

## **SERS Retirement Board Meeting Minutes**

**November 18, 2021**

The nine hundredth and forty-fourth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, November 18, 2021.

### **Pledge of Allegiance**

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

### **Roll Call**

Following the Pledge of Allegiance, the roll call was as follows: Barbra Phillips, Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, and Daniel Wilson. Also attending in person was Lisa Reid, representative of the Ohio Attorney General's Office and various members of the SERS staff. Attending virtually was David Lindberg of Wilshire Associates, along with other members of the public in person and viz Zoom.

### **Consent Agenda**

The consent agenda for November 18, 2021, included:

- Minutes from the **October 21, 2021**, board meeting
- Summary of Investment Transactions for the period of **September 1, 2021**, through **September 31, 2021**
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Disapproval of Appeal of Appeal of Termination – Any Occupation)

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

### **Executive Director's Report**

Richard Stensrud, SERS Executive Director, opened by introducing SERS actuarial consultant Todd Green, President and Consulting Actuary at Cavanaugh Macdonald Consulting. Mr. Green provided the board with a presentation on the Pension and Health Care annual actuarial valuations. Mr. Green provided some key findings for the board:

- Funded status for Basic Benefits increased from 71.49 % to 74.46%.
- Actuarially determined contribution rate increased from 10.86% to 12.50% for Basic Benefits.
- Board-adopted funding policy requires at least a 13.50% employer contribution rate for funding of Basic Benefits since funded ratio is greater than 70%, but less than 80%.
- Based on Board Resolution dated October 21, 2021, the entire employer contribution of 14% will be allocated to Basic Benefits.
- Health Care Fund will receive the 1.50% employer surcharge, with no additional contribution from employer.
- Since the previous valuation, the assumptions used in the valuation have been updated based on an experience study for the five-year period ending June 30, 2020.
- Updated Economic Assumptions
  - Investment Rate of Return
  - Inflation
  - Wage Inflation
  - Payroll Growth Assumption
  - Cost-of-Living Adjustments

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- Demographic Assumptions
  - Merit Base Salary Scale Component
  - Retirements, Withdrawals, Disabilities
  - Pre & Post Mortality

Alisa Bennett, of Cavanaugh Macdonald Consulting, provided an update on the healthcare valuation. Ms. Bennett reported the funded ratio of the SERS Health Care fund was 26.86% as of June 30, 2020, and has a funded ratio of 46.56% as of June 30, 2021. This increase is largely due to a change in the rate of assumption and investment gains. Ms. Bennett also reported if the Health Care Fund receives only the 1.50% surcharge in the future, and all other actuarial assumptions are met, the Health Care Fund is projected to remain solvent through 2058, or 37 years of solvency.

After a robust discussion, the board thanked the actuaries for their report.

James Rossler moved and Frank Weglarz seconded that after review and discussion of the actuary's *Report on the Annual Basic Benefits Valuation of the School Employees Retirement System of Ohio* (prepared as of June 30, 2021) at the November 2021 Board meeting, the Board accept the actuary's recommended allocation of the 14% employer contribution for fiscal year 2022 as follows: Pension Fund (11.82%), Death Benefit Fund (0.05%), Medicare B Fund (0.63%) and Health Care Fund (0.00%). The Board indicated that no allocation should be made to the Health Care Fund during the October 2021 Board meeting, preferring to enhance the funding levels for Basic Benefits. The remainder (1.50%) will also be allocated proportionately to the Pension Fund, Death Benefit Fund and Medicare B Fund in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

Catherine Moss moved and Hugh Garside seconded the motion to accept the recommendation of SERS's actuary, Cavanaugh Macdonald Consulting, LLC, and establish \$25,000 as the minimum compensation amount for purposes of the fiscal year 2023 Health Care surcharge. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

The board took a break at 9:39 a.m. and reconvened in open session at 9:51 a.m. to continue with the investment report.

## **Investment Report**

### **Fixed Income Portfolio Review**

Jason Naber presented the annual Fixed Income portfolio review. As of September 30, 2021, the portfolio market value was \$2.64 billion with Net of Fee 2.87% excess return for the one-year period. Mr. Naber focused on performance, characteristics, portfolio structure, and sector exposures. Fixed income returns exceeded the benchmark for the one-year and longer periods. High Yield and U.S. TIPS were the leading sector returns, while US Treasuries and Agency MBS had negative returns for the one-year period. After questions, the Board thanked Mr. Naber for his presentation.

### **Wilshire Quarterly Performance**

David Lindberg presented the performance report for the quarter ending September 30, 2021. Mr. Lindberg discussed asset class performance, total fund allocation and attribution, asset allocation and performance, performance versus peers, five-year performance, economic and capital market highlights, and asset class assumptions. After discussion, the Board thanked David Lindberg for his presentation.

The Board took an intermission from the Investment report at 10:53 a.m.

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## **Member Appeal**

At 10:55 a.m. Barbra Phillips moved and Catherine Moss seconded the motion to that the board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

The board convened in executive session at 10:55 a.m.

The board returned to open session at 11:43 a.m.

Catherine Moss moved and Hugh Garside seconded to affirm the Final Staff Determination that declined the member's request to be granted the retirement allowance set forth in estimates she received prior to retirement. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The Final Staff Determination was affirmed.

The board recessed for lunch at 11:46 a.m.

The board reconvened after lunch at 12:30 p.m.

## **Investment Report (continued)**

### **Quarterly Performance Report**

Farouki Majeed presented the quarterly performance report for the period ending September 30, 2021. The preliminary performance report as of October 31, 2021, was distributed to the Board. Mr. Majeed also reviewed the Top Equity and Fixed Income Holdings as of September 30, 2021. As of October 31, 2021, the Fund was \$18.3 billion with an FYTD return of 4.29%. Following the discussion, the Board thanked Mr. Majeed for the presentation.

The Investment Report concluded at 1:15 p.m.

## **Executive Director's Report (cont.)**

### **COVID-19 Health Care Report**

Richard Stensrud, SERS Executive Director, reported that there have been 3,798 COVID-19 cases to-date in SERS' Pre-Medicare plan. Mr. Stensrud noted there were 7 more Covid-19 related deaths in the Medicare plan, bringing the total to 320. Mr. Stensrud stated he's hoping this is the plateau and numbers will begin to take a downward turn soon.

### **Ohio Retirement Study Council**

Mr. Stensrud reported the ORSC meeting scheduled for November 11, 2021, was cancelled. The next meeting is scheduled for December 9, 2021, subject to the call of the chairman and all ORSC meetings are broadcast on the Ohio channel.

### **Advocacy Groups**

Mr. Stensrud reported that Bill Winegarner, fearless defender of public retirement systems, passed away recently. Bill had been working in the public pension space for more than 25 years. He believed sustainable benefit plans were valuable to our staff and our communities. Mr. Winegarner always defended the integrity of public pension systems, and he will be missed.

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Mr. Stensrud reported the Ohio Federation of Teachers (OFT) is advocating against the Backpack Bill (HB 290). This bill would make every student in Ohio eligible for a voucher to pay for a private education using public education dollars. This legislation has not gotten any traction yet and SERS will continue to follow this.

Mr. Stensrud also reported that the Ohio School Board Association (OSBA) is no longer affiliated with the National School Board Association (NSBA). This separation is due to a rift over a communication that was sent out by NSBA.

## Ohio General Assembly

Mr. Stensrud reported the Ohio General Assembly has been focused on redistricting. However, there have been a few recent hearings of note:

- Sponsor testimony is being heard on SB 233 (School nurse licensure legislation). This bill could potentially cause a loss of some nurse memberships, and a smaller number of participants (school nurses).
- Sponsor testimony is being heard on HB 416 (Auto-enrollment DB plan for private sector employees). Other states have established this and Ohio would like to establish a similar plan. This may not have a future in Ohio (led by Democrats). Will keep the board up to date on any movement on this bill.
- 3<sup>rd</sup> hearing on HB 184 (OP&F Disability program changes)

There has not been much other legislative activity.

## Federal Legislative Activity

Mr. Stensrud continued his report with an update on federal legislation activity. Some notable items are:

- **Infrastructure/Reconciliation:** Bi-partisan infrastructure legislation was sent to President Biden's desk after passing the House at the start of November. The pending reconciliation bill remains the centerpiece of President Biden's "Build Back Better" initiative. Some prescription drug reforms have been included in the proposed bill. SERS concerns remain regarding the impact on Employer Group Waiver Plans (EGWP) like ours of any Medicare Part D changes. We continue to work in coalition with the Public Sector HealthCare Roundtable and other like-minded allies. Could increase for employees and or SERS for pharmacy benefit.
- **Rep. Kevin Brady (R-TX) WEP reform bill reintroduction:** Similar to his prior WEP reform bill, Brady's bill joins Chairman Neal's bill (HR 2337) as two versions of WEP reform before the House Ways and Means committee, one generally supported by Democrats, the other by Republicans. A bi-partisan solution will need to be found before WEP reform is likely to move forward. The goal is to have both sides to come together for bipartisan support. SERS will continue to monitor this legislation. Brady may view this as legacy legislation as he looks forward to retirement. SERS is actively communicating our support of this legislation.
- Ohio Special Congressional Elections results
  - Shontel Brown (D) replaces Marcia Fudge
  - Mike Carey (R) replaces Steve Stivers

## SERS Retiree Webinar Participation Statistics

- SERS hosted a retirement conference and had 125 registrants. There was another retirement conference in October and SERS hosted 80+ attendees. 69% of attendees preferred a virtual conference to a live conference. SERS will continue to look for ways to build up the virtual and in person education opportunities for our members. SERS staff is also looking at changing from Webinars to Zoom to have more interaction between members and staff. SERS also continues to be active on the employer front and recently OASBO hosted a payroll seminar held to educate employers on how to properly report earnings to SERS. Tuesdays at SERS is dedicated to virtual counseling.

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## **SERS Employee Holiday Charitable Initiatives**

Mr. Stensrud reported SERS staff participated in Operation Gratitude a program that allowed staff to share a portion of their excess Halloween candy with US troops. Operation Gratitude then assists in distributing the candy to deployed troops, local military units, veterans, and first responders, providing a sweet opportunity for SERS staff to thank those who serve our nation. SERS staff also donated dental supplies for troops.

Mr. Stensrud also reported SERS staff will participate in the 2021 Angel Tree program. Staff supporting the effort can purchase a toy from the Angel Tree Toy wish list on Amazon. Toys from the list will be delivered to the Salvation Army East Main location for distribution during their Christmas Cheer program for needy families. When we wind down, we'll provide an update of final numbers.

Finally, Mr. Stensrud reported that due to lack of available Santa's, Santa Saturday will be canceled. SERS hopes to find another Santa who can participate next year.

## **Compensation Committee Update**

Mr. Stensrud reported that the Compensation Study is going well and is on track for an update in December. There will be additional meetings between November and December with the goal of finalizing the compensation study data for presentation to the full board.

## **SERS Myths and Misconceptions**

Mr. Stensrud talked at last month's board meeting about myths and misconceptions that do not apply to SERS. SERS has one of the best risk profiles in the country. SERS takes improving and maintaining sustainability very seriously and all of SERS employers have made all their contributions on time. SERS staff hopes to create a space on the website and update information monthly to address misconceptions.

## **Pension Sustainability**

Mr. Stensrud reported there will be no pension sustainability discussion this month. SERS staff and the actuaries are working on alternate benefit formulas and want to be sure the data presented is correct and that it represents what the board wants to see. SERS still plans to move forward with CBBC legislation and will present a timeline to the board once it has been established.

## **Technology Committee Report**

Matthew King, Chair of the SERS Technology Committee, provided an update on the work of the Technology Committee. The last Technology Committee meeting was held on October 21, 2021. Mr. King thanked staff and others who participated in the Cyber Incident Tabletop Exercise. The committee is also working on moving SERS data to a cloud-based system and costs are being assessed. The committee is working with staff and hopes to provide a report to the full board on findings soon.

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## **Board Communication and Policy Issues**

### **CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 \*\***

#### **AUDIT COMMITTEE MEETINGS**

March 16, 2022 - 2:30 p.m. (Weds.)  
June 15, 2022 - 2:30 p.m. (Weds.)  
September 14, 2022 - 2:30 p.m. (Weds.)  
December 14, 2022 - 2:30 p.m. (Weds.)

#### **COMPENSATION COMMITTEE MEETINGS**

March 17, 2022 - 7:30 a.m. (Thurs.)  
June 16, 2022 - 7:30 a.m. (Thurs.)  
September 15, 2022 - 7:30 a.m. (Thurs.)  
December 15, 2022 - 7:30 a.m. (Thurs.)

#### **TECHNOLOGY COMMITTEE MEETINGS**

March 17, 2022 - 1:00 p.m. (Thurs.)  
June 16, 2022 - 1:00 p.m. (Thurs.)  
September 15, 2022 - 1:00 p.m. (Thurs.)  
December 15, 2022 - 1:00 p.m. (Thurs.)

#### **BOARD MEETINGS**

February 17-18, 2022 - 8:30 a.m. (Thurs. and Fri.)  
March 17-18, 2022 - 8:30 a.m. (Thurs. and Fri.)  
April 21-22, 2022 - 8:30 a.m. (Thurs. and Fri.)  
May 19-20, 2022 - 8:30 a.m. (Thurs. and Fri.)  
June 16-17, 2022 - 8:30 a.m. (Thurs. and Fri.)  
July 21-22, 2022 - 8:30 a.m. (Thurs. and Fri.)  
September 15-16, 2022 - 8:30 a.m. (Thurs. and Fri.)  
October 20-21, 2022 - 8:30 a.m. (Thurs. and Fri.)  
November 17-18, 2022 - 8:30 a.m. (Thurs. and Fri.)  
December 15-16, 2022 - 8:30 a.m. (Thurs. and Fri.)

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

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**Continued or New Business**

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

**Adjournment**

Barbra Phillips moved to adjourn to meet on Thursday, December 16, 2021, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting. The SERS board meeting adjourned at 1:43 p.m.

\_\_\_\_\_  
Barbra Phillips, Chairperson

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Richard Stensrud, Secretary

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be  
Reported to the Retirement Board for  
Ratification in December

The following is a summary of the investment transactions made during the period of **October 1, 2021 through October 31, 2021**. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$ 237.4
Fixed Income	425.0
Private Equity Capital Calls	64.3
Real Asset Capital Calls	103.5
Opportunistic & Tactical	50.8
Global Private Credit	46.3
Cash Equivalents	461.3

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$266.0	\$ 54.5
Fixed Income	403.9	(0.5)
Private Equity distributions	36.4	n/a
Real Asset distributions	11.0	n/a
Opportunistic & Tactical	0.7	n/a
Global Private Credit	n/a	n/a
Cash Equivalents	621.3	n/a