



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

JUNE 2022

Board Elects New Officers

For FY2023 (July 1, 2022 - June 30, 2023), the Board elected Appointed-member Jeffrey T. DeLeone as chair and Retiree-member Frank Weglarz as vice-chair.

Direct Deposit Requirement Effective July 1

Last month, the Board approved the final filing of an amended administrative rule requiring all payments from SERS be issued by direct deposit, beginning July 1, 2022.

In 2013, SERS initiated a mandatory direct deposit requirement for all new monthly benefit recipients. This approach was an effective mechanism for delivering timely and secure payments, as well more cost effective than providing paper checks.

The direct deposit requirement was expanded to all benefit payments, including lump sum payments and monthly benefit payments made to benefit recipients currently receiving paper checks. Since this information was first communicated to retirees, SERS has successfully reduced the number of paper checks sent monthly from 1,652 to 336.

This requirement not only saves the System money but provides SERS benefit recipients with peace of mind and certainty that their benefit will be in their account by the first business day of the month.

SERS sent four notices to benefit recipients and published the change in newsletters, on social media, and on SERS' website.

Benefit recipients who have not yet enrolled in direct deposit and have not received an exemption from SERS will have their benefits suspended effective July 1, 2022. As soon as direct deposit is established, the benefit recipient's suspended payments will be paid, and their regular monthly payments will resume. All health care benefits will continue to be available.

Board Approves FY2023 Annual Investment Plan

SERS' Board approved the FY2023 *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/wp-content/uploads/2018/05/Annual-Investment-Plan.pdf.

Economic and Financial Update

CIO Farouki Majeed updated the board on the economic conditions in the U.S in 2022, and how staff is positioning the pension fund to combat the effects of inflation.

RETIREMENT BOARD

BARBARA M. PHILLIPS
Chair, Employee-Member

JEFFREY T. DELEONE
Vice-Chair, Appointed Member

HUGH W. GARSIDE, JR.
Employee-Member

AMES 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

In April, U.S. inflation dipped slightly from the March level of 8.5% to 8.3%, which was still quite high. In May, inflation rose again to 8.6% which was the highest 12-month increase since 1981. The acceleration of inflation over the last three months suggests that inflation is not moderating but may continue to remain elevated.

GDP decreased at an annualized rate of 1.5% during the first quarter primarily due to supply chain issues and inflation. Declines in private inventory investments, exports, and government spending also contributed to the negative GDP.

The labor market remained strong with 428,000 jobs added in April and the unemployment rate stayed at 3.6%. While consumer sentiment rose slightly, it was still below historical levels due to rising inflation. The nation's manufacturing PMI (Purchasing Manager's Index) remained solid at 52.2, as a reading over 50.0 indicates growth and expansion.

In the current inflationary period, SERS' investment team received permission from the Board to increase the maximum allocation to real assets from 20% to 22% of the Total Fund and increase the maximum allocation to opportunistic investments from 5% to 7% of the Total Fund.

Both of these asset classes perform well during inflationary periods. Staff is likely to maintain lower than target exposure to global equity and fixed income as performance in these areas is challenged by inflation.

Investment Committee Approves U.S. Equity Investment

The SERS Staff Investment Committee approved a commitment of \$50 million to WCM Small Cap Growth, a small cap growth strategy within the U.S. equity portfolio.

This investment will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
March 31	April 30	Difference
\$18.25 billion	\$17.66 billion	▼ \$590 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 2.18%	▼ 4.57%	▲ 10.63%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 2.93%	▲ 1.52%	▲ 1.65%

Health Care Update

Christi Pepe, SERS' health care services director, summarized proposed changes to the health care programs for 2023.

Medicare

In terms of Medicare premiums, there are no changes to the Aetna Medicare Advantage rate. The full premium remains \$198. The most common premium for post-2008 enrollees remains \$84. In terms of benefit changes, the primary care office visit co-pay will be reduced to \$10 from \$20, and the outpatient short-term rehabilitation co-pay will be reduced to \$15 from \$20.

Non-Medicare

In terms of non-Medicare premiums, the Aetna Choice full premium remains \$1,524. The most common premium remains \$333. The AultCare premium will increase by 1%, with the full premium increasing to \$1,106 from \$1,075. The most common premium is \$249. No benefit changes are proposed.

Wraparound

The Wraparound HRA federal reimbursement limit will expand to \$1,950 from \$1,800. The \$0 premium continues.

Dental

The SERS dental benefit, which is offered by Delta Dental, is fully supported by member premiums. The benefits are not changing. The premiums remain \$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 premiums. The benefits are not changing. The premiums remain \$6.17 per month 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 Program

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 175% Federal Poverty Level (FPL). Also, once a manual application is approved, eligibility for premium discount will be continuous without annual re-application.

The Board approved the 2023 health care premium amounts and plan changes, including the vision and dental plans, and the premium discount program safety net.

Executive Director's Update***FY2023 Budget Approved***

The Board approved the proposed administrative budget for FY2023.

The approved budget totals \$35,873,439, and includes personnel costs; professional service fees, including investment-related costs; communications expenses; capital expenditures; and other operating expenses. This amount represents a 0.66% decrease from the FY2022 budget.

In addition, the Board approved the Five-Year Technology Enhancement budget of \$8,283,054 for FY2023 through FY2027. The purpose of this project is to deliver a series of well-planned initiatives that will enhance SERS' digital capabilities around the SERS Member and Retiree Tracking (SMART) pension administration system, add expanded tools for operation efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, retirees, and employers.

Myths and Misconceptions

Sometimes, efforts to unravel public pension plans involve the pandering of myths and misconceptions designed to portray defined benefit pensions in an unfavorable way and sway opinions in their favor. When dangerous and misinformed myths and misconceptions surface in the media or in SERS' own experience, Executive Director Richard Stensrud addresses the topic at a Board meeting and explains why they are false and misleading.

Past topics can be found on the [Myths and Misconceptions page](#) on SERS' website. The page will be updated as Director Stensrud tackles future myths and misconceptions.

SERS Continues Medicare Part B Outreach

Last year, the Board approved an amended rule which provides that individuals who, on or after January 1, 2019, failed to enroll in Medicare Part B during their Medicare initial or special enrollment period would lose eligibility for SERS' health care coverage.

If an individual enrolls in Medicare Part B coverage but then fails to maintain the coverage, the individual must re-enroll during Medicare's first available general enrollment period.

Of the 151 health care enrollees who were required to enroll in Medicare Part B, 62 met the requirement.

SERS staff will continue to reach out to the 89 retirees affected to assist with re-enrollment.

SERS' CBBC Legislation Introduced

During a special meeting of the Ohio Retirement Study Council (ORSC) in June, Senators Schuring and Hottinger introduced standalone legislation (SB347) of SERS' Contribution Based Benefit Cap (CBBC) proposal, which was unanimously supported by ORSC members.

SERS remains hopeful of action on the bill following the November election and before the end of the year.

Monthly Retirement and Survivor Benefit Transactions

For June, the SERS Board approved 319 active members for service retirements, and 31 survivor benefits for spouses and/or dependents.

July Meeting Date

The next Board meeting will take place Friday, July 22 at 8:30 a.m.