

# SERS Retirement Board Meeting Minutes

**April 21, 2022**

The nine hundredth and forty-eighth 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, April 21, 2022.

## Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 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 several SERS staff members and members of the public.

## Approval of Out-of-State Board Travel

Catherine Moss moved and James Rossler seconded the motion that the travel request by Board Members to travel and receive reimbursement for the following out-of-state conferences and meetings be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
Certificate of Achievement in Public Plan Policy (CAPP) Health Part I and Part II	Frank Weglarz	June 6 – 9, 2022	Santa Monica, CA	\$4,670
IFEBP 68 <sup>th</sup> Annual Employee Benefits Conference	Frank Weglarz	October 23 – 26, 2022	Las Vegas, NV	\$3,720

Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

## Consent Agenda

The consent agenda for April 21, 2022, included:

- Minutes from the:
  - **March 17, 2022, Board Meeting**
- Summary of Investment Transactions for the period of **February 1, 2022, through February 28, 2022.**
- 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 on Personal Appearance – Any Occupation, and Disapproval of Appeal of Termination – Any Occupation

Frank Weglarz moved and Hugh Garside seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, April 21, 2022. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

# **SERS Retirement Board Meeting Minutes**

**April 21, 2022**

## **Investment Report**

### **Board Education Session – Investing in Commodities**

Angelique Richardson, Relationship manager, and David Chang, Senior Managing Director, Partner, and Commodities Portfolio Manager with Wellington Management, an investment management firm, provided a presentation on investing in commodities. The presenters explained that commodities are a diverse asset class with many different investment options from agriculture, livestock, cotton, wheat, precious metals, and many others. The presenters stated investing in commodities often results in good returns in time of high inflation.

SERS is invested in Wellington's NA CIF II Commodities portfolio, an active management fund that is equally weighted by investments in all four commodity sectors: metal, energy, livestock and meat, and agricultural. Wellington is working to exceed benchmarks and their success is based on an understanding of commodity cycles and managing roll yields, which is the difference between maturing contracts and futures contracts.

After several questions and a robust discussion, the board thanked M. Richardson and Mr. Chang for their presentation.

### **Annual Portfolio Review – Private Equity**

SERS Chief Investment Officer Farouki Majeed and SERS Investment Staff Adam Messerschmitt presented the Private Equity portfolio review for 2021. Mr. Majeed reported as of February, the portfolio was \$690.6M and is comprised of 18 funds. This represents 3.9% of the total fund. Staff continues to focus on increasing the allocation to 5% by making new investments that fit within SERS' investment policy, ensuring appropriate risk and return characteristics are present with the new target allocation, and making new investments that generate consistent income for the Total Fund.

After several questions, the board thanked Mr. Majeed for his presentation.

### **Monthly Investment Report**

SERS Chief Investment Officer, Farouki Majeed, continued by presenting the SERS monthly investment report for the period ending February 28, 2022. Mr. Majeed reported inflation is rising and will continue to rise for the foreseeable future. Mr. Majeed reported the US economy continues to be strong, however, the fed may make changes in May 2022 that could send the US into a recession. However, SERS investment portfolio is in a better position than most public pension funds and staff will continue to monitor progress and report to the board as needed. Following comments, the Board thanked Mr. Majeed for his presentation.

The board took a break at 10:25 a.m.

The board reconvened at 10:36 a.m.

## **Executive Director's Report**

### **Personal Appearances (2)**

James Haller moved and James Rossler seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(5) 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 10:43 a.m.

The board reconvened in open session at 11:30 a.m.

# **SERS Retirement Board Meeting Minutes**

**April 21, 2022**

## **Corporate Governance – New Proxy Issues 2022**

Chris Collins, SERS' Government Relations Officer, provided the Board with an overview of new and/or updated proxy issues for 2022. Because SERS owns stock in public companies, the System is responsible for voting on several shareholder issues. To keep pace with the volume of issues that require a vote each quarter, SERS uses the proxy voting services of Institutional Shareholder Services (ISS) to vote on the System's behalf according to SERS' proxy voting policy and our custom guidelines.

Ahead of the upcoming proxy season, SERS' internal proxy voting committee reviewed 32 issues that ISS expects to appear on proxy ballots in 2022. The committee relied upon guidance from the Board-adopted Corporate Governance Principles in deciding how SERS will vote.

To promote diversity on corporate boards, SERS continues to participate in the Midwest Investors Diversity Initiative (MIDI), a group of 16 institutional investors in the Midwest that engages public companies that also are located in the Midwest with the goal of encouraging diversity on their board of directors. This year, MIDI is engaging with 19 Midwest companies that meet three parameters: 1) They have no women or people of color on their board based on best available public data; 2) They fail to disclose the race and gender of their boards; and 3) They fail to disclose their EEO-1 reports.

SERS also remains involved in the Investors for Opioid and Pharmaceutical Accountability (IOPA) Group. The IOPA is a group of institutional investors that engages with public companies associated with the opioid crisis and pharmaceutical pricing. Its objective is to encourage corporate governance reforms that include increased oversight and transparency.

SERS is also a part of the Investor Stewardship Group (ISG), which is a nationwide initiative that developed a Framework for U.S. Stewardship and Governance best practices. The ISG Framework has been recognized as the definitive corporate governance code in the United States and includes basic investment stewardship and corporate governance standards for U.S. institutional investors and boardroom conduct. SERS is a signatory to the ISG Framework and continues to support the group's efforts.

Finally, SERS continues to be an active member of the Council for Institutional Investors (CII) and is supportive of its advocacy at the federal level. The board thanked Mr. Collins for his report.

## **ORSC**

Richard Stensrud, SERS Executive Director, reported the ORSC met on April 14, 2022. Representative Adam Bird (R-New Richmond) has joined the council and SERS staff look forward to meeting with him soon.

Mr. Stensrud also reported that Russian divestment continued to be discussed at the April ORSC meeting. SERS is in the same position as last month and are adding no new Russian investments until sanctions are lifted if at all.

Mr. Stensrud reported STRS five-year experience study was reviewed and similar to SERS, due to some changes in actuarial assumptions, they have seen a reduction in their unfunded liability.

Mr. Stensrud also reported ORSC provided an analysis of HB 499, the bill that would allow disability recipients to run for elective office without termination of benefits. SERS staff are recommending against the bill and the ORSC accepted SERS staff position and agreed.

## **Advocacy Groups**

Mr. Stensrud continued, stating we continue to prepare for upcoming stakeholder events, including OASBO, which is being held on Friday, May 6 via Zoom. So far, 24 participants have signed up and the format will be similar to the January Advocacy Roundtable meeting. Key SERS staff will focus on important key topics and the goal is to set SERS apart from the other retirement systems.

# **SERS Retirement Board Meeting Minutes**

**April 21, 2022**

Mr. Stensrud also reported the SERO annual meeting will take place on Tuesday, May 10 at Villa Milano and this will be the first time having this meeting in person in 3 years. SERS will present the latest pension and healthcare news.

## **Ohio General Assembly**

Mr. Stensrud reported the Ohio House Insurance Committee held a sponsor testimony hearing on Rep. Lightbody's (D-Westerville) bill on April 4<sup>th</sup>. The proposed bill would increase employer contribution rates for SERS and STERS. SERS staff and stakeholders agree we do not want or need this increase. It is not anticipated that the bill will move forward as no further meetings are scheduled. SERS will continue to monitor this bill.

Mr. Stensrud also reported that SERS staff have met with Senators Hottinger (R-Newark) and Craig (D-Columbus) in an ongoing effort to recruit sponsors for SERS' CBBC legislation. Both meetings were positive, and the Senators were generally supportive of the proposal. SERS staff is also working on next steps through Senator Schuring's (R-Canton) office. Although Rep. Schuring is supportive of this legislation, there is still a challenge to get anything approved this year considering other dynamics in legislature. SERS staff will keep looking for other opportunities so we can add on to existing bills but will look to create a stand-alone bill, if needed.

## **Federal Legislation**

Mr. Stensrud reported on March 31, SERS participated in the Coalition to Preserve Retirement Security (CPRS) annual virtual meeting. The Coalition also heard updates on WEP and GPO reform legislation. Stakeholders have suggested compromises to Congressmen Neal (D-MA) and Brady (R-TX) to help achieve consensus between their two WEP reform bills. Those compromises include extending the hold harmless provision in the bill to all persons aged 16 and above at the time of passage. Those persons not yet age 16 at the time of passage are subject to the new proportional formula. This is closer to Brady's version of the bill. Another compromise would be a \$150 per month Social Security benefit increase for all current retirees affected by the WEP. This is similar to Neal's version of the bill. SERS is encouraging them to pull the bills together and move this legislation forward. Coalition members continue to remain hopeful that a WEP reform solution is achievable this session before Congressman Brady's retirement at the end of the year as this legislation could be Congressman Brady's legacy bill. Other WEP and GPO repeal bills don't seem to have any momentum at this time.

Mr. Stensrud further stated CPRS did a review of activity since the last annual meeting relative to mandatory Social Security coverage. There have been no legislative initiatives introduced regarding mandatory coverage and the topic remains off the table given the current Ways and Means committee leadership. But coalition members were reminded that we must remain vigilant since key legislators like Neal and Brady will not always be present to protect against various mandatory coverage proposals.

## **Medicare Part B Premiums**

Mr. Stensrud reported Medicare said last Thursday it's still considering a cut in enrollee premiums, after officials stuck with an earlier decision to sharply limit coverage for a pricey new Alzheimer's drug projected to drive up program costs. The premium for 2022 was a \$22 increase in Medicare's Part B premium, boosting it to \$170.10 a month. SERS staff will continue to monitor any activity with Medicare Part B premiums.

## **Request for Proposal – Actuarial Audit**

Mr. Stensrud further reported that SERS has put out an RFP for an actuarial audit. SERS has been working with Cavanaugh Macdonald for several years and it's prudent to bring in another firm to check and balance what Cavanaugh Macdonald has been doing. An actuarial audit is a good way of confirming the work being done and the goal is to allow this process to work as in the past. The audit will be of the methodology used by

# **SERS Retirement Board Meeting Minutes**

**April 21, 2022**

Cavanaugh Macdonald and the analysis of their results will be reviewed to provide assurances that the work is accurately & being properly done.

Proposals would come in and staff will review each proposal and bring a recommendation to the full board.

SERS board members agree there is no need for the board to interview the firm staff selects and the board further stated it agrees with the staff making an informed decision and selecting the firm without board input.

## **CFO Recruitment**

Mr. Stensrud reported SERS Chief Financial Officer, Tracy Valentino, is retiring this summer. SERS hopes to identify a successor in line with her departure date and has asked for help with recruiting. A third-party recruiter has concluded the collection of candidates and they have been presented to SERS for review.

Mr. Stensrud further stated it will take until the first week of May to identify the first round of interviewees. The second round will be shorter and will take place during the second week of May. With this schedule, SERS should be able to bring the final candidate(s) to the June board meeting for an interview with the full board.

Mr. Stensrud stressed this is an important position and the person in this role interfaces with the board frequently. SERS leadership wants to be sure the board feels like this person will be a good partner. The full interview and selection process may require Tracy to stay another month but she is flexible.

## **ORSC Draft FY2023 Budget Submission**

Tracy Valentino, SERS Chief Financial Officer, provided an update on the FY2023 Draft Budget submitted to the ORSC. Ms. Valentino reported in April, SERS will submit a draft of the FY2023 budget to the ORSC and a draft budget has been provided for the board to review. The draft budget is being submitted in a format required by ORSC.

Ms. Valentino further reported in May, an FY2023 budget will be presented to the board for consideration. This budget will provide more details and will be closer to the finalized SERS budget. Although the budget is still being fine-tuned, it won't change significantly.

## **Final Filing of Proposed Administrative Rule**

Mr. Stensrud also reported that the Administrative Rules originally discussed in December made it thru the JCARR review and will now be proposed to the board for approval. Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended and new rules: 3309-1-14 Purchasing leave of absence service credit; 3309-1-30 Eligibility for retirement; 3309-1-40 Application and procedures for receiving disability benefits; 3309-1-41 Appeals for denial and termination of disability benefits; 3309-1-45 Release of names, addresses and information; 3309-1-57 Rule on rules; 3309-1-60 Division of property orders; and 3309-1-68 Guardianships; that have been reviewed by JCARR and are ready for final adoption by the Board.

Matthew King moved and Frank Weglarz seconded that proposed amended and new rules 3309-1-14, 3309-1-30, 3309-1-40, 3309-1-41, 3309-1-45, 3309-1-57, 3309-1-60, and 3309-1-68 be adopted. Upon roll call, the vote was as follows: Yea: Hugh Garside, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. The motion carried.

# **SERS Retirement Board Meeting Minutes**

**April 21, 2022**

## **Executive Session**

Catherine Moss moved and Hugh Garside seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(2) to discuss the sale of property. 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 12:14 p.m.

The board reconvened in open session at 12:37 p.m.

## **Healthcare Report**

Christi Pepe, SERS Director of Health Care Services, provided an update on SERS staff's recommendation that SERS enter into a new contract with Express Scripts to provide pharmacy benefits and administration to eligible SERS benefit recipients.

The current contract with Express Scripts began January 1, 2013, was extended for 3 years beginning January 1, 2020 and will terminate December 31, 2022. Express Scripts has provided pharmacy benefit management services for SERS enrollees since 2008. Enrollee satisfaction with the benefit and with Express Scripts remains high.

Ms. Pepe further explained with assistance from Buck Consulting, SERS staff published a Request for Proposals (RFP) in December 2021 to invite proposals for the provision of pharmacy benefit management services to SERS enrollees. The RFP intended to assess and contract for the lowest cost enrollee benefit and highest service value. Five responses were received and compared. Express Scripts offered the lowest net pricing among proposals for projected 2022 pharmaceutical utilization. Express Scripts demonstrated the highest value among submitters when considering technical capability, net drug cost, and prescription drug access combined. The proposal includes transition for SERS enrollees to the National Preferred Formulary, which will offer more brand name drugs than the current formulary. The arrangement will continue the savings achieved by the Medicare Broad Performance network approved by the SERS Board for plan year 2022. Over the 3-year contract period, the Express Scripts arrangement is expected to save nearly \$71 million.

Based on review of all proposals received, staff believes that a contract with Express Scripts will continue to support the needs and will provide the best value for SERS benefit recipients.

James Haller moved and Frank Weglarz seconded the motion to authorize staff to negotiate a new contract with Express Scripts in order to provide pharmacy benefit management services to eligible SERS participants. The contract shall be for a term of three years beginning January 1, 2023 with two optional one-year extensions. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel.

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.

## **Technology Committee Report**

Matt King, SERS Technology Committee Chair, provided an update on the work being done by the SERS Technology Committee. Mr. King reported the Technology Committee last met on March 17, 2022, and SERS staff continue work to refine a five-year technology investment plan and how it aligns with the strategic plan to attract and retain talent. The committee also went into executive session to discuss security matters. The committee will meet again June 16, 2022, at 12:30pm or immediately following the board meeting. The board thanked Mr. King and the Technology Committee for their work.

# SERS Retirement Board Meeting Minutes

April 21, 2022

## Board Communication and Policy Issues

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

#### AUDIT COMMITTEE MEETINGS

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

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

June 16, 2022 - 12:30 p.m. (Thurs.)  
September 15, 2022 - 12:30 p.m. (Thurs.)  
December 15, 2022 - 12:30 p.m. (Thurs.)

#### BOARD MEETINGS

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.*

### Continued or New Business

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

### Adjournment

Jeffrey DeLeone, chairing on Barbra Phillips' behalf, moved to adjourn to meet on Thursday, May 19, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:49 p.m.

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Jeffrey DeLeone, Board Vice Chair

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Richard Stensrud, Secretary