptions and Methods (Percent Married, Re-hired Retirees, Actuarial Cost Method, Actuarial Value of Assets, Amortization Method, and additional assumptions) – As presented in the report dated March 31, 2021
- Other Post-Employment Benefit Assumptions – Change in long-term rate of return. Changes in participation assumptions for service retirement, disability retirement and spousal coverage, and additional assumptions, as presented in the report dated March 31, 2021

James Rossler moved and Barbra Phillips seconded the motion to adopt the actuary's recommended long-term assumptions. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Investment Report

Adam Messerschmitt presented the annual review of the Private Credit Investments portfolio. SERS invests in private credit to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent stream of income. The market value as of December 31, 2020 was \$273 million. The portfolio is made up of eight managers and 12 funds with allocations to direct lending, mezzanine, stressed/distressed and structured credit/other. Mr. Messerschmitt reviewed the implementation guidelines, market overview, portfolio construction and performance. Staff has made \$683 million in new commitments and the portfolio has \$797 million in unfunded commitments. After discussing the FY2021 objectives, the Board thanked Mr. Messerschmitt for his presentation.

Farouki Majeed provided a summary of the Investment report for the period ending February 28, 2021. The preliminary performance report as of March 31, 2021 was provided to the Board for their information. As of March 31, 2021, the Fund was \$16.98 billion with an FYTD return of 20.17%. Following comments, the Board thanked Mr. Majeed for the presentation.

Extension / Renewal of Investment Consultant Agreement (R)

After discussion, the Board approved the renewal of the Investment Consultant Agreement through June 30, 2026. After discussion, Frank Weglarz moved and Catherine Moss seconded the motion to approve extending the Investment Consultant Services Agreement with Wilshire Associates, currently set to terminate June 30, 2021, through June 30, 2026, upon terms satisfactory to the Executive Director, Chief Investment Officer, and legal counsel.

Be it further provided that the Executive Director be authorized to execute any contracts or documents necessary to complete this extension. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Proxy Voting

Chris Collins, SERS Government Relations reviewed new proxy issues. There are no changes to the current proxy instructions. After comments, the Board thanked Mr. Collins for his presentation.

Summary of Investment Transactions

Catherine Moss moved and Barbra Phillips seconded that the following summary of investment transactions made in compliance with the Ohio revised Code Section 3309.15 during the period of **February 1, 2021 through February 28, 2021**. A detailed list of these transactions can be found in the Diligent board book and was posted prior to the Retirement Board Meeting. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

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Executive Director's Report (cont.)

COVID-19 Health Care Report

SERS Executive Director, Richard Stensrud, reported on the Covid-19 numbers affecting members. To date, 2850 cases have been reported in SERS' Medicare plan, with 246 deaths. To date, 869 vaccinations have been reported in the pre-Medicare plan.

"Return to Office" Plan Update

Mr. Stensrud reported on the SERS "Return to Office" plan. Currently, with SERS' essential employees who have been working in the building full-time, plus the Senior Leadership Team and volunteers, up to 75 staff members are working at 300 E. Broad St.

Mr. Stensrud stated beginning on May 3 and 10, Phase 3 of the "Return to Office" plan will commence with approximately 66 more employees returning to the office bi-weekly. Mr. Stensrud also stated beginning on June 1 and 7, Phase 4 will have the remaining staff divided into two groups and join everyone from the previous phases as they return to the office bi-weekly.

Finally, Mr. Stensrud reported as of July 6, it is expected that all staff will be working in the building. During all this time, Senior Leadership will be evaluating what SERS' future looks like for in-office, remote, and hybrid options aka "The New Normal".

Ohio Retirement Study Council

Mr. Stensrud reported that the ORSC met on March 25th. It was the first ORSC meeting to be broadcast on the Ohio Channel website. Rep. Phil Plummer (R-Dayton) was sworn-in to replace Rep. Derek Merrin (R-Monclova). The bulk of the agenda was comprised of updates from individual systems relating to various reports that had been previously submitted to the Council including summaries of SERS' 2019 and 2020 Iran/Sudan reports, 2020 Health Care report, 2020 Actuarial Valuation, and the 2020 Disability Report.

Advocacy Groups

Mr. Stensrud reported that SERO President Joan Owen had recently passed away. Mr. Stensrud noted some of the highlights of Ms. Owen's service in and for Ohio's schools and school children as well as her service with SERO. Mr. Stensrud also noted that in her role at SERO, Ms. Owen had been a steadfast supporter and partner with SERS.

OASBO/SERS

Mr. Stensrud reported that the annual joint SERS/OASBO meeting will be held via Zoom on April 23. Mr. Stensrud noted that staff will provide 'state of SERS' information and dialogue with the OASBO attendees on sustainability topics being considered by the Board.

Education Materials

In follow up to a discussion at the last Board Meeting, Mr. Stensrud provided the Board with information on the numerous ways in which information is provided to members and employers regarding the value of the SERS benefits and the importance of supplementing them with retirement savings. Mr. Stensrud noted this information would be posted on the SERS website.

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Ohio General Assembly

Mr. Stensrud reported that SERS has been reaching out to meet with new legislators in the Ohio General Assembly, focusing on those serving on key retirement system-related committees such as the House Financial Institutions committee. Mr. Stensrud noted that the legislators are provided with the latest statistics and information about SERS, and SERS' commitment to stakeholder engagement, transparency, and accountability. Mr. Stensrud noted that he believes the meetings will reinforce the partnership between SERS and the Ohio General Assembly in addressing our long-term goal of sustainability.

Mr. Stensrud also noted that he met with Rep. Plummer, who as previously mentioned, is the newest member of the ORSC. In addition to reviewing information about SERS, Mr. Stensrud shared the timelines and links to the sustainability initiative materials that the Board has been reviewing.

Federal Legislation

Mr. Stensrud noted among the elements in President Biden's \$2 trillion infrastructure plan was funding to replace 50,000 diesel transit vehicles, electrify at least 20 percent of the country's "yellow school bus fleet" and a \$111 billion allocation for clean, lead-free drinking water for schools. Mr. Stensrud noted that SERS' federal relations advisor Carol Drake had provided an outline of all the provisions in the plan.

Mr. Stensrud also reported that SERS continues to work with members of the Ohio delegation on language to be included in federal appropriations bills regarding the Wraparound HRA program. The goal is to enhance flexibility for participants by strongly urging the Departments of HHS, Treasury, and Labor to study and report whether a change in the cap from \$1,800 per enrolled family to \$1,800 per enrolled participant, indexed for inflation, would be possible. SERS has also been meeting with Ohio congressional office staff on health care issues in addition to the Wrap, including sharing our concerns about the currently delayed rebate rule and other prescription drug reform legislation that may come up this Congress.

Mr. Stensrud also reported that communication had gone out to both current enrollees in the Wrap HRA program members of the pre-Medicare plan who might want to consider enrolling in the Wrap HRA advising them on how to take advantage of the enhanced premium subsidies recently authorized in federal pandemic relief legislation.

Mr. Stensrud concluded his federal report by discussing the prospects for WEP and/or GPO reform.

Budget-related matters

Mr. Stensrud reported that two budget modifications were being presented for approval by the Board and asked Tracy Valentino, SERS CFO, was asked to present them for the Board's consideration.

Ms. Valentino reported that the first modification involved capital expenditures. Ms. Valentino noted that IT has had to be agile to make sure SERS staff had right equipment to continue working remotely during the pandemic and that needs had to be re-prioritized. Ms. Valentino stated certain projects that would otherwise be pushed to the FY22 budget could be accomplished this year by re-allocating operating budget funding to the capital budget. To that end, Ms. Valentino asked that \$185,000 of the operating budget in the FY2021 be reallocated to the capital budget. This reallocation would not increase the overall FY2021 budget. It will also take pressure off next year's budget. Ms. Valentino requested approval to reallocate the following purchases to FY21: Information Security - Firewall Replacement (\$55,000); Load Balancer Replacement (\$65,000); and Hyperconverged Infrastructure (\$65,000).

Discussion followed regarding development of a 5-Year Capital Budget for IT expenditures. Mr. Stensrud stated that he and Ms. Valentino supported the concept, noting that doing so was one of the reasons for establishing a Technology Committee to enhance understanding of IT resources, needs and cost. Mr. Stensrud stated he believed that in conjunction with the Technology Committee a 5-year IT capital budget could be developed by the end of the year. The Board approved the re-allocation request.

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Ms. Valentino reported that the second budget modification involved a re-allocation of existing budget funding to the Personnel category. Ms. Valentino explained that expenditures in the Personnel category were forecast to be higher than expected due to unanticipated employee health care and related prescription medical costs. Ms. Valentino noted that expenditures in certain other budget categories would be lower than expected and that funding from those categories could be shifted to the Personnel category resulting in no change to the overall budget. After discussion, the board approved the budget reallocation request.

Change to SERS Board Meeting Minutes Format

Mr. Stensrud noted that the practice at most retirement systems and public entities generally, is for the Minutes of meetings to be a summary of the governing body's discussions and decisions regarding items on the agenda. Mr. Stensrud noted that in contrast, SERS' Minutes format is a full reproduction of the materials prepared for the meeting. Mr. Stensrud noted those materials are already available on the SERS website. Mr. Stensrud suggested that moving to a format for the Minutes focused on the business of the Board, combined with the separate posting of the meeting materials would improve transparency as it would be easier for interested parties to review Board discussions and decisions. Accordingly, Mr. Stensrud proposed that the Board consider modifying the format of the Minutes format be modified. After discussion, the Board requested to see the Minutes in both the current and proposed abbreviated versions before making a final decision. As a result, two versions of the April Board Minutes will be presented for consideration.

In addition to discussion around Minute's format changes, the Board also discussed recording the live stream of Board Meetings and making the recordings available to the public on the SERS website.

Consent Agenda for Approval of Ministerial Board Items

Mr. Stensrud proposed the development of a 'consent' agenda for the Board's consideration. A consent agenda would allow the Board to vote on and approve multiple routine, procedural, and informational items via one vote. Mr. Stensrud noted that an item could be removed from the consent agenda by any Board Member and considered separately. Board Members could also identify consent agenda items on which they abstained. Several board members indicated the consent agenda is used successfully with other boards they sit on.

The Board agreed to implement the use of a consent agenda for future board meetings.

Technology Charter Approval

Mr. Stensrud presented a proposed charter for the Board Technology Committee. Mr. Stensrud also noted if the Board wished to establish a Technology Committee, it would be necessary to amend the SERS Standing Committees of the Board Policy to add the Technology Committee. The amendment to the policy was approved. The Board reviewed the draft Technology Committee charter, agreed it was well done, and the charter was approved.

After discussion, Matt King was appointed Chair of the Technology Committee. James Rossler, Frank Weglarz, and Dan Wilson were named as committee members. The Technology Committee will convene at the Chair's pleasure.

Compensation Study RFP Update

Mr. Stensrud and Compensation Committee Chair Dan Wilson reported on the recommendation of the Compensation Committee that a Request for Proposals (RFP) process be initiated for the selection of a consultant to conduct a compensation and classification study for SERS' staff positions. The proposed review and selection process was outlined, with the proposed timeline for the vendor selection in July 2021 and work commencing on the study in August 2021.

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ORSC Budget Update

Mr. Stensrud and Chief Financial Officer Tracy Valentino provided the Board with the FY22 draft budget and expenditure information that is required to be submitted to the ORSC by the end of April. They explained that the ORSC materials were informational, and no action was being requested. They also noted that the budget information in the ORSC report was preliminary and would continue to be worked on for the submission of the official budget proposal to the Board in May.

FY2021 SERS Budget Modification - Administrative Capital Budget

Jeffrey DeLeone moved and Matthew King seconded that the FY2021 Administrative Capital Budget be modified as presented today effective April 15, 2021. The modification reallocates \$185,000 within the SERS Operating Budget to the SERS Capital Budget for the purchase of the following three items: (1) Information Security – Firewall Replacement; (2) Load Balancer Replacement; and (3) Hyperconverged Infrastructure. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, and Hugh Garside. Nay: Daniel Wilson. The motion carried.

FY2021 SERS Administrative Budget Modification – Major Category Reallocation

Barbra Phillips moved and Matthew King seconded that the FY2021 Administrative Budget be modified as presented today effective April 15, 2021. The modification reallocates \$271,000 from the Professional Services Category to the Personnel Category. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Administrative Expenses

Tracy Valentino, Chief Financial Officer, provided an update on the administrative expenses and offered to answer any questions the board had. There were no questions from the board or the public.

Amend Standing Committees of The Board Policy

In order to approve the newly created Technology Committee, the Standing Committees of the Board Policy must first be updated. It was moved by Frank Weglarz and seconded by James Haller to amend the SERS Standing Committees of the Board Policy effective April 15, 2021 to add a SERS Technology Committee. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Proposed Technology Committee Charter

The board was presented with the proposed SERS Technology Committee Charter. It was moved by Barbra Phillips and seconded by Catherine Moss to adopt a SERS Technology Committee Charter with an effective date of April 15, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Review of the Draft Administrative Budget for The ORSC

Tracy Valentino, SERS Chief Financial Officer, presented the FY2022 Draft Budget information in the standard format required by the Ohio Retirement Study Council (ORSC) for the board's review. SERS is currently in the process of finalizing the budget for FY2022, therefore, the expanded budget document will be presented and discussed in greater detail at the May Board meeting. Ms. Valentino stated SERS is not seeking approval for the draft presentation.

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The ORSC required documents include FY2021 and FY2022 operating, capital, staff training and travel budget comparisons, investment expenses obtained from the Annual Financial Report, a ten-year categorization of Board expenses and membership statistics. The board thanked Ms. Valentino for her report.

RFP for Compensation Consultant

The SERS Compensation Committee recommends to the Board that SERS issue a Request for Proposal to retain a compensation consultant that will determine the competitiveness and effectiveness of the SERS employee compensation program. Dan Wilson moved to adopt the Committee's recommendation. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Approval of Superannuation, Survivor Benefits, and Transfers

It was moved by Catherine Moss and seconded by Barbra Phillips that the 333 superannuation retirements, 38 survivor benefits, and 8 transfers be approved and, further, that the persons listed below be granted allowances and benefits in the amount set forth and effective as of the dates given in the report. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Special Cases - Adjustments

Barbra Phillips moved and Frank Weglarz seconded the motion that the report on Special Cases be approved in the amounts and dates as set forth below. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Retirement Report

At 2:03 p.m., Frank Weglarz moved and Catherine Moss 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: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

The Board returned to open session at 2:07 p.m.

Approval of Disability Benefits

Catherine Moss moved and Barbra Phillips seconded that the disability 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: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Disapproval of Disability Benefits

James Rossler moved and James Haller seconded that the disability 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: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

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Termination of Disability Benefits – Any Occupation

Catherine Moss moved and James Rossler seconded that the disability 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 person listed below be terminated. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

Board Communication and Policy Issues

FUTURE CALENDAR DATES FOR 2021 **

AUDIT COMMITTEE MEETINGS

June 16 - 2:30 p.m. (Weds.)
September 15 - 2:30 p.m. (Weds.)
December 15 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 17 - 7:30 a.m. (Thurs.)
September 16 - 7:30 a.m. (Thurs.)
December 16 - 7:30 a.m. (Thurs.)

BOARD MEETINGS

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

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

Continued or New Business

The Board continued with the review of continued or new business.

Recess

Frank Weglarz moved and James Haller seconded that the Board take a recess & reconvene on Friday, April 16, 2021 at 8:30 a.m. to continue the board meeting & discuss Pension Sustainability. The meeting recessed at 2:14 p.m.

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Adjournment

The board reconvened at 8:30am on Friday, April 16, 2021 to discuss Pension Sustainability.

After robust board discussion, Hugh Garside moved to adjourn to meet on Friday, May 20, 2021 for their regularly scheduled meeting. The meeting adjourned at 10:43 a.m.

Hugh Garside, Chair

Richard Stensrud, Secretary