



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
JUNE 2021

Board Elects New Officers

For FY2022 (July 1, 2021 – June 30, 2022), the Board elected Employee-member Barbra M. Phillips as chair and Appointed-member Jeffrey T. DeLeone as vice-chair.

Board Appoints Committee Chairs

For FY2022 and FY2023, Board Chair Hugh W. Garside, Jr. appointed Barbra Phillips as Audit Committee chair and Daniel Wilson as Compensation Committee chair.

Board Approves FY2022 Annual Investment Plan

SERS’ Board approved the FY2022 Annual Investment Plan (AIP), which serves as a guide to the System’s investment decisions for the fiscal year.

The AIP includes an overview of the current economic environment based on reports from leading economic firms, SERS’ asset allocation target, and long-term performance objectives for each type of investment. In addition, it contains last year’s objectives and accomplishments, and details about how each investment portfolio will be managed during the year.

The AIP can be found on SERS’ website at www.ohsers.org/about-sers/by-the-numbers/investments/.

Total Fund Update

TOTAL FUND BALANCE		
March 31	April 30	Difference
\$16.99 billion	\$17.35 billion	▲ \$360 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 23.08%	▲ 6.22%	▲ 10.69%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 2.73%	▲ 0.63%	▲ 0.56%

Investment Committee Approves Private Credit Investment

The SERS Investment Committee approved a \$100 million commitment to Carlyle Credit Opportunities Fund II, a direct lending strategy within the private credit portfolio.

This investment will be funded from cash reserves.

Health Care Update

Christi Pepe, SERS’ director of Health Care Services, summarized proposed changes to the health care program for 2022.

Medicare

In terms of the Medicare premiums, there are no changes to the Aetna Medicare Advantage rate. The full premium remains \$198. The most common premium remains \$84.

RETIREMENT BOARD

HUGH W. GARSIDE, JR.
Chair, Employee-Member

BARBARA M. PHILLIPS
Vice-Chair, Employee-Member

JEFFREY T. DELEONE
Appointed Member

JAMES HALLER
Employee-Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

The Medicare prescription drug network will be transitioned to the Express Scripts' Broad Performance Network. The enrollee co-pays will remain the same. Ninety-eight percent of enrollees will not be affected by the network change. This change will potentially save SERS \$3.3 million.

Non-Medicare

In terms of non-Medicare premiums, the Aetna Choice premium will increase 6.4% with the actuary's recommendation. This will increase the full premium by \$91 and the most common premium by \$18. The AultCare premium will be reduced by 1%, making it \$1,075.

There are no benefit changes proposed.

The Wraparound HRA per-service limits will be eliminated for 2022, but the \$1,800 total HRA federal reimbursement limit will continue. The \$0 premium also will continue.

Dental

The SERS dental benefit, which is offered by Delta Dental, is fully supported by member premiums. The program currently includes 40,878 enrollees. The benefits are not changing.

The premiums will be reduced to: \$28.25 per month for a single benefit recipient; \$56.50 per month for a benefit recipient and one dependent; and \$84.98 per month for a benefit recipient and two or more dependents.

Vision

The SERS vision coverage, which is offered by VSP, also is fully supported by member premium. The program currently includes 30,682 enrollees. The benefits are not changing. The premiums will be reduced to: \$6.17 for a single benefit recipient; \$12.35 for a benefit recipient and one dependent; and \$14.49 for a benefit recipient and two or more dependents.

Premium Discount Expansion

The Premium Discount Program, which provides health care premium relief to qualifying recipients based on household size and income, is brought to the Board on a yearly basis.

There will be expanded eligibility for a 25% premium reduction to benefit recipients with household incomes less than or equal to 150% Federal Poverty Level (previously 125%). There also will be continued eligibility for the 2021 Premium Discount enrolled population through 2022. SERS will continue to automatically enroll SERS health care participants into the premium Discount Program who have been approved by Medicare for the non-institutionalized Part D low-income subsidy.

Medicare Part B Enrollment

Pepe also discussed Medicare Part B enrollment. In Calendar Year 2020, SERS had 2,364 new Medicare Advantage enrollees. In April 2021, SERS had 322 enrollees in non-Medicare plans who should be in Medicare Advantage but have no Medicare Part B.

She explained that Medicare Advantage requires Medicare Part B, and that there are several incentives to enrolling in Part B and SERS Medicare Advantage, including having the lowest retiree premium, the lowest out-of-pocket plan costs, and a Medicare Part B reimbursement of \$45.50 per month.

SERS' health care rule requires enrollees eligible for Medicare Part B to enroll. SERS defaults to the non-Medicare plan for those without Part B. SERS' annual cost for those Part B eligible but not enrolled is \$2.56 million.

She explained that SERS sends communications to retirees starting at age 64, including four written correspondences and at least one phone contact, by their 65th birth month, expressing the importance and necessity of enrolling in Medicare Part B.

Despite that fact, some enrollees still do not enroll in Medicare Part B at age 65. Currently, 124 have never enrolled.

One hundred and ninety-eight current enrollees were terminated from Medicare Part B and enrolled in non-Medicare plans.

SERS contacts these individuals and attempts to get them reinstated immediately after termination. Each year, there is a general enrollment period for re-enrollment, and SERS sends an enrollment reminder for prior-year terminations. For every 12 months without Medicare Part B enrollment, a 10% premium penalty is applied.

Due to this situation, she encouraged the Board to consider a rule change to end SERS' health care eligibility for those who are eligible for Medicare Part B but who fail to enroll. Requiring Medicare Part B for those eligible for Part B who failed to enroll or were terminated since: calendar year 2019 saves \$1.24 million; calendar year 2020 saves \$1.08 million; and future years as of April 2021 has been estimated at a savings of \$127,000.

Staff will return next month with suggestions for an updated rule addressing Medicare Part B enrollment.

The Board approved the 2022 health care premium amounts and plan changes.

Board Approves Agreement for Vocational Evaluation Services

Following issuance of an RFP in March 2021 and staff recommendation, the Board approved entering into an agreement for vocational consulting services with the following vendors:

- Career Assessment Systems, Inc.
- CareWorks Managed Care Services, Inc.
- New Link Services, LLC
- Vocational Resource Center, Inc.
- Vocational Services Unlimited

After three or five years on SERS' disability, disability recipients who qualify for and are capable of performing a job that can be reasonably found with pay at or above 75% of the annual compensation of their previous school job could be terminated from disability. Following an examination by the member's physician or a SERS-appointed medical examiner, the vocational evaluator will review the documentation and determine if the member is able to perform any occupation within the parameters above.

The agreements are effective July 1, 2021.

Board Reappoints Vocational Expert

Following issuance of an RFP in February 2021 and staff recommendation, the Board approved renewing an agreement with Kimberly Wickert as a vocational expert who will provide services to SERS on matters of vocational rehabilitation.

Her responsibilities include recruiting qualified vocational evaluators throughout the state of Ohio, and advising the Board and Medical Advisory Committee if vocational rehabilitation is recommended for disability recipients.

Board Approves Amended Administrative Rule

The Board approved an amendment to the administrative rule that sets forth deadlines for employers to report and remit contributions, and other payments.

The proposed amendment adds a provision establishing employer liability for reporting errors. The amendment permits the Board to seek reimbursement from employers for any penalties that SERS incurs as a result of employer errors in reporting or certifying information to the System.

Internal Audit Update

Jeffrey Davis, SERS' chief audit officer, provided an overview of the FY2022 *Internal Audit Plan*, and the audit planning process.

The annual external audit, performed by RSM US LLP, is currently underway and will be completed before the end of the calendar year.

During FY2021, Mr. Davis led an external assessment of SERS' disaster recovery processes. The review included an analysis of various models including cloud-based services. The matter has been referred to the Technology Committee for further discussion.

Executive Director's Update

FY2022 Budget Approved

The proposed administrative budget for FY2022 was approved by the Board.

The approved budget totals \$36,112,092, and includes personnel costs; professional service fees, including investment-related costs; communications expenses; capital expenditures; and other operating expenses. The amount represents a 4.36% increase from the FY2021 budget.

Board Rehires Cavanaugh Macdonald as SERS' Actuary

Following issuance of an RFP for actuarial services in March 2021 and staff recommendation, the Board approved entering into a five-year contract with Cavanaugh Macdonald Consulting, LLC. Four firms responded to the RFP, and two were interviewed by SERS' staff.

Cavanaugh Macdonald's contract will run through June 30, 2026.

In addition, the Board passed a resolution requesting that an actuarial audit be performed before the end of FY2023. The last actuarial audit, conducted at the direction of the Ohio Retirement Study Council (ORSC), was performed in 2014.

The actuarial audit will review and validate the assumptions, methodology, and calculations provided by Cavanaugh Macdonald.

State Legislative Update

SERS is seeking an amendment in the state operating budget bill to allow the System to establish a policy regarding remote participation of Board members. The temporary authorization for public entities to meet via electronic technology will expire on July 1, 2021.

SERS will continue to broadcast Board meetings via Zoom; however, Board members need to be physically on site to be considered present, and the public is able to attend meetings in person.

Monthly Retirement and Survivor Benefit Transactions

For June, the SERS Board approved 301 active members for service retirements, and 31 survivor benefits for spouses and/or dependents.

July Meeting Dates

The next Board meeting will take place Thursday, July 15, and Friday, July 16 (if necessary), at 8:30 a.m.