

SERS Retirement Board Meeting Minutes

July 22, 2022

The nine hundredth and fifty-first 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 Friday, July 22, 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: Jeffrey DeLeone, Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, and Daniel Wilson. Absent: Barbra Phillips. 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.

Consent Agenda

The consent agenda for July 22, 2022, included:

- Minutes from the **June 16, 2022**, Board Meeting
- Summary of Investment Transactions for the period of **May 1, 2022, through May 31, 2022**.
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report - Approval of Disability Benefits, Disapproval of Disability Benefits, Disapproval of Appeal for Disability Benefits, Termination of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination- Any Occupation, Disapproval of Appeal of Termination – Any Occupation, Disapproval of Appeal of Termination – Any Occupation on Personal Appearance

Catherine Moss moved and James Rossler seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Friday, July 22, 2022. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside (abstained from vote on minutes), James Haller, Matthew King, Catherine Moss, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Barbra Phillips. The motion carried.

Investment Report

Monthly Investment Report

Mr. Majeed provided an economic and financial market outlook update as of May 31, 2022. US growth rate was (1.6%) for Q1 2022 amid high inflation and supply chain disruptions. The contraction was mostly due to decline in private inventory investment, exports, and government spending. (*Source: Bureau of Economic Analysis*)

Mr. Majeed continued stating the US labor market continued to be strong, adding 390,000 jobs in May. The unemployment rate was unchanged at 3.6%. The labor force participation rate was little changed at 62.3%, remaining below the pre-pandemic level 63.3%, indicating a tight labor market. (*Sources: Bureau of Labor Statistics and Department of Labor*)

Mr. Majeed also stated the Fed hiked the interest rate by 0.75% in June, the third hike during 2022 to contain the historically high inflation. It was also reported as home prices and mortgage rates are rising, housing affordability declines, the demand is cooling down. However, if the house supply continues to be constrained, prices are expected to stay elevated.

June Consumer Sentiment Index released by Thomson Reuters and University of Michigan dropped drastically to 50, not only far below the historical average level, but also lower than the 2008 Financial Crisis level amid broad based discontent with persistently high inflation and sluggish economic growth. The US

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Economic Surprise index dropped to (71.6), the lowest level since April 2020. The Leading Economic Index (LEI) issued by the Conference Board continued edging down from 118.7 in April to 113.3 in May.

The US manufacturing PMI declined to 53 in June, the lowest level since June 2020, indicating a soft expansion. The Global Manufacturing PMI reading also weakened to a 22-month low level of 52.2 in June. Worldwide supply disruptions, high inflation especially in energy and food prices, and labor shortages continue to be largest challenges to the global economy. (*Source: Institute for Supply Management, S&P Global*).

Equity market volatility intensified since January and remained elevated. Equity markets worldwide were down significantly in June, led by non-US developed markets (MSCI World ex-USA) at (9.41%), followed by US market (Russell 3000) at (8.37%), and emerging markets at (6.5%).

The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was also down 1.57% in June. After several questions, the board thanked Mr. Majeed for his presentation.

Executive Director's Report

ORSC

Richard Stensrud, SERS Executive Director, reported the ORSC cancelled its July meeting. The next meeting is subject to the call of the chair. The tentative next meeting date is scheduled for August.

Advocacy Groups

Mr. Stensrud continued, reporting on CBBC outreach. SERS staff continue to seek letters of support from stakeholders for SERS benefit inflation control proposal: Ohio Senate Bill 347. This legislation has been introduced as a stand-alone bill. SERS staff is working to get stakeholders to support the bill and its passage.

Ohio General Assembly

Mr. Stensrud reported the Ohio General Assembly has recessed for the foreseeable future. Indications are they will return to Columbus after the fall election.

Mr. Stensrud also reported on HB601 that is designed to mandate employer contribution rate increase. SERS has been added to this bill. SERS does not want or need the employer contribution rate increased and SERS is against this bill. Mr. Stensrud will keep the board updated on this bill as it moves through the Ohio General Assembly.

Mr. Stensrud also reported on Senate Bill 348. SERS staff are analyzing this recently introduced legislation that would add a five-year statute of limitations, an OASDI set-off, as well as a cap on interest and penalties for SERS membership determinations.

Federal Legislation

Mr. Stensrud continued, reporting there are no new developments on the WEP reform front. Full repeal legislation for both WEP and the Government Pension Offset remain stalled and there has been no movement by either Ways and Means chairman Richard Neal (D-MA) or Ranking Member Kevin Brady (R-TX) to resolve the differences between their two WEP reform bills.

SERS continues to press and support that effort. Board members Barbra Phillips and Catherine Moss, while attending a pension Conference in Washington DC, spoke to legislative staffers advocating for this reform. Catherine Moss passed along information provided by SERS staff in the hopes the legislation will move forward.

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Mandatory Direct Deposit

Mr. Stensrud continued his presentation reporting as of now, 86 people have not transitioned to direct deposit. Because they did not comply by the deadline, those members will not receive their payments. Mr. Stensrud stated the primary reason for non-compliance is procrastination. Other reasons could be the person is incapacitated or in a care setting where the direct deposit mandate has yet to reach the decision makers. SERS staff will continue to reach out to those members who are still not getting their benefit payments via direct deposit.

Mandatory Medicare Part B Enrollment update

Mr. Stensrud reported the SERS mandate requiring members to enroll in Medicare Part B as a condition to participate in SERS Healthcare. 78 people who are eligible for Medicare Part B have not complied with this enrollment requirement and their healthcare coverage has been terminated by SERS. Those members will now have difficulty enrolling in Medicare Part B as the process will take time. We are actively working to get information to the 78 affected members to get them enrolled if income qualified. SERS staff have worked for over six months to help members enroll, however some people may have personal reasons for non-compliance. SERS will continue to engage with members and will keep the board updated on progress.

SERS staff also informed the board that there is no overlap between the direct deposit holdouts and the people who did not enroll in Medicare Part B.

COLA Decision Schedule

Mr. Stensrud continued, advising that the board will be making decision on the Cost-of-Living Adjustment (COLA) for 2023 at the September board meeting. The board will also be deciding whether to use a portion of the employer contributions for the health care fund.

Mr. Stensrud stated the June-to-June Consumer Price Index (CPI) number is 9.8% which is a big number compared to other years. It's anticipated there will be a great discussion next month as the board decided where to land with the COLA. SERS staff will prepare documents and other materials to facilitate the discussion at the September board meeting.

Counseling Data

Mr. Stensrud also reported 52% of SERS member counseling is being done virtually. When members are asked why they prefer a virtual counseling session, they say gas prices are the motivation. SERS continues to work to develop as many tools as possible to allow for flexible counseling session and this effort seems to be well received by the members. SERS has Zoom sessions and schedules phone calls for those who do not have Zoom access.

Employer Engagement

Mr. Stensrud continued and reported three in-person employer education sessions are planned and more are being scheduled. The goal of these education sessions is to ensure new staff understand the reporting requirements. The sessions are also a refresher course for those employers who want to know about current best practices. SERS staff strives to continue to engage with employers to provide the best possible experience for members.

Joint Trustee Training

Mr. Stensrud reported the next Joint Trustee Training is scheduled for November 9th at OPERS and plans are being finalized. The training is currently scheduled from 9am until 3pm. More details will be provided once the training has been finalized.

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Operation Feed update

Mr. Stensrud reported on the annual staff charitable event that was held last month. Donations were accepted for MidOhio Foodbank from June 6 through June 17. This year, staff donated \$1,803, far exceeding the 2021 amount of \$1,044. In addition to cash donations, over 100 pounds of food and basic need items were collected on the 7th floor. All cash donations and donated items will go to support the MidOhio food bank and the work they do in our community.

Mr. Stensrud also stated on August 1, Operation Backpack will start. Operation Backpack is another annual charitable event that will allow SERS staff to donate school supplies and cash to benefit local school children. The board will be updated once the school supply drive is over.

Actuarial Audit

Mr. Stensrud provided an update on the actuarial audit. The actuarial audit will review and validate the assumptions, methodology, and calculations provided by Cavanaugh Macdonald. Following issuance of an RFP earlier this year, SERS received qualified proposals from three firms. After careful review, SERS staff recommended engaging with Milliman to conduct an independent audit of SERS' actuary. Milliman's fee for performing the Actuarial Audit would be \$83,250. The proposed engagement would commence in August with the presentation of the final report at the December Board meeting.

Frank Weglarz moved and Catherine Moss seconded that following discussion at the July 22, 2022, Board meeting, and as recommended by staff, SERS retain Milliman to conduct a Level 2 actuarial audit of SERS' current actuary, Cavanaugh Macdonald. Be it further provided that the Executive Director is authorized to sign the contract following review by SERS' legal counsel. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Barbra Phillips. The motion carried.

Election of Employee Member to the Retirement Board

The board announced that board member Hugh Garside would be resigning from the SERS Retirement Board at the end of his term, leaving an open seat that would require the election of an employee member.

Hugh Garside moved and Frank Weglarz seconded that the following resolution be adopted:

BE IT RESOLVED by the Retirement Board of the School Employees Retirement System that the election of one employee member of the Retirement Board for the term beginning July 1, 2023 and ending June 30, 2027, shall be as provided herewith:

Any member of the Retirement System, other than a disability recipient, shall be eligible for election and the name of any member who is nominated by a petition, meeting the following requirements, shall be placed upon the ballot as a regular candidate. The petitions shall be signed by at least five hundred (500) members of the Retirement System of which there shall be not less than twenty (20) signers each from at least ten (10) counties wherein such members are employed; shall indicate the employer and county of employment of each signing member; shall be signed on or after August 1, 2022; and the original petitions, along with the originals of any other completed required forms, must be received in the office of the Retirement System no later than 4:30 p.m., EST, December 2, 2022.

All ballots, to be considered valid, must be received in the office of the Retirement System no later than 4:30 p.m. EST, March 6, 2023.

All ballots delivered to the office of the Retirement System shall be delivered unopened to judges appointed by the Retirement Board. The judges shall meet, make final determination of the validity of the ballots within the intent of this resolution, count the valid ballots on March 7, 2023, and announce the results of the election.

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The election shall be conducted in accordance with the Retirement Board's election laws as well as its election rule, policy, and procedure. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Barbra Phillips. The motion carried.

New Employer Request – Heartland Council of Governments/North Central Ohio Computer Cooperative

SERS staff discussed with the Retirement Board the request from Heartland Council of Governments/North Central Ohio Computer Cooperative, a council of governments organized under Chapter 167 of the Ohio Revised Code, to accept it as a new employer unit under Chapter 3309 of the Ohio Revised Code effective July 1, 2022. Heartland Council of Governments/North Central Ohio Computer Cooperative has passed an appropriate resolution agreeing to accept all requirements and obligations imposed by Chapter 3309 of the Ohio Revised Code.

It was moved by Matthew King and seconded by James Haller that the Board accept Heartland Council of Governments/North Central Ohio Computer Cooperative as an employer in accordance with Chapter 3309 of the Ohio Revised Code, effective July 1, 2022. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Barbra Phillips. The motion carried.

New Employer Request – Northeast Ohio Management Information Network/Council of Governments

SERS staff discussed with the Retirement Board the request from Northeast Ohio Management Information Network/Council of Governments, a council of governments organized under Chapter 167 of the Ohio Revised Code, to accept it as a new employer unit under Chapter 3309 of the Ohio Revised Code effective July 1, 2022. Northeast Ohio Management Information Network/Council of Governments has passed an appropriate resolution agreeing to accept all requirements and obligations imposed by Chapter 3309 of the Ohio Revised Code.

It was moved by Hugh Garside and seconded by Frank Weglarz that the Board accept Northeast Ohio Management Information Network/Council of Governments as an employer in accordance with Chapter 3309 of the Ohio Revised Code, effective July 1, 2022. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Barbra Phillips. The motion carried.

Technology Committee Report

Matthew King, SERS Technology Committee Chair, provided an update on the work being done in the Technology Committee. Some items being working on in the Technology Committee are the new 5-year budget and other technology projects such as the wi-fi upgrades at SERS and the continuing work to move SERS to a cloud-based data storage environment. Mr. King reported the SERS Technology Committee will meet on Thursday, September 15 at 12:30 p.m. The board thanked Mr. King for the update.

Compensation Committee Report

Daniel Wilson, SERS Compensation Committee Chair, provided an update on the special Compensation Committee meeting that took place earlier this morning. Mr. Wilson reporter the special meeting was held to discuss and approve the Executive Director's goals for FY2023. Minor changes were made to the proposed goals and there will be special focus on differentiating SERS from other pension systems. The FY2023 goals were approved and once updated, they will be provided to the full board. The board thanks Mr. Wilson for his update.

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Board Communication and Policy Issues

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2022 **

AUDIT COMMITTEE MEETINGS

September 14, 2022 - 2:30 p.m. (Weds.)
December 14, 2022 - 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

September 15, 2022 - 7:30 a.m. (Thurs.)
December 15, 2022 - 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

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

BOARD MEETINGS

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 moved to adjourn to meet on Thursday, September 15, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 10:04 a.m.

Jeffrey DeLeone, Board Chair

Richard Stensrud, Secretary