

SERS Retirement Board Meeting Minutes

September 15, 2022

The nine hundredth and fifty-second 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, September 15, 2022.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:32 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, Barbra Phillips, James Rossler, and Daniel Wilson. Absent: Catherine Moss. 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

Barbra Phillips moved and James Haller seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conferences and meetings be approved. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbara Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

Consent Agenda

The consent agenda for September 15, 2022, included:

- Minutes from the **July 22, 2022**, Board Meeting
- Summary of Investment Transactions for the period of **June 1, 2022, through June 31, 2022, and July 1, 2022, to July 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, Disapproval of Appeal of Termination – Any Occupation. Disapproval of Appeal of Termination on Personal Appearance – Any Occupation

Hugh Garside moved and James Rossler seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, September 15, 2022. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

Investment Report

Wilshire Quarterly Investment Report

Joanna Bewick and David Lindberg from Wilshire Associates provided a Quarterly Investment Performance report as of June 30, 2022. Ms. Bewick reported inflation continues to rise with no signs of slowing down soon. Costs have risen in nearly every sector of the US economy; energy costs are up 35%, shelter costs are up 5.5%, and food costs are up 10%. Ms. Bewick continued, stating high inflation is affecting countries around the world, with rates in Europe approaching U.S. levels. Although COVID measures have been recently lifted in China, economic growth is not rising as quickly as expected. Ms. Bewick also reported due to the diversification of SERS' assets, SERS took less risk than the average peer fund but performed well. She added that SERS is being paid for taking risks in the private market, which produced a return of 34.35% for the fiscal year, the highest of any asset class.

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Mr. Lindberg indicated that U.S. interest rates have increased to counter inflation. Inflation is currently at a 40-year high and caused the Federal Reserve to raise interest rates to 2.50%. The Federal Reserve believes these rate hikes will help slow down inflation by increasing the costs of borrowing money.

Mr. Lindberg also reported for the quarter, SERS' Total Fund outperformed the benchmark by 1.5% with a -5.5% return. In FY2022, SERS' Total Fund outperformed the benchmark by 3.1% with a -0.5% return. Mr. Lindberg explained that much of the reason for SERS' outperformance was due to asset allocation and manager value added throughout the portfolio. 100 basis points above the benchmark were added due to asset allocation.

After a brief discussion, the Board thanked Ms. Bewick and Mr. Lindberg for their presentation and for their collaborative work with the SERS Investment team.

Ten-Year Investment Review

SERS Chief Investment Officer, Farouki Majeed, provided a 10-year investment review for SERS. Mr. Majeed was hired by SERS in 2012 to improve investment performance, improve the SERS portfolio structure, implement a strong risk management framework, improve cost effectiveness, and develop a strong and consistent investment culture within the SERS team.

Mr. Majeed reported since 2012, the Total Fund's policy asset allocation has changed substantially with the Board's approval:

- Hedge fund target has dropped from 15% to 0%
- Real Assets target has increased from 10% to 17%
- Private Credit has become a policy asset class with a 5% target
- Private Equity target has increased from 10% to 12%
- SERS' cash target has increased from 1% to 2%

Mr. Majeed continued, reporting since 2012, SERS' staff has been successful at reducing annual investment management fees from 74 basis points to 57 basis points, a 23% decrease.

The changes made have improved SERS' overall investment performance. In 2012, SERS was underperforming both the 3-year and 10-year rolling returns when compared to policy benchmarks. Since 2014, the 3-year rolling returns were higher than the benchmark and in 2019, the 10-year rolling returns began trending higher than the benchmark.

In addition, SERS' rank among other U.S. pension funds improved significantly. Nationally, in 2012, SERS ranked 58th in 1-year returns, 79th in 3-year returns, 93rd in 5-year returns, and 73rd in 10-year returns.

In 2022, those rankings are now 4th, 4th, 3rd, and 2nd respectively, meaning SERS is one of the best-performing investment programs in the U.S.

After discussion, the board thanked Mr. Majeed for all his hard work and dedication to improving the SERS investment performance.

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Statement of Investment Policy – Global Equities Benchmark

As discussed during the September 15, 2022, Board meeting, Barbra Phillips moved and Frank Weglarz seconded the motion to approve a correction to the Global Equities Portfolio Benchmark in the Statement of Investment Policy (SIP) originally approved June 16, 2022, and effective July 1, 2022.

ASSET CLASS	BENCHMARK MEASURE
Global Equities	<p>MSCI All Country World Net Total Return Index (USD)</p> <p><i>US Equity: 55% Russell 3000;</i></p> <p><i>NUSE Developed Market: 30% MSCI World ex USA Net Total Return Index (USD);</i></p> <p><i>NUSE Emerging Market: 15% MSCI Emerging Markets Net Total Return Index (USD)</i></p>
Global Private Equity	Burgiss All Private Equity benchmark (BAPE) (one quarter in arrears)
Global Fixed Income	Bloomberg US Aggregate Bond Index
Global Private Credit	90 day Treasury bill rate+4.5%
Global Real Assets	NCREIF Property Index (one quarter in arrears)
Cash Equivalent	Citigroup 30-day T-Bill Index
STRATEGY	BENCHMARK MEASURE
Opportunistic and Tactical Investments	Bloomberg US Aggregate Bond Index + 2%

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

Executive Director's Report

COLA – Cost of Living Adjustment

Richard Stensrud, SERS Executive Director, opened his report with a discussion on the COLA. He opened up with the COLA discussion. Mr. Stensrud introduced Todd Green from Cavanaugh Macdonald who provided information on how the COLA decision will impact the retirement fund. Mr. Green notes several different possible COLA levels have been reviewed. Staff also looked at how the COLA will affect the fund in the long term based on different COLA levels. Cavanaugh Macdonald also looked at certain metrics, such as funded ratio to determine how different COLA levels would affect the fund.

After a robust discussion, it was moved by Frank Weglarz and seconded by Hugh Garside that eligible SERS allowances, pensions and benefits shall receive a 2.50% cost-of-living adjustment (COLA) in calendar year 2023, which is the amount as set forth in R.C. 3309.374(B). Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

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The board recessed for a break at 9:58 a.m.

The board reconvened in open session at 10:12 a.m.

Actuarial Valuation Report - Allocation of Employer Contributions – Health Care Fund

Mr. Green of Cavanaugh Macdonald Consulting continued with a discussion of the anticipated funding levels for the June 30, 2022, actuarial valuation based on the work completed thus far. Mr. Green provided information to assist the Board in determining what portion of the employer contribution, if any, should be allocated to health care in Fiscal Year 2023, provided SERS' funded ratio is at least 70%. Per SERS' Funding Policy, if the funded ratio is 70% but less than 80%, at least 13.50% of the employer contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund.

Following board discussion, James Rossler moved and Barbra Phillips seconded that after discussion with Cavanaugh Macdonald regarding the preliminary results of the annual basic benefits valuation (to be prepared as of June 30, 2022) at the September 2022 Board meeting, the Board elects to allocate zero (0) % of the 14% employer contribution to the Health Care Fund for fiscal year 2023 in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

FY2023 OSERS Capital Budget Modification

Mr. Stensrud continued his report with a OSERS budget modification request. Mr. Stensrud noted in preparation for fiscal year 2023 budget, OSERS obtained pricing for a capital project to upgrade our SERS building's security hardware and software system. The system has been in place since 2008, with only minor changes/investment over subsequent years. Non-binding price information was obtained during fiscal year 2022 for a total cost estimate of \$200,000. This amount was approved as part of the FY23 budget.

In preparation to begin the project, SERS received the final sole source provider quote in late August which is now \$250,000 – a \$50,000 increase over the original price quote. Prices have increased since the original proposal due to several factors including supply chain issues, inflation, and labor shortages. These factors have complicated the process of sustaining earlier pricing quotations. The current proposal will expire September 30, 2022.

OSERS is requesting a transfer of \$50,000 from the operating expense budget (remodeling expense) to capital. The transfer will result in a net zero change to OSERS' fiscal year 2023 budget. If approved, the change will allow securing the current price quote avoiding any further pricing complications for this project.

Frank Weglarz moved and Matthew King seconded that the FY2023 OSERS Capital Budget be modified as presented today effective September 15, 2022. The modification reallocates \$50,000 within the OSERS Operations Budget earmarked for tenant remodeling expenses to OSERS Capital Budget for Building Security Hardware and Software upgrades. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

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Filing of Proposed Amended Administrative Rule

Mr. Stensrud continued his report & introduced SERS counsel Dawn Viggiano, who discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-26 Determination of beneficiary.

Barbra Phillips moved and Hugh Garside seconded that proposed amended rule 3309-1-26 be filed with JCARR as discussed.

3309-1-26 Determination of statutory beneficiary.

- (A) This rule amplifies divisions (B), (C) and (D) of section 3309.44 and section 3309.50 of the Revised Code.
- (B) An individual who does not survive a member or retiree by one hundred twenty hours will be deemed to have predeceased the member or retiree.
- (C) For purposes of division (B) of section 3309.44 of the Revised Code, when a designated beneficiary dies more than one hundred twenty hours after the member, but before receiving payment, the payment shall be paid to the estate of the designated beneficiary.
- (D) For purposes of divisions (C) and (D) of section 3309.44 and section 3309.50 of the Revised Code, a person is considered "not located" and ceases to qualify as beneficiary if:
 - (1) No valid mailing address can reasonably be determined for the person; or
 - (2) The person fails to file an application for payment within one hundred eighty days from the date the school employees retirement system first notifies the person of beneficiary status.

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

Retirement Report

The personal appearance scheduled for today was cancelled.

The board recessed for a break at 10:55 a.m.

The board reconvened at 11:01 a.m.

Member Appeal

After a few technical difficulties, the board was able to begin the member appeal in private. The member appeal discussion began at 11:15 a.m. After a robust discussion, the board decided not to act on the member's appeal at today's meeting.

The board went back into open session and recessed for lunch at 12:44 p.m.

The board reconvened at 1:22 p.m. following lunch.

Ohio Retirement Study Council

Mr. Stensrud continued his report stating the council cancelled their August meeting. At the September meeting, the council was provided an update on the internal audit process. The report was positive and the council had no questions.

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Advocacy Groups

Mr. Stensrud continued, stating SERS staff communicates regularly with stakeholder groups, to provide system updates and discuss CBBC, COLA, WEP and related issues.

SERS received a copy of a letter of support for the proposed CBBC legislation from SERO to the bill sponsors. Other stakeholders have sent letters of support, including POP5. SERS will continue working to secure letters from active employee stakeholders as well.

Federal Legislative Activity

Mr. Stensrud reported a letter has been sent to Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) of the House Ways and Means committee urging them to find compromise between their two WEP reform legislative proposals before the end of this year.

SERS staff also shared the letter with the rest of the Ohio congressional delegation and the other members of the House Ways and Means committee.

Mr. Stensrud continued his report, stating the Inflation Reduction Act, a reconciliation bill, was passed by congress and signed by the President. Key provisions of interest to SERS include Medicare prescription drug changes that are going to be phased in over time. Language was included in the legislation providing some consideration for Employer Group Waiver Plans (EGWPs) like ours. Also included was an extension of Affordable Care Act (ACA) subsidies that were due to expire that will continue to keep marketplace plans more affordable.

Mr. Stensrud reported SERS also filed comments with the Secretary of Health and Human Services in response to their request for information from interested parties regarding various aspects of Medicare Advantage programs. SERS comments provided an overview of our experience with Medicare Advantage and shared some suggestions for potential improvements that could be made.

In a response to a board member request, SERS staff provided copies of publications sent out to members. This information is being provided to inform the board about the type of member outreach being performed.

Mr. Stensrud continued by providing an update on the mandatory direct deposit initiative that became effective in July. There are only a few people have not made the necessary change. Members who are incapacitated or being cared for by others may not be able to update their deposit information. SERS is also planning to move forward to begin sending refund payments electronically as well.

Mr. Stensrud also reported that several board members received accreditations recently. Catherine Moss and Barbra Phillips received Accredited Fiduciary (AF) credentials from NCPERS. Their AF designation validates their knowledge and expertise in pension plan governance, demonstrates professional commitment and achievement, and enhances professional credibility to pension plan members, staff, and peers. To maintain AF status, board members must earn a minimum of forty-five (45) hours of continuing education (CE) credits within three (3) years (an average of 15 hours per year). Thirty (30) of your CE hours must come from NCPERS-sponsored events.

Frank Weglarz and James Rossler both received their CAPPP (Certificate of Achievement in Public Plan Policy) credentials from IFEBP. CAPPP includes a Health track and a Pensions track and is designed specifically for public sector trustees and support staff of these plans.

The CAPPP program is essential education for new public sector trustees and the completion of the program demonstrates a strong educational foundation in the core topic areas of public sector pension and health plans. Topics include fiduciary responsibility, legislation and regulation, and plan design. The CAPPP program ensures public sector trustees and the staff that support them are well prepared for their roles. Mr. Stensrud congratulated all the board members mentioned on their recent achievements.

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Employer Outreach

SERS staff has hosted several employer webinars to help educate and inform employers. The Employer webinars and educational series online provides tutorials and helpful tips for SERS employers and answers frequently asked questions. The webinars are well received, and attendees have submitted feedback that has all been positive. We look forward to engaging with employers again in the future.

Cristo Rey Intern

Mr. Stensrud continued his report, stating SERS has resumed the student intern program with Cristo Rey High School. The intern started working with SERS in early September and will be supporting staff in the Print Shop. The student will be working 1-2 days per week. The money the student earns will go directly to the school to pay for their educational expenses.

SERS 85th Anniversary

Mr. Stensrud reported to the board that SERS is celebrating its 85th anniversary this month. Several employee appreciation activities have been planned to celebrate this milestone. Historical SERS items were shared including the 1st pension calculator, which was on paper. A presentation was also shared that included several past board photos. Also included in the presentation were several trivia questions about SERS. Mr. Stensrud stated staff will continue the SERS 85th anniversary celebration through the month of September.

Transparency & Accountability

Mr. Stensrud continued with a proposal to the board to step up and provide an investment transparency. Mr. Stensrud proposed SERS provide a statement of investment what will be placed on the SERS website. This statement will be refreshed quarterly, at the board's pleasure. SERS board members shared their support for this concept and agreed it's important to show performance measures. The SERS board members feel this will help build context for people as SERS has nothing to hide. Mr. Stensrud agreed to make an announcement once the statement has been created and posted to the SERS website.

AUDIT COMMITTEE REPORT

SERS Chief Financial Officer, Marni Hall, opened the Audit Committee report with the external audit update. Ms. Hall stated the external audit is underway with a plan to present the finished results at the December 2022 board meeting. Audit work should be completed by the end of November. Ms. Hall reported 2022 is the final year of the contract with RSM, SERS current external auditor. Their original 5-year contract was extended an additional 5-years. The Auditor of State will begin the new auditor selection process this fall to select a new CPA firm by March 2023. Ms. Hall reported that Audit work completed to date includes Internal controls, Distributions, Member census, Contribution confirmations, and Cash & Investment confirmations. The remaining audit work is scheduled as follows:

- September 2022
 - Investments
 - Accounts receivables
 - Finish Ohio Compliance supplemental testing
 - Finish Distribution and member census data testing
- Late October/November 2022
 - Actuary valuations
 - Review ACFR draft
- December 2022 board meeting

Ms. Hall concluded her report stating there have been no issues noted to date.

SERS Chief Audit Officer, Jeff Davis, continued stating all internal audit work is being completed on schedule and the Audit Committee continues to oversee his work. The board thanked Ms. Hall and Mr. Davis for their reports.

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COMPENSATION COMMITTEE REPORT

SERS Compensation Committee Chair, Daniel Wilson, provided an update on the Compensation Committee meeting held the morning of the board meeting. Mr. Wilson reported that the committee reviewed the SERS Executive Director's goals and work performance. The majority of the discussion was in executive session but highlighted several successes so far in FY2023. The board thanked Mr. Wilson for his update.

EXECUTIVE DIRECTOR'S REPORT (cont.)

Matthew King moved and Barbra Phillips seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(3) to discuss imminent court action. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

The board convened in executive session at 1:50 p.m.

The board reconvened in open session at 2:46 p.m.

Barbra Phillips moved and Frank Weglarz seconded the motion that the SERS Retirement Board convene in Executive Session pursuant to R.C. 121.22(G)(6) to discuss security matters. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Catherine Moss. The motion carried.

The board convened in executive session at 2:47 p.m.

The board reconvened in open session at 2:52 p.m.

BOARD COMMUNICATION AND POLICY ISSUES

The board reviewed the meeting dates for the remainder of 2022 and for 2023. Hugh Garside advised that he will be absent from the board meeting in October.

AUDIT COMMITTEE MEETINGS

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

COMPENSATION COMMITTEE MEETINGS

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

TECHNOLOGY COMMITTEE MEETINGS

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

BOARD MEETINGS

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.)

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CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2023

AUDIT COMMITTEE MEETINGS

March 15, 2023 – 2:30 p.m. (Weds.)
June 14, 2023 – 2:30 p.m. (Weds.)
September 20, 2023 - 2:30 p.m. (Weds.)
December 20, 2023 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 16, 2023 – 7:30 a.m. (Thurs.)
June 15, 2023 – 7:30 a.m. (Thurs.)
July 20, 2023 – 7:30 a.m. (Thurs.) * *Special Meeting* *
September 21, 2023 – 7:30 a.m. (Thurs.)
December 21, 2023 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

March 16, 2023 – 12:30 p.m. (Thurs.)
June 15, 2023 – 12:30 p.m. (Thurs.)
September 21, 2023 – 12:30 p.m. (Thurs.)
December 21, 2023 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

February 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)
March 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)
April 20 – 21, 2023 - 8:30 a.m. (Thurs. and Fri.)
May 18 – 19, 2023 - 8:30 a.m. (Thurs. and Fri.)
June 15 – 16, 2023 - 8:30 a.m. (Thurs. and Fri.)
July 20 – 21, 2023 - 8:30 a.m. (Thurs. and Fri.)
September 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)
October 19 – 20, 2023 - 8:30 a.m. (Thurs. and Fri.)
November 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)
December 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)

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, October 20, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 2:53 p.m.

Jeffrey DeLeone, Board Chair

Richard Stensrud, Secretary