



**SERS Retirement Board
Special Compensation Committee Meeting Agenda
October 21, 2021
7:30 A.M**

To Join Zoom Meeting:

<https://ohsers.zoom.us/j/98866030500?pwd=a0huOGhlUFZlZzlwNE1CUjdKRClZz09>

Meeting ID: 988 6603 0500

Password: 718391

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **988 6603 0500** and password: **718391** when prompted.

1. Roll Call
2. Approval of **September 16, 2021**, Compensation Committee Minutes (R)
3. Compensation Study Review/Discussion
4. Adjournment (R)

SCHOOL EMPLOYEES RETIREMENT SYSTEM

COMPENSATION COMMITTEE

October 21, 2021

_____ A.M.


Roll Call:

Daniel Wilson	_____
Jeffrey DeLeone	_____
Hugh Garside	_____
James Haller	_____
Barbra Phillips	_____

Guests in Attendance:

School Employees Retirement System		COMPENSATION COMMITTEE MINUTES	
Preparer	Vatina Gray	Meeting Date:	September 16-17, 2021
Committee Chair	Daniel Wilson	Committee roll call was as follows: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, James Haller Absent: Barbra Phillips Also in Attendance: Sam Peppers from the Ohio Attorney General's Office and SERS Staff: Richard Stensrud, Joe Marotta and Vatina Gray	
Agenda	<ol style="list-style-type: none"> 1. Roll Call 2. Approval of July 27, 2021 Minutes (R) 3. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee (R) 4. Compensation Study Discussion 5. Recess to Reconvene 6. Adjournment 		
Discussion	<p>The regular SERS Compensation Committee meeting began in open session at 7:32 a.m.</p> <p><u>ROLL CALL</u> The SERS Compensation Committee roll call was as follows: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, and James Haller. Absent: Barbra Phillips. Also in attendance was Sam Peppers from the Ohio Attorney General's Office, SERS Staff Joe Marotta, Vatina Gray, and other members of the public via Zoom.</p> <p><u>APPROVAL OF MINUTES</u> Hugh Garside moved and James Haller seconded the motion to approve the minutes of the Compensation Committee meeting held on July 27, 2021. Upon roll call the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, and James Haller. Absent: Barbra Phillips. The motion carried.</p> <p><u>EXECUTIVE SESSION</u> James Haller moved and Jeffrey DeLeone seconded the motion that the Committee convenes in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment of a public employee. Upon roll call the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, and James Haller. Absent: Barbra Phillips. The motion carried.</p> <p>The committee convened in Executive Session at 7:32 a.m.</p> <p>The committee returned to open session at 8:31 a.m.</p> <p><u>EXECUTIVE DIRECTOR'S GOALS</u> Jeffrey DeLeone moved and James Haller seconded to approve the Executive Director goals for FY2022. Upon roll call the vote was as follows: Yea: Daniel Wilson, Jeffrey DeLeone, Hugh Garside, and James Haller. Absent: Barbra Phillips. The motion carried.</p> <p><u>RECESS</u> Daniel Wilson moved that the Compensation Committee recess to reconvene on Friday, September 17, 2021, to continue the meeting and to discuss the Compensation Study. The meeting recessed at 8:32 a.m.</p>		

	<p><u>COMPENSATION STUDY REVIEW/DISCUSSION</u></p> <p>The Compensation Committee reconvened on Friday, September 17, 2021, at 8:32am. Richard Stensrud, SERS Executive Director, provided an overview of the SERS Compensation Study and it's components. Mr. Stensrud reviewed the Compensation Study process document and discussed the 12 steps that will be taken over the course of the study. The goal is to complete the study in December 2021.</p> <p>Mr. Stensrud reported on the 1st planning meeting that occurred with the Compensation Committee Chair, Daniel Wilson, CBIZ staff Joe Rice, and SERS staff. Mr. Stensrud discussed why this study is being done, the SERS culture and culture philosophy, and the current challenges SERS is facing with recruitment and retention. The study will review whether SERS salary structures would need to be updated or changed to recruit the brightest and the best talent. Those attending the Compensation Study Planning meeting agreed the compensation study process is very customized to SERS and the needs of SERS.</p> <p>Daniel Wilson expressed a desire to go back to CBIZ to find out if there is a compensation impact to working remotely up to two days a week. The committee agreed this information would be useful.</p> <p>Mr. Stensrud reported on next steps when CBIZ will make recommendations about comparable peer groups. Mr. Stensrud and Mr. Wilson stated they will continue to report back to the Compensation Committee over the next couple of months regarding the study. Jeffrey DeLeone thanked the Compensation Committee members and SERS staff for their hard work and wants SERS staff to know this is a positive not a negative. The goal is to know where SERS stands in the marketplace.</p> <p><u>ADJOURNMENT</u></p> <p>Daniel Wilson moved to adjourn the Compensation Committee meeting at 9:03 a.m.</p>		
	Action Items	Assigned Person	Due Date
Action Items			
Agenda for Next Meeting			

 <h2 style="text-align: center;">Employee Compensation</h2> <p>HR4-016</p>					
Effective Date:	12/11/2012	Revision Date:	04/20/2020	Audience:	Everyone
Owner:	Human Resources	Certifier:	Richard Stensrud	Co-Owner (s):	None
Document Links:	Purpose , Policy , Procedure , Definitions , Related Documents , Policy History				

Purpose

The purpose of this policy is to describe the compensation philosophy and objectives of the School Employees Retirement System of Ohio. This document sets forth policy and describes the organization and division of responsibilities to prudently implement SERS' compensation philosophy and objectives. It also establishes the framework to monitor the effectiveness of the compensation program and to promote effective communication between the Board and staff.

Policy

SERS Compensation Philosophy

SERS recognizes that to fulfill SERS' mission and provide the best service to the members and retirees, SERS must attract, retain, and motivate employees. It is SERS' objective to have a compensation program that supports a high performance culture, the organization's values and strategic goals, and pays competitively and equitably. To accomplish this goal SERS needs to:

- Provide compensation, including salary and benefits, at levels that are externally competitive not only to the other Ohio retirement systems, but also local private sector and government employers with similar characteristics to SERS.
- Provide internal equity by considering differences in each position's level of responsibility, knowledge, skills, education, experience, and working conditions required when determining appropriate compensation.
- Link compensation to performance by utilizing a performance management system that directly connects the employee to organizational goals, and rewards employees for meeting or exceeding expected performance.

To fulfill our philosophy of external competitiveness, internal equity, and pay for performance, the following will apply:

- SERS will target compensation levels which approximate the 50th percentile in the labor market when employees are fully proficient in their position and meeting expectations. Individual placement relative to that target will be based on experience and performance.

For positions not covered under the Annual Investment Incentive Policy, this means salary range midpoints will represent the "middle of the market" base pay. For positions covered under the Annual Investment Incentive Policy, salary range mid-points plus incentive opportunities will represent the "middle of the market" total cash compensation. SERS will rely heavily on appropriate market comparisons when determining compensation levels.

- With the exception of the Executive Director and Chief Investment Officer (CIO) positions, SERS will benchmark to other Ohio Retirement Systems, as well as, local private sector and government employers with similar characteristics to SERS in the Columbus, Ohio metro area. SERS will benchmark public pension funds nationwide with similar asset size, staff size, investment management characteristics and are constituted as a separate entity outside of state government for the Executive Director and CIO positions. Cost of living will also be factored into the benchmarks.
- In the absence of market data, jobs will be slotted into the job hierarchy based upon their relative complexity within the organization.
- SERS will consider differences in skill, effort, responsibility, and working conditions when ranking jobs in a hierarchy.
- Merit increases are tied to an effective performance management system, a review of current salary range placement, and overall SERS philosophy of valuing employees and their contributions.
- No across the board, cost of living, or seniority based salary increases are considered.
- Additional compensation may be earned in the form of incentives for excellent achievements. [e.g. SPARK Continuous Process Improvement (CPI) and Above & Beyond Rewards]

Responsibilities

To maintain SERS' compensation policy the following responsibilities have been assigned:

Retirement Board

- Based upon annual review of information presented by the Executive Director and reviewed by the Compensation Committee of the Board, approve amount to be allotted for staff merit increases and Annual Investment Incentive Plan.
- Every five years, or as recommended by the Executive Director, approve utilization of an independent source to determine the competitiveness and effectiveness of compensation program.

Executive Director and Deputy Executive Director

- Administer the compensation program in accordance with this Policy.
- In coordination with Directors and Human Resources, periodically review grade levels

to assure appropriate classification of positions. Review recommendations for promotions, reclassifications, transfers, salary adjustments for internal equity or external competitiveness, and merit increases submitted by Directors.

- Assure performance evaluations are given on a regular basis, to ensure expectations are clear and employees reach their full potential.
- Evaluate performance of Directors. Work with each Director in planning objectives to be accomplished each year to attain long-range goals.
- Annually review salary structure and adjust to current schedule if appropriate.
- Annually review merit and incentive award practices and make recommendations for Board to approve during budget process.
- Oversee awarding of staff merit increases and incentive awards to assure effective utilization of allotted monies to reward employees appropriately for level of performance.



CBIZ COMPENSATION CONSULTING

Compensation Study Check In



Market Comparison Point Consideration

MATCH THE MARKET

- Pay in the middle of all labor markets that have similar positions
- Structure set to the market 50th percentile
- This is the approach of the majority (85%) of organizations

LEAD THE MARKET

- Market comparison set above the 50th percentile, such as the 75th or 90th percentile
- Consideration for organizations that:
 - Compete for hard-to-find, specialized skills
 - Want to be an employer of choice
 - Make up for lack of competitiveness in other reward programs

LAG THE MARKET

- Market comparison set below the 50th percentile, such as the 40th or 25th percentile
- Consideration for organizations that:
 - Have a strong variable compensation or benefits programs
 - Limited by budget



Market Comparison

	STAFF	EXEC	INVESTMENT
PAY MIX	Base Pay	Base Pay	Total Cash Comp (Base + Bonus)
COMPARISON	50 th Percentile	50 th Percentile	50 th Percentile



Labor Market Considerations



GEOGRAPHY

- Do you source talent primarily in the local market, or are there jobs for which you source regionally or nationally?



INDUSTRY

- Should the focus be exclusively your industry or should the broader labor market be considered?



SIZE

- How critical is size? For all positions?
- What are the metrics that matter: AUM, revenue, operating budget, employee headcount, etc.



Peer Group Considerations

- Location
- Assets Under Management
- Members
- # of Employees
- Governance Structure
- State Classification System



Labor Markets & Peer Group Map

	STAFF	EXECUTIVE	INVESTMENT
GEOGRAPHY	Columbus	National/Columbus	National
INDUSTRY	Public/Private Mix	Public/Private Mix	Pension
SIZE/SCOPE	Pension peer group + Local employers of similar size (budget; # employees)	Pension peer group + Local employers of similar size (budget; # employees)	Pension peer group
PENSION PEER GROUP	Smaller group to emphasize Ohio peers	Local + National (Review of AUM range, governance structure, members, staff)	National, focus on asset management approach
SURVEY WEIGHTING	50% Published (multiple surveys) 50% Pension	50-100% Pension 0-50% Published **see job list slide**	100% Pension



Proposed Staff Custom Peer Group

Fund Name	FTEs	Members	Assets	Governing Body	State Merit System
Missouri Local Government Employees Retirement System	37	71,255	9.5	Independent	No
Missouri State Employees Retirement System	94	95,760	9.7	Independent	No
Municipal Employees' Retirement System of Michigan	141	124,109	14.4	Independent	No
Ohio Police and Fire Pension Fund	145	29,000	17.5	Independent	No
Ohio Public Employees Deferred Compensation	22	250,600	18.6	Independent	No
State Employees' Retirement System of Illinois	170	124,440	19.2	Other	No
Kansas Public Employees Retirement System	127	325,000	20.6	Independent	No
Pennsylvania State Employees Retirement System (SERS)	215	220,245	35.3	Independent	Yes
State Teachers Retirement System of Ohio	502	345,260	76.4	Independent	Yes
Ohio Public Employees Retirement System	531	506,000	114.3	Independent	No
Illinois Municipal Retirement Fund	215	170,735	50.3	Independent	No
Public School & Education Employee Retirement Systems of Missouri	143	93,253	53.0	Independent	No
Colorado Public Employees' Retirement Association	300	625,000	61.1	Independent	No
Public School Employees Retirement System of Pennsylvania	361	522,000	65.9	Independent	Yes



Proposed Executive Custom Peer Group

Fund Name	FTEs	Members	Assets	Governing Body	State System
Missouri Local Government Employees Retirement System	37	71,255	9.5	Independent	No
Missouri State Employees Retirement System	94	95,760	9.7	Independent	No
New Hampshire Retirement System	71	108,224	11.0	Independent	Yes
San Bernardino County Employees' Retirement Association	75	43,000	11.9	Other	No
Arizona Public Safety Personnel Retirement Systems	69	60,000	13.5	Independent	Yes
Municipal Employees' Retirement System of Michigan	141	124,109	14.4	Independent	No
New Mexico Educational Retirement Board	83	112,534	15.2	Independent	Yes
Teachers' Retirement System of Oklahoma	41	167,619	17.0	Independent	No
Ohio Police and Fire Pension Fund	145	29,000	17.5	Independent	No
Maine Public Employees Retirement System	112	94,068	17.8	Independent	No
Ohio Public Employees Deferred Compensation	22	250,600	18.6	Independent	No
State Employees' Retirement System of Illinois	170	124,440	19.2	Other	No
Employees' Retirement System of the State of Hawaii	100	117,903	20.0	Other	Yes
Kansas Public Employees Retirement System	127	325,000	20.6	Independent	No
Los Angeles City Employees Retirement System	173	47,013	22.5	Independent	No
Teachers' Retirement System of Louisiana	153	169,562	24.5	Other	Yes
Minnesota State Retirement System	138	106,903	25.6	Independent	Yes
Minnesota Teachers Retirement Association	95	205,000	27.0	Independent	Yes
South Carolina Public Employee Benefit Authority	282	412,565	31.3	Independent	Yes
Employees Retirement System of Texas	415	255,651	32.3	Independent	Yes
Public Employees Retirement Association of Minnesota	109	290,757	32.6	Independent	Yes
Public Employees' Retirement System (PERS) of MS	168	269,359	33.6	Other	Yes
Texas Municipal Retirement System	125	115,938	33.7	Independent	No
Pennsylvania State Employees Retirement System (SERS)	215	220,245	35.3	Independent	Yes
State Teachers Retirement System of Ohio	502	345,260	76.4	Independent	Yes
Ohio Public Employees Retirement System	531	506,000	114.3	Independent	No
Utah Retirement Systems	480	241,096	39.3	Independent	No
Illinois Municipal Retirement Fund	215	170,735	50.3	Independent	No
Public School & Education Employee Retirement Systems of Missouri	143	93,253	53.0	Independent	No
Colorado Public Employees' Retirement Association	300	625,000	61.1	Independent	No
Public School Employees Retirement System of Pennsylvania	361	522,000	65.9	Independent	Yes



Proposed Investment Custom Peer Group

Fund Name	FTEs	Members	Assets	Governing Body	Investment Internal?
Denver Employees Retirement Plan	20	19,481	2.5	Independent	Yes
MoDOT & Patrol Employees' Retirement System	18	18,793	2.8	Independent	Yes
Missouri Local Government Employees Retirement System	37	71,255	9.5	Independent	Yes
Missouri State Employees Retirement System	94	95,760	9.7	Independent	Yes
Arizona Public Safety Personnel Retirement Systems	69	60,000	13.5	Independent	Yes
Municipal Employees' Retirement System of Michigan	141	124,109	14.4	Independent	Yes
New Mexico Educational Retirement Board	83	112,534	15.2	Independent	Yes
Ohio Police and Fire Pension Fund	145	29,000	17.5	Independent	Yes
Nebraska Investment Council	9	141,750	21.0	Independent	Yes
Teachers' Retirement System of Louisiana	153	169,562	24.5	Other	Yes
Employees Retirement System of Texas	415	255,651	32.3	Independent	Yes
Utah Retirement Systems	480	241,096	39.3	Independent	Yes
Arizona State Retirement System	241	613,691	46.9	Independent	Yes
Colorado Public Employees' Retirement Association	300	625,000	61.1	Independent	Yes
Public School Employees Retirement System of Pennsylvania	361	522,000	65.9	Independent	Yes
New Jersey Division of Investment	71	n/a	76.0	Other	Yes
State Teachers Retirement System of Ohio	502	345,260	76.4	Independent	Yes
Alaska Permanent Fund Corporation	62	n/a	79.4	Other	Yes
Teachers Retirement System of Georgia	205	170,735	98.0	Independent	Yes
Ohio Public Employees Retirement System	531	506,000	114.3	Independent	Yes
Teacher Retirement System of Texas	835	1,682,708	176.9	State Legislature	Yes
State Board of Administration of Florida	215	1,284,768	194.7	Other	Yes



Published Survey Sources

- Economic Research Institute (ERI)
 - Consultant's Salary Assessor
 - Executive Compensation Assessor
- CompAnalyst
- CompData
- PayFactors
- Employers Resource Association (ERA)
 - Engineering and IT Personnel Compensation Report
 - Professional & Supervisory Personal Compensation Report
 - Executive Personnel Compensation Report
 - Production, Maintenance, and Service Personnel Compensation Report



Aging Survey Data

- Survey data must be adjusted (e.g., “aged”)
 - Account for market movement between the time of data collection and when the data are to be used
- All salary data were aged to January 1, 2023
- Data were aged using a factor of 3.2%
 - Tied to the Bureau of Labor Statistics Employment Cost Index
 - Reports wage growth for the prior 12 months



Proposed Executive Jobs

Title	Survey Weighting	
	Pension	Published
Executive Director	100%	0%
Deputy Executive Director	100%	0%
General Counsel	50%	50%
Chief Financial Officer	50%	50%
Chief Risk Officer	50%	50%
Chief Technology Officer	50%	50%
Chief Audit Officer	50%	50%
Director - Administrative Services	50%	50%
Director - Member Services	50%	50%
Director of Health Care Services	0% (not available)	100%



Proposed Investment Jobs

Title	Department
Associate Investment Officer	Investments
Investment Officer	Investments
Sr. Investment Officer	Investments
Chief Investment Officer	Investments



Proposed Staff Jobs

- Recommended in Staff but could be Investment?

Title	Department
Investment Fund Accountant	Investment Accounting
Senior Investment Fund Accountant	Investment Accounting
Sr. Alternative Investment Analyst	Investment Accounting
Senior Manager - Financial Accounting	Investment Accounting

Published survey resources considered in the 2012 analyses included:

- *CBIZ Proprietary Public Pension Fund Survey Data*
- *Crowe Chizek and Company – Financial Institutions Compensation Survey*
- *Dow Jones & Company, Inc. – Private Equity Analyst-Holt Compensation Study*
- *Compdata Surveys – General Compensation and Executive Compensation*
- *Economic Research Institute – Consultant’s Salary Assessor and Executive Compensation Assessor*
- *(compensation databases containing in excess of 1,900 published surveys)*
- *Mercer Benchmark Database – Executive, Information Technology and North Central Metropolitan Areas*
- *Thomson Reuters and Glocap Search LLC – The Private Equity Compensation Report*
- *Towers Watson Data Services – Survey Reports on Top Management Compensation, Middle Management Compensation, Supervisory Management Compensation, Professional Specialized Personnel Compensation, Professional Administrative Personnel Compensation, Technical and Skilled Trades Personnel Compensation and Office Personnel Compensation*
- *WorldatWork – Total Salary Increase Budget Survey*

ADJOURNMENT

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

The meeting adjourned at _____ a.m.

Daniel Wilson, Compensation Committee Chair