



**Retirement Board Agenda  
June 15, 2023**

**Click Link to Join Zoom Meeting:**

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**Password:** 12345

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**PLEDGE OF ALLEGIANCE**

1. Roll Call
2. Approval of Out-of-State Board Travel (R)

**3. CONSENT AGENDA (R)**

- Approval of **May 18, 2023** Minutes
- Summary of Investment Transactions – **April 1, 2023 through April 30, 2023**
- Retirement Report
  - Superannuation and Survivor Benefits
  - Special Cases
- Disability Report
  - Approval of Disability Benefits
  - Termination of Disability Benefits – Any Occupation

**INVESTMENT REPORT**

4. Annual Investment Plan – FY24 (R)
5. Monthly Investment Report

**EXECUTIVE DIRECTOR'S REPORT**

6. Executive Director's Update
7. Review of Administrative Expenses
8. FY 2024 Administrative Budget (R-2)
9. Filing of Proposed Amended Administrative Rules (R-2)
10. Definition of Compensation Discussion

**HEALTH CARE REPORT**

11. Approval of 2024 Health Care Premiums and Plan Design Changes (R)
12. Approval of 2024-2025 Dental and Vision Premiums (R)
13. Premium Discount Program (R)
14. Health Care Plan Amendments (R)

**RETIREMENT REPORT**

15. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (*if needed*) (R)

**COMPENSATION COMMITTEE REPORT**

16. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

**AUDIT COMMITTEE REPORT**

17. Audit Committee Update
18. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

**EXECUTIVE DIRECTOR'S REPORT (cont.)**

19. Board Self-Assessment Discussion

**BOARD COMMUNICATION AND POLICY ISSUES**

20. Board Officer Elections
21. Calendar Dates for Future Board Meetings
22. Continued or New Business
  - Board Information Requests and Follow-up Items

**ADJOURNMENT (R)**

FY2023 SERS Board Roll Call

Jeffrey DeLeone	_____
Frank Weglarz	_____
Hugh Garside	_____
James Haller	_____
Matthew King	_____
Catherine Moss	_____
Barbra Phillips	_____
James Rossler	_____
Daniel Wilson	_____

**APPROVAL OF OUT-OF-STATE BOARD TRAVEL**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conference and meeting be approved.

<b>Conference</b>	<b>Attendee</b>	<b>Conference Date(s)</b>	<b>Conference Location</b>	<b>Estimate of Expenses</b>
NCPERS 2023 Public Pension Funding Forum	Catherine Moss	August 20 - 22, 2023	Chicago, IL	\$2645.00

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

## CONSENT AGENDA

1. Minutes of the
  - a. **May 18, 2023**, Retirement Board meeting
2. Summary of Investment Transactions – **April 1, 2023 to April 30, 2023**
3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers
  - b. Special Cases
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Termination of Disability Benefits – Any Occupation

**APPROVAL OF CONSENT AGENDA**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Consent Agenda, which includes the following items:

1. Minutes of the
  - a. **May 18, 2023**, Retirement Board meeting
2. Summary of Investment Transactions – **April 1, 2023 to April 30, 2023**
3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers
  - b. Special Cases
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Termination of Disability Benefits – Any Occupation

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

## SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

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

The following is a summary of the investment transactions made during the period of April 1, 2023 through April 30, 2023. 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	\$ 167.3
Fixed Income	318.1
Private Equity Capital Calls	12.2
Real Asset Capital Calls	33.3
Opportunistic & Tactical	3.1
Global Private Credit	11.5
Cash Equivalents	444.0

## B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$ 307.0	\$53.6
Fixed Income	302.5	(0.6)
Private Equity distributions	5.6	n/a
Real Asset distributions	17.2	n/a
Opportunistic & Tactical	n/a	n/a
Global Private Credit	n/a	n/a
Cash Equivalents	303.0	n/a



**DRAFT**  
**05/18/2023**

# 2024

## ANNUAL INVESTMENT PLAN



**FOR THE  
YEAR ENDED  
JUNE 30, 2024**



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
ANNUAL INVESTMENT PLAN**

For the year ended June 30, 2024

Prepared by SERS Investment Staff  
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[www.ohsers.org](http://www.ohsers.org)

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# Executive Summary

## EXECUTIVE SUMMARY

The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer prepare and present to the Board for its approval an Annual Investment Plan (Plan). The following document outlines the recommended Plan for Fiscal Year (FY) 2024.

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, last year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2024. Implementation Guidelines for each asset class portfolio are included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits. **This Plan is meant to be a living document subject to adjustment during the year.** If circumstances change or opportunities arise during the year, items will be discussed with the Board which may lead to intra-year changes to the Plan or Strategy Statements.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The general objectives of the Investment Department for FY2023 were as follows:

- *Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.*

Total Fund returns exceeded the policy benchmark for all periods over ten years. For FYTD, Total Fund return of 4.41% as of March 2023 exceeded the benchmark by 0.01% which is below expectation but longer term excess returns have added significant value to the Total Fund. For three years the annualized return of 12.88% exceeded the benchmark by 2.03%, and for five years the annualized return was 7.81% with 0.96% excess return. Over ten years the Total Fund generated a return of 8.22% exceeding the benchmark by 0.76% on an annualized basis. The excess returns have been generated with modest active risk well within the limits approved by the Board.

- *Continue to implement the asset allocation framework and targets approved by the Board and implement the leverage program as conditions and return expectations improve.*

Staff has been focused on filling the 5% allocation to Private Credit which has been reached and the increase in Private Equity from 10% to 12% has also been achieved. Staff took the opportunity to implement tactical allocation decisions in 2022 by underweighting equities and fixed income throughout this period following peak valuations at the end of 2021. These decisions helped the Fund to outperform the benchmark significantly and minimize the drawdown that occurred in 2022 due to both equities and fixed income having negative double digit returns.

- *Research new strategies in renewable energy, infrastructure, and commodities and implement on a selective basis.*

New investments in infrastructure and Global macro strategy were approved in FY2023.

### FY2024 OBJECTIVES

- Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.
- Implement the asset allocation framework and targets approved by the Board in April 2023.
- Continue to develop and engage the Investment team, including adding a new Associate Risk Officer due to a promotion and adding a new Investment Analyst to the team if approved by the Board in the FY24 budget.

### CONCLUSION

As of March 31, 2023, SERS' Total Fund had net returns of 7.81% over five years and 8.22% over ten years exceeding the actuarial rate of 7.00% by a good margin thus improving the funded ratio of the plan. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs.

Staff appreciates the support and guidance received from the Board in FY2023 and looks forward to working with the Board in FY2024 for another successful year.

## EXECUTIVE SUMMARY

### ACKNOWLEDGEMENTS

SERS is very fortunate to have an experienced and deep Investment Staff. The following individuals contributed to this report.

- Economic Outlook – Farouki Majeed and Hai Yen Le
- Total Fund Asset Allocation – Farouki Majeed
- Global Equities – Judi Masri and Hai Yen Le
- Global Private Equity – Steve Price and Phil Sisson
- Global Fixed Income – Jason Naber
- Global Private Credit – Adam Messerschmitt, Phil Sisson, and Michael Browning
- Global Real Assets – Paul Cheng and Michael Browning
- Cash Equivalents & Securities Lending – Jason Naber
- Opportunistic and Tactical – Farouki Majeed, Phil Sisson, Michael Browning, and Adam Messerschmitt
- Overlay Program – Farouki Majeed, Jason Naber, and Judi Masri
- Investment Risk Management and Analytics – Hai Yen Le and Michael Browning
- Investment Operations – Terri Martin and Katie Swank

We would appreciate the opportunity to review the Annual Investment Plan with you at the June 2023 Board meeting. If you have any questions or comments before then, please let me know.

Respectfully submitted,



Farouki A. Majeed  
Chief Investment Officer



## **Global Economic Outlook**

## GLOBAL ECONOMIC OUTLOOK

After a strong recovery in 2021, both the US and global economy growth slowed in 2022 and further decline in growth is expected for 2023 as shown in tables below. High inflation and aggressive tightening of monetary policy by the Fed to counter high inflation and labor shortages were major challenges to the US economy in 2022. Geopolitical risk intensified with the Russian-Ukraine war causing inflationary pressures in food and energy prices.

Global inflation increased significantly from 4.7% in 2021 to 8.8% in 2022 and is expected to fall to 6.5% in 2023 according to the International Monetary Fund (IMF). US headline inflation reached its peak of 9.1% in June 2022, then declined to 5.0% in March 2023. Global supply chain improvement and tighter monetary policy as well as slowing economic growth are the main factors helping ease inflation.

The US labor market remained strong although tight, adding 4.8 million jobs in 2022 and 1.1 million jobs in Q1 2023. The unemployment rate remained low at 3.5% in March 2023. To curb inflation, the Fed conducted seven interest rate hikes in 2022, and three hikes in the first five months of 2023 raising the federal funds rate from 0-0.25% in January 2022 to 5.00-5.25% in May. Further action by the Fed will depend on inflation, labor market, and banking system's health. The 10-year rate increased from 1.63% in December 2021 to 3.88% in December 2022 and declined to 3.44% by April 30, 2023. The yield curve has been inverted with 3-month rate being higher than the 10-year rate since October 2022, indicating the economy entered a highly uncertain phase.

In 2022, US equity markets were down 19.2%. Non-US developed markets were also down 14.3% while emerging markets lost 20.1%. US consumer sentiment stayed below the historical average throughout 2022 and Q1 2023, due to persistently high inflation and slower economic growth concerns.

Economic forecasts from the Blue Chip Consensus (US) and the IMF are presented below:

### US ECONOMY

The Blue Chip consensus expects the US economy growth rate to slow down to 1.0% in 2023 and 1.1% in 2024 amid concerns of negative impacts of tightening financial conditions to the overall economy (Table 1).

According to the Blue Chip Economic forecasts, the unemployment rate is expected to increase from a historically low level of 3.6% in 2022 to 3.9% in 2023 and 4.5% in 2024. Inflation is expected to trend down further from the 2022 peak to 3.9% in 2023, then 2.5% in 2024. The yield on 10-year US Treasuries is expected to be 3.7% in 2023 and 3.4% in 2024, being lower than 3-Month T-Bill yield as the yield curve is expected to stay inverted through 2023 and 2024. US corporate profits are expected to weaken to negative \$0.7 trillion in 2023 and improve to positive \$2.3 trillion in 2024. Estimated S&P500 earnings growth is negative 6.8% for Q1 2023. The Analysts' Consensus expected the earnings growth to be negative 6.6% in Q2, then positive 1.4% in Q3, 9.7% in Q4 2023, and 12% for 2024.

Table 1

Period	Real GDP Growth Rate (%)	Unemployment Rate (%)	Inflation Rate CPI (%)	T-Bill 3-Mo. (%)	T-Note 10-Yr. (%)	Corporate Profits (Cur. \$)
2019	2.3	3.7	1.8	2.1	2.1	3.9
2020	(2.8)	8.1	1.2	0.4	0.9	(5.9)
2021	5.9	5.4	4.7	0.0	1.4	22.6
2022	2.1	3.6	8.0	2.1	3.0	N/A
2023 Consensus	1.0	3.9	3.9	4.9	3.7	(0.7)
2024 Consensus	1.1	4.5	2.5	3.9	3.4	2.3

Source: Blue Chip Economic Indicators, April 2023

### GLOBAL ECONOMY

The IMF forecasted global GDP growth to slow to 2.8% in 2023 and then improve to 3.0% in 2024 (Table 2). For 2023, emerging and developing economies are expected to grow faster than advanced economies as the former's expected growth rate is 3.9% while the latter's is 1.3%. For 2024, emerging and developing economies are projected to marginally increase to 4.2%, maintaining their growth advantage versus the advanced economies which are expected to grow 1.4%.

## GLOBAL ECONOMIC OUTLOOK

Table 2

Annual GDP Growth (in percent)	2022	2023 (projected)	2024 (projected)
World	3.4	2.8	3.0
US	2.1	1.6	1.1
Advanced Economies (including US)	2.7	1.3	1.4
Emerging and Developing Economies	4.0	3.9	4.2

Source: International Monetary Fund World Economic Outlook, April 2023

## **Portfolio Strategy**



## PORTFOLIO STRATEGY – Total Fund Asset Allocation

Actual asset allocation relative to policy target is shown in the table below:

	FY23 Target	Range	Actual			FY24 Target
			3/31/2023	7/1/2022	7/1/2021	
Global Equities	45%	35 – 45%	41.7%	41.0%	48.6%	40%
Global Private Equity	12%	11 – 17%	12.6%	12.9%	10.4%	14%
Global Fixed Income	19%	13 – 23%	13.3%	12.6%	15.1%	18%
Global Real Assets	17%	17 – 22%	20.9%	20.9%	14.8%	20%
Global Private Credit	5%	3 – 7%	5.8%	4.6%	2.4%	5%
Opportunistic	0%	0 – 5%	3.4%	4.8%	4.3%	0%
Cash	2%	1 – 5%	2.0%	3.0%	4.4%	3%
<b>Total Fund</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Leverage</b>	N/A	0% - 10%	0%	N/A	N/A	N/A
Total Notional Exposure (Including Leverage)	100%	100% - 110%	100%	100%	100%	100%

Staff has maintained an underweight in Global Equities and Global Fixed Income, relative to the FY23 policy targets and overweight in Global Real Assets, overweight in Opportunistic investments and overweight in Cash during FY2023. Total Fund FYTD returned 4.41%, matching the benchmark with a 1bps excess return mostly due to the positive selection effects in Private Equity, Real Assets and Fixed Income as these asset classes exceeded their respective benchmarks.

Both Global Equity and Global Fixed Income, which together account for nearly 60% of the Total Fund, had negative returns in CY2022 as inflation spiked and interest rates tightened causing valuations to compress. Interest rates are likely nearing a peak in the U.S and the Fed fund rate may stay for longer before heading down. The slowing economy is impacting corporate profits negatively. In addition, the liquidity crisis in the banking industry, which started in March 2023 will lead to tighter credit conditions for companies and consumers, could increase the probability of a recession. The current environment is characterized by high volatility in the equity and fixed income markets. Staff believes it would be appropriate to maintain underweight positions in both equity and fixed income relative to targets in this environment, but be prepared to increase the allocation to fixed income when the interest rates have peaked and the yield curve ceases being inverted.

The Board approved a new Asset Allocation Policy effective July 1, 2023. Global Equity was reduced by 5% while Private Equity and Real Assets increased by 2% and 3%, respectively. Fixed Income was reduced by 1% and Cash increased by 1%. The changes increased the Total Fund expected return by 2 basis points and reduced expected risk by 7 basis points while maintaining the cash yield advantage to fund the deficit between pension benefit payments and employee/employer contributions.

## PORTFOLIO STRATEGY - Global Equities

### INVESTMENT STRATEGY

SERS invests in equity securities to earn a premium over government treasury bonds, which is compensation for assuming the higher risk inherent in public equity securities. A sizeable allocation to Global Equities is necessary to meet the long-term return goal.

SERS' Statement of Investment Policy sets the Global Equities target allocation as follows:

	FY23 Total Fund Target	FY24 Total Fund Target	Permissible Range
Global Equities	45%	40%	35% - 45%

The performance objective of the Global Equity portfolio is to exceed the return of the MSCI All Country World Net Total Return Index (USD) by 30 basis points net of management fees.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Monitor the portfolio for possible performance enhancement.*

After outperforming FYTD through February 2023 by 53bps net of fees, Global Equities (GE) underperformed 103bps in the month of March due to the portfolio's marginal value tilt negatively impacting the portfolio after Silicon Valley Bank's bankruptcy and UBS assuming control of Credit Suisse. Overweighting US small cap added value, but overweighting Non-US small cap detracted from the FYTD return. The GE portfolio underperformed the benchmark by 56 bps for FYTD through March 2023 but outperformed for longer periods by 0.44% for 1-Year, 0.43% for 3-Years and 0.35% for 5-Years.

- *Complete the US Equity Small Cap Growth and Core manager searches.*

A Small Cap Growth mandate was hired and funded \$50 million on June 1, 2022, and has a since inception excess return of 5.50% through March 2023. A Small Cap Core mandate was hired and funded \$50 million in two tranches during October 2022 and February 2023 with a since inception excess return of 1.87% through March 2023.

- *Transition the Global Equity portfolio's structure from regionally specific mandates and benchmarks to global mandates and a global benchmark, the MSCI ACWI. The transition includes allocating to global mandates and converting the regional market allocations to MSCI ACWI geographic allocation ranges.*

The new global equity portfolio with two composites (Global and Regional) was effectively and fully transitioned as of July 1, 2022. As of March 2023, the allocation was 16.4% in the Global Composite and 83.6% in the Regional Composite. Staff has continued to monitor regional weightings in the Regional Composite versus the MSCI ACWI benchmark with an overweight to US and underweights to developed markets (DM) and emerging markets (EM), which has been performance additive.

- *Manage the Global Equity portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.*

Both the US and DM portfolios have slight value tilts and are overweight small cap FYTD. The value tilt was additive FYTD through February 2023, but value was a headwind in March with Silicon Valley Bank's default and UBS saving Credit Suisse. The US small cap overweight was helpful to performance through February, but detracted FYTD in DM.

- *Engage with Wilshire on a portfolio structure review. Global Equity will be reviewed for appropriate US and Non-US allocations, correct benchmarks, active-passive allocation, and detailed manager alignment. Make portfolio adjustments, as necessary.*

Staff engaged with Wilshire on a portfolio review during the first quarter of the FY. Two primary outcomes came from this review:

1. Moving DE Shaw to a portable alpha program in US equities effective October 1, 2022. The mandate has a 1.36% excess return through March 2023.

## PORTFOLIO STRATEGY - Global Equities

2. Conducting an EM search with Connor, Clark & Lunn (CC&L) funded \$50 million on March 1, 2023.
- Review IMAs and Investment Guidelines on the review schedule and make necessary adjustments as needed.

The Arrowstreet Capital IMA was renegotiated in June 2022 for the new global mandate effective July 1, 2022.

### CURRENT MARKET CONDITIONS AND OUTLOOK

Cumulative Periods through March 31, 2023	Annualized Returns (in percent)				
	FYTD	1 Year	3 Year	5 Year	10 Year
Russell – 3000 Index	9.75	(8.58)	18.48	10.45	11.73
Russell – 3000 Growth Index	12.56	(10.88)	18.23	13.02	14.16
Russell – 3000 Value Index	6.92	(6.35)	18.12	7.30	8.99
Russell – 1000 Index	9.93	(8.39)	18.55	10.87	12.02
Russell – 2000 Index	6.75	(11.60)	17.51	4.71	8.04
MSCI – AC World Index (\$Net)	9.75	(7.44)	15.36	6.93	8.06
MSCI – AC World Ex-USA Index (\$Net)	10.03	(5.07)	11.80	2.47	4.17
MSCI – World Ex USA Index (\$Net)	13.96	(2.74)	13.49	3.80	4.91
MSCI – Emerging Markets Index (\$Net)	0.84	(10.70)	7.82	(0.91)	2.00

Source: Wilshire Compass

Fiscal years begin July 1 and end on June 30

After a strong year in 2021, global equity markets (MSCI ACWI) experienced a large draw down of 25.6% for the first three quarters of 2022 due to persistently high inflation, rising interest rates, and the break-out of the Russia-Ukraine war. The markets bounced back with a 9.8% return in Q4 as Europe avoided an expected recession; China started relaxing its zero COVID tolerance policy; and US growth rebounded. Overall, CY 2022 was a down year for equities as MSCI ACWI was down 18.4%; US equity (Russell 3000) was down 19.2%; Non-US developed markets (MSCI World ex USA) were down 14.3% and Emerging markets (MSCI EM) were down 20.1%. Q1, 2023 was volatile with US regional bank troubles, but all major indices finished positive. With two positive quarters, global equity markets had a gain of 9.8% for FYTD through March 2023.

The US equity market was broadly down in 2022 without exceptions by style or capitalization size. Nevertheless, value stocks (Russell 3000 Value) performed better than growth stocks (Russell 3000 Growth) as rising interest rates were particularly challenging for growth stocks in 2022. Russell 3000 Value was down 8% while Russell 3000 Growth was down 29% in CY2022. The size did not have a great performance impact as large cap stocks (Russell 1000) were down 19.1% and small cap stocks (Russell 2000) were down 20.4% in 2022. However, due to market expectations for an end to the rate hiking cycle and the US regional bank turmoil in March, Value underperformed Growth and Small underperformed Large in Q1 2023. For FYTD as of March 31, the US equity market gained 9.8%.

Non-US Equity Developed Markets (MSCI World ex US Index) posted a (2.7%) return for 2022, outperforming US markets as Europe withstood the energy crisis caused by Russian supply disruption better than expected, and the US dollar depreciated. MSCI World ex US also outperformed the US market for FYTD through March with a 14.0% return; however, the index lagged the US market for the longer periods.

Non-US Equity Emerging Markets (MSCI EM) declined 10.7%, performing worse than developed markets in 2022. China's delayed business reopening from COVID-restrictions and the Russia-Ukraine war had negative impacts on emerging markets' performance in 2022. Emerging Markets rebounded at the end of 2022 and early in 2023, but only delivered 0.8% for FYTD as of March 2023.

Equity market volatility is expected to be elevated due to high interest rates, high inflation, and slower growth or even recession concerns. Thus, global equity returns are expected to be lower near-term. Market valuations are close to the historical average. Emerging and developed ex-US companies are trading at about 15 times earnings while the US equity market is more expensive, trading at 23 times earnings.

### PORTFOLIO STRUCTURE

At the end of March, Global Equity was underweight the 45% target allocation by 3.2%. The Staff controlled regional composite has the following exposures:

## **PORTFOLIO STRATEGY - Global Equities**

- The US portfolio was 2.25% overweight relative to its 60.56% MSCI ACWI target allocation,
- The Non-US Developed Market portfolio was underweight by 0.45% relative to its 28.50% MSCI ACWI benchmark target allocation, and
- The Non-US Emerging portfolio was underweight by 1.80% relative to its 10.94% MSCI ACWI benchmark target allocation.

The Global Equities allocation will be reduced to the FY 2024 policy target of 40% and may remain underweight in the near-term, depending on the equity risk adjusted return attractiveness relative to other asset classes in the Total Fund.

Both the US and Non-US portfolios maintain a small capitalization bias and a marginal value style tilt. The value tilt will gradually be reduced as interest rates are nearing their peak. The portfolio will remain overweight to small capitalization stocks, as small caps are undervalued relative to large cap. The US portfolio is currently 71.1% passively managed, which may slightly decline as active low beta managers are expected to outperform passive during a declining market. The Non-US portfolio is 71.6% active in Developed markets and 100% active in Emerging markets as active management is expected to be more successful in more inefficient Non-US Equity markets.

### **FY2024 OBJECTIVES**

Staff will focus on the following objectives during FY2024:

- Monitor the portfolio for possible performance enhancement, completing searches, as necessary.
- Manage the Global Equity portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

## PORTFOLIO STRATEGY – Global Private Equity

### INVESTMENT STRATEGY

SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

SERS' Statement of Investment Policy sets the Private Equity target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Global Private Equity	12%	14%	11% - 17%

The performance objective for Private Equity is to provide returns in excess of the Burgiss All Private Equity Benchmark, one quarter in arrears.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Private Equity portfolio and fiscal year commitments to reflect the increased investment allocation of 12%, subject to identifying opportunities that meet SERS' investment criteria.*

The Private Equity allocation is 12.6% as of March 31, 2023. This is slightly above the allocation target of 12% but well within the upper range of 16%. To date, \$216 million has been committed to three funds, and three co-investments.

- *Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.*

To date, three commitments have been made to private equity funds with an average management fee of 1.7%. Additionally, three commitments were made to co-investments that have no management fees or carried interest. Together the average management fee on all approved commitments is 1.1%. These private equity commitments are diversified by investment strategy, sector focus and geography.

- *Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.*

Staff reviewed several co-investment opportunities throughout the fiscal year. Three opportunities met SERS criteria and were approved in fiscal year 2023. The Private Equity portfolio has a total of 13 approved co-investments totaling \$139.8 million. The co-investments are in various stages of their life cycle and are generating an IRR of 21% and a 1.8x multiple of invested capital as of December 31, 2022.

- *Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.*

Staff reviewed over 100 investment offerings during the fiscal year 2023. One opportunity with a new manager met the investment criteria and SERS committed a total of \$50 million to this fund in fiscal year 2023.

### PORTFOLIO COMPOSITION

	Allocations as of March 31, 2023	Target Ranges
Buyout	80%	55% - 95%
Venture Capital	5%	0% - 10%
Special Situations	10%	5% - 25%
Co-Investments	5%	0% - 25%
Domestic	80%	55% - 95%
International	20%	5% - 45%

## PORTFOLIO STRATEGY – Global Private Equity

### CURRENT MARKET CONDITIONS AND OUTLOOK

Despite a number of headwinds that included the war in Ukraine, inflation, and growing tension between the US and China, private equity continued to expand its record-breaking run of deal activity during the first six months of the year. However, the Federal Reserve's decision to raise interest rates by 75 basis points and then to continue raising them signaled the end of cheap debt in the buyout markets. The combination of concerns about inflation and rate increases drove speculation about a recession which in turn caused banks to be more cautious about providing debt to private equity backed companies. As a result, year-end totals for private equity deals, exits and fund raising were all down considerably. In taking a closer look at the data, transactions fell to \$657 billion in 2022. Although still a large number this was well below the record of \$1.1 trillion set in 2021. The volume of deals completed in 2022 fell to 2,318. Fund-raising also declined last year by approximately 16% with a total of \$347 billion in capital raised resulting in a total of approximately \$3.7 trillion of dry powder available across all fund types and all geographies at the end of 2021. The intense competition for assets that has led to growth in purchase price multiples and made it very difficult for private equity firms to find and purchase companies continued in 2022. Purchase price multiples have risen from approximately 9.0 times earnings in 2011 to an average of 11.9 times earnings in 2022, slightly down from 12.3 in 2021 but still ahead of prior periods. The change in conditions also impacted exits in 2022. Exits declined from over 1,500 exits in 2021 to approximately 600 exits totaling \$565 billion in 2022. Economic uncertainty combined with elevated purchase valuations and a steady flow of dry powder once again underscores the importance of identifying and backing high quality private equity managers that remain disciplined in their process, due diligence and selection criteria throughout investment cycles.

Nonetheless, as illustrated in the below table, Private Equity continues to generate solid performance over all periods.

Annualized Returns (in percent) for Periods Ended March 31, 2023				
Fund Type	1-Year	3-Years	5-Years	10-Years
SERS Private Equity	1.70	21.64	18.66	18.28
Burgiss Benchmark	(5.76)	17.69	15.52	15.30

Source: Burgiss All Private Equity Index

The long-term outlook for private equity remains positive. In the near term, the industry could be influenced by a wide range of factors that may include the economic effects of higher interest rates, inflation, slower economic growth and global trade implications. It is too early to tell what impact these issues may have on the private equity market, however, in the near-term it is expected that fundraising and exit activity will continue at or near the year end 2022 levels. Valuations remain elevated and investor appetite for private equity is expected to continue to rise. As mentioned earlier, the increased price expectations for sellers has resulted in the average private equity firm paying a higher price to acquire new portfolio companies. However, private equity firms with finely tuned strategies and repeatable value-creation models will prosper. Top quartile private equity managers find ways to overcome problems, generate returns for their limited partners and earn the capability to raise additional funds.

With this in mind, the outlook for the SERS Private Equity portfolio is favorable. Current market conditions reflect positively on the style of investing employed by the general partners that make up the core of the SERS Private Equity portfolio. Quality investments can be identified in the current market; however, finding these companies requires patience, discipline and the ability to fully understand the operations of the target company. The full impact of the pandemic, global trade implications, rising inflation and lower economic growth on private equity remains to be seen. Navigating through these issues to date has required firms to pay close attention to portfolio operations and in some cases reassess their approach to value creation. Top private equity firms understand and displayed their ability to create and maintain value in portfolio companies under difficult conditions in 2020, 2021 and again in 2022, generating an opportunity for investors to separate the top private equity firms more easily from the rest of the pack. SERS' Private Equity portfolio is comprised primarily of general partners who have demonstrated their ability to identify, create value and exit companies in all market environments. In an effort to ensure the portfolio is properly positioned for future uncertainty, our goals for the fiscal year include: continuing to identify and invest with operationally focused managers who primarily target the middle market and avoid the competition in the large and mega space; increasing exposure to attractive investments that meet our criteria and offer lower costs through co-investments; and ensuring that we stay on top of market trends and opportunities by continuing to research and seek out managers offering investment strategies that deliver private equity like returns with differentiated and unique strategies. Additionally, as the Total Fund moves into what many believe will be a low return environment,

## **PORTFOLIO STRATEGY – Global Private Equity**

we will seek to maintain the allocation level of Private Equity to slightly above its target of 14% to obtain the benefit of this higher returning asset class to the Total Fund level. This will take time as Private Equity is a long-term asset class where manager selection is critical and additional capital takes more time to deploy.

### **FY2024 OBJECTIVES**

Staff will focus on the following objectives during FY2024:

- Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.
- Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.



## PORTFOLIO STRATEGY - Global Fixed Income

### INVESTMENT STRATEGY

SERS invests in fixed income assets for the primary purpose of risk diversification and decreasing the overall risk of the investment plan. Fixed income assets may include sovereign debt securities, global corporates, securitized securities, private placements, convertibles, derivatives, and currency.

SERS' Statement of Investment Policy sets the Fixed Income target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Global Fixed Income	19%	18%	13% - 23%

The performance objective for the Fixed Income portfolio is to exceed the Bloomberg US Aggregate Bond Index, net of manager fees, by 60 basis points over rolling three-year periods.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Manage the portfolio structure and risk relative to the benchmark as the central banks around the globe embark on a rate hiking cycle and quantitative tightening over the next several years.*

The portfolio returned 1.13% through March 2023, outperforming the benchmark by 123 basis points. Rising interest rates have been a headwind to fixed income performance over the last 12 months. The portfolio continued to be underweight interest rate duration during the last year, and this has been the leading contributor to the outperformance. The portfolio has gradually reduced the duration underweight as the Federal Reserve gets closer to the end of its interest rate hiking cycle.

- *Tactically manage the allocations to core, core plus and tactical and diversifying sectors to enhance the risk and return tradeoff. Continue to research other potential new and innovative investment opportunities to mitigate the impact of rising interest rates and diversify sources of return.*

During the fiscal year, \$70 million was contributed to core strategies, \$50 million to core plus strategies and \$60 million to tactical and diversifying strategies. The contributions moved the portfolio to a more defensive position by lowering portfolio duration, allocating to outperforming strategies and reducing the active risk of the portfolio during a period of rising interest rates and higher market uncertainty.

- *Review IMAs and Investment Guidelines to make any necessary adjustments.*

One core manager's contract is currently being fully renegotiated and is expected to be finalized before the end of the fiscal year. A second core manager's investment guidelines were modified in Q2 2023 to position the portfolio more defensively going forward.

### CURRENT MARKET CONDITIONS AND OUTLOOK

The Bloomberg US Aggregate Bond Index returned (0.09%) for FY2023 through March 2023. The major sectors of the index had mixed performance during this period. US Treasuries were down 0.76% and mortgages down by 0.88% as rising interest rates and the Fed's ongoing balance sheet reduction program negatively impacted the sectors. Investment grade corporates returned 1.84% with the positive impact of an average yield of 5.24% and credit spread compression offset by a negative impact from higher interest rate exposure in a rising rate environment. The asset-backed sector returned 1.30% with consumer balance sheets remaining healthy, but higher interest rates are starting to have an impact on spending. The best performing core plus sector was high yield debt at 7.19%, which has benefited from an average yield of 8.6%, a below average default rate and credit spread compression during the fiscal year. A 50/50 blend of local currency and US dollar-denominated emerging market debt returned 6.90% fiscal year to date with an attractive 8% average yield. Local currency bonds outperformed US dollar bonds by 3.58% due to the weaker US dollar in FY2023 and ongoing high volatility in emerging markets.

The Federal Reserve conducted the third interest rate hike of 0.25% in 2023, after seven hikes in 2022, in an attempt to curb inflation. Labor markets have been resilient and slowing wage gains may be difficult, so the central bank will remain focused on economic data releases. Markets are anticipating the US to enter a recession at some point in the next 12 months. A neutral to long duration stance will have a positive performance impact if the central bank



## **PORTFOLIO STRATEGY - Global Fixed Income**

cuts interest rates to address slowing growth. A cautious stance and a focus on high quality fixed income sectors like US government, agency mortgage back securities and investment grade corporates are warranted given the uncertain outlook.

### **PORTFOLIO STRUCTURE**

The Fixed Income portfolio is currently weighted 47% core, 41% core plus and 12% to tactical and diversifying strategies. The portfolio currently has a yield of 5.39% relative to the benchmark yield of 4.39% with an average investment grade credit rating of A+, which is two grades lower than the benchmark rating of AA. The Federal Reserve may have reached the end of its rate hiking cycle and expects to keep rates at this level until the end of 2023. During the fiscal year, the portfolio duration moved closer to the benchmark duration by 0.4 years and stood at 0.3 years shorter than the benchmark duration at the end of March 2023. Going forward, we expect to continue to increase portfolio duration in FY2024 in anticipation of future interest rate cuts.

The portfolio is underweight US government assets and overweight credit sectors to earn additional yield and price appreciation over the benchmark. The allocation to US Treasury and Agency securities increased by 3% over the year as the portfolio reduced risk. Allocations to emerging market debt and high yield debt were reduced by 3% during the year as the portfolio's core plus exposure was reduced. The portfolio allocation to mortgages increased by 4% during the year but continued to be underweight as the Federal Reserve continues to reduce the mortgage allocation on its balance sheet. The asset-backed exposure was stable during the year while the commercial mortgage-backed exposure remains underweight due to the unfavorable outlook for the sector.

### **FY2024 OBJECTIVES**

Staff will focus on the following objectives in FY2024:

- Manage the portfolio structure and risk relative to the benchmark as central banks globally reach peak interest rates and the potential for a US recession grows.
- Explore ways to increase the fixed income allocation to reduce the current underweight using cash securities or derivatives as the outlook for fixed income assets is attractive going forward.
- Tactically manage the allocations to core, core plus and tactical and diversifying strategies to enhance the risk and return tradeoff. Continue to research new and innovative investment opportunities to position the portfolio for a potential recession, falling interest rates and to diversify sources of return.
- Engage with Wilshire on a Fixed Income portfolio structure review focusing on strategy allocations, manager and sector weights and consider new strategies. Make portfolio changes as appropriate.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

## PORTFOLIO STRATEGY – Global Private Credit

### INVESTMENT STRATEGY

SERS invests in private credit to provide risk adjusted returns in excess of those offered by publicly traded fixed income securities and to generate a consistent cash yield.

SERS' Statement of Investment Policy sets the Global Private Credit target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Global Private Credit	5%	5%	3% - 7%

The performance objective for Global Private Credit is to produce net of fee returns in excess of the 90-day Treasury bill rate + 4.5%, one quarter in arrears.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Increase the Private Credit allocation to 5% of the Total Fund by making new investments that fit the SERS' investment policy, while managing the portfolio in conjunction with the pace of capital drawdowns for existing commitments.*

At the end of 2022, the Global Private Credit allocation increased to 5.8% of Total Fund and exceeded the policy target of 5%. To date, Staff executed nearly \$1.5 billion in new capital commitments and total unfunded capital commitments decreased to \$800 million from the prior year as new fund investments progress through the investment period. Of the new capital commitments executed, \$230 million was completed during fiscal year 2023. Deployment has slowed since the portfolio is over target, which has been amplified by the volatility in the public markets.

- *Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the new target allocation.*

Staff executed \$1.3 billion in capital commitments to investments that fall within the direct lending sub-asset class and \$175 million within the stressed/distressed sub-asset class. The portfolio weight exceeded the target allocation of 5% by 80 basis points at the end of 2022, but all sub-asset classes fell within the ranges stated in the implementation guidelines. In addition, Staff executed investments that are diversified across industries, geographies, and types of private credit instruments. Most of the new investments have been made within the direct lending sub-asset class, which is primarily comprised of investments that are senior in the capital structure of a company, contain a contractual income component, are structured with robust covenants to protect investors, and have priority over a company's cash flows or other assets in the event of a default.

- *Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.*

All the investments that have been executed or considered for the Private Credit portfolio include an income component, which is expected to comprise the largest part of the investment return. Most of the underlying investments within private credit funds include a contractual cash payment that is distributed to investors in the form of income on a quarterly basis. As base rates increase, the income generated from the underlying loans also increases. During the fiscal year, Staff remained focused on investing with managers with robust due diligence processes and closely monitored the ability of portfolio companies to withstand a rising interest rate environment and the potential for a slowing economy.

- *Consider differentiated strategies that can add further diversification to the portfolio while also contributing to the portfolio's return and cash yield.*

During the fiscal year, Staff reviewed numerous differentiated strategies that could provide additional diversification benefits to the portfolio and will continue to consider new strategies that could be a fit for the portfolio. Overall capital deployment has slowed given the target allocation for Private Credit has been exceeded, but as capital becomes available, Staff will continue to consider adding differentiated strategies to the portfolio.

- *Continue to look for co-investment opportunities with existing managers that could be a fit for the portfolio and that increase the portfolio's cash yield.*

There were no co-investments made during the fiscal year. Staff reviews co-investment opportunities if they arise, but the volume tends to be less than other private asset classes and the speed of execution tends to be much quicker.

## PORTFOLIO STRATEGY – Global Private Credit

### CURRENT MARKET CONDITIONS AND OUTLOOK

The private credit market continued to grow in 2022 and reached an estimated \$1.4 trillion in assets under management at the end of the year, which was higher than earlier forecasts. The private credit market is forecast to reach over \$2 trillion in the next several years. During 2022, fundraising activity slowed given the economic uncertainty and rapidly increasing interest rates as the Federal Reserve shifted its monetary policy. Many investors paused on new investments within the private credit space given the uncertainty of corporate earnings growth, rising inflation, and the ability of companies to service debt obligations. Nonetheless, over \$200 billion was raised within private credit funds during 2022. The direct lending strategy raised approximately \$90 billion during the year, which was a decrease from 2021. The leveraged loan market faced a sharp decline in new issuances throughout most of the year as traditional banks pulled back from lending to the middle-market, but activity began to pick up towards the end of 2022. As seen in prior years, larger companies turned to the private credit market for financing needs given the lack of readily available capital. Loan defaults also began to increase across the credit markets and the level of U.S. distressed loan increased drastically to an estimated \$100 billion towards the end of 2022. It is estimated that loan default rates will continue to trend upwards in the coming years as companies need to recapitalize balance sheets to deal with rising costs and interest rates. However, deal activity continued to remain strong within the private credit market since many companies had no alternative source of financing, which led to a lender-friendly market with tighter covenants and better pricing terms for investors.

The private credit market began to experience valuation markdowns during 2022, primarily due to mark-to-market movements impacting broader public markets. However, cash yields continued to increase with rising interest rates, providing an attractive return for investors. In particular, the income focused direct lending strategy delivered an estimated 9.5% yield to investors, which was an attractive premium over the U.S. non-investment grade, U.S. investment grade, and 10-year U.S. Treasury yields of 8.6%, 5.3%, and 3.7%, respectively.

The outlook for the private credit market is positive with considerable growth still expected even with the uncertain economic stability in coming years. The regional banking crisis in the first quarter of 2023 gives rise to the possibility for increased regulatory scrutiny, declining net interest rate margins, and a reassessment of their lending business model. As regional banks reassess and regroup, they may restrain their lending, which could result in additional deal flow for private lenders.

The general expectation is that the Federal Reserve will slow its interest rate increases, but that interest rates will remain elevated for longer than originally expected. While rising rates may negatively impact other assets classes, it can add to returns within the private credit asset class since many loans are structured with a floating interest rate. But the likelihood of higher default rates also increases given the uncertainty around whether the borrowers will be able to withstand interest rates at these higher levels for an extended period. Therefore, it is important for private lenders to conduct a rigorous underwriting process on portfolio companies to ensure borrowers can withstand the impacts of further interest rate increases. Since the pipeline of opportunities is expected to be robust, private lenders can be even more disciplined when selecting borrowers. Thus, resulting in the ability to originate loans with better protections in place for the lender, while providing downside protection and an attractive cash yield for investors.

### FY2024 OBJECTIVES

Staff will focus on the following objectives in FY2024:

- Manage the Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.
- Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.
- Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.
- Consider adding differentiated strategies to the portfolio if capacity permits that could add further diversification to the portfolio, while also contributing to the portfolio's return and cash yield.
- Review the appropriateness of the benchmark and recommend changes if necessary.

## PORTFOLIO STRATEGY - Global Real Assets

### INVESTMENT STRATEGY

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

SERS' Statement of Investment Policy sets the Global Real Assets target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Global Real Assets	17%	20%	17% - 22%

The performance objective for Global Real Assets is to produce net of fee returns in excess of the NCREIF Property Index ("NPI"), one quarter in arrears, over a market cycle, with the income component of the return comprising a significant portion of the total return.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Formulate and implement a portfolio allocation strategy that factors in macroeconomic risks.*

FY2023 was impacted by inflation and economic uncertainty. Staff submitted redemptions from private and public real estate managers that are more correlated to economic growth. Staff also made a new commitment to a core infrastructure fund that has inflation-linked contracted revenues and higher cash yield.

- *Formulate and implement a one-year plan to achieve and maintain a 17% allocation to Real Assets.*

As of March 2023 the Real Assets portfolio allocation is 20.9% of the Total Fund. The Real Assets team was highly selective in deploying new capital to manage its allocation. During 2022, approximately \$337 million of capital was called, and Staff made new commitments totaling \$100 million. Staff submitted \$200 million of redemptions from private real estate funds and \$65 million from the public REITs fund. As of May 2023, SERS has received \$23 million of the \$200 million in private real estate redemptions submitted during FY23. SERS has received all the redemptions from public REITs.

- *Tactically manage the existing real estate and infrastructure allocations to improve portfolio structure and achieve favorable risk-adjusted returns.*

The Real Asset portfolio had about \$337 million of capital called during 2022. Most of the capital called (\$195 million) during 2022 was invested in core real estate and infrastructure fund strategies. Of the \$100 million in new commitments during 2022, the majority (\$90 million) was to core strategies. Redemptions were made during the year from REITs to reduce the volatility within the portfolio. The emphasis remains on operating assets, with the current exposure at 93%, vs non-operating assets at 7%.

- *Evaluate new investment strategies for the Real Assets portfolio such as niche real estate property types, non-US real estate, energy transition, listed infrastructure funds, and secondaries.*

Staff evaluated many new mandates for the portfolio and made commitments to three new investments during the year. Among the investments Staff committed to was a US core farmland fund, the first real estate co-investment during 2022. The new commitments will add exposure to new asset types in the Real Asset Portfolio.

- *Actively pursue co-investment opportunities with existing Real Assets managers.*

Staff reviewed several co-investment opportunities with existing general partners during 2022. Staff successfully executed two co-investments, one in a European mobile cell towers platform and the other in a self-storage portfolio.

### CURRENT MARKET CONDITIONS AND OUTLOOK

Across most property types, real estate returns were strong in 2022, rebounding from their pandemic lows. SERS' Real Assets portfolio returned 16.91% net of fees in 2022 versus a benchmark NPI return of 16.08% gross of fees, producing an excess return of 0.83%. The income return gross of fees during 2022 was 5.40%.

The real estate portfolio performance in 2022 can be viewed as a tale of two halves. Between January and June, real estate values continued to see strength, led by strong rent growth and low vacancies in both the Industrial and Multifamily sectors. However, between July and December, real estate values were broadly flat in Q3, and then saw across the board declines of 4-9% in our portfolio funds. The Q4 write-downs were largely attributed to two factors – capital market volatility reflected in higher discount and cap rates and ongoing weakness in the Office sector.

## PORTFOLIO STRATEGY - Global Real Assets

Office as a property type is facing multiple challenges like lower workspace needs as tenants shrink their footprint in a hybrid / work-from-home world, glut in outdated class B and C buildings that are either functionally obsolete or have weak demand, and high capital expenditures needs due to tenants' preferences for newer "ESG" friendly buildings.

Retail performed well during 2022 as foot traffic increased and consumers returned to shopping in physical locations. Neighborhood and community shopping centers with a grocery anchor have performed better than malls. Retail vacancy rates declined to 6.9% (vs 8.0% in 2021).

Industrial properties had the best performance in 2022, driven by strong fundamentals. Industrial had a vacancy rate of 3.0% (vs 3.2% in 2021) and strong rent growth of 13.8% (YoY) in 2022. The pandemic has forced companies to create more resilient supply chains and hold excess inventory which requires more warehouse space.

Multifamily can provide inflation protection because rental rates can be reset each year. Higher interest rates and a lack of supply of single-family homes created greater demand for multifamily rentals. Vacancy rates for multifamily increased to 4.6% (vs 2.9% in 2021) as supply increased.

Real estate return forecasts from multiple industry groups and managers indicate that 2023 could see negative returns. While some managers have been more proactive in writing down asset values in Q4 2022, many appear to be taking a more gradual approach, suggesting that 3-5% write-downs per quarter could persist through Q3 and even Q4 of 2023.

While capital markets uncertainty will likely continue to impact real estate valuations, fundamentals in most sectors – with the exception of office – remain healthy. Higher quality Industrial assets in top-20 regions are still seeing strong occupancy and mid to high single digit rent growth or higher. Likewise, the residential sector – apartments, single family rentals, manufactured housing – still benefit from strong fundamentals as the U.S. housing industry has not sufficiently met demand created by population growth and the need to replace obsolete stock. Even Retail, whose weaknesses were exacerbated during the pandemic, have bottomed. As well, numerous managers have indicated that new investments in 2023-24 could be particularly good "vintages" as there could be many attractively priced opportunities created by the current marketplace dislocation.

The infrastructure portfolio proved to be a safe harbor in a volatile year. The core, essential, and monopolistic characteristics of many infrastructure assets demonstrated their resilience. With a few exceptions, our infrastructure funds performed very well in 2022, providing downside protection and cash yield. Most of the funds that had been impacted by the COVID pandemic have recovered from the pandemic lows and funds with more recent vintages are maturing, with their assets becoming operational and generating their target returns after overcoming the J-curve impact. The more recent digital infrastructure fund and U.S. mobile cell tower co-investment have performed well since our commitment, reflecting strong industry fundamentals and manager skill. A new commitment to a "super-core" infrastructure fund is anticipated to provide stabilized returns while offering co-investments that would reduce the fee load.

Going forward, the infrastructure program will continue to focus on attractive assets that provide inflation protection, diversification, and cash yield. Two sectors that will remain priorities are energy transition / renewables because of strong global policy support and investment demand, and digital infrastructure, which continues to benefit from the global mega-trend of digitalization.

### **FY2024 OBJECTIVES**

Staff will focus on the following objectives in FY2024:

- Formulate and implement a one-year plan to remain within the 17-22% allocation range to Real Assets.
- Reallocate capital to lower the allocation to the target 20%.
- Tactically manage the existing real estate and infrastructure allocations to improve portfolio structure and achieve favorable risk-adjusted returns by incrementally reallocating capital from real estate to infrastructure until the latter reaches the target of 7%.
- Evaluate new investment strategies for the Real Assets portfolio such as real estate secondaries, real estate debt, sector specific real estate, niche real estate property types, ex-US real estate, energy transition, digital infrastructure, and listed infrastructure funds.
- Actively pursue co-investment opportunities with existing Real Assets managers.



## PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

### INVESTMENT STRATEGY

SERS invests in cash equivalents for the purpose of earning market returns on cash held for benefits and expenses and to provide short-term cash needed to fund other asset classes. Cash Equivalents are fixed income assets with maturities of less than 270 days and may include US government, asset-backed, corporate and high-quality money market-type securities.

SERS' Statement of Investment Policy sets the Cash Equivalent target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Cash Equivalents	2%	3%	1% – 5%

The performance objective for Cash Equivalents is to exceed the return on 30-day US Treasury Bills.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that generates additional income for the plan by temporarily lending equity and fixed income securities. All loans are collateralized with cash at 102-105% of security market value and reinvested in government money markets and repurchase agreements. Loans to approved borrowers are limited to 25% of the average monthly market value of the loan from the prior year. Fixed income security loans require a ten basis point minimum spread at loan initiation. The program is implemented through a third-party lending agent and collateral reinvestment manager.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.*

The daily short-term cash continued to be invested in the Federated Hermes Prime Obligation (FHPO) and Fidelity Government Portfolio money market funds. The proportion of cash invested in the prime money market fund significantly increased during the year to earn a higher yield than offered by the government money market fund.

- *Evaluate opportunities to improve the Cash Management process and maintain liquidity needs for the portfolio.*

A quarterly cash forecast model was created to monitor the ending cash balance at each of the next four quarter-ends based on expected activity in the public and private asset classes, and transfers for the pension benefit payments.

- *Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.*

Securities lending income increased over the last year through a combination of higher reinvestment rates and more attractive on-loan rates. Much of the additional income was earned by lending US equity and fixed income securities.

### CURRENT MARKET CONDITIONS AND OUTLOOK

As interest rates have risen quickly over the last 12 months, so have money market yields. The prime money market fund daily yield has risen from 0.35% to 4.84% during this period. With rising interest rates, money market funds have kept low average weighted maturities to reduce price risk in portfolio securities. The Federal Reserve hiked interest rates by 0.25% in May and expects to keep interest rates at the current level until the end of 2023. Uncertainty around the direction of inflation, recessionary pressures and market volatility could lead to heightened volatility around money market cash flows. The target allocation to the portfolio was increased from 2% to 3% for FY24 to take advantage of attractive current income yields and to increase the liquidity of the Total Fund.

### FY2024 OBJECTIVES

Staff will focus on the following objectives in FY2024:

- Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.
- Evaluate opportunities to improve the Cash Management process to include a forecast of expected private market income payments and maintain liquidity needs for the portfolio.
- Forecast and analyze expected asset class cash flows and pension payments quarterly to ensure cash flow needs can be anticipated and planned for in advance.
- Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.

## PORTFOLIO STRATEGY – Opportunistic & Tactical

### INVESTMENT STRATEGY

SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg US Aggregate Bond Index + 2% for investments that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities. Such investments may involve capitalizing on short-term market dislocations or other unique situations or innovative strategies including tactical allocation.

SERS' Statement of Investment Policy sets the Opportunistic investments target allocation as follows:

	FY23 Target	FY24 Target	Permissible Range
Opportunistic Investments	0%	0%	0% – 5%

The performance objective for Opportunistic investments is to exceed the return of the Bloomberg US Aggregate Bond Index + 2%.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Search for possible Opportunistic investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and inflation protection. Investments that pass initial screening will undergo detailed due diligence prior to staff recommendation.*

Two new investments totaling \$100 million have been added to the portfolio this fiscal year. The first investment is to a private debt fund that will invest in dislocated credit opportunities, primarily in the United States and Europe. The second investment is in a systematic trend following strategy that provides a low correlation to public equities and bonds.

- *Actively manage the Opportunistic allocation to improve portfolio structure and returns without increasing risk.*

Staff continues to closely monitor and manage the liquid portion of the portfolio, which has grown in recent years. The portfolio is comprised of seven funds that offer liquidity on a regular basis. These funds represent approximately 45% of the Opportunistic allocation.

### CURRENT MARKET CONDITIONS AND OUTLOOK

The Opportunistic portfolio consists of funds that seek to take advantage of market dislocations, or which do not fit within the risk and return objectives of other asset classes. The return objective of the portfolio is to outperform the Bloomberg US Aggregate Bond Index + 2%. The portfolio is positioned to take advantage of ongoing Fed tightening, high inflation, and a slowing economy. Current strategies include investments that provide inflation protection as well as investments that are uncorrelated to public equities and fixed income, such as distressed assets, structured credit, long/short multi strategy funds, commodities and risk parity strategies. The maximum allocation has decreased from 7% to 5% to fund inflows to the fixed income portfolio.

### FY2024 OBJECTIVES

Staff will focus on the following objectives in FY2024:

- *Search for possible Opportunistic investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and inflation protection. Investments that pass initial screening will undergo detailed due diligence prior to Staff recommendation.*
- *Actively manage the Opportunistic allocation to improve portfolio structure and returns without increasing risk.*

## PORTFOLIO STRATEGY – Overlay Program

### INVESTMENT STRATEGY

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying assets and currency exchange rates to enhance the Total Fund portfolio efficiency. The overlay program includes tactical asset allocation and active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through active allocations (long/short) across stocks and bonds thereby exploiting short-term macro market dislocations. The active currency strategies aim to add value and risk diversification to the Total Fund, as well as help manage currency risk by utilizing short-term inefficiency in the foreign exchange markets and low correlation of the strategies to the major asset classes such as US equity and fixed income.

The program is fully tactical; exposures to any overlay strategies in this program are not required by the Statement of Investment Policy.

The overlay program is targeted to add 10 to 20 bps excess return to the Total Fund's performance on a three-to five-year horizon. Tracking errors of the tactical rebalancing strategy and the currency program are expected in the ranges of 5 to 15 basis points and 5 to 8%, respectively.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy to the Total Fund performance.*

One of the two tactical asset allocation strategies was actively managed throughout the year, being both long and short equities, fixed income, and commodities. The notional exposure of the program was increased in July 2022 and the net zero leverage constraint was relaxed in October 2022 to reduce strategy performance volatility. The strategy has realized fiscal year to date losses totaling \$5.2 million through March 2023 and the account was closed in April 2023. No trades have been initiated in the second tactical asset allocation strategy fiscal year to date.

- *Actively monitor the Active Currency Strategies to improve the program's risk and return characteristics.*

The strategy has been active in managing the size of the US dollar exposure relative to other major developed market currencies throughout the fiscal year. The notional exposure of the account was reduced in Q4 based on the view that the value of the US dollar may have peaked. The strategy has realized a fiscal year to date net loss of \$7.5 million with losses in currencies offset by gains in precious metals.

### FY2024 OBJECTIVES

Staff will focus on the following objectives in FY2024:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.*
- *Actively monitor the Active Currency Strategy to improve the program's risk and return characteristics.*



## PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Investment Risk Management and Analytics is responsible for the provision and communication of diligent, thorough, timely and forward-looking investment risk analytics and other investment analytics to the Board and Investment Staff.

Total Fund forecast volatility increased from 12.2% in December 2021 to 14.0% in December 2022 and 13.44% in March 2023 due to high inflation and increased interest rates. The 3-years realized risk of the Total Fund was 8.7% in March 2023.

The forecast risk is a forward-looking risk estimate based on a fund's current holdings at a point of time while the realized risk measures volatility of the historical return of the fund over a period of time; the former counteracts the smoothing effect of infrequent valuation of private investments that is inherent in the later. Hence, the forecast risk tends to be higher than the realized risk for a fund that includes private investments. The forward-looking risk is preferable for assessing allocation among assets and risk-return reward of an asset.

The Total Fund risk structure changed slightly with a 7% reduction in equity risk and a 7% increase in the private asset risk due to asset allocation changes for the period from December 2021 to March 2023. As of March 2023, 75.6% of the Total Fund risk was equity risk and 24.4% was fixed income, private assets, and currency risk. The Total Fund's active risk stayed under the 3% limit stated in the Statement of Investment Policy as the 3-year realized active risk was 1.7% and forecast active risk was 1.6% in March 2023.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Provide risk forecasts and analyses of the Total Fund and asset class portfolios.*

Staff utilized the risk system to generate risk analyses of the Total Fund and asset classes. The risk analyses based on SERS' investment holdings provide forecasted volatility of returns of portfolios. The analyses also provide portfolio risk decomposition by strategies, as well as by factors.

- *Report risk of the Total Fund to the Board on a quarterly basis.*

The quarterly risk report on the Total Fund is provided to the Board showing risk contribution of asset class weights, and active risk of asset classes and factor risks across the portfolio. The total risk decomposition by asset classes focused on their role in the Total Fund. The total risk decomposition by factors focused on cross factor exposures, especially equity factors among the asset class portfolios as the equity factors are the largest risk driver of the Total Fund. The active risk decomposition showed risk contribution from the investment implementation, which is comprised of active allocation among the asset classes and active selection of strategies and securities.

- *Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.*

Staff discussed the risk profile of asset class portfolios with each asset class team. The discussion was focused on i) trend and level of forecast risks, ii) the portfolio's risk structure in terms of manager line-up and factor tilts, and iii) the portfolio's sensitivity to market movements. The discussions assisted each asset class team in balancing their portfolio risks and minimizing unintended risk tilts.

- *Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.*

Staff reported monthly return attribution analyses of the Total Fund, analyzing effects of active weights on alpha generation of each asset class. The analyses were presented to the Investment Strategy Team. Staff also delivered to the Investment Strategy Team attribution reports of each asset class portfolio analyzing the contribution of each account within an asset class.

- *Perform other portfolio and market analyses and research as needed.*

Staff conducted analyses of the Total Fund liquidity and leverage. Staff also conducted portfolio and market analyses as needed or upon request.

## **PORTFOLIO STRATEGY - Investment Risk Management & Analytics**

### **FY2024 OBJECTIVES**

Staff will focus on the following objectives in FY2024:

- Provide risk forecasts and analyses of the Total Fund and asset class portfolios.
- Report risk of the Total Fund to the Board on a quarterly basis.
- Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.
- Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.
- Perform other portfolio and market analyses and research as needed.

## Investment Operations

The Investment Operations area is responsible for managing administrative activities for the Investment department, assisting the CIO and investment officers, and providing reports and information to Staff and the Board. The objectives for FY2024 remain consistent with those of FY2023 as these broad categories reflect the primary duties of Investment Operations.

### REVIEW OF FY2023 OBJECTIVES AND IMPLEMENTATION

The FY2023 Annual Investment Plan objectives and related activities are as follows:

- *Coordinate, assist and participate in organizational initiatives including Policies, Procedures and Practices; Information Governance Projects, fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).*

Investment Operations assisted with the annual review and revisions to the Investment Department Policies and participated in the system-wide Information Governance Project to create a new SharePoint 365 Investments library, migrate existing electronic files, assign retention schedules and reclassify electronic fund manager agreements to ensure they were properly stored per SERS' retention schedules. Staff prepared and analyzed the fiscal budget for executive approval as well as participated in and provided feedback in relation to SME Communications and ERP activities.

- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports and taking minutes.*

Operations attended all Investment Committee, Strategy Team and Board meetings. Agendas and documents were prepared and distributed, minutes taken and distributed in a timely manner. Staff assisted with processing documents associated with hiring, termination and redemption of managers.

- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, new investment managers searches, and aiding with special projects for Staff.*

Operations coordinated revisions and produced the FY2023 Annual Investment Plan, the amended Statement of Investment Policy, and assisted with manager searches throughout the fiscal year.

### FY2024 OBJECTIVES

Staff will focus on the following objectives in FY2024:

- Coordinate, assist, and participate in organizational initiatives including annual Policy review; Information Governance project; fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).
- Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports, and taking minutes.
- Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for Investment managers, and aiding with special projects for Staff.



## **Implementation Guidelines**

## IMPLEMENTATION GUIDELINES - Global Equities

### I. ROLE

The role of Global Equities is to earn the equity risk premium over US Treasury bonds by investing in common stock of publicly listed companies.

### II. ASSET ALLOCATION

	Total Fund Target	Range	
		Minimum	Maximum
Global Equity	4540%	35%	5545%

Global Equity is divided into two portfolios as follows:

*Global Equity – Global Composite:* Managers invest in securities from across all regional markets of the world including US, Non-US Developed Markets and Emerging Markets. This composite is benchmarked to the MSCI All Country World Net Total Return Index (MSCI ACWI).

*Global Equity – Regional Composite:* Managers invest in securities of assigned regional markets only. Staff manages the regional market allocation versus the MSCI ACWI. This composite is benchmarked to the MSCI ACWI. Typical benchmarks utilized within the regional market mandates are:

- US Equity: Russell 3000 Index
- Non-US Equity Developed Market: MSCI World ex-USA Net Total Return Index (USD)
- Non-US Equity Emerging Market: MSCI Emerging Markets Net Total Return Index (USD)

### III. BENCHMARK:

The Global Equity benchmark is the MSCI All Country World Net Total Return Index (USD).

### IV. PERFORMANCE OBJECTIVE

The annualized return objective, net of management fees, for both Global Equity portfolios is 30 basis points over the MSCI ACWI.

### V. PORTFOLIO DESIGN AND CONSTRUCTION:

The *Global Composite* portfolio is currently run by one manager who selects securities from across the world, making their own active decisions between US, Non-US Developed Markets and Emerging Markets. This is a 100% active portfolio with a +/- 10% country range limit versus the MSCI ACWI.

The *Regional Composite* portfolio is constructed using a multi-manager line-up of US, Non-US Developed and Emerging Market mandates and a combination of active and passive strategies to deliver risk-adjusted performance relative to respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees.

The Global Equities portfolio may employ economic leverage via portfolio alpha overlay strategies where the equity market beta is derived from invested derivatives and the alpha is derived from an active market neutral strategy or an uncorrelated active manager. The leverage employed will be within the allowed Total Fund leverage parameters and portfolio tracking error will be maintained within stated ranges in Section VII. Risk Management.

### PERMISSIBLE INVESTMENTS

Security Type	US Equity Portfolio	Non-US Equity Portfolio
Common Stock	Y	Y
Stock Treated as Common Stock	Y	Y

## IMPLEMENTATION GUIDELINES - Global Equities

Cash / Treasuries	Y	Y
Preferred Stock	Y	Y
Convertible Rights	Y	Y
Warrants	Y	Y
Depository Receipts	Y	Y
REITS	Y	Y
Rule 144a Issues	Y	Y
Private Placement	Y	Y
IPOs	Y	Y
Commingled Funds	Y	Y
Exchange Traded Funds	Y	Y
Futures Derivatives	Y	Y
Options	Y	Y
Currency Forwards	N	Y
Currency Futures	N	Y
Currency Options	N	Y
Country Funds	N	Y

### VI. RISK MANAGEMENT

Active Risk Target	
Global Equity – Global Composite	Tracking Error of 3.0% with a range of 3.0% to 7.0%
Global Equity – Regional Composite	Tracking Error of 1.5% within a range of 0.50% to 2.5%

Below are the guidelines for the *Global Equity – Regional Composite* Portfolio:

US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
US Equity Allocation	Russell 3000 Index	MSCI ACWI US Allocation	+/- 10% 5%
Portfolio Structure			
Capitalization			
Large Cap Equity	Russell 1000 Index	Neutral to BM	+/- 5%
Large Cap Active	Manager Specific	-	0% - 30% 25%
Large Cap Passive	Russell 1000 Index	-	70% 75% - 100%
Small Cap Equity	Russell 2000 Index	Neutral to BM	+/- 10%
Small Cap Active	Manager Specific	100%	N/A
Style			
Growth	Manager Specific	Neutral to BM	+/- 5%
Value	Manager Specific	Neutral to BM	+/- 5%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the US equity benchmark.

## IMPLEMENTATION GUIDELINES - Global Equities

Non-US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
Non-US Equity Developed Markets	MSCI World ex-USA Net Total Return Index (USD)	MSCI ACWI Non-US Developed Market Allocation	+/- <del>7%</del> 5%
Non-US Equity Emerging Markets	MSCI Emerging Markets Net Total Return Index (USD)	MSCI ACWI Emerging Market Allocation	+/- <del>7%</del> 5%
Broad Market Exposure			
Developed Markets Active	Manager Specific	--	75-100%
Developed Markets Passive	MSCI World ex US Index (\$net)	--	0-25%
Emerging Markets Active	Manager Specific	100%	+/- 5%
Portfolio Structure			
Capitalization			
Large Cap Equity	Manager Specific	BM Weight	+/- 10%
Small to Mid-Cap Equity	Manager Specific	BM Weight	+/- 10%
Small Cap Equity	Manager Specific	BM Weight	+/- 10%
Micro Cap Equity	Manager Specific	BM Weight	+/- 5%
Style			
Growth	Manager Specific	Neutral to BM	+/- 10%
Value	Manager Specific	Neutral to BM	+/- 10%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the Non-US developed and emerging market equity benchmarks.

## IMPLEMENTATION GUIDELINES – Global Private Equity

### I. ROLE

SERS invests in Private Equity to provide returns in excess of those provided by publicly-traded equities to compensate for private equity's liquidity and concentration risk.

### II. ASSET ALLOCATION

The Private Equity target asset allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a ~~12%~~14% allocation target to Private Equity with a range of ~~8%–16%~~11%–17%.

### III. BENCHMARK

Private Equity performance is benchmarked to the Burgiss All Private Equity benchmark, ~~one quarter in arrears~~.

### IV. PERFORMANCE OBJECTIVE

The performance objective for Private Equity is to provide net returns in excess of the Burgiss All Private Equity Benchmark. Over time periods of five years and longer Private Equity net returns are expected to exceed SERS Global Equity portfolio by 2%.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

Capital allocation among the various market segments is a critical driver for the long-term success of the Private Equity portfolio. Capital allocation risk is controlled in a portfolio structure incorporating long-term sub asset target allocations.

Long-term sub-asset target exposure is detailed below:

	Range	
	Minimum	Maximum
Buyout		
Small/Middle	50%	70%
Large/Mega	5%	25%
Total Buyout	55%	95%
Venture Capital	0%	10%
Special Situations	5%	25%
<b>Total</b>		
Domestic	55%	95%
International	5%	45%
<b>Total</b>		
Primary Commitments	75%	100%
Fund of Funds	0%	15%
Co-Investments	0%	25%
<b>Total</b>		

The portfolio is tilted toward buyout investments. There is no target allocation to venture capital due to higher risk and manager selection issues, however, there may be opportunistic allocations to venture capital up to 10% of the portfolio as shown in the accompanying table. Within buyouts, the preference is for small and middle market managers with a significant value creation approach and de-emphasizes larger firms with a financial engineering approach.



## IMPLEMENTATION GUIDELINES – Global Private Equity

### VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Discretionary Managers investing in Private Equity Partnerships	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Buyouts	Y
Venture Capital	Y
Special Situations (secondary interests, distressed debt or equity, mezzanine, co-investments, energy, etc.)	Y

#### Buyout

Net Expected Return 10-15%, Moderate Risk

Capital is typically invested in more established companies, those further along the business life cycle having relatively predictable cash flows and the ability to raise capital along the entire capital structure, including secured and unsecured debt. Buyouts are targeted to represent 75% of the Private Equity portfolio.

#### Venture Capital

Net Expected Return: 15-25%, High Risk

Venture capital equity is targeted at companies in the earliest phases of a business life cycle. Companies may be classified as seed, early, middle and late stage and are characterized by their inability to access public equity and other forms of capital such as secured and unsecured debt. These companies have uncertain revenues and a need for cash to build their businesses and are subject to high failure rates. Venture capital is targeted to represent 0% of the portfolio.

#### Special Situations

Net Expected Return: 10-20%, Moderate Risk

Many private equity opportunities have characteristics of buyout or venture capital but have enough differences as to require separate classification. These investments include energy, distressed debt, mezzanine, opportunity and secondary funds. Special situations is targeted to represent 25% of the portfolio.

#### Co-Investments

Net Expected Return: 15-20%, Moderate Risk

Co-Investments are direct investments in a single asset of a multi-asset fund, made alongside the Fund's investment in the asset. Typically, co-investments are offered on more attractive economic terms and shorter time frames than those of the Fund. Co-Investments are targeted to represent up to 10% of the portfolio.

### VII. RISK MANAGEMENT

The primary risk management tool in private equity is industry diversification as well as extensive due diligence of prospective investments. Monitoring is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with private equity investments and the method of control.

#### Liquidity Risk

Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.

#### Geographic Risk

Geographic risk is controlled through a long-term international target exposure of 25% by market value.

## IMPLEMENTATION GUIDELINES – Global Private Equity

### **Vintage Risk**

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private equity commitments over time. The investment-pacing model controls the short and long-term private equity commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

### **Manager Risk**

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in our private equity portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 20% of the portfolio. The optimum number of general partners in the portfolio varies with time.

### **Firm Risk**

Firm risk is the exposure to a private equity general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

### **Currency Risk**

The Private Equity program accepts the currency risks consistent with the geographic constraints. Private equity partnerships generally do not hedge currency risk and the private equity program will not implement currency hedges.

### **Industry Risk**

Typically, private equity partnerships are permitted to invest in a wide variety of industries. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

### **Leverage Risk**

General partners invest capital from private equity partnerships throughout the capital structure of firms. The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction.

## IMPLEMENTATION GUIDELINES – Global Fixed Income

### I. ROLE

The primary role of diversified fixed income is to reduce the overall risk of the investment plan. Fixed income securities should provide stable income returns through yield-oriented assets. Fixed income provides risk reduction through lower correlations to the investment program.

### II. ASSET ALLOCATION

The Global Fixed Income allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized ~~a 19%an 18%~~ market value exposure to Global Fixed Income with a range of ~~12% – 26%13% - 23%~~.

### III. BENCHMARK

Global Fixed Income performance is benchmarked to the Bloomberg US Aggregate Bond Index.

### IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Global Fixed Income portfolio is 60 basis points net of fees above the benchmark over rolling three year periods and is comprised of the following strategies:

Strategy	Expected Excess Return	Tracking Error	Benchmark
Core	20 basis points	N/A	Bloomberg US Aggregate Bond Index
Core Plus	60 basis points	N/A	Bloomberg US Aggregate Bond Index
Tactical & Diversifying	200 basis points	N/A	Bloomberg US Aggregate Bond Index
Total Portfolio	60 basis points	0 – 5%	Bloomberg US Aggregate Bond Index

### V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS seeks to obtain broad fixed income market exposure to gain diversification while receiving income. The portfolio is 100% externally managed in active strategies, in broad mandates of core, core plus, and Tactical & Diversifying strategies. Core mandates invest primarily in benchmark type securities and exposures. Core sector weightings can deviate from the benchmark, depending on the external manager's market views and strategies. Core plus mandates allow investments in all sectors of the Bloomberg US Aggregate Bond Index with additional allocations to the extended sectors of high yield, Non-US debt and emerging market debt. The Tactical & Diversifying sector invests in return seeking or diversification enhancing strategies and can provide high excess returns. The ~~strategysector~~ invests in all sectors of the index in addition to emerging market debt, high yield, and long/short credit ~~and fixed income relative value arbitrage strategies~~.

The portfolio may employ economic leverage to obtain benchmark or sector exposure to enhance the excess return of the portfolio. The leverage employed will be within the parameters of the Total Fund leverage policy and portfolio tracking error will be maintained within the range stated in Section IV.

Below are the current sector exposure limits:

Strategy	Range	
	Minimum	Maximum
Core	30%	70%
Core Plus	25%	50%
Tactical & Diversifying	0%	20%

## IMPLEMENTATION GUIDELINES – Global Fixed Income

### VI. PERMISSIBLE INVESTMENTS

Security Type	Core	Core Plus	Tactical & Diversifying
<b>Governments</b>			
US Treasuries, TIPS and Agencies	Y	Y	Y
Sovereigns/Quasi-Sov. In US \$	Y	Y	Y
Sovereigns/Quasi-Sov. In local currency	N	Y	Y
<b>Corporates</b>			
US Corporates	Y	Y	Y
Non-US Corporates in US \$	Y	Y	Y
Non-US Corporates in local currency	N	Y	Y
High Yield	N	Y	Y
Bank Loans	N	Y	Y
<b>Structured Credit</b>			
Mortgages	Y	Y	Y
Asset Backed	Y	Y	Y
Collateralized Loan Obligations	N	Y	Y
<b>Other</b>			
144 (A)s	Y	Y	Y
Commingled Funds	Y	Y	Y
Convertibles	N	Y	Y
Currency	N	Y	Y
Derivatives	<del>Y</del>	Y	Y
Equity	N	Y	<del>Y</del>
Exchange Traded Funds	Y	Y	Y
Money Markets	Y	Y	Y
Municipals	Y	Y	Y
Repurchase Agreements	Y	Y	Y

### VII. RISK MANAGEMENT

For strategies held in separate accounts, the following risk factors are controlled through limits specified in each manager's Investment Manager Agreement (IMA) and Investment Guidelines. Duration, sector and credit risk are reviewed on a total portfolio basis quarterly by SERS:

#### Interest Rate

Controlled by duration band limits around the benchmark duration.

#### Yield Curve Risk

Controlled by duration band limits around the benchmark duration.

#### Sector Risk

Riskier sectors like high yield, non-US, non-agency mortgages and CMBS are controlled around set limits with each individual manager. Portfolios are allowed 25% maximum exposure to any one industry.

#### Credit Risk

Portfolios must maintain a minimum exposure to investment grade securities. In addition, each manager of individual portfolios has an established average weighted credit quality that must be maintained at all times.

## **IMPLEMENTATION GUIDELINES – Global Fixed Income**

### **Currency Risk**

Currency is not hedged at the overall portfolio level. Managers who demonstrate skill are allowed to purchase non-US securities on a hedged or unhedged basis or take direct currency positions without owning securities.

### **Issuer Risk**

Issuer limits are specified in each IMA investment guidelines.

### **Liquidity Risk**

Accounts have a maximum 144(A) limit without registration rights.

### **Active Risk**

Normal tracking error is expected to be 2-4% over any rolling three-year time horizon. During periods of increased volatility, tracking error should not exceed 5% over any rolling three-year time horizon.

## IMPLEMENTATION GUIDELINES – Global Private Credit

### I. ROLE

The role of SERS' Private Credit portfolio is to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent stream of income cash yield.

### II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the private credit target allocation at 5%, with a range of 3% to 7%.

### III. BENCHMARK

The private credit benchmark is the 90-day Treasury bill rate + 4.5% one quarter in arrears.

### IV. PERFORMANCE OBJECTIVE

The performance objective of the Private Credit portfolio is to provide net returns in excess of the SERS Global Fixed Income portfolio over time periods five years and longer, with the income component of the return comprising a significant portion of the total return.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The Private Credit portfolio is designed to gain exposure to various aspects of the private credit market with a focus on consistent income generation. It is expected that a greater portion of the Private Credit portfolio will be allocated to direct lending investments with higher expected cash yields.

Long-term sub asset target exposure is detailed below:

	Target	Range	
		Minimum	Maximum
Direct Lending	80%	60%	100%
Mezzanine	0%	0%	10%
Stressed/Distressed	10%	0%	15%
<del>Structured Credit/Other Asset Based Lending/Specialty Finance</del>	10%	0%	15%
<b>Total</b>	<b>100%</b>		
Domestic	60%	40%	85%
International	40%	15%	60%
<b>Total</b>	<b>100%</b>		
Primary Commitments	100%	80%	100%
Secondaries	0%	0%	10%
Co-Investments	0%	0%	10%
<b>Total</b>	<b>100%</b>		

The portfolio is tilted toward direct lending investments and does not have a target allocation to mezzanine due to the structure of investments typically containing a less predictable cash income component than direct lending.

## IMPLEMENTATION GUIDELINES – Global Private Credit

### VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Direct Lending	Y
Mezzanine	Y
Stressed/Distressed	Y
<del>Structured Credit and Other</del> Asset Based Lending and Specialty Finance	Y

#### Direct Lending

Net Expected Return: ~~6-8%~~8-12%, Moderate Risk

Direct Lending represents loans made directly to small to medium size companies; secured by assets/cash flows/contracts, etc. depending on the type of loan. Direct Lending is targeted to represent 80% of the Global Private Credit portfolio.

#### Mezzanine

Net Expected Return: ~~8-12%~~10-15%, High Risk

Mezzanine debt is subordinated to senior loans and typically is structured as an unsecured fixed or floating rate loan with an equity component. Mezzanine is targeted to represent 0% of the Global Private Credit portfolio.

#### Stressed/Distressed

Net Expected Return: 12-25%, High Risk

Stressed/Distressed debt represents loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. Stressed/Distressed is targeted to represent 10% of the Global Private Credit portfolio.

#### ~~Structured Credit and Other~~ Asset Based Lending/Specialty Finance

Net Expected Return: ~~5-20%~~10-15%, Moderate to High Risk

~~Structured credit includes investments in collateralized loan obligation tranches and other asset backed securities. Other Private Credit investments include specialty financing, non-performing loans, and other investment types that do not fit within the other categories. Asset based lending and specialty finance includes investments backed by financial and hard assets, as well as cash flows generated from differentiated sources other than traditional corporate lending. The types of investments may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types.~~ Asset based lending & other is targeted to represent 10% of the Global Private Credit portfolio.

### VII. RISK MANAGEMENT

The primary risk management tool in private credit is extensive due diligence of prospective investments and diversification. The following sections identify the most significant risks of private credit investments and the method of control.

#### Credit Risk

Credit risk is the primary risk associated with the asset class. Thorough due diligence of investments will be completed to ensure the general partners have sufficient measures in place to monitor and assess the risks involved with underlying investments, as well as the capabilities to structure loans with adequate covenants to protect the lender.

## IMPLEMENTATION GUIDELINES – Global Private Credit

### Interest Rate Risk

Interest rate risk is inherent within the Private Credit portfolio since investments are typically structured as floating rate credit instruments and interest rates will fluctuate over time. The risk is managed by the general partners through the structuring process to ensure appropriate interest rate floors and other measures are in place to manage an acceptable level of interest income.

### Liquidity Risk

Private credit investments are illiquid but have shorter holding periods than other private security types, with 3 – 5 years being a typical holding period. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed through the portfolio construction process by limiting the amount of exposure to more illiquid areas of private credit, such as distressed debt.

### Geographic Risk

International exposure refers to non-US investments and is limited to 60% of the portfolio.

### Vintage Risk

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private credit commitments over time. The investment-pacing model controls the short and long-term private credit commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

### Manager Risk

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in the **Global Private Credit portfolio**. Partnership exposure is controlled by limiting the commitment size to 25% of the aggregate commitments to the partnership or master fund if more than one feeder vehicle exists, within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 35% of the portfolio. The optimum number of general partners in the portfolio varies with time.

### Firm Risk

Firm risk is the exposure to a private credit general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

### Currency Risk

The Private Credit program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

### Industry/Sector Risk

Typically, private credit partnerships are permitted to invest in a wide variety of industries and sectors. Industry/Sector risk is controlled primarily through appropriate diversification across classes and subclasses.

### Leverage Risk

The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction. Leverage at an individual fund level is managed through the portfolio construction process.

### Valuation Risk

The valuation frequency for private credit is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.



## IMPLEMENTATION GUIDELINES – Global Real Assets

### I. ROLE

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

### II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global real assets target allocation at **17-20%**, with a permissible range of **14% to 22%**.

### III. BENCHMARK

The global real assets benchmark is the NCREIF Property Index (NPI), one quarter in arrears.

### IV. PERFORMANCE OBJECTIVE

The performance objective for Global Real Assets is to produce net of fee returns in excess of the benchmark over a market cycle, with the income component of the return comprising a significant portion of the total return.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The Global Real Assets portfolio is designed to achieve the performance objective, to manage risks and to focus on the overall role of global real assets within the Total Fund. SERS' Global Real Assets Implementation Guidelines set the private market, public market and asset type exposures for Global Real Assets, as shown in the table below.

Strategy	Target	Range	
		Minimum	Maximum
Private Core Real Estate	60%	40%	80%
Private Non-Core Real Estate	5%	0%	15%
Private Infrastructure	30%	15%	40%
Public Market Real Assets	<del>4%</del> 5%	0%	10%
Private Agriculture/Farmland	1%	0%	5%

Core real estate investments include substantially leased or fully operational institutional quality properties or projects located in developed markets. The revenue streams from core real estate are generally long duration and comprise a majority of the asset's total return. Core real estate strategies are typically implemented through open-end commingled funds.

Non-core real estate investments include value-added and opportunistic strategies in which properties or projects are re-leased, re-developed, or newly constructed, particularly in developing or transitional markets. This strategy has a higher return expectation but has higher reliance on capital appreciation (vs income return). Non-core real estate strategies are typically implemented through closed-end commingled funds.

Private infrastructure typically involves the movement of goods, people, water, and energy (definition provided by JP Morgan Asset Management). The sectors include, but are not limited to, power (including renewables), energy, utilities, transportation, communication, and social infrastructure sectors. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed end commingled funds, as well as co-investments.

Public market real assets are securities of companies whose primary source of revenue comes from the operation of tangible assets, including, but not limited to, real estate (REITs), listed infrastructure, natural resources, and master limited partnerships. While more liquid in nature, public market real assets exhibit greater volatility than privately held real assets. Master limited partnerships, or MLPs, are publicly traded limited partnerships that derive most of the partnership's cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly traded company.

## IMPLEMENTATION GUIDELINES – Global Real Assets

Private Farmland investments include annual row and permanent crops located throughout the United States. Core farmland will be substantially leased on long term contracts to top quality growers. Core farmland provides a strong income stream that will comprise the majority of the total return. Core farmland strategies are typically implemented through open-end funds.

Over time, Staff intends to judiciously increase exposure to co-investments in infrastructure and real estate through underwriting of individual assets as well via programmatic sidecar vehicles.

### VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the Global Real Assets portfolio generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y
Commingled Funds	Y
Secondaries Vehicles	Y
Joint Ventures	Y
Real Estate Operating Companies (REOCs)	Y
Private Real Estate Equity and Debt	Y
Real Estate Investment Trusts (REITs)	Y
Exchange Traded Funds	Y
Private Infrastructure Equity and Debt	Y
Public Infrastructure Securities and MLPs	Y
Natural Resources and Commodities	Y

### VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the Global Real Assets portfolio. The following sections identify the most significant risks with real asset investments and the method of control.

#### Real Estate Life Cycle Risk

Life cycle risk refers to the stage of an investment's life and generally falls into two categories, operating and non-operating investments. Operating investments are those that are leased or functioning at a level in which the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major releasing. A significant portion of the private market real assets portfolio will be in operating investments in order to achieve Global Real Assets' role of providing income.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%

#### Real Estate Property Type Risk

Property type risk refers to the level of exposure of the major property type categories in the private market real estate portfolio relative to the NCREIF Property Index. Property type risk will be managed through portfolio design and the use of diversified commingled funds. At least 80% of the private market real estate portfolio will be invested in the four primary property type categories including apartment, industrial, office and retail.

## IMPLEMENTATION GUIDELINES – Global Real Assets

(as of December 31, 2022)	NCREIF Property Index	Range
Apartment	28% <del>26%</del>	15% - 45%
Industrial	32% <del>28%</del>	15% - 45%
Office	26% <del>30%</del>	5% <del>15%</del> - 40%
Retail	14% <del>15%</del>	5% - 25%
<b>Subtotal</b>	<b>99%</b>	<b>80% - 100%</b>
<b>Hotel/Other Niche/Other</b>	<b>&lt;1%</b>	<b>5% - 20%</b>
<b>Total</b>	<b>100%</b>	

### Real Estate Geographic Risk

Geographic risk can be broken down into two segments: US regional exposure and non-US exposure. US regional exposure refers to the level of exposure in the four US regions in the private market real estate portfolio relative to the NCREIF Property Index.

(as of December 31, 2022)	NCREIF Property Index	Range
West	42% <del>41%</del>	20% - 50%
East	29% <del>30%</del>	20% - 45% <del>50%</del>
Midwest	7% <del>8%</del>	5% - 20%
South	22% <del>21%</del>	10% - 35% <del>30%</del>
<b>Total</b>	<b>100%</b>	

### Infrastructure Sector Risk

Infrastructure sector risks refers to the level of exposure to the major infrastructure sectors in the private markets infrastructure portfolio. Sector risk will be managed through portfolio design and the use of commingled funds and co-investments.

### Infrastructure Geographic Risk

Infrastructure geographic risks is broken into the regional exposure of the private markets infrastructure portfolio. Geographic risks will be managed through portfolio design and the use of commingled funds and co-investments.

### Global Real Assets Geographic Risk

Non-US exposure refers to the level of exposure of non-US investments in the total Global Real Assets portfolio. Non-US exposure will be limited to 35% of the private market portfolio.

### Liquidity Risk

Private market real asset investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or longer. Liquidity risk will be managed through target allocations to private and public market real assets as well as vintage year diversification.

### Leverage Risk

Private market real asset investments typically are acquired with a combination of equity capital and mortgage financing. The amount of leverage per asset or pool of assets depends on debt availability, property type, tenant quality, and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external real asset managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market real assets portfolio is 50% of the gross asset value of the private market real assets portfolio. Leverage risk will be managed through target allocations and portfolio design.

### Currency Risk

The Global Real Assets program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

## **IMPLEMENTATION GUIDELINES – Global Real Assets**

### **Valuation Risk**

The valuation frequency for private market real assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

### **Manager Concentration Risk**

A single manager utilizing core strategies shall not constitute more than 25% of the net assets of the Global Real Assets program. For non-core strategies, a single fund commitment shall not constitute more than 10% of the net assets of the Global Real Assets program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 20% of the net assets of the Global Real Assets program.

## IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending

### I. ROLE

Short-Term Cash should provide liquidity for funding investment capital calls and operational expenses. Cash should be invested in conservative, low risk securities/funds to preserve capital for future expenditures and investments.

### II. ASSET ALLOCATION

The Cash allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a ~~2%~~3% exposure to cash with a range of ~~0%–5%~~1% - 5%.

### III. BENCHMARK

The Short-Term cash benchmark is the ~~FTSE 30 Day Treasury Bill~~Citigroup 30-day Treasury Bill Index.

### IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Short-Term portfolio is five basis points net of fees over the benchmark.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The Cash portfolio is designed with preservation of capital in mind. A cash balance of one to three months of expenditures is usually maintained. A higher allocation to cash may also be used to preserve capital in volatile markets. The average weighted maturity of the portfolio will not exceed 20 days.

Risk is constantly assessed before investment purchases are made in the portfolio. Only top tier commercial paper is purchased. Money market holdings are also reviewed on a regular basis along with choosing a top tier money market provider with a deep credit analyst team and whose short-term investments are important to the organization.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that can generate additional income for the system. The program is implemented through a third-party lending agent and collateral reinvestment manager. Separately, additional securities lending income is earned by the commingled passive global equity accounts.

### VI. PERMISSIBLE INVESTMENTS

Security Type	
US Treasury Bills	Y
Commercial Paper rated A-1/P-1 or higher	Y
Money Market Funds rated at least A-1/P-1	Y
Unrated Market Funds comparable to an A-1/P-1 equivalent fund	Y

### VII. RISK MANAGEMENT

#### Liquidity Risk

The weighted average maturity shall not exceed 20 days. All money market funds must provide daily liquidity.

#### Credit Risk

A commercial paper issuer must be on the approved credit list or approved by the Chief Investment Officer before purchasing. Market and issuer news are reviewed daily by the Senior Investment Officer – Global Fixed Income. Money market funds must regularly send a holdings report to SERS, where it is reviewed on a regular basis.

#### Issuer Risk

Single issuer commercial paper investments are limited to \$20 million. Related entity commercial paper investments are limited to the lower of 30% of the short-term account or \$40 million. Overnight commercial paper issuer maturities are limited to \$50 million.

## **IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending**

### **Securities Lending Risk**

All loans will be collateralized with cash at 102% for US securities and 105% for non-US securities and marked-to-market daily. Collateral will be reinvested in government money market funds and/or repurchase agreements. Loans on fixed income securities will be subject to a ten-basis point minimum spread requirement at loan initiation. Loans to approved borrowers will be limited to 25% of the average monthly market value on loan for the prior calendar year.

## IMPLEMENTATION GUIDELINES – Opportunistic & Tactical

### I. ROLE

The role of SERS' Opportunistic portfolio is to earn a return above the Bloomberg US Aggregate Bond Index + 2% by investing in assets and strategies that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities.

### II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the opportunistic target allocation at 0%, with a range of 0% to 7%.

### III. BENCHMARK

The Opportunistic benchmark is the Bloomberg US Aggregate Bond Index + 2%.

### IV. PERFORMANCE OBJECTIVE

The performance objective of the Opportunistic portfolio is to earn a net of fee return in excess of the Bloomberg US Aggregate Bond Index + 2%, with a meaningful component of the total return coming from current income.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The Opportunistic portfolio may consist of a wide variety of investment types, structures and strategies targeting cash yield as well as price appreciation. Investment strategies include separate accounts, commingled funds, ETFs, co-investments and derivatives.

### VI. PERMISSIBLE INVESTMENTS

Permissible investments include, but are not limited to, common stock, preferred stock, debt securities, currencies, commodities, etc.

### VII. RISK MANAGEMENT

#### Leverage Risk

Leverage will be prudent for the given strategy and consistent with the fund's offering memorandum.

#### Liquidity Risk

Liquidity will be monitored regularly to ensure the portfolio can be traded or rebalanced within a reasonable timeframe. Liquidity risk will be managed through target allocations to private and public market assets as well as through portfolio design.

#### Currency Risk

The Opportunistic portfolio does not directly hedge foreign currency risk and relies upon its external managers to determine if such hedges are appropriate.

## IMPLEMENTATION GUIDELINES – Overlay Program

### I. ROLE

SERS invests in Overlay strategies that trade derivatives of the Total Fund's underlying asset exposures and currency exchange rates to enhance the Total Fund portfolio's efficiency. The Overlay program includes i) tactical asset allocation-rebalance; and ii) active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through long and short positions based on short-term relative attractiveness of assets.

The active currency strategies aim to add value to the Total Fund on a risk-adjusted basis by employing long and short positions in various currency pairs based on relative attractiveness of the currencies. The strategies are expected to have low correlation to the major asset classes such as US equity and fixed income.

### II. ASSET ALLOCATION

The target allocation of the tactical asset allocation and Currency program is 0% since long and short positions net out.

The tactical asset allocation program's notional exposure limit is +/-7% of the Total Fund to each of the following assets: US fixed income, US equity and Non-US equity. Since the tactical asset allocation positions are employed for short periods, the notional exposures are not subject to the policy asset allocation ranges set forth in the Statement of Investment Policy; however, the active risk contribution by the overlay program as a whole is subjected to the overall guideline on active risk for the management of the Total Fund specified in the Risk Management Policy.

The notional value of the active currency program is capped at 50% of the Non-US Equity portfolio's value.

### III. BENCHMARK

The benchmark for the tactical asset allocation and Currency Overlay program is 0% since net exposure is 0%.

### IV. PERFORMANCE OBJECTIVE

The Overlay program is expected to add 5 to 10 bps of excess return to the Total Fund's performance on a three to five year horizon.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The mandates are unfunded. The Overlay strategies buy (long) or sell (short) futures or forwards contracts to get exposures to desired markets in order to exploit shifts in relative valuation of assets and currencies.

The tactical rebalancing strategy's net exposures, sum of long and short positions, are valued at zero on the initiating position time. Active currency strategies can go either net long or net short US dollar. Both tactical rebalancing and active currency aggregate portfolios are constructed to have no dependency on any single risk factor.

### VI. PERMISSIBLE INVESTMENTS

Tactical asset allocation: equity, fixed income, commodity and precious metals futures and options on futures.

Currency Overlay: currency forwards, currency futures, gold forwards, gold futures, and limited currency options.



## IMPLEMENTATION GUIDELINES – Overlay Program

### VII. RISK MANAGEMENT

#### Counter-party risk management

- Futures and exchange traded options are traded at exchanges thus having default risk only to the clearinghouse while having no credit risk to trade counterparties.
- Forward contracts and over-the-counter options entail default risk of the counterparties. Counterparty risk of these contracts is managed through ISDA (International Swaps and Derivatives Association) and EMIR (European Market Infrastructure Regulation) umbrella agreements with managers.

#### Volatility management

- The tactical asset allocation program's tracking error range is 5 to 15 bps.
- All active currency strategies have targeted tracking error equal to or less than 8%; the aggregate active currency program's tracking error is expected to be in the range of 5 to 8%.

#### Liquidity

- The use of derivatives requires initial margin as well as daily variation margin for futures. Liquidity risk will be managed by ensuring that an adequate reserve of cash is available to meet margin requirements at all times.



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## **Glossary**

## GLOSSARY

**Active Risk** – see Tracking Error.

**Alpha** – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a return in excess of the index return.

**Asset Allocation** – the practice of allocating a certain percentage of a portfolio between different types of investment assets, such as stocks, bonds, real estate, cash, etc. By diversifying among asset classes, it is expected to create a favorable risk/reward ratio for the portfolio.

**Basis Point** – one hundredth of one percent. For example, an addition of 40 basis points to a yield of 7.50 percent would increase the yield to 7.90 percent. Basis points are normally used when quoting yields or returns, alpha, or fees paid to investment managers.

**Benchmark** – a measurement or standard that serves as a point of reference by which portfolio performance is measured. Benchmarks must meet standard criteria.

**Bloomberg US Aggregate Bond Index** – a market capitalization weighted US bond index published by Bloomberg LLC. Most US traded investment grade bonds are represented in the index. The Bloomberg US Aggregate Bond Index is SERS' global fixed income policy benchmark.

**Burgiss All Private Equity (BAPE)** – BAPE is comprised of data from more than 5,000 private equity funds contributed by limited partners that are Burgiss clients and use Burgiss' web-based institutional portfolio management platform Private i. The benchmark data is sourced from Burgiss' limited partner clients and includes complete transactional and valuation history between the limited partner and their fund investments. Burgiss publishes a detailed breakdown of the dataset every quarter allowing for increased transparency.

**Co-investment** – a direct investment in a single asset of a multi-asset Fund, made alongside the Fund's investment in the asset; typically involves terms that are more attractive and with shorter time frames than those of the Fund.

**Derivatives (Derivative Instruments)** – financial instruments (securities or contracts) whose values are derived from underlying financial assets, indices, or other instruments. Derivative performance is based on the performance of assets, interest rates, currency exchange rates and various domestic and foreign indices underlying the instruments. The common forms of derivatives are forward, futures, swap, and options contracts.

**Diversification** – the method of reducing risk by distributing investment assets among a variety of investment securities which have different risk/ reward ratios.

**Due Diligence** – an investigation or audit of a potential or existing investment.

**Equity Investment** – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

**Fixed Income Investment** – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. May also be referred to as "debt" or "bonds."

**FTSE 30 Day Treasury Bill** – an index that measures the rate of return for 30-day US Treasury Bills, which are considered representative of the performance of Short-Term money market instruments. The FTSE 30 Day Treasury Bill is SERS' policy benchmark for Cash Equivalents.

**Fund** – fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., private credit fund, private equity fund, or real estate fund).

**Global Equities** – reflects the consolidation of what had been treated by SERS as US Equity and Non-US Equity asset classes; includes equities of US and non-US origin, equities of various capitalizations (e.g., large cap, small cap, mid cap, etc.), equities from developed, emerging and frontier markets, growth and value equities and passive and active strategies. Investments in Global Equities strategies are made in accordance with established investment

## GLOSSARY

guidelines, and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

**Guidelines** – refers to an Investment Manager’s “Investment Guidelines,” established between the Investment Manager and Staff as part in an investment management agreement. Guidelines may be general or specific.

**Investment Committee** – a committee comprised of the Chief investment Officer and Investment Officers from SERS’ Investment Department who possess the Ohio State Retirement System Investment Officer (SRSIO) license, with clearly defined structure, rules, and procedures for reviewing and approving investments in a timely and prudent fashion.

**Investment Consultant** – any consultant hired by the Board or by Staff to advise or assist with the Investment Program in accordance with the Statement of Investment Policy. Board investment consultants must be approved by the Board. Staff investment consultants shall be approved by the Executive Director.

**Investment Manager** – a manager or potential manager of SERS assets, both public market and private market. Includes, but is not limited to managers of equity, fixed income, private credit, private equity, real estate, commodities, and cash.

**Investment Staff** – members of the investment department of SERS, including the Chief Investment Officer, Investment Officers, and other department personnel.

**Leverage** – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company’s balance sheet in the form of the debt/equity ratio.

**Long a futures contract or a forward contract** – buying exposure to the underlying assets of the contract without actually owing those assets. When the underlying assets deliver a positive return, the long position gains; when the underlying assets deliver a negative return, the reverse is true.

**Morgan Stanley Capital International – All Country World Free ex-USA Index (\$Net)** – an equity index representing 44 developed and emerging countries. “Free” indicates the index reflects actual investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. “Net” indicates that dividends are reinvested after the deduction of withholding taxes applicable to non-resident institutional investors. The MSCI-ACWI ex-USA Index, net of dividends reinvested is SERS’ policy benchmark for Non-US Equities.

**NCREIF Property Index (NPI)** – a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The NCREIF Property Index is a component of SERS’ Global Real Estate Policy Benchmark.

**Opportunistic and Tactical Investments** – global opportunistic investments are tactical or non-traditional investment opportunities that may be short-term or may not fit within the generally accepted risk/return parameters of specific asset classes or strategy groupings. Such opportunities may involve capitalizing on short-term market dislocations or other such unique situations. Tactical investments may include strategies with dynamic allocations to single assets or across multiple asset types or other innovative approaches.

**Options contract** – a form of financial derivatives. In an options contract, two parties (buyer and seller) agree that the buyer, who pays an option premium to the seller, has the right to exercise an option whether to buy or sell a particular asset at a specified price at a specified future date.

**Portfolio** – a collection of investments owned, managed, or overseen by an individual or investment manager, a board, or an organization. Portfolio can mean a manager account or subset thereof (e.g., Goldman Sachs Core Plus account), an asset class (e.g., US Equity), or the entire fund (e.g., SERS’ Total Fund).

## GLOSSARY

**Rebalancing** – adjusting asset class or portfolio allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

**Russell 3000 Index** – a market-value weighted equity index published by the Frank Russell Company. The index measures the performance of the 3,000 largest US companies in terms of market capitalization. The Russell 3000 Index is SERS' Domestic Equity Policy Benchmark.

**Secondaries** – pre-existing investor capital commitments to private funds that are purchased in the secondary market.

**Secured Overnight Financing Rate (SOFR)** – SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. There is a considerable volume of transactions executed that utilize SOFR and the rate is published on each business day.

**Securities Lending** – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer to support the firm's trading activities. Loaned securities are collateralized with cash at 102-105% of the loan exposure. The lender retains the entitlement to all the benefits of the loaned security, including dividends and interest, except the right to vote proxies. The lender has a right to recall the loan at any time.

**Short a futures contract or forward contract** – selling exposure to the underlying assets of the contract without transferring the ownership of those assets to the buyers. When the underlying assets deliver a positive return, the short position experiences losses; when the underlying assets deliver a negative return, the reverse is true.

**Style** – style refers to an investment product, strategy or style offered by an Investment Management Firm and reflects how the assets are invested. For example, value versus growth; core versus value added; quantitative versus fundamental; etc.

**T-bill** – refers to Treasury Bill. Staff utilizes the 90-day T-bill rate as a reference benchmark.

**Total Fund** – refers to SERS' total investment assets.

**Tracking Error** – standard deviation of the excess return of the portfolio relative to the Benchmark, often measured over rolling three-year periods.

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# Ohio SERS Investment Report

## Monthly Report to the Board

For the period ending: April 30, 2023

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: June 2023*



# Investment Agenda

- FY24 Annual Investment Plan – possible vote
- Monthly Investment Report (April 30, 2023)



# Economic and Financial Market Outlook

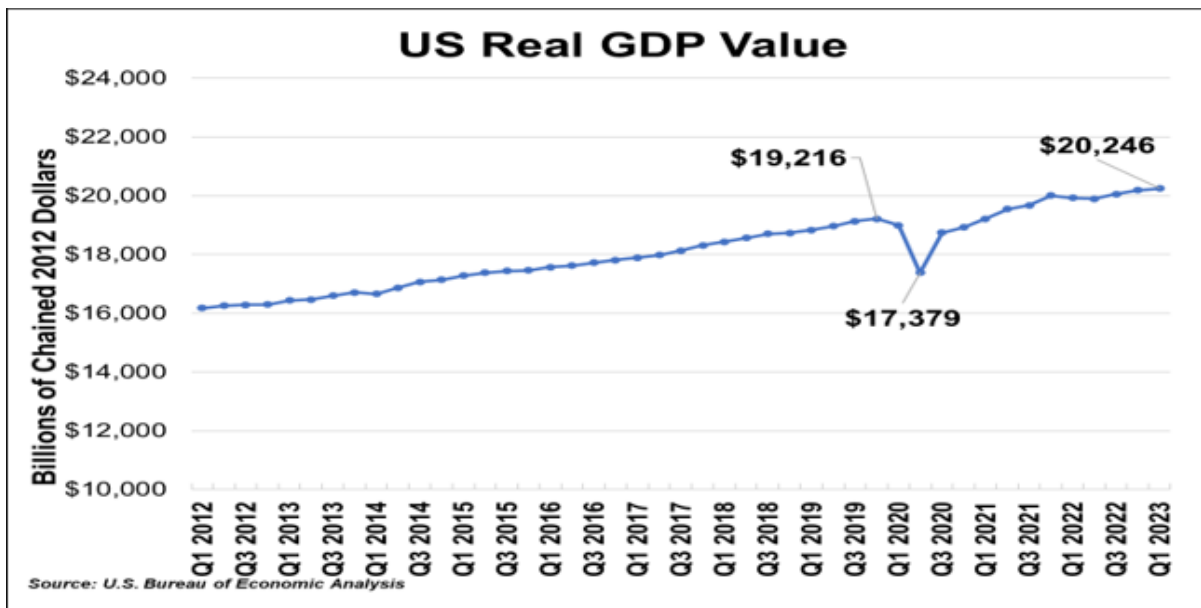
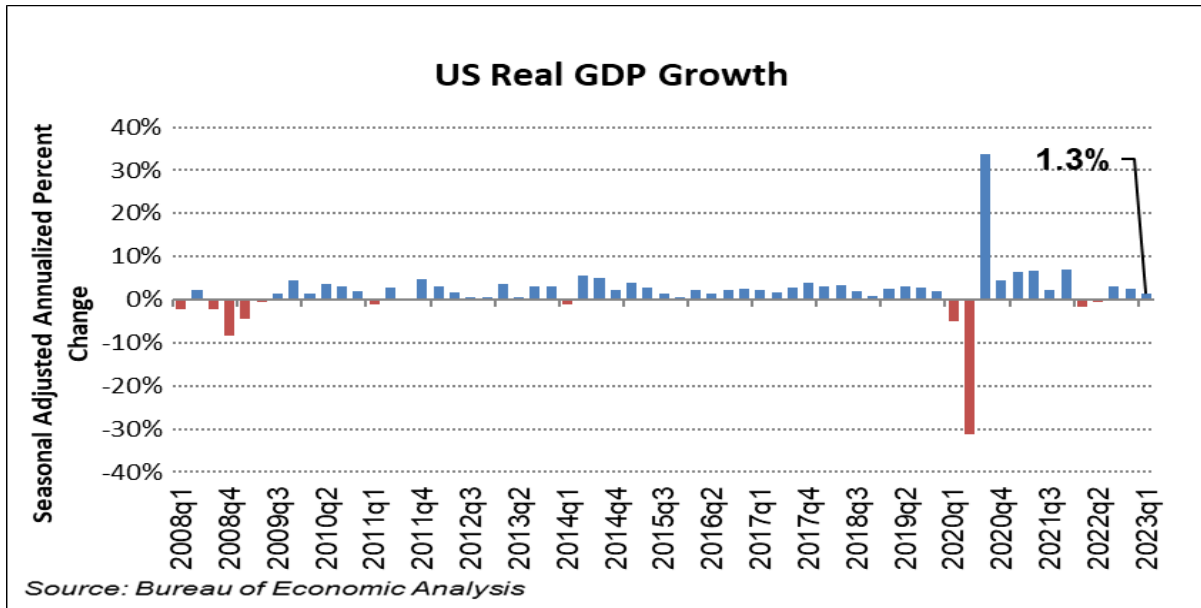
- US growth slowed but remained resilient. The growth rate was 1.3% for Q1, 2023. The main drivers of Q1 GDP were increases in personal consumption expenditures (+3.8%), exports (+5.2%), and government spendings (+5.2%); the largest detractor was private domestic investment (-11.5%). (*Source: Bureau of Economic Analysis*)
- US labor market added 253,000 jobs in April, beating the market expectation of 185,000; however, the three-month payrolls average has been trending down. The unemployment rate inched down to 3.4%. The labor force participation rate improved to 62.6%, but is below the pre-pandemic level of 63.3%, indicating a tight labor market. (*Sources: Bureau of Labor Statistics and Department of Labor*)
- US headline inflation was down from the March readings to 4.9% and the core inflation was slightly down to 5.5% in April. The energy index was down 5.1% while the food index was up 7.7% for the last 12 months. (*Source: Bureau of Labor Statistics*).
- The 10-year Treasury nominal yield was 3.64% as of May end, increasing 20 bps from April. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and the current headline inflation, remained negative 1.46% in April. The Fed Funds rate currently is in the range of 5.00-5.25%, the highest level over the last 15 years.
- The S&P Case-Shiller 20-City home price index gained 0.2% for the month of February, but the annual gain was down to 0.4% from 2.6% in the previous month.
- Consumer Sentiment Index released by Thomson Reuters and University of Michigan was down to 59.2 in May, remaining below the historical average. US Economic Surprise index stayed positive at 23.7 in May. The April Leading Economic Index (LEI) issued by the Conference Board was 107.5, down 4.4% from 6 months ago.
- Both US and Global Manufacturing PMI readings stayed below 50, indicating contraction. High interest rates and high inflation continue to be the biggest challenges to the US and global economy. (*Source: Institute for Supply Management*).
- Equity markets were mixed in April. US market (Russell 3000) and Non-US Developed markets (MSCI World ex-USA) were up 1.07% and 2.84%, respectively while the Emerging markets were down 1.13%.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was up 0.61% in April.

Notes: Acronym – PMI – Purchasing-Managers' Index



**ECONOMY**

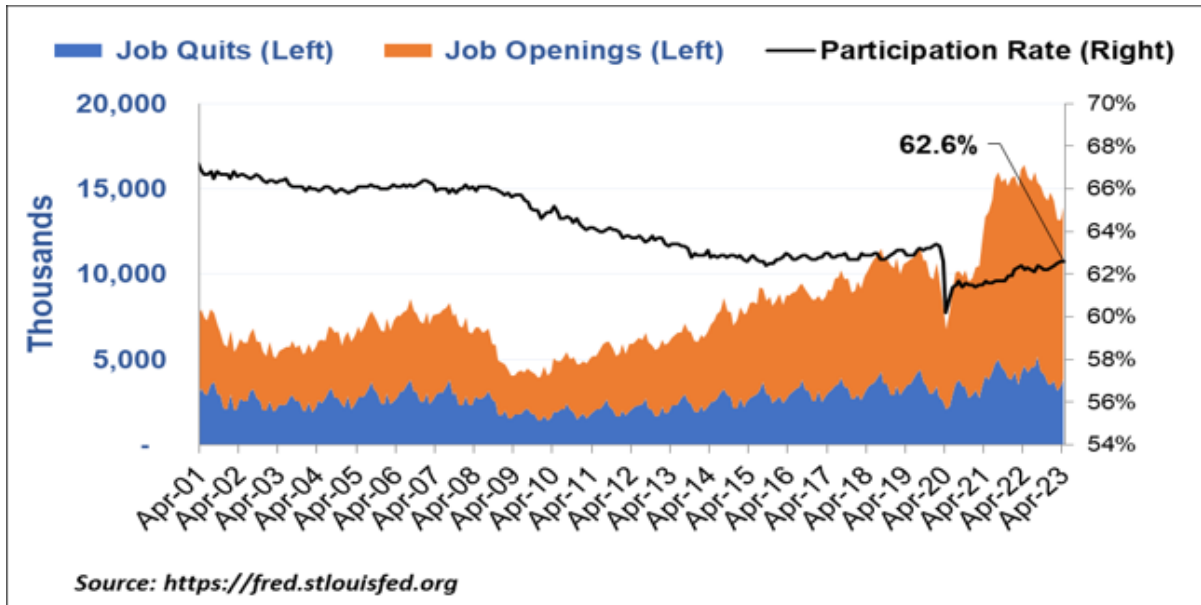
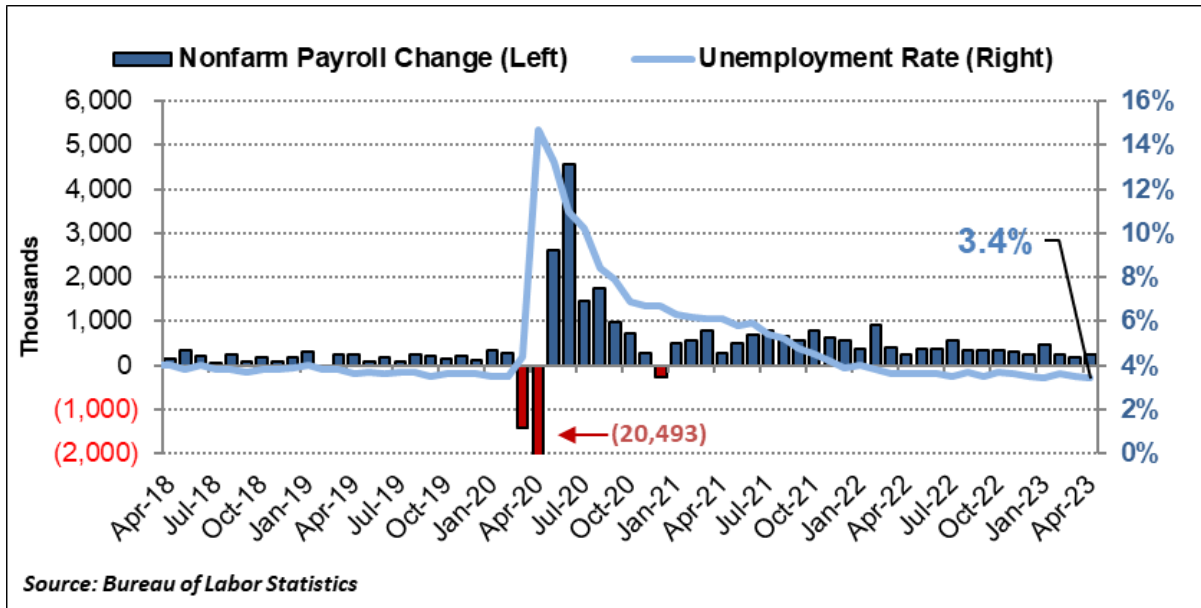
**US Real Gross Domestic Product**





**ECONOMY**

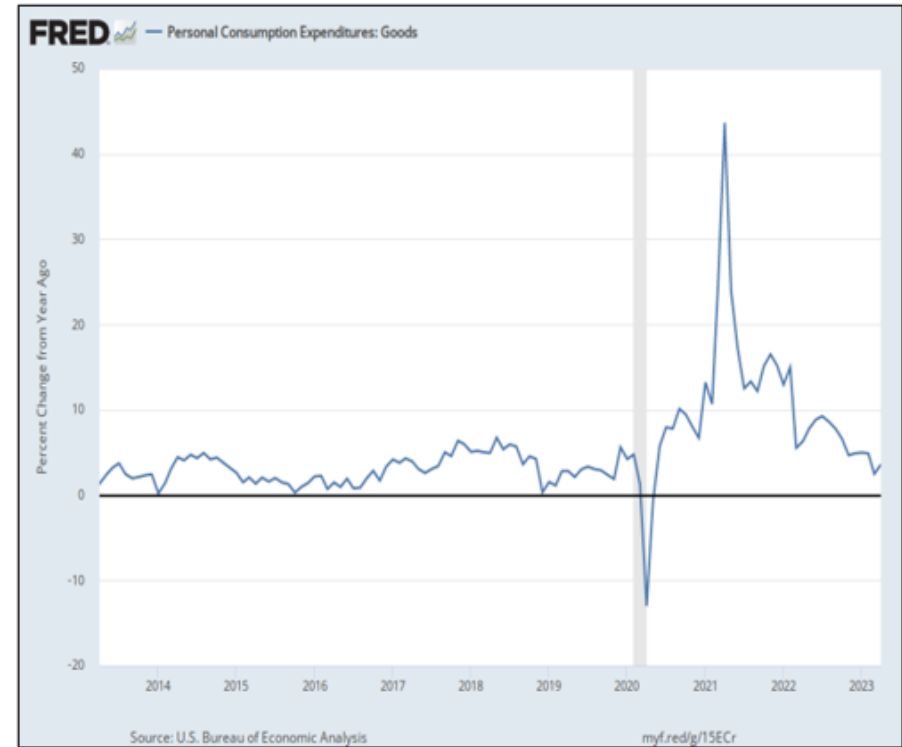
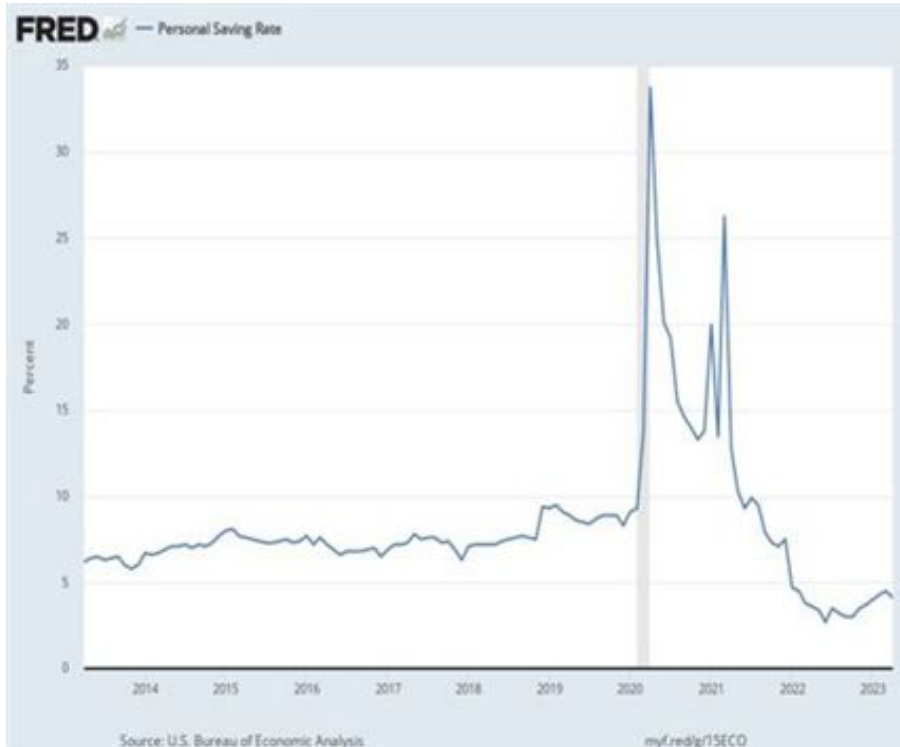
**US Labor Market**





**ECONOMY**

**Personal Savings Rate & Personal Expenditures: Goods**



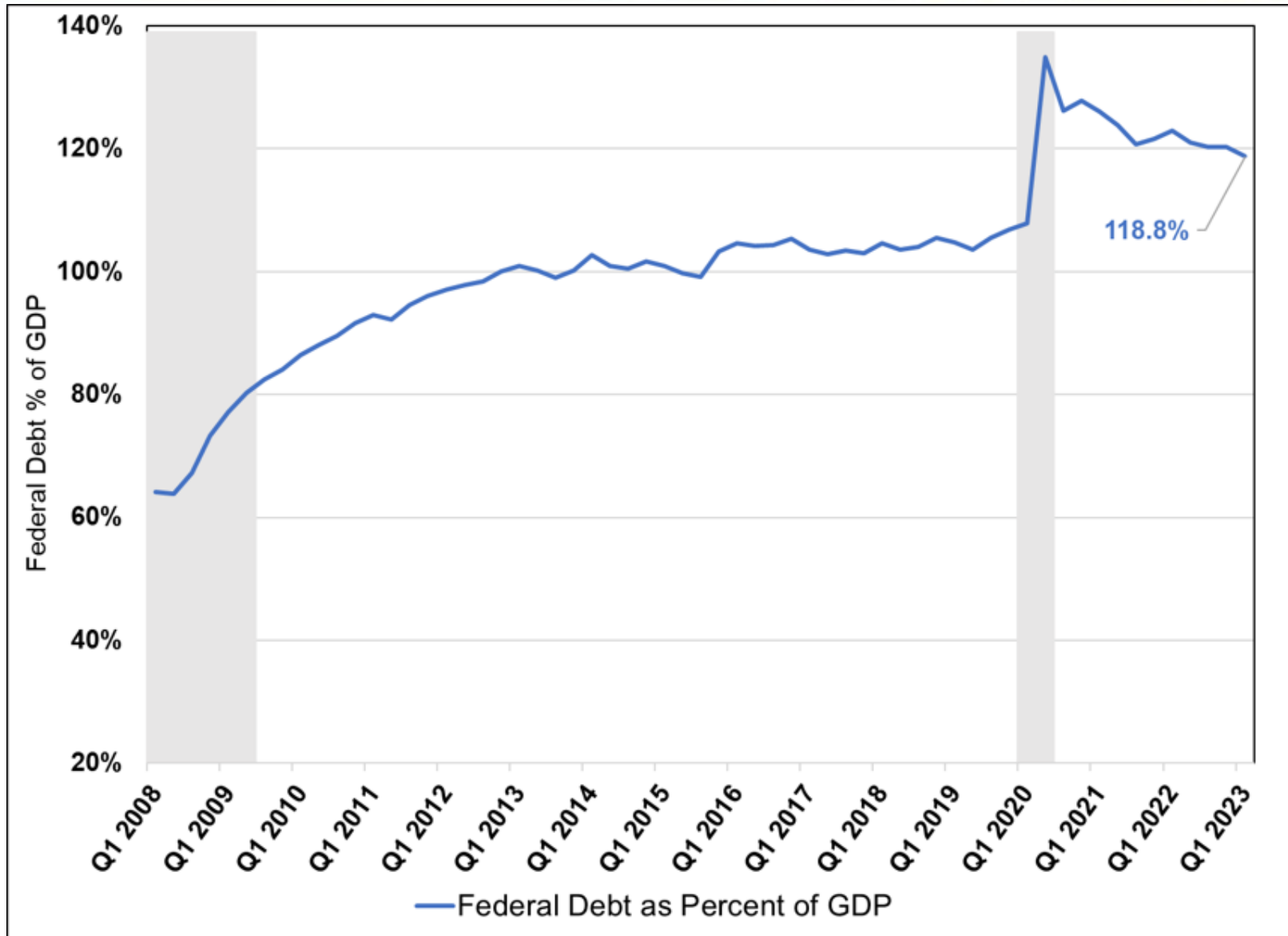
Date	Annual Personal Savings Rate
Jun-19	8.5%
Jun-20	20.1%
Jun-21	9.3%
Jun-22	2.7%
Apr-23	4.1%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-19	3.0%
Jun-20	5.7%
Jun-21	17.1%
Jun-22	8.9%
Apr-23	3.6%



**ECONOMY**

# Federal Debt as Percent of GDP



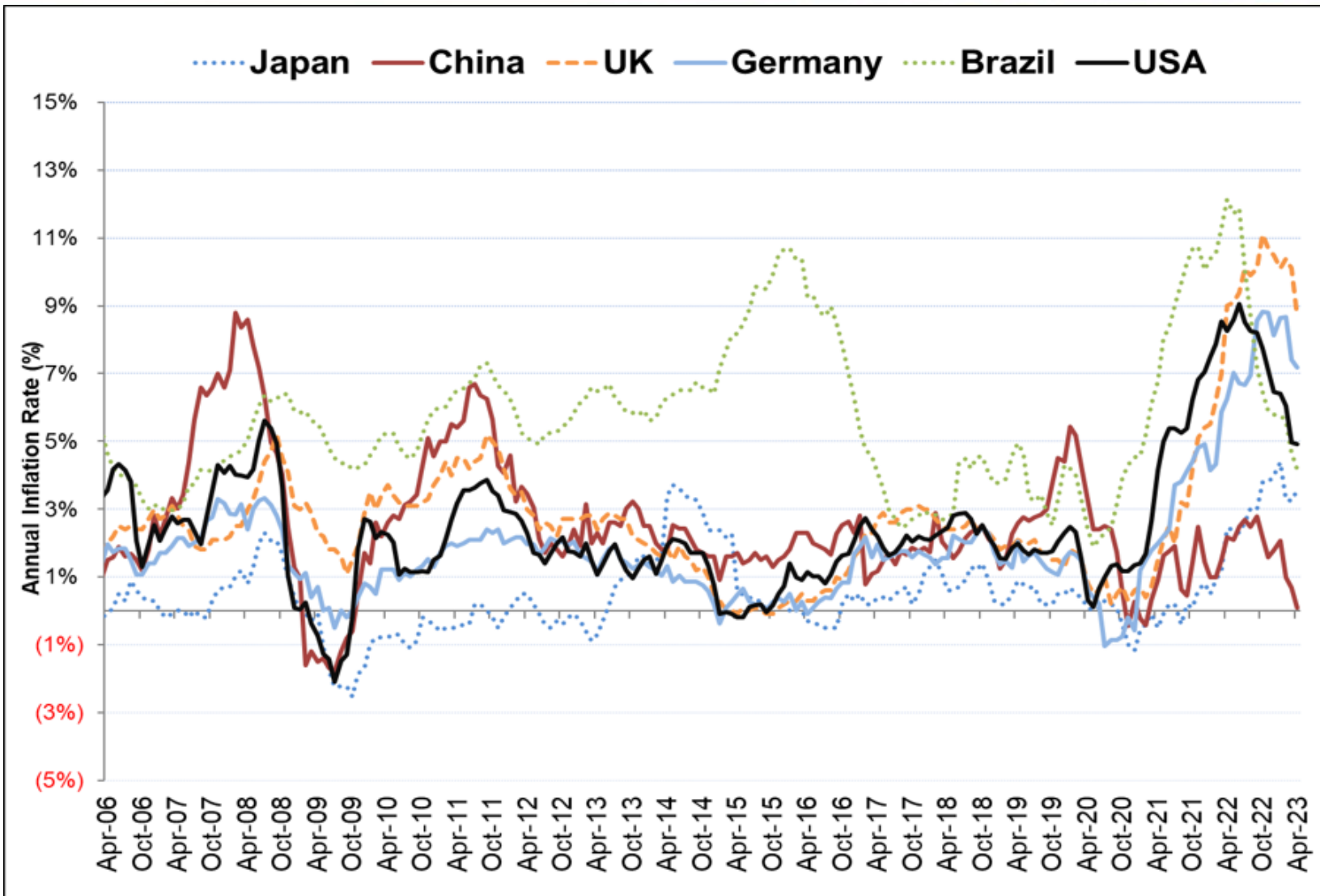
Source: FRED, U.S. Office of Management and Budget





**ECONOMY**

**Headline Inflation**



	Japan	China	UK	Germany	Brazil	USA
<b>Apr-23</b>	3.6	0.1	8.7	7.2	4.2	4.9

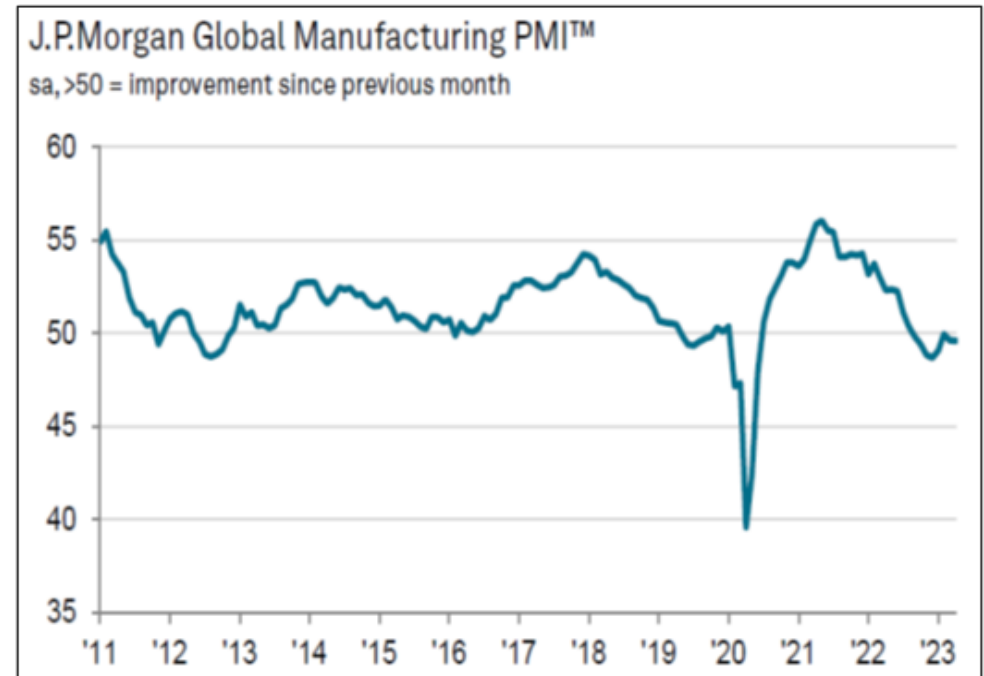
Sources: [www.ons.gov.uk](http://www.ons.gov.uk), [www.oecd.org](http://www.oecd.org), [www.inflation.eu](http://www.inflation.eu), and [www.tradingeconomics.com](http://www.tradingeconomics.com)





**ECONOMY**

**US & Global Manufacturing Activities**

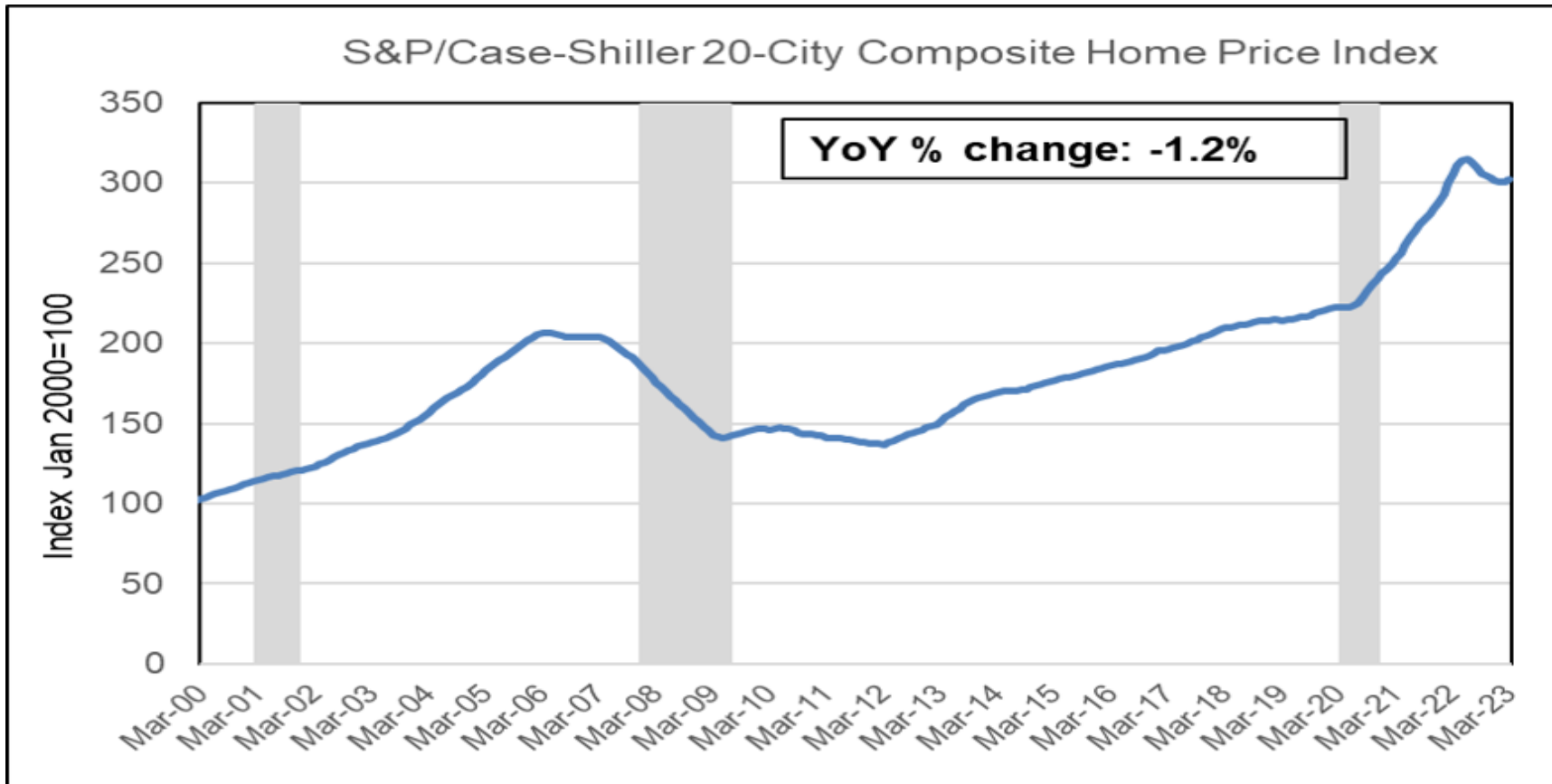


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™  
Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



**ECONOMY**

**US Housing Market**

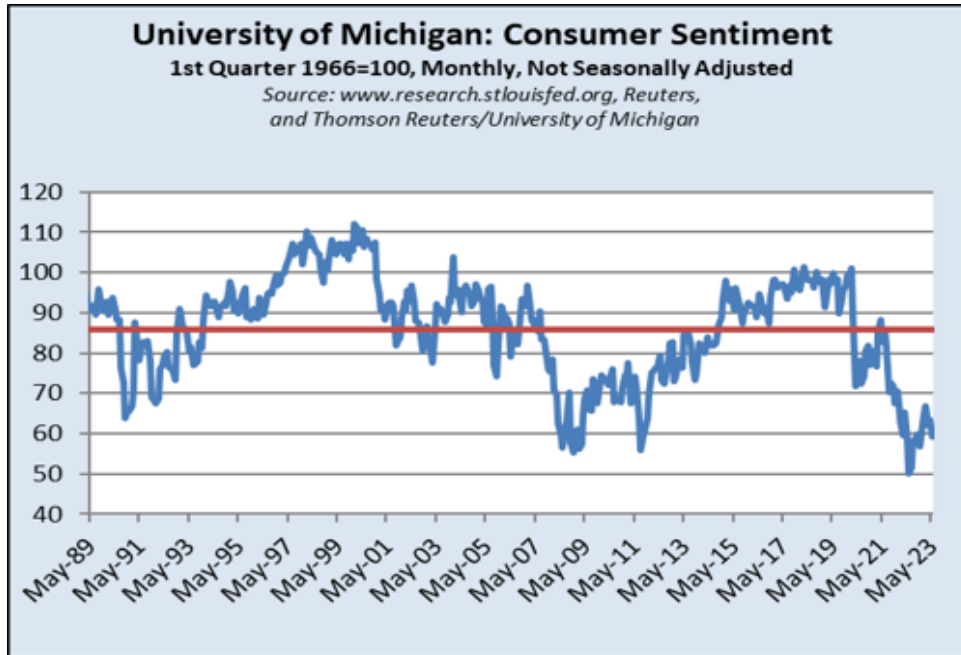


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-19	216.09
Jul-20	225.11
Jul-21	270.08
Jul-22	313.17
Mar-23	302.05

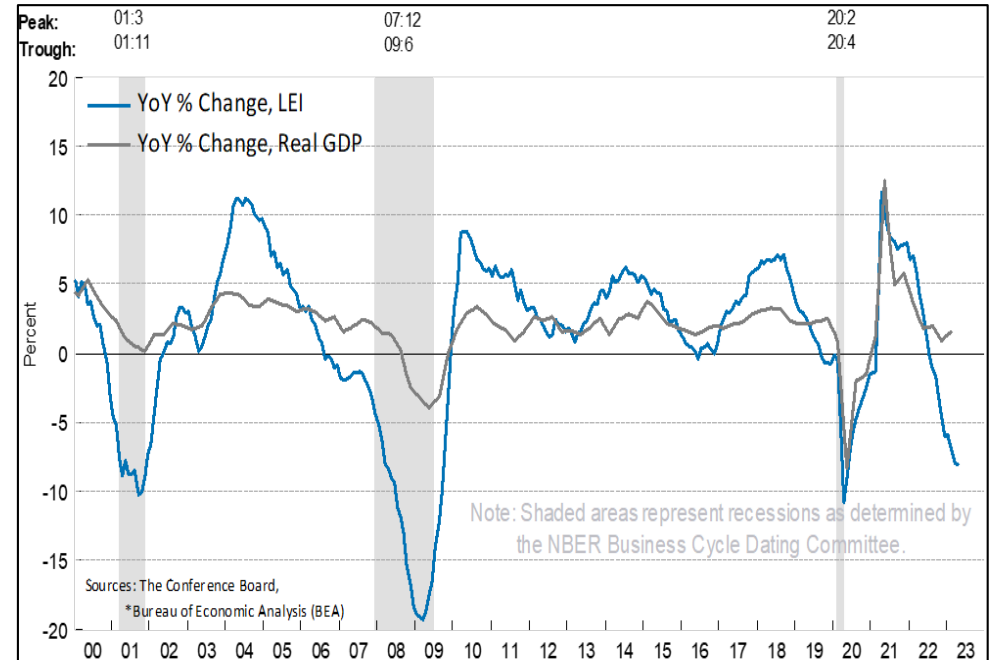


# ECONOMY

## Consumer Sentiment



## The Leading Economic Index (LEI)



Shaded areas represent US recessions

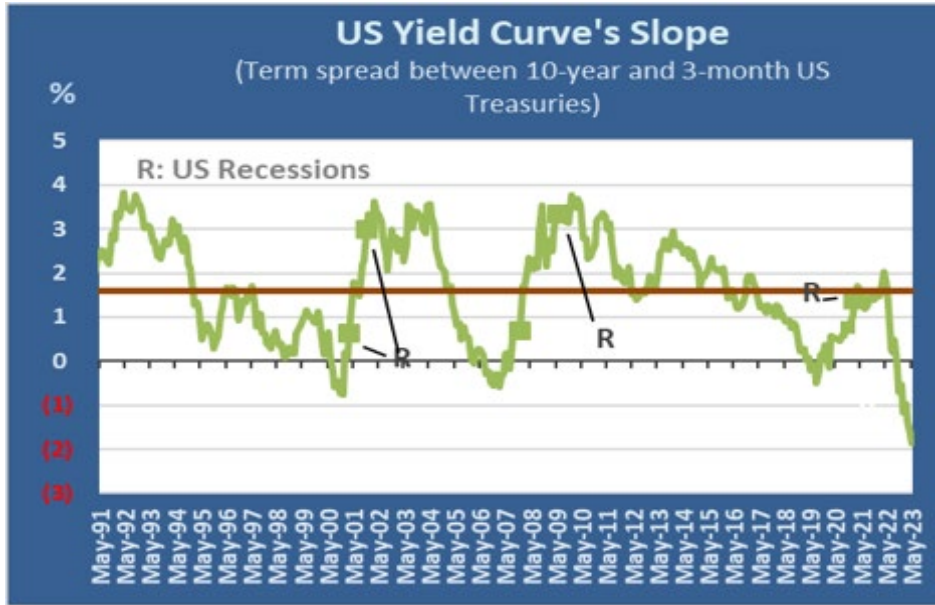
Index of Consumer Sentiment				
Apr-23	May-23	May-22	M-M Change	Y-Y Change
63.5	59.2	58.4	-6.8%	1.4%

Index	Mar-23	Apr-23	Month -Month Percent Change	6-Month Percent Change (Oct-Apr)
LEI	108.1 r	107.5 p	-0.6	-4.4

p Preliminary; r Revised; Indexes equal 100 in 2016



# ECONOMY

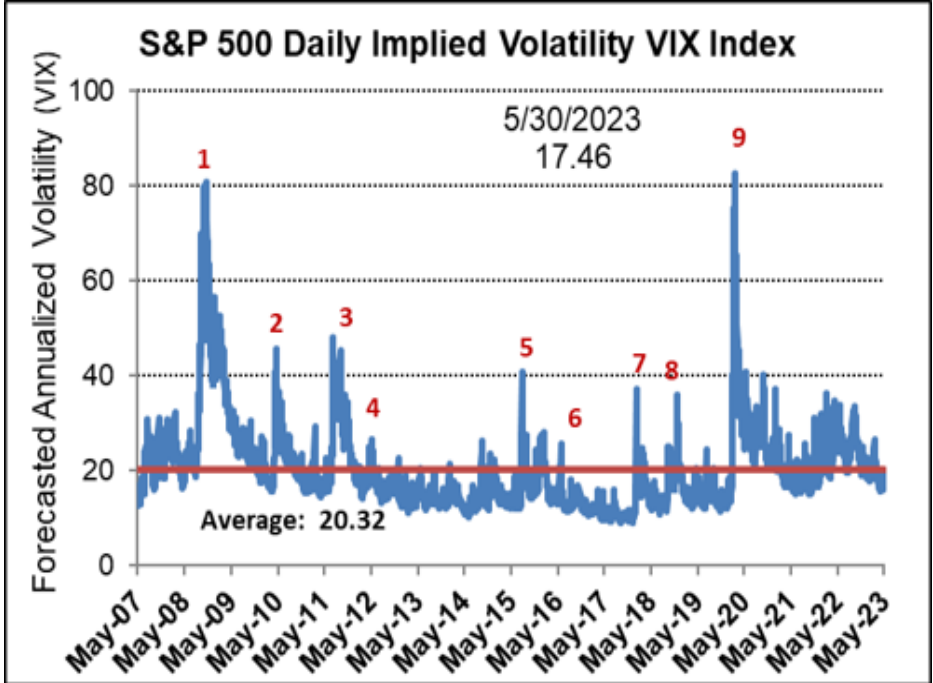
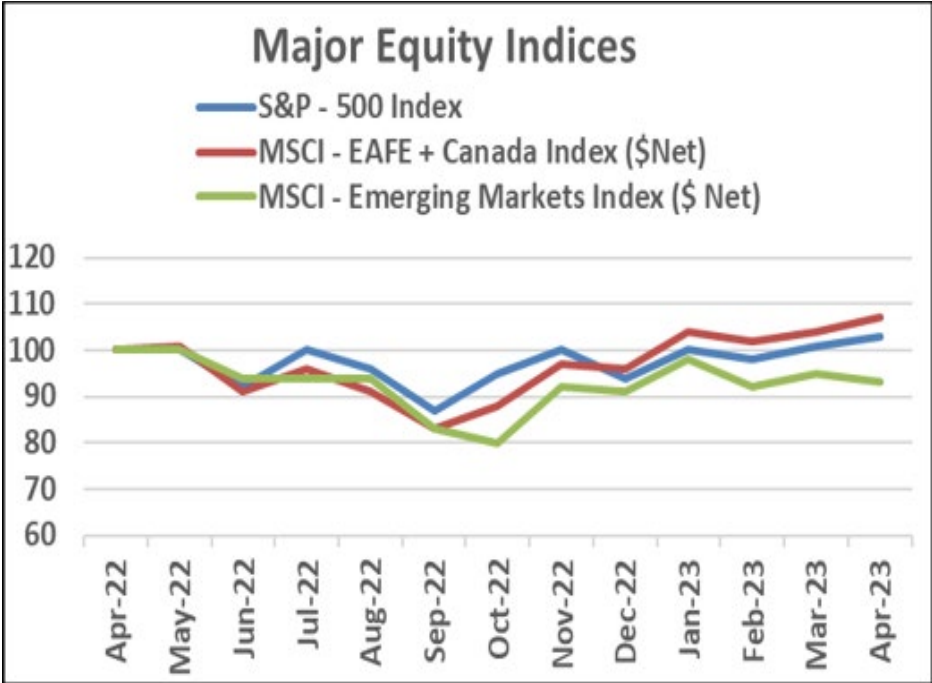






**MARKETS**

**Equity**



	Return as of 4/30/2023	
	1 Year	FYTD
S&P 500	2.66	11.69
MSCI - EAFE + Canada Index (\$Net)	7.05	17.20
MSCI - Emerging Markets Index (\$Net)	(6.51)	(0.30)

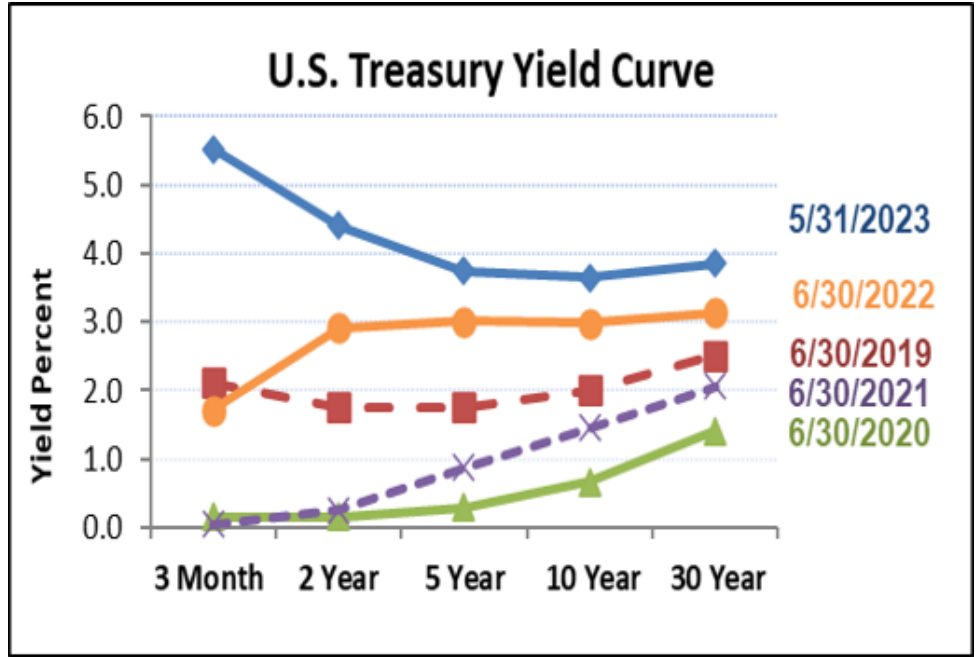
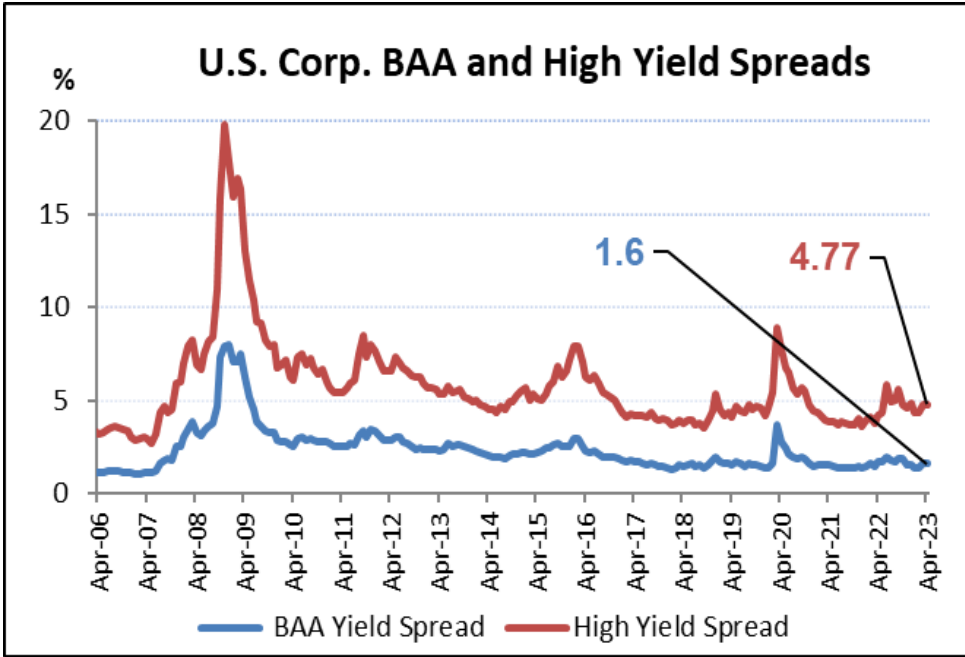
- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500: -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500: -23.7%

Sources: [www.research.stlouisfed.org](http://www.research.stlouisfed.org), and Wilshire Compass



**MARKETS**

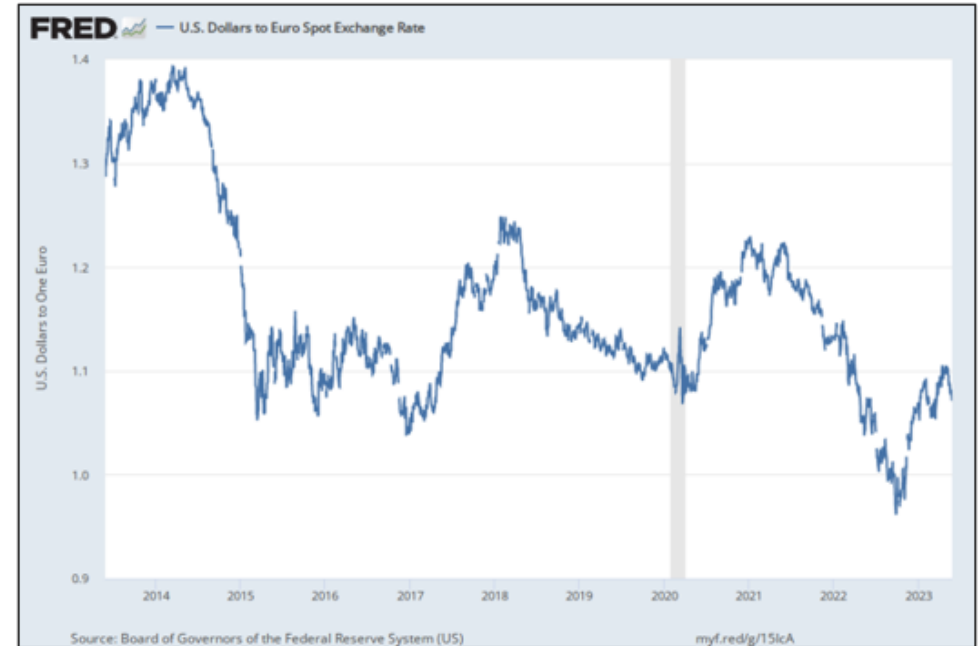
**Fixed Income**



Sources: Wilshire Compass, ThomsonReuters, and Bloomberg



# MARKETS Foreign Exchange



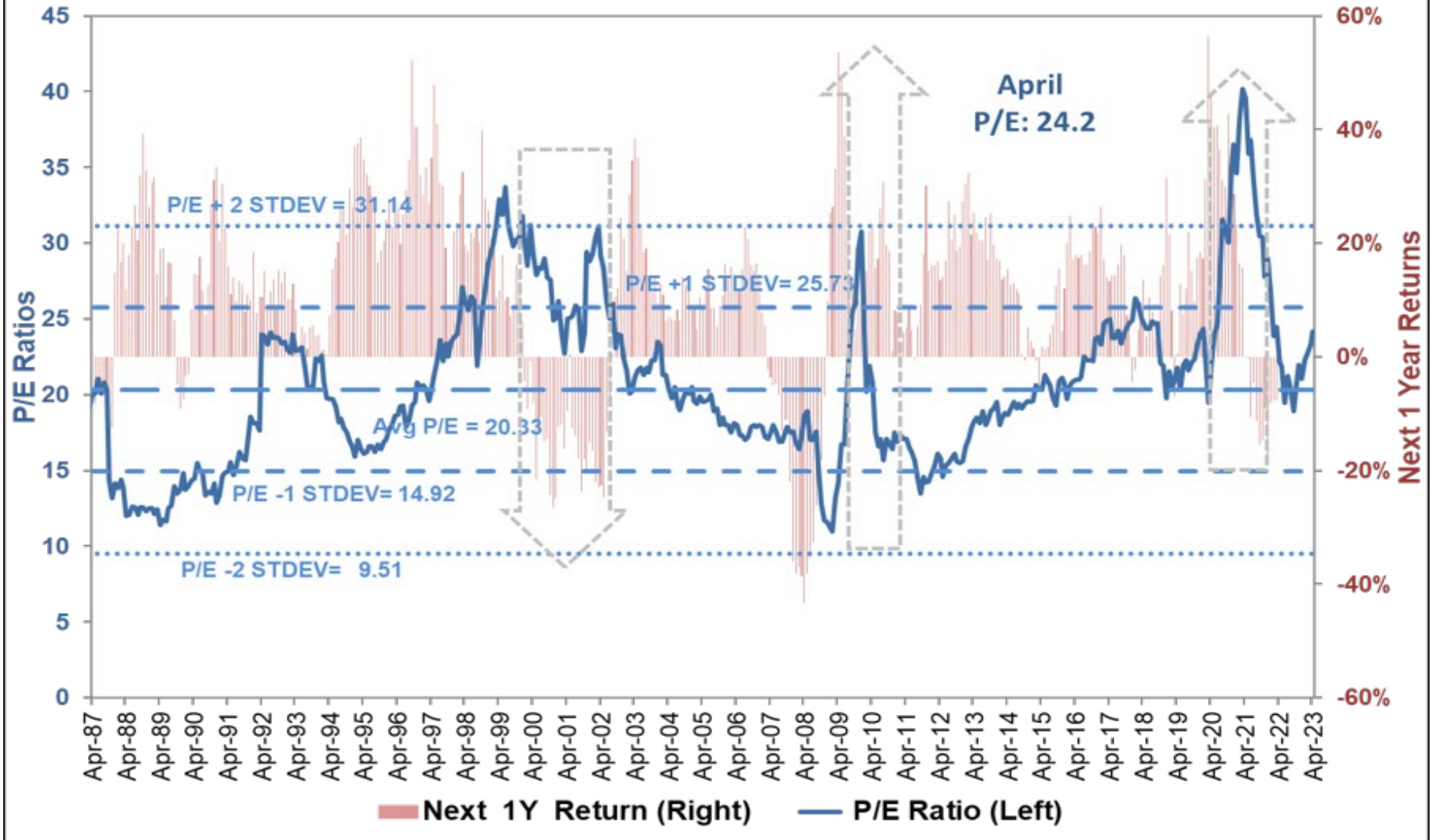
Date	Nominal Broad U.S. Dollar Index January 2006=100
June-19	114.56
June-20	120.86
June-21	112.85
June-22	121.05
May 26, 2023	120.87

Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-19	1.14
June-20	1.12
June-21	1.18
June-22	1.05
May 26, 2023	1.07



**VALUATION** **US Equity**

**S&P 500 P/E Ratios and Next 1 Year Returns**

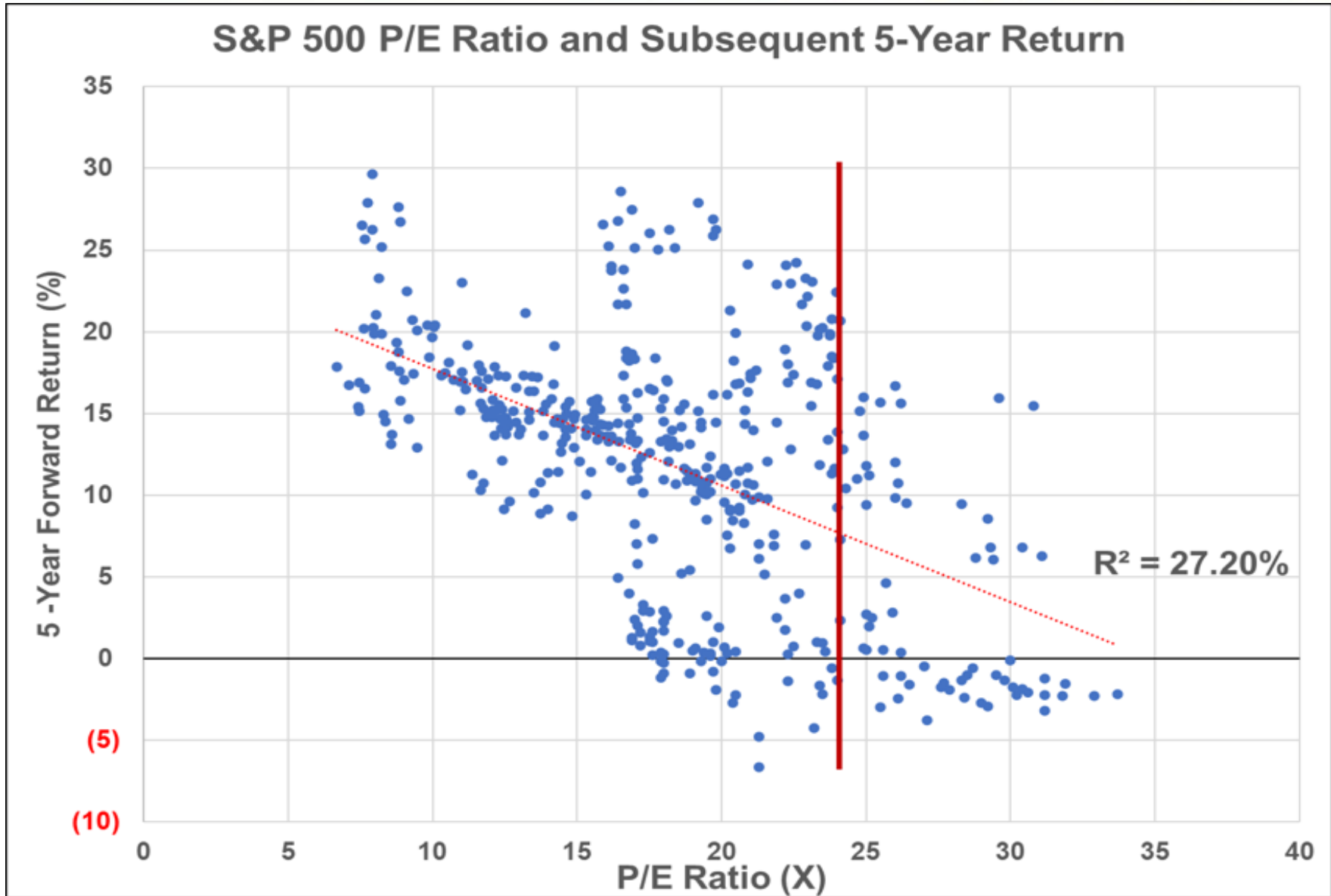






**VALUATION**

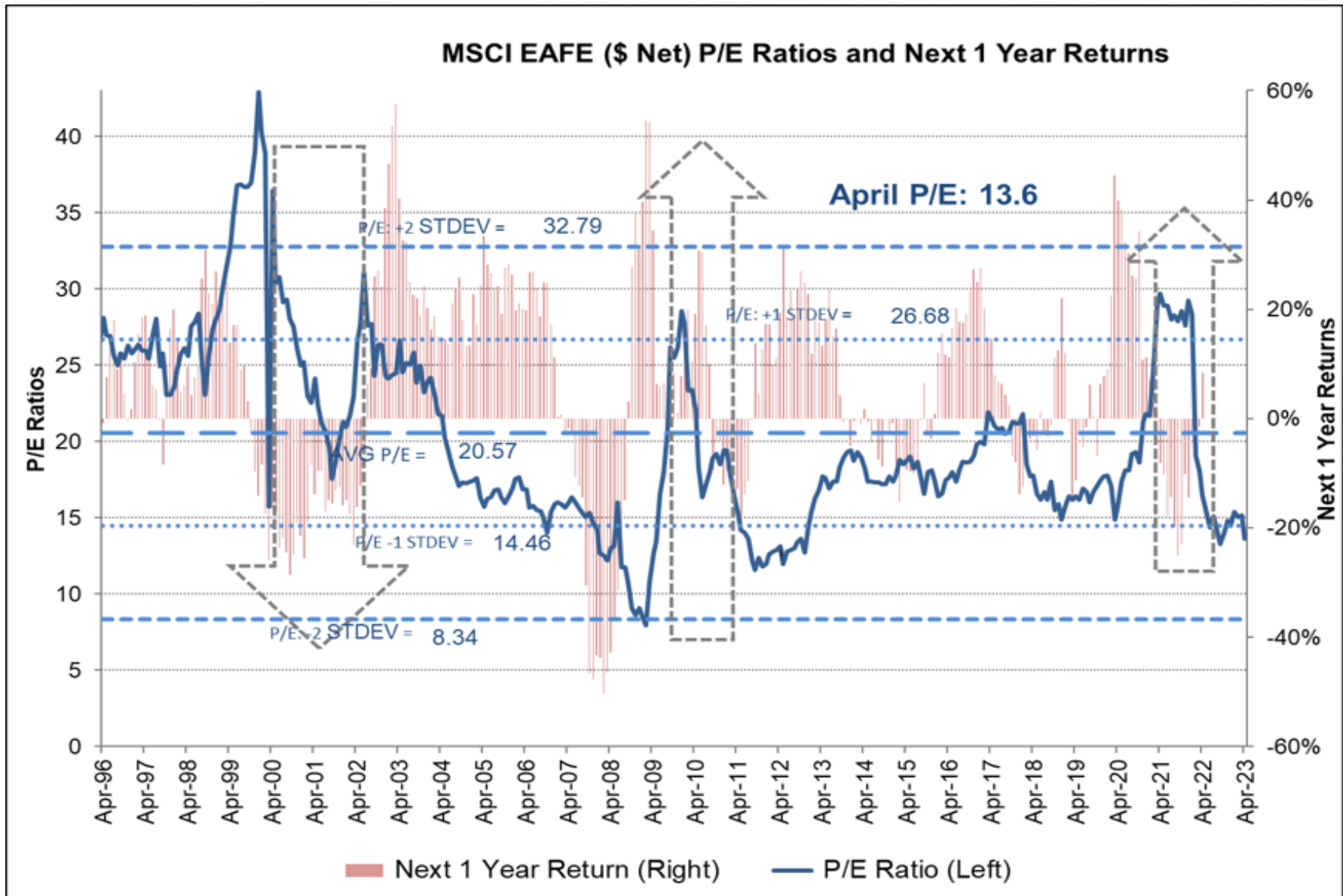
**US Equity**





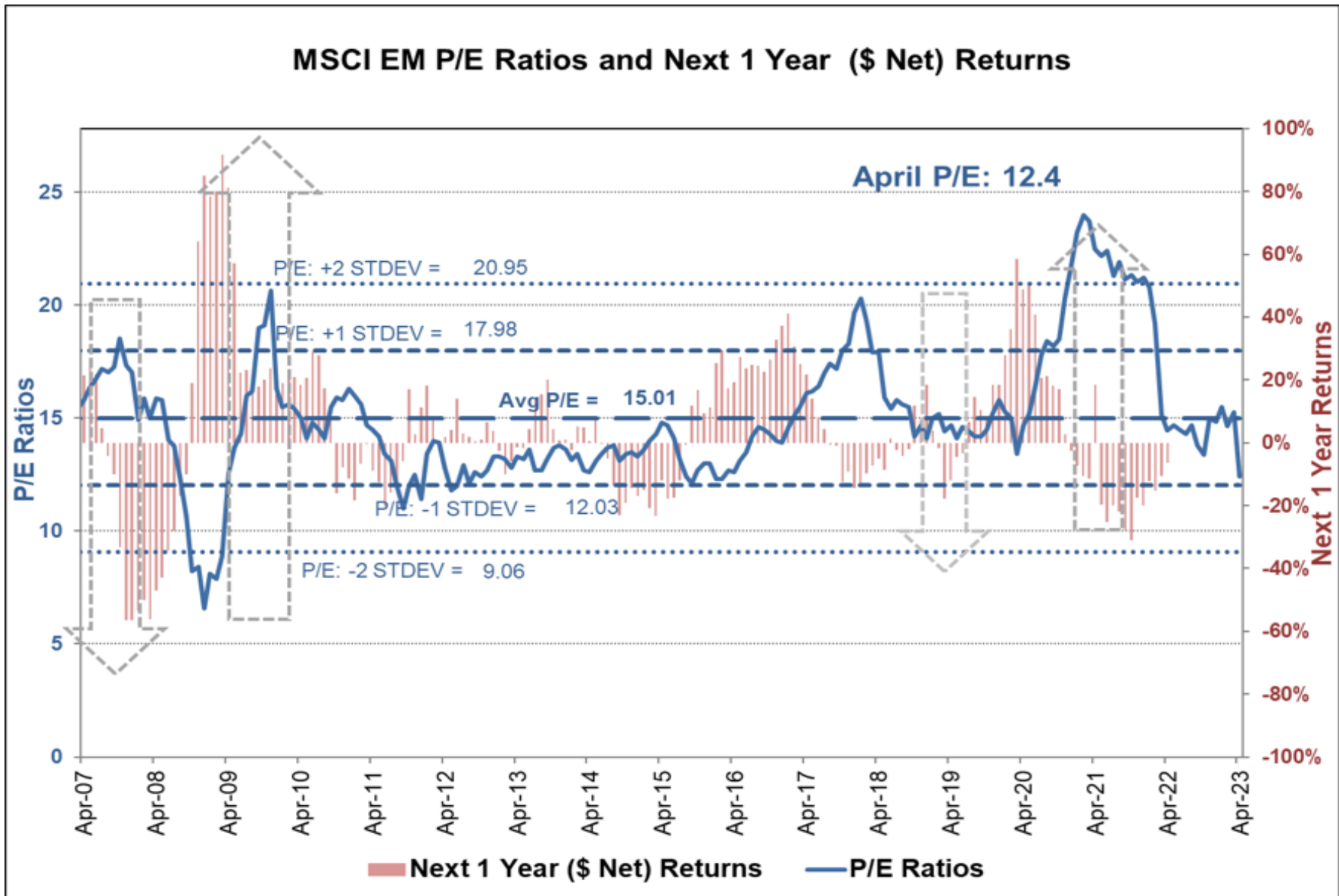
**VALUATION**

**Non US Developed Market Equity**



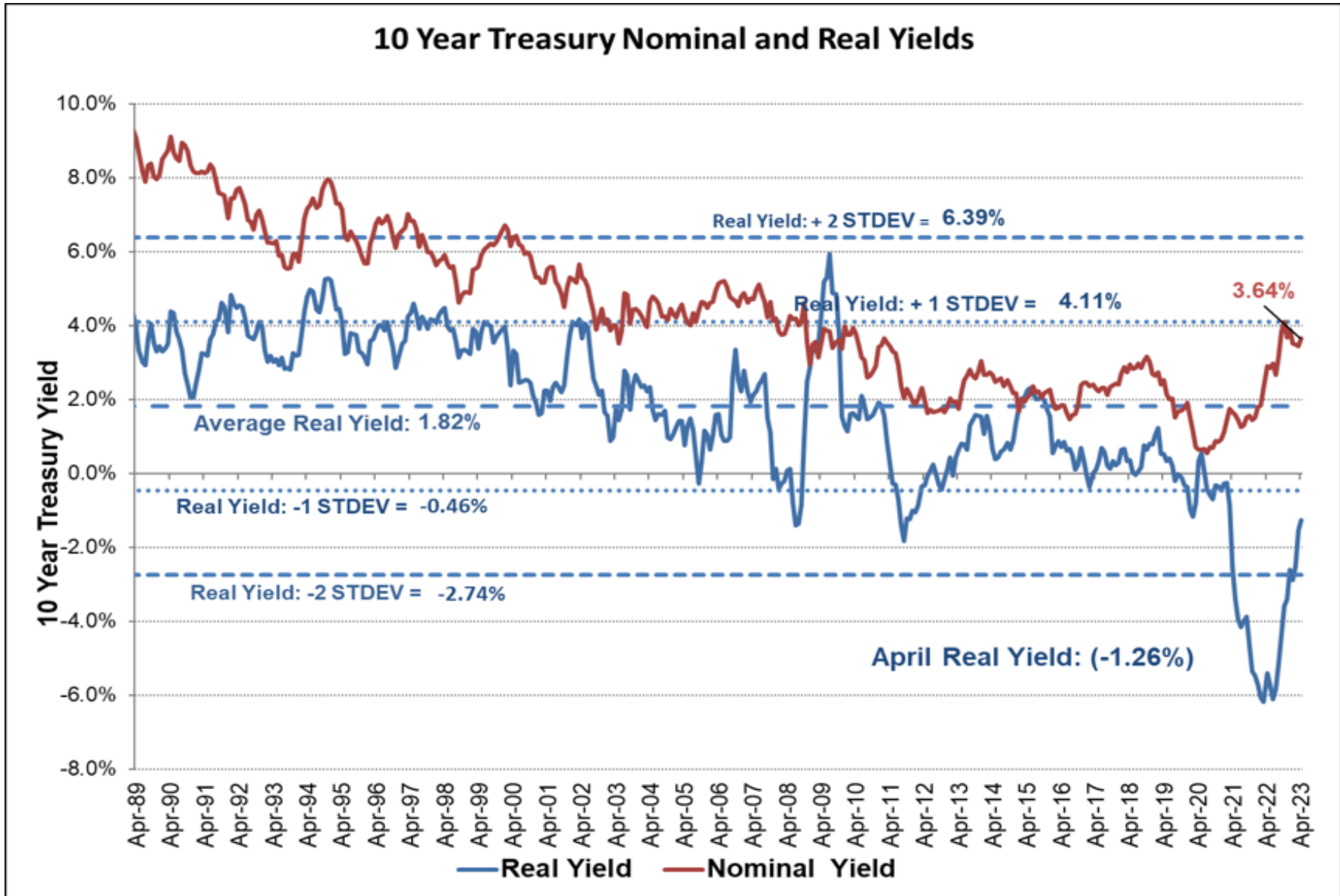


# VALUATION Emerging Market Equity





**VALUATION US Treasury Bonds**



Sources: Wilshire Compass and U.S. Bureau of Labor Statistics



# SERS' Investment Portfolios Review

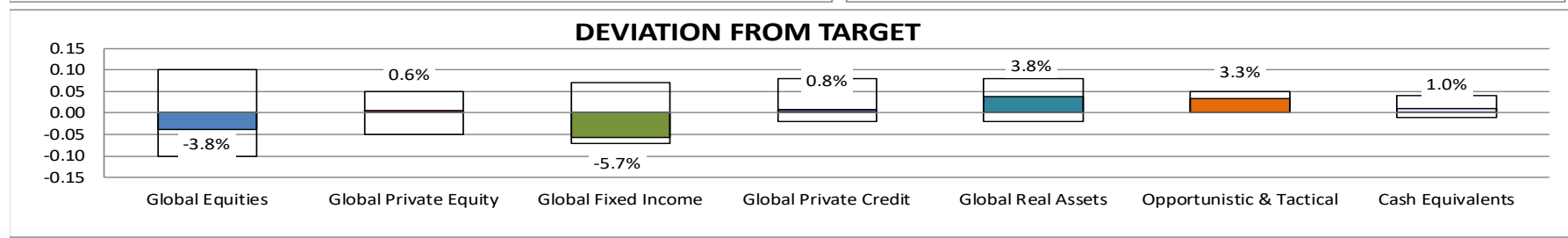
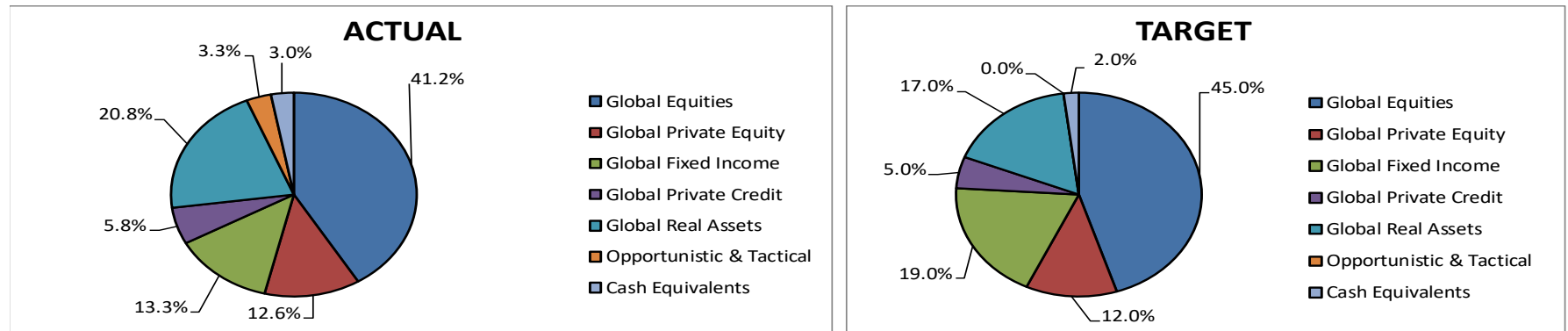




# Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
<b>Global Equities</b>	<b>7,239,938,973</b>	<b>41.2%</b>	<b>45.0%</b>	35% - 55%
<b>Global Private Equity</b>	<b>2,210,433,422</b>	<b>12.6%</b>	<b>12.0%</b>	8% - 16%
<b>Global Fixed Income</b>	<b>2,326,826,152</b>	<b>13.3%</b>	<b>19.0%</b>	12% - 26%
<b>Global Private Credit</b>	<b>1,023,892,152</b>	<b>5.8%</b>	<b>5.0%</b>	3% - 7%
<b>Global Real Assets</b>	<b>3,653,110,573</b>	<b>20.8%</b>	<b>17.0%</b>	14% - 22%
<b>Opportunistic &amp; Tactical</b>	<b>572,395,554</b>	<b>3.3%</b>	<b>0.0%</b>	0% - 7%
<b>Cash Equivalents</b>	<b>526,720,517</b>	<b>3.0%</b>	<b>2.0%</b>	0% - 5%
Short-Term	499,913,232	2.8%	2.0%	
Russell EA Overlay	0	0.0%	0.0%	
Aegis - Alpha Overlay	1,789,133	0.0%	0.0%	
Direct Rebalance Overlay	0	0.0%	0.0%	
Transition / Operational Account	1,513,013	0.0%	0.0%	
Currency Overlay	23,505,139	0.1%	0.0%	
<b>Total Fund</b>	<b>17,553,317,343</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS

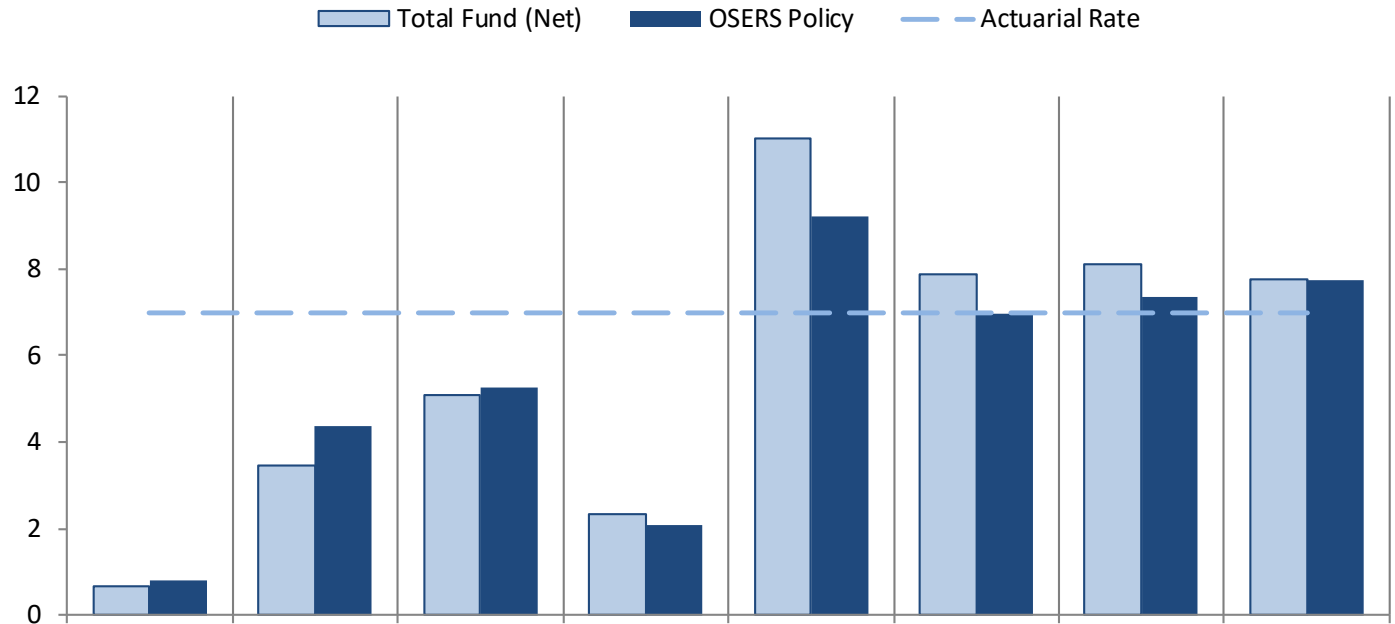




# Total Fund Performance

## Current Benchmark:

- 45% MSCI ACWI (Net Dividends)
- 12.00% Burgiss All Private Equity benchmark (1q lag) (BAPE)
- 19.00% Bloomberg Aggregate Bond
- 17.00% NCREIF Property (1q lag)
- 5.00% 90 Day T-Bill + 4.5%
- 2.00% FTSE 30 Day T-Bill



### Actuarial Rate

(7.0% effective 7/1/21, adopted 4/15/21)

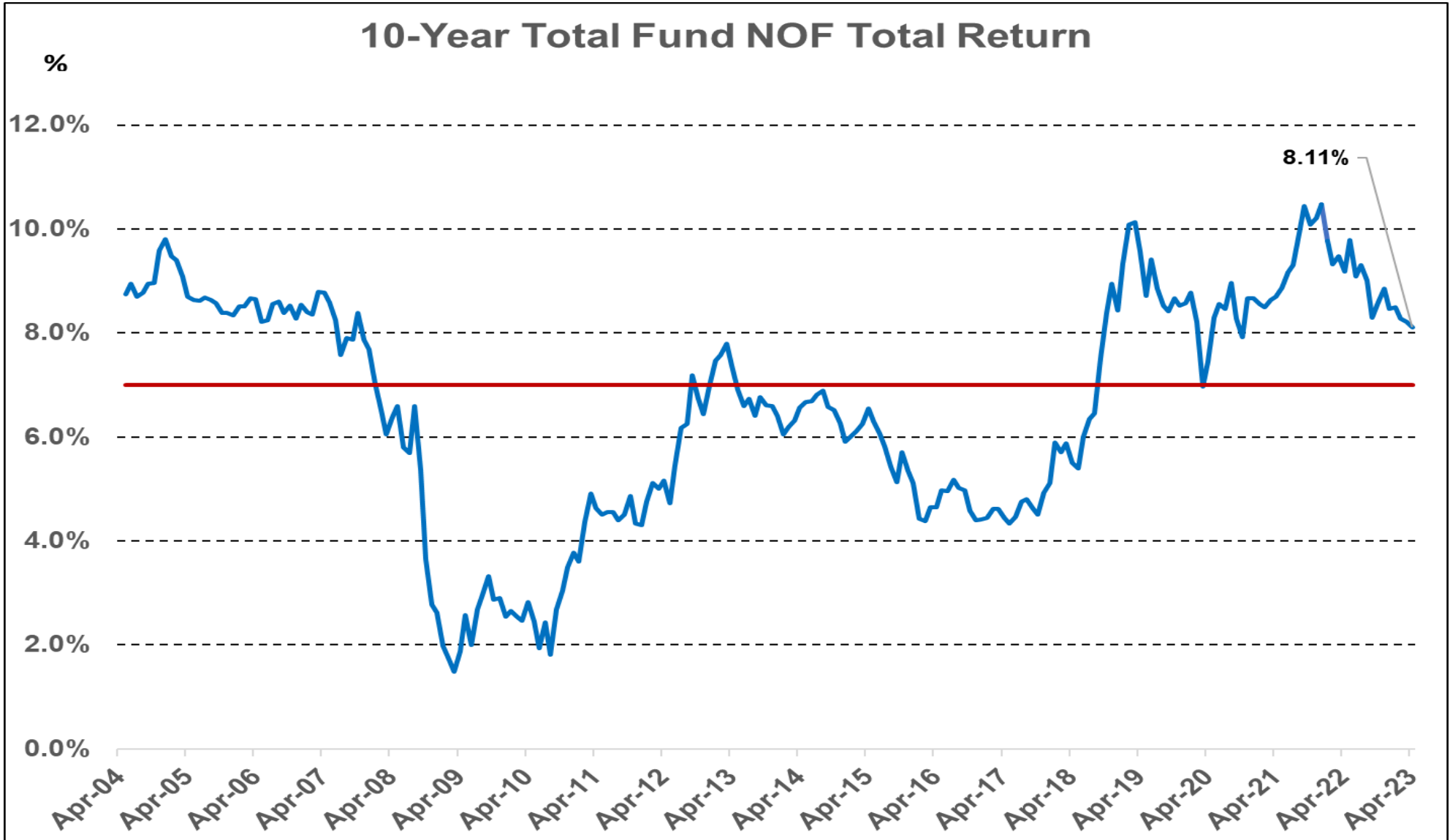
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	0.66	3.65	5.69	3.10	11.70	8.55	8.80	8.31
Total Fund (Net)	0.65	3.47	5.09	2.35	11.00	7.87	8.11	7.78
OSERS Policy	0.81	4.36	5.25	2.08	9.22	6.95	7.34	7.75
Value Added (Net of Fee)	(0.16)	(0.89)	(0.16)	0.27	1.78	0.92	0.78	0.03

Source: BNY Mellon GRS

\*ITD is Inception date 10/1/1994 (28 years and 7 months)



# Total Fund Performance

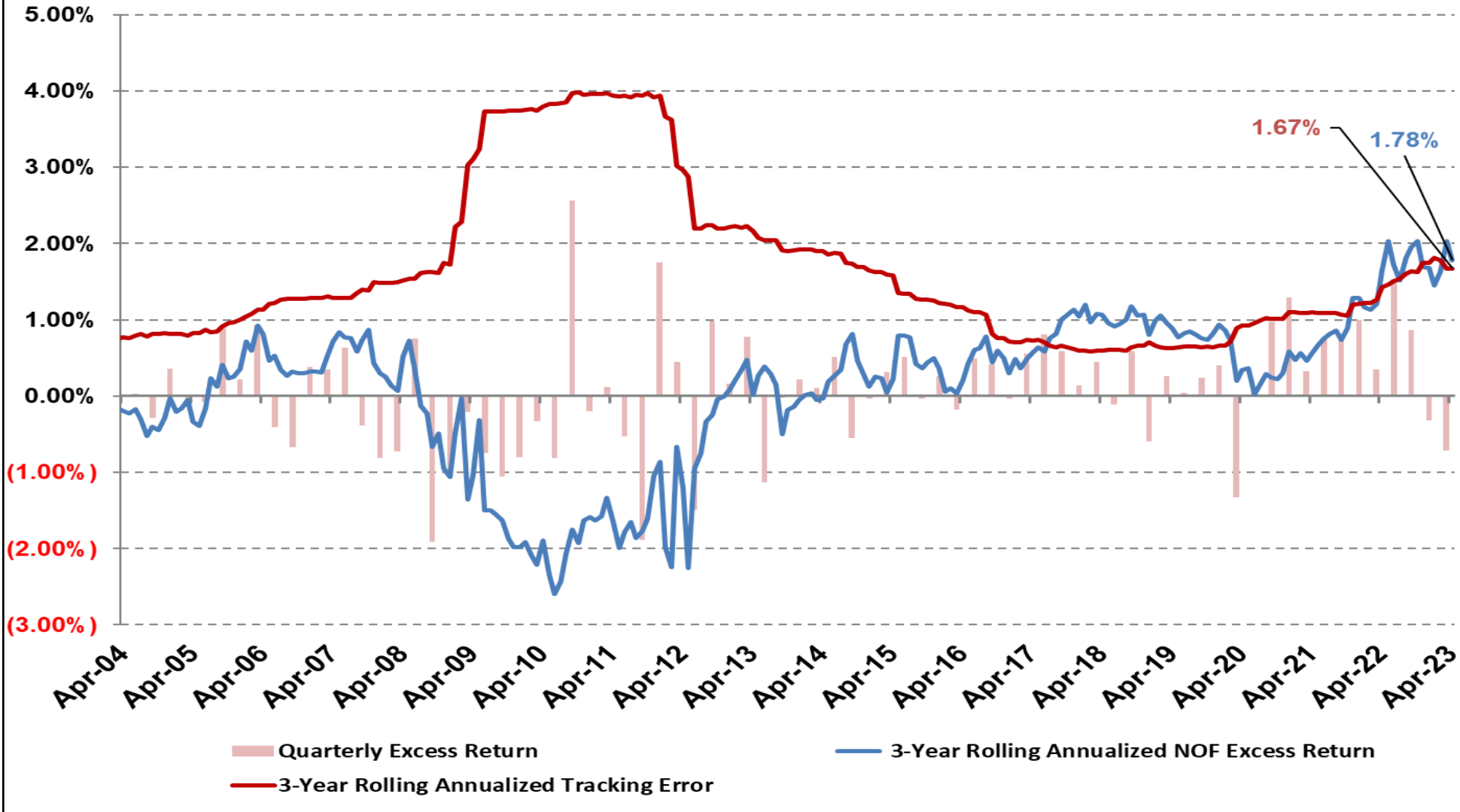






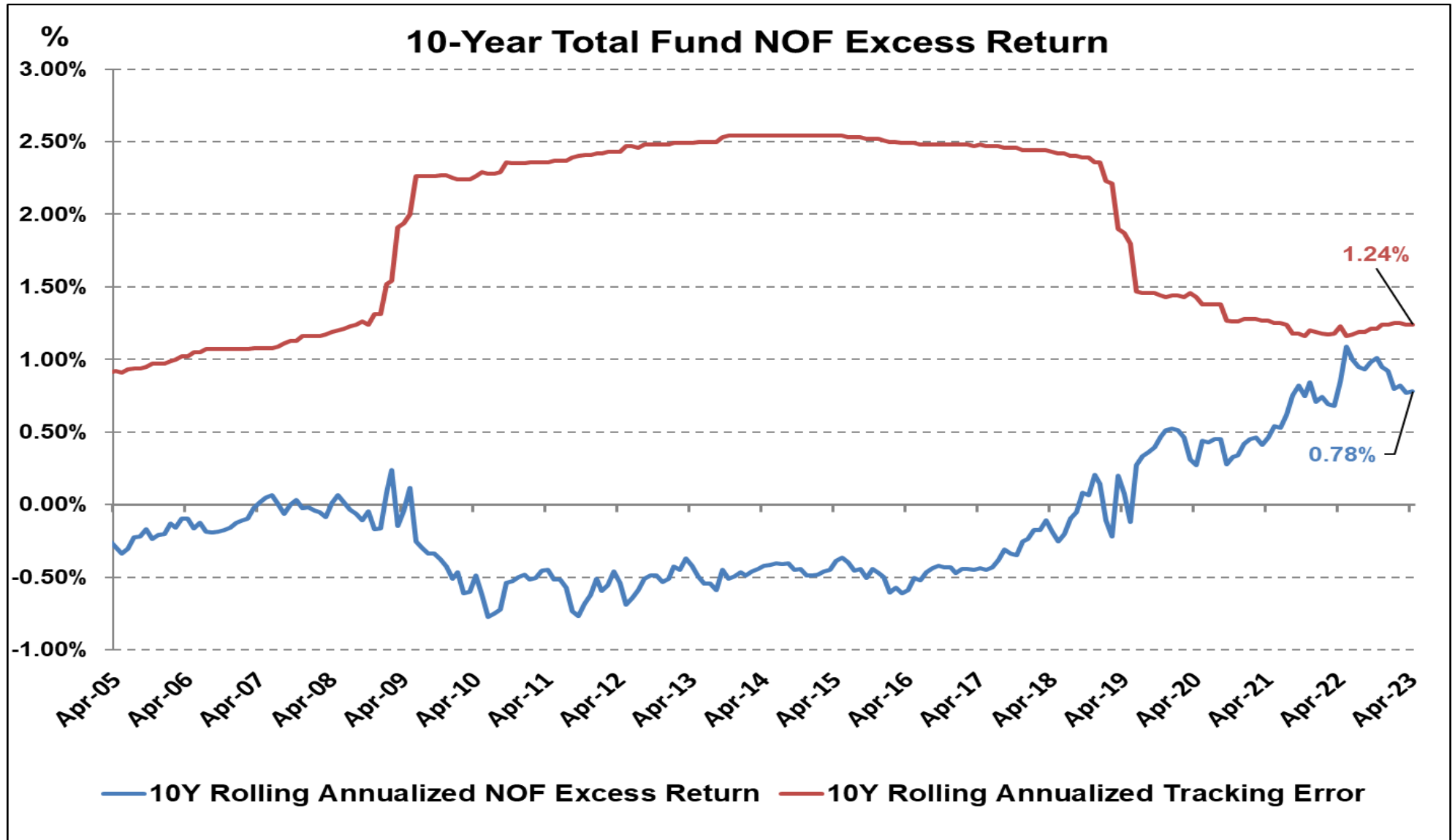
# Total Fund Performance

### 3-Year Total Fund NOF Excess Return



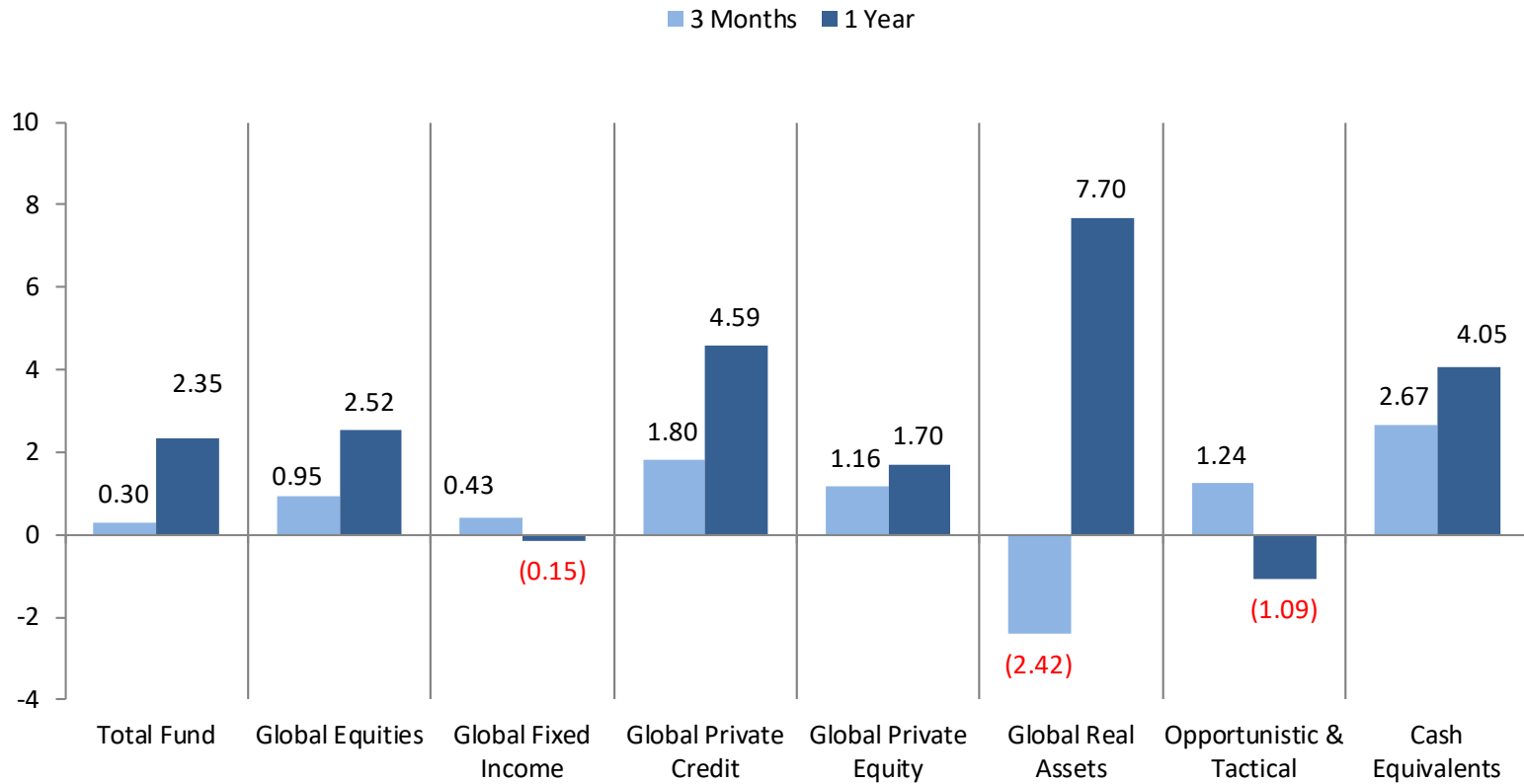


# Total Fund Performance





# Total Fund and Asset Class Performance (Net)



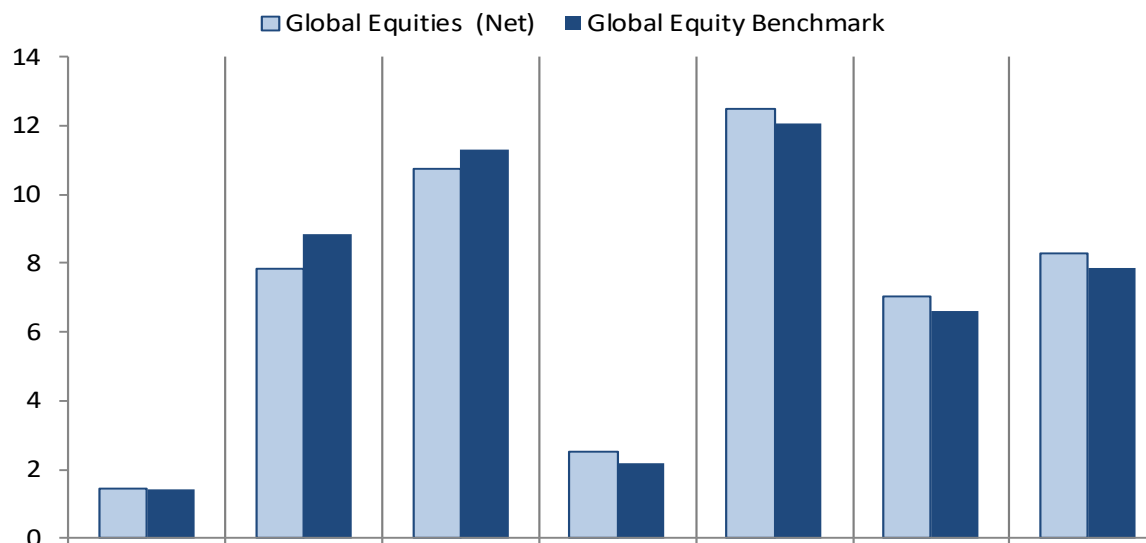
Source: BNY Mellon GRS



# Global Equities Performance

## Current Benchmark:

MSCI ACWI (Net Dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	1.48	7.93	10.97	2.78	12.84	7.35	8.61
Global Equities (Net)	1.45	7.84	10.75	2.52	12.51	7.03	8.27
Global Equity Benchmark	1.44	8.85	11.33	2.20	12.08	6.63	7.87
Value Added (Net of Fee)	0.02	(1.01)	(0.58)	0.32	0.43	0.40	0.40
Regional US Equity	0.89	7.12	10.06	1.25	13.34	10.05	11.35
Russell 3000 Index	1.07	8.32	10.92	1.50	14.07	10.60	11.67
Value Added (Net of Fee)	(0.17)	(1.20)	(0.86)	(0.25)	(0.73)	(0.56)	(0.32)
Regional Non-US Equity	1.41	9.11	11.74	4.25	11.56	3.91	5.15
Custom Non-US Equity BM	1.74	8.72	11.95	3.16	9.64	2.45	3.96
Value Added (Net of Fee)	(0.33)	0.38	(0.21)	1.09	1.92	1.46	1.19

Source: BNY Mellon GRS

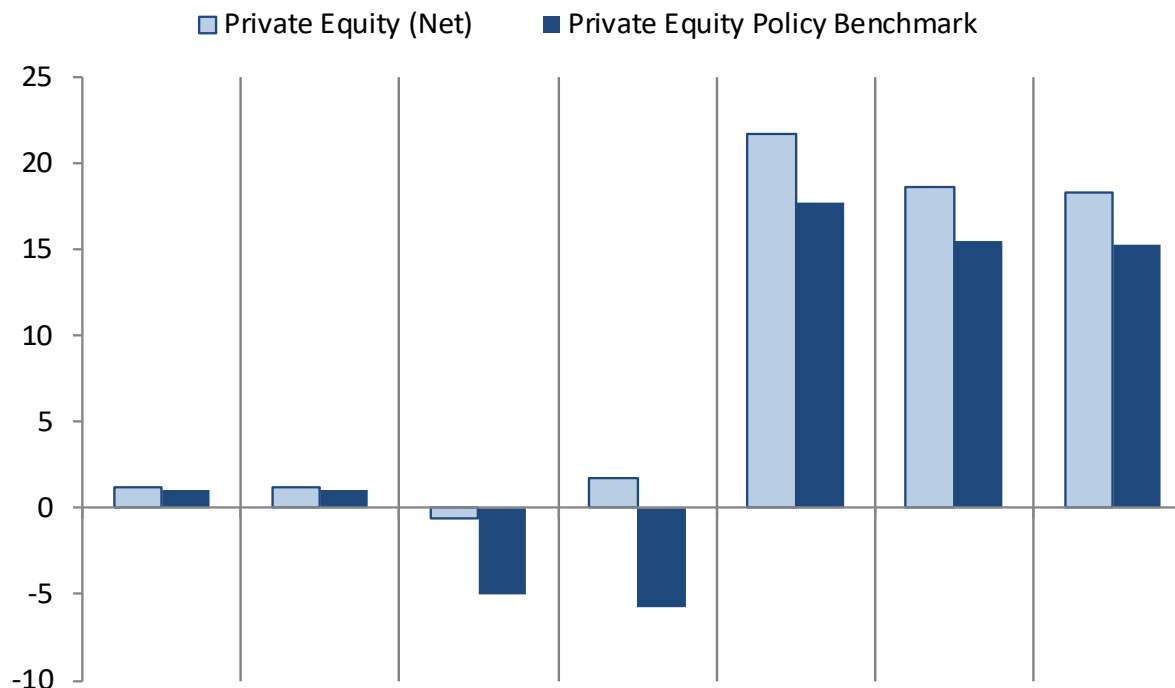


# Global Private Equity Performance

**Results as of: 03/31/2023**

**Current Benchmark:**

*Burgiss All Private Equity Index*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	1.56	1.56	0.70	3.43	23.52	20.43	19.99
Private Equity (Net)	1.16	1.16	(0.61)	1.70	21.64	18.66	18.28
Private Equity Policy Benchmark	1.04	1.04	(5.02)	(5.76)	17.69	15.52	15.30
Value Added (Net of Fee)	0.12	0.12	4.41	7.46	3.96	3.14	2.99

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

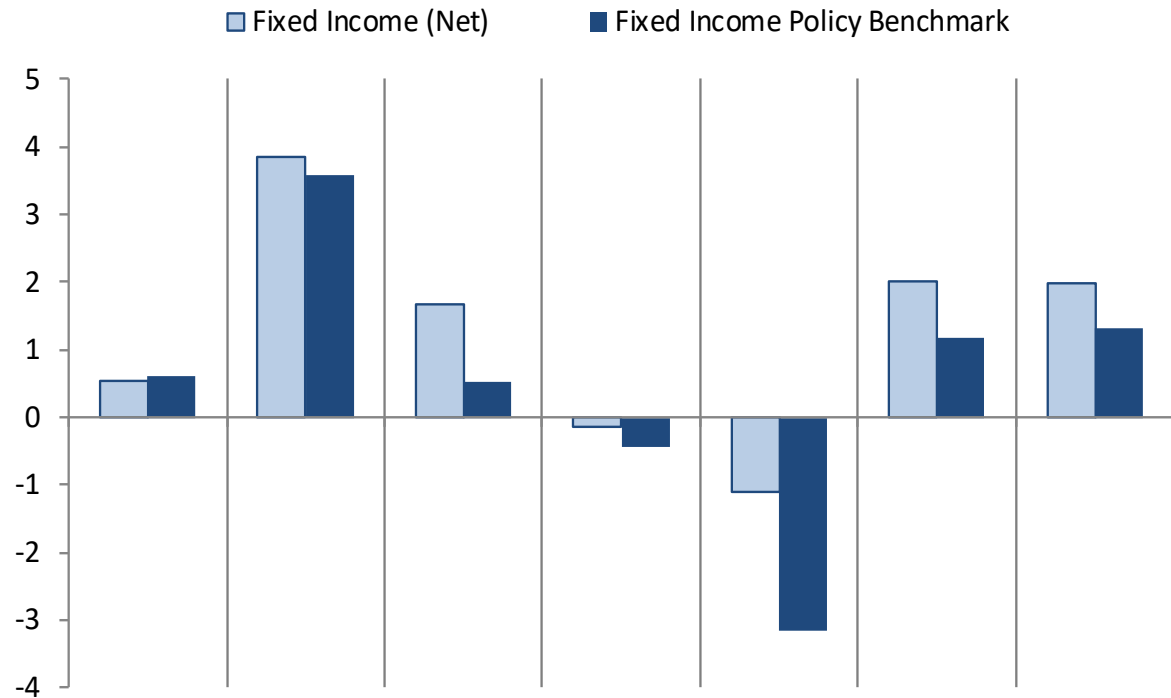
Global Private Equity performance is reported one quarter in arrears.



# Global Fixed Income Performance

**Current Benchmark:**

*Bloomberg Aggregate Bond Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	0.56	3.95	1.90	0.12	(0.85)	2.26	2.22
Fixed Income (Net)	0.54	3.87	1.68	(0.15)	(1.11)	2.02	1.98
Fixed Income Policy Benchmark	0.61	3.59	0.51	(0.43)	(3.15)	1.18	1.32
Value Added (Net of Fee)	(0.06)	0.28	1.17	0.28	2.03	0.84	0.66

Source: BNY Mellon GRS

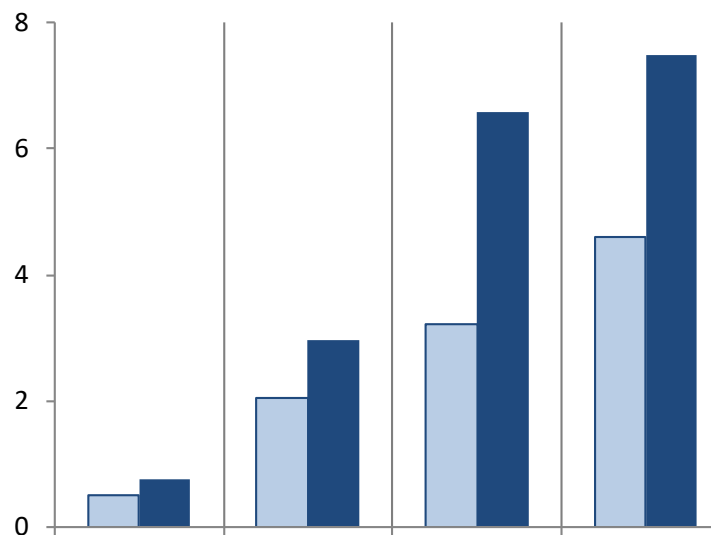


# Global Private Credit Performance

## Current Benchmark:

90 Day T-Bill + 4.5%

■ Global Private Credit (Net)  
■ Global Private Credit Policy Benchmark



	1 Month	CYTD	FYTD	1 Year
Global Private Credit (Gross)	0.53	2.53	4.43	6.17
Global Private Credit (Net)	0.50	2.05	3.21	4.59
Global Private Credit Policy Benchmark	0.75	2.96	6.58	7.49
Value Added (Net of Fee)	(0.25)	(0.90)	(3.37)	(2.90)

Source: BNY Mellon GRS

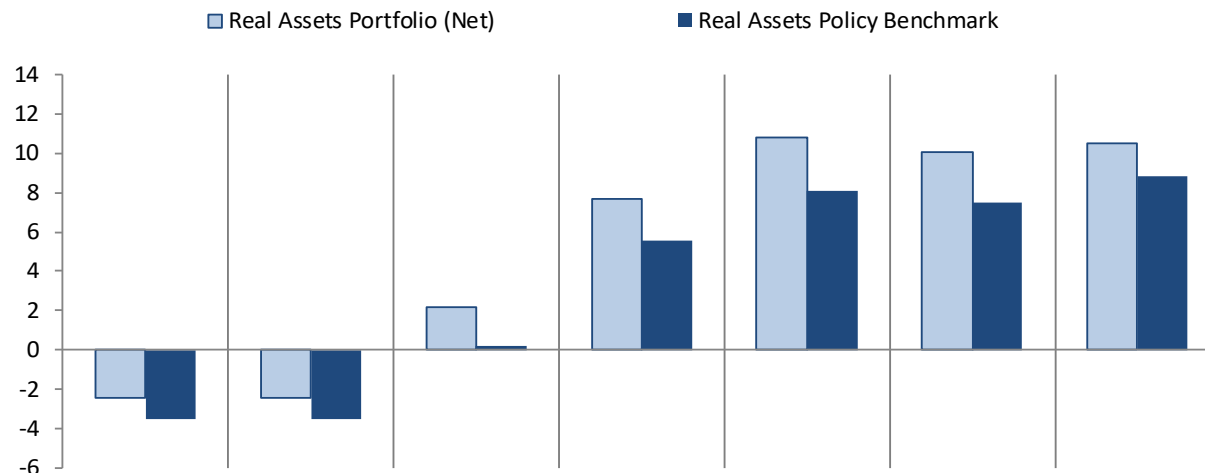
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



# Global Real Assets Performance

Results as of: 03/31/2023

**Current Benchmark:**  
NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	(2.23)	(2.23)	2.85	8.60	11.68	10.97	11.57
Real Assets Portfolio (Net)	(2.42)	(2.42)	2.21	7.70	10.79	10.02	10.52
Real Assets Policy Benchmark	(3.50)	(3.50)	0.19	5.53	8.06	7.46	8.82
Real Assets Value Added (NOF)	1.08	1.08	2.02	2.17	2.73	2.56	1.70
Real Assets Core (Net)	(4.84)	(4.84)	1.65	9.84	12.61	10.81	10.74
Real Assets Policy Benchmark	(3.50)	(3.50)	0.19	5.53	8.06	7.46	8.82
Real Assets Core Value Added (NOF)	(1.34)	(1.34)	1.46	4.31	4.55	3.35	1.92
Real Assets Non-Core (Net)	(1.42)	(1.42)	(4.00)	0.47	6.31	6.96	9.76
Real Assets Policy Benchmark	(3.50)	(3.50)	0.19	5.53	8.06	7.46	8.82
Real Assets Non-Core Value Added (NOF)	2.08	2.08	(4.19)	(5.06)	(1.75)	(0.50)	0.94
Real Assets Infrastructure (Net)	2.55	2.55	5.47	7.84	8.17	10.69	n/a
Real Assets Policy Benchmark	(3.50)	(3.50)	0.19	5.53	8.06	7.46	n/a
Real Assets Infrastructure Value Added (NOF)	6.05	6.05	5.28	2.31	0.11	3.23	n/a

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

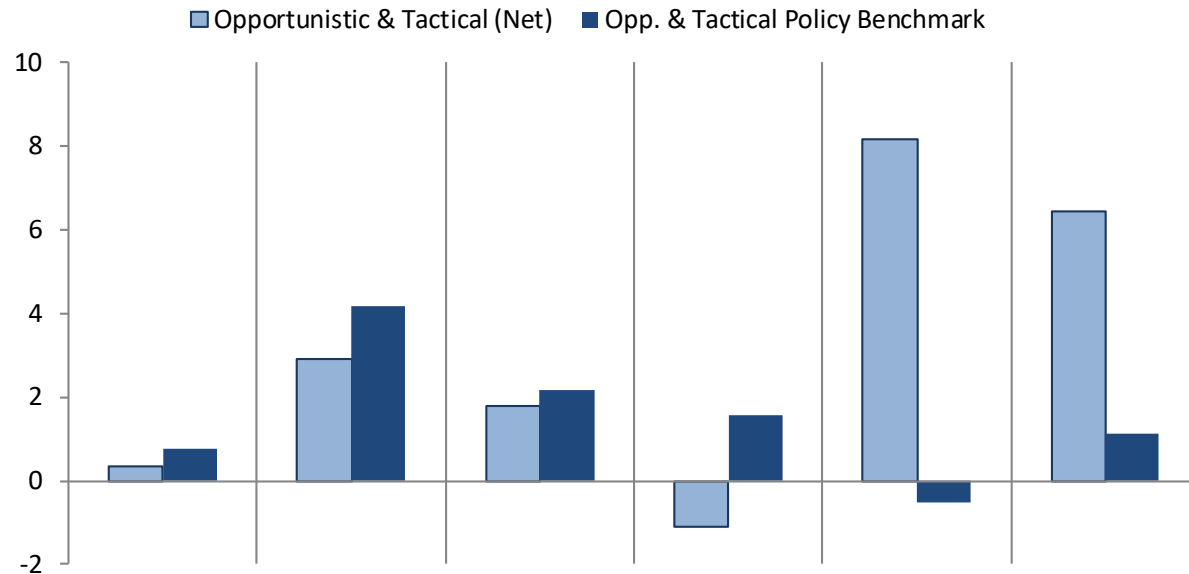
Global Real Assets performance is reported one quarter in arrears.





# Opportunistic & Tactical Performance

**Current Benchmark:**  
 Bloomberg Aggregate  
 Bond Index + 2%



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Opportunistic & Tactical (Gross)	0.35	3.16	2.61	(0.07)	9.38	7.86
Opportunistic & Tactical (Net)	0.34	2.90	1.80	(1.09)	8.15	6.43
Opp. & Tactical Policy Benchmark	0.77	4.17	2.17	1.57	(0.51)	1.13
	(0.43)	(1.27)	(0.37)	(2.66)	8.66	5.30

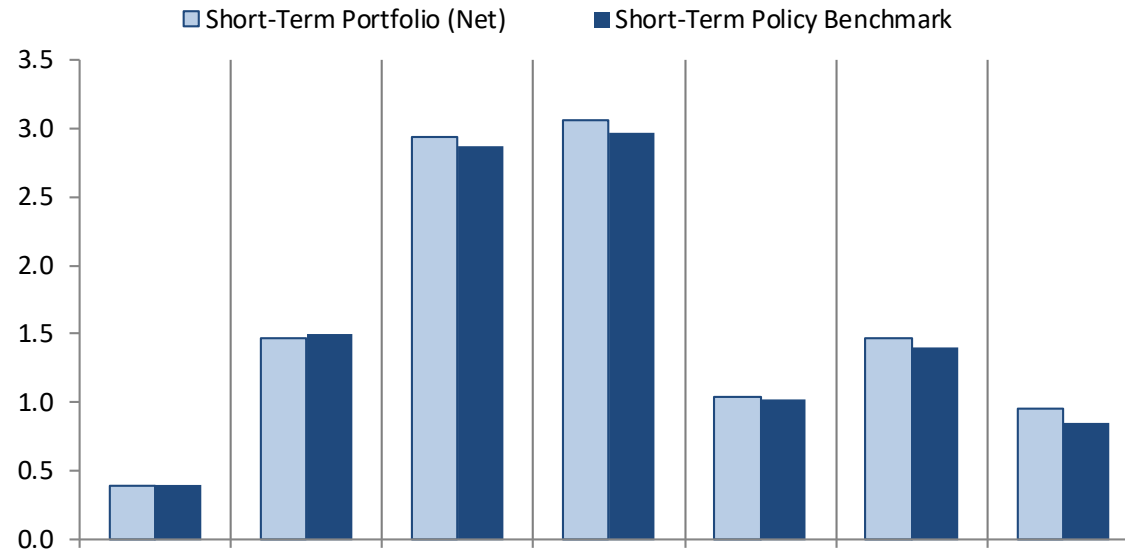
Source: BNY Mellon GRS



# Short-Term Performance

**Current Benchmark:**

*FTSE 30 Day Treasury Bill Index*

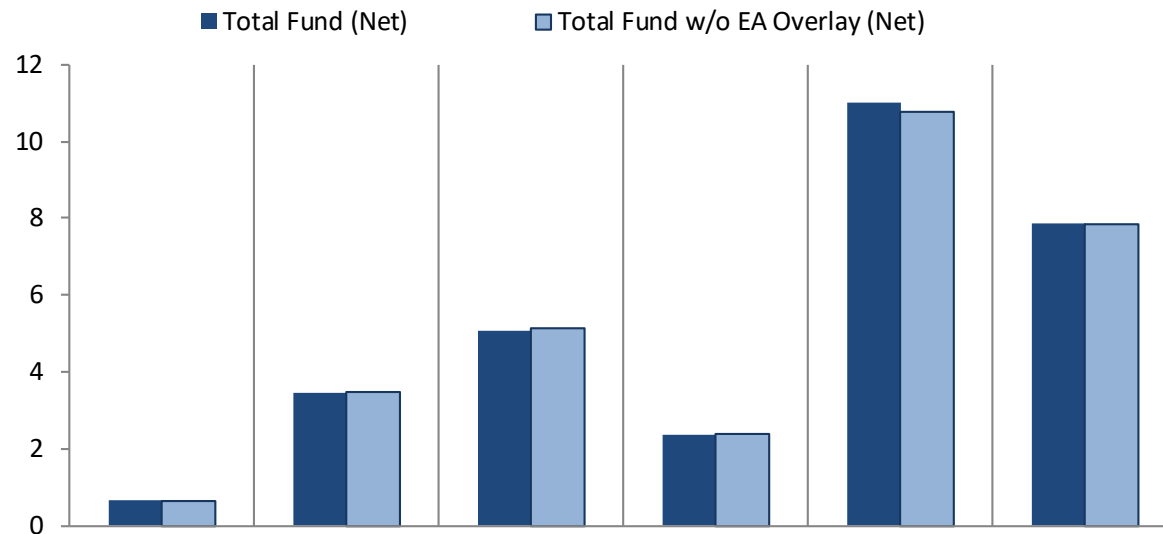


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.40	1.47	2.94	3.06	1.04	1.47	0.96
Short-Term Portfolio (Net)	0.40	1.47	2.94	3.06	1.04	1.47	0.96
Short-Term Policy Benchmark	0.40	1.49	2.87	2.97	1.03	1.40	0.85
Value Added (Net of Fee)	0.00	(0.02)	0.06	0.09	0.01	0.07	0.11

Source: BNY Mellon GRS



# Enhanced Asset Overlay Performance

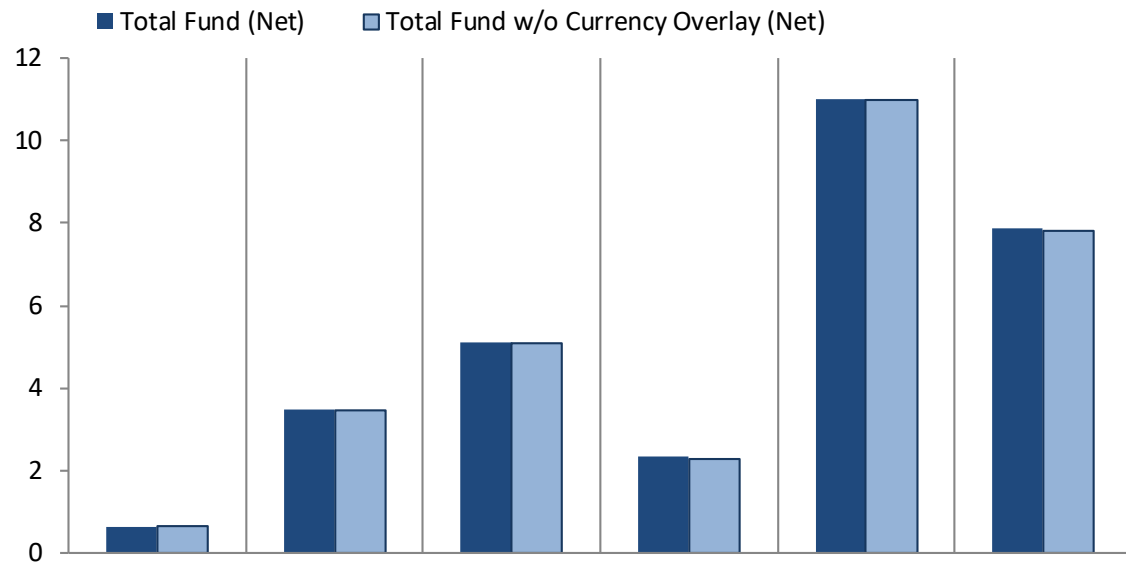


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	0.66	3.65	5.69	3.10	11.70	8.55
Total Fund w/o EA Overlay (Gross)	0.67	3.66	5.72	3.12	11.45	8.50
Total Fund (Net)	0.65	3.47	5.09	2.35	11.00	7.87
Total Fund w/o EA Overlay (Net)	0.65	3.48	5.13	2.37	10.78	7.83
EA Overlay Impact (Net of Fee)	0.00	(0.01)	(0.04)	(0.02)	0.23	0.04

Source: BNY Mellon GRS



# Currency Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	0.66	3.65	5.69	3.10	11.70	8.55
Total Fund w/o Currency Overlay (Gross)	0.66	3.64	5.64	2.96	11.65	8.48
Total Fund (Net)	0.65	3.47	5.09	2.35	11.00	7.87
Total Fund w/o Currency Overlay (Net)	0.64	3.46	5.10	2.29	10.99	7.83
Currency Overlay Impact (Net of Fee)	0.01	0.01	(0.01)	0.06	0.01	0.04

Source: BNY Mellon GRS



## Proposed Investment Agenda – Next Meeting

- Monthly Investment Report (May 31, 2023)

**FEDERAL LEGISLATION BOARD REPORT**  
**118<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of June 2, 2023)**

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**H.R.82**

SPONSOR: Rep. Graves, Garret (R-LA)

LAST ACTIONS: House - 01/09/2023 Referred to the House Committee on Ways and Means

CAPTION: Social Security Fairness Act of 2023

COMMENT: Repeals the GPO and WEP. 277 co-sponsors; nine Ohioans

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**S.597**

SPONSOR: Sen. Brown, Sherrod [D-OH]

LAST ACTIONS: Senate - 03/01/2023 Read twice and referred to the Committee on Finance.

CAPTION: Social Security Fairness Act

COMMENT: Repeals the GPO and WEP. 44 co-sponsors

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**STATE LEGISLATION BOARD REPORT**  
**(Prepared by Chris Collins as of June 2, 2023)**

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**135<sup>th</sup> General Assembly**

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**SB6** ESG POLICIES-STATE ENTITIES (Schuring, K) - Regarding environmental, social, and corporate governance policies with respect to the state retirement systems, Bureau of Workers' Compensation, and state institutions of higher education.

Current Status: 05/23/2023, Referred to House Financial Institutions

---

**HB4** LEGISLATIVE INTENT-ECONOMIC BOYCOTTS (Young, T., King, A.) To declare the General Assembly's intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.

Current Status: 02/16/2023, Referred to Financial Institutions Committee

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**HB33** FY24-25 OPERATING BUDGET (Edwards, J.) To make operating appropriations for the biennium beginning July 1, 2023, and ending June 30, 2025, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 05/31/2023, Senate Finance, (Seventh Hearing)

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**HB146** SERS BENEFIT CAP (Bird, A.) To establish a contribution based benefit cap in calculating a School Employees Retirement System member's retirement benefit.

Current Status: 05/16/2023, REPORTED OUT, House Pensions, (Third Hearing)

---

**HCR 6** URGE CONGRESS - REPEAL WINDFALL ELIMINATION PROVISION (King, Plummer) To urge Congress to repeal the Windfall Elimination Provision.

Current Status: 05/16/2023, REPORTED OUT AS AMENDED, House Pensions, (Third Hearing)

# Finance Headline News



- Budget Administration
  - FY24 budget presented for approval
  - SERS administrative expenses are expected to finish FY23 under budget
- The following detailed reports are attached for further analysis:
  - Administrative expense reports
    - Administrative expense summary for May 2023
    - Administrative expense detail for May 2023
    - Parameters report for May 2023
  - Financial highlights
    - As of April 2023



School Employees Retirement System of Ohio  
 REVIEW OF ADMINISTRATIVE EXPENSES  
 May-23

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,146,744.86
	Subtotal	1,146,744.86
53105 - Salaries & Wages - Cash in Vacation at Term/Retire	ADP, LLC	4,226.90
	Subtotal	4,226.90
53110 - Salaries & Wages - Overtime	ADP, LLC	688.57
	Subtotal	688.57
53111 - Vacation Leave Expense	ADP, LLC	97,562.82
	Subtotal	97,562.82
53112 - Sick Leave Expense	ADP, LLC	35,780.27
	Subtotal	35,780.27
53200 - Employer Contributions - PERS	ADP, LLC	171,802.10
	Ohio Public Emp. Retirement System	(0.39)
	Subtotal	171,801.71
53300 - Group Life	American United Life Insurance Company	9,307.66
	Subtotal	9,307.66
53310 - Long Term Disability	American United Life Insurance Company	3,323.35
	Subtotal	3,323.35
53315 - Short Term Disability	American United Life Insurance Company	2,557.80
	Subtotal	2,557.80
53320 - Group Health Claims	Aetna Daily Wires - ESERS	3,334.52
	Aetna Daily Wires - ESERS	214,472.36
	Subtotal	217,806.88
53321 - Group Health - Admin Fees	Aetna Admin - ESERS	7,423.52
	Subtotal	7,423.52
53322 - Prescription Claims	Express Scripts - Rebate	(61,483.91)
	Express Scripts - ESERS	81,243.35
	SaveonSP, LLC	7,036.51
	Subtotal	26,795.95
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS	17,513.04
	Subtotal	17,513.04
53326 - Vision Claims	VSP - (OH)	4,056.75
	Subtotal	4,056.75
53327 - Vision Admin Fees	VSP - (OH)	123.12
	Subtotal	123.12
53330 - Group Health - Employee Cost	Employee Premiums	(35,074.15)
	Subtotal	(35,074.15)
53331 - Group Health - Wellness Incentive	ADP, LLC	3,935.00
	Subtotal	3,935.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(680.00)
	Subtotal	(680.00)
53340 - Medicare Premium - Employer	ADP, LLC	17,846.03
	ADP, LLC	(0.01)
	Subtotal	17,846.02
53380 - Deferred Compensation Match	ADP, LLC	4,800.00
	Subtotal	4,800.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	28,656.00
	Subtotal	28,656.00
54310 - Custodial Fees	BNY Mellon Asset Servicing	92,000.00
	Subtotal	92,000.00
54320 - Custodial Banking	Treasurer of State - Warrants	74.48
	Huntington National Bank	15,530.36
	Subtotal	15,604.84
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing	80,000.00
	Subtotal	80,000.00
54420 - Investment Advisory Fees	Wilshire/Aksia	43,869.86
	Subtotal	43,869.86
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing	34,401.66
	Wilshire Advisors, LLC	3,000.00
	Subtotal	37,401.66
54460 - Bloomberg Terminal Rentals	Bloomberg Finance LP	20,250.00
	Subtotal	20,250.00

54520 - Medical Consultant	Borchers, M.D., Glen G.		3,750.00
		Subtotal	3,750.00
54610 - Special Counsel	Ice Miller LLP		1,067.50
	Seyfarth Shaw LLP		25,655.00
		Subtotal	26,722.50
54620 - Technical	LexisNexis Risk Data Management, Inc		2,290.49
	ComResource		10,838.75
	Velosio		56.25
	ForeFront Web		82.50
	Improving Ohio, Inc.		2,450.00
		Subtotal	15,717.99
54630 - Other Professional Services	Wickert, Kimberly		378.00
	Vorys Advisors LLC		3,333.33
	CPS HR Consulting		7,415.00
		Subtotal	11,126.33
55100 - Postage	Pitney Bowes Inc.		1,388.10
	Columbus Courier & Freight LLC		129.00
	Unishippers Association		381.19
	FedEx		57.20
		Subtotal	1,955.49
55200 - Telecommunications Services	Verizon Wireless		393.92
	Nextel Communications		55.49
	AT&T		40.10
	LUMEN		3,090.16
	Spectrum		2,021.46
	Spectrum AWS		41,759.80
	Everstream Solutions LLC		1,376.00
	XO Verizon		689.79
		Subtotal	49,426.72
55300 - Member/Employer Education	Employer Training Fees- outreach attendee fees		(1,080.00)
	Vaughan, Cameron		88.78
		Subtotal	(991.22)
55420 - Communications & Publications	Tension Envelope Corporation		7,848.20
		Subtotal	7,848.20
56030 - Software Maintenance	Micro Focus (US) Inc.		4,361.30
		Subtotal	4,361.30
56035 - Software Subscriptions	CarahSoft Technology Corp		2,520.00
	Velosio		11,395.50
	ADP, LLC		3,827.67
	Liquid Web Inc		326.57
	CDW-Government, Inc.		15,711.98
	Zoom		556.81
	Citrix Systems Inc		2,121.60
	Wellable LLC		473.20
	Expedient		13,380.40
	Dynamo Software, Inc.		13,054.00
	Amazon Web Services		27.39
	Workday Inc.		38,100.00
		Subtotal	101,495.12
56040 - Hardware < \$5,000	Amazon.com		33.90
		Subtotal	33.90
56050 - Software < \$25,000	IHS Global Inc		750.00
		Subtotal	750.00
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc		628.00
	Digital Print Solutions		1,777.66
	Amazon.com		354.89
	Canon Financial Services, Inc		2,191.27
	LD Products Inc.		929.85
	CDW-Government, Inc.		247.86
		Subtotal	6,129.53
56130 - Office Supplies & Expenses	Staples Business Advantage		542.01
		Subtotal	542.01
56150 - Furniture & Equipment < \$5,000	Amazon.com		2,096.00
		Subtotal	2,096.00
56160 - Records Storage	Vital Records Holdings, LLC		1,634.51
		Subtotal	1,634.51
56210 - Seminars & Conferences	1105 Media Inc.		2,700.00
	Ohio State University		450.00
	NCPERS		900.00
	Event Brite		521.17
	Public Retirement Information Systems Management		1,990.00
	QA or the Highway Columbus		495.00
	Association of Certified Fraud Examiners		350.00
	The Fire Code Academy		350.00
	Dion Training		352.80
	Dynamo Software, Inc.		999.00
	Workday Inc.		99.00
	Improving Ohio, Inc.		900.00
	Evernorth		650.00
		Subtotal	10,756.97

56310 - Travel & Transportation	Fifth Third Bank- Shuttle refund	(168.54)	
	McGary, David	244.96	
	Price, Steve	1,533.41	
	Kroger	47.72	
	Rossler, James	444.15	
	Haller, James	415.60	
	Phillips, Barbra	2,516.45	
	Baskaran, Thavamani	431.62	
	Majeed, Farouki	2,407.45	
	Masri, Judi	666.62	
	Moss, Catherine	470.64	
	Wilson, Daniel L.	195.20	
	King, Matt	312.15	
	Patel, Jay	304.96	
	Nass, Alisa	330.16	
	Steiner, Mike	1,295.47	
	Weglarz, Frank	527.87	
	Messerschmitt, Adam	3,705.95	
	Bradley, Susan	1,167.48	
	Super Shuttle	422.88	
	Berger, Mike	1,492.01	
	Chicken Salad Chick	240.00	
		Subtotal	19,004.21
	56410 - Subscriptions	Wall Street Journal	116.97
		Constant Contact	457.00
		Shutterstock, Inc.	29.00
Thomson Reuters		6,540.23	
Toledo Blade		12.99	
	Subtotal	7,156.19	
56420 - Memberships	Ohio Society of CPAs	395.00	
	National institute of Governmental Purchasing	195.00	
	International Association of Business Communicators	345.00	
	Masri, Judi	395.00	
	Association of Government Accountants	105.00	
	Central Ohio Organization of Public Purchasers	40.00	
	Leonard, Kewalin	15.00	
	Realtor Association	105.00	
	Subtotal	1,595.00	
56610 - Operations Maintenance	South Central Power Company	90.00	
	Northeast Ohio Natural Gas Corp.	172.09	
		Subtotal	262.09
56630 - Interior Landscaping	Ambius Inc. (05)	1,366.37	
	Subtotal	1,366.37	
56640 - Vehicle Expense	Sheetz	60.01	
	Subtotal	60.01	
56620 - Staff Support	ADP, LLC	3,401.00	
	Kroger	27.68	
	Premier ProduceOne	331.20	
	Giant Eagle	46.99	
	Amazon.com	1,003.10	
	PayFlex Systems USA, Inc.	339.50	
	Culligan Bottled Water of Columbus	53.93	
	Aetna Behavioral Health, LLC	282.60	
	Acorn Distributors Inc.	294.59	
	Quality Logo Products	1,054.40	
	Cuyahoga Franklin Group	947.31	
		Subtotal	7,782.30
56621 - Recruiting Expense	Indeed	284.25	
		Subtotal	284.25
56710 - Board Member - School Board Reimb.	Ashland City School District	1,824.32	
	Subtotal	1,824.32	
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)	
		Subtotal	(25,416.67)
	Total SERS Administrative Expense	2,311,595.85	

**School Employees Retirement System of Ohio**  
Summary of administrative operation expenses during the period **May 1, 2023-May 31, 2023**.  
Actuals  
May-2023

<b>Account</b>	<b>Amount</b>
Salaries & Wages	1,146,744.86
Salaries & Wages- Cash in Vacation at Term/Retirement	4,226.90
Salaries & Wages- Overtime	688.57
Vacation Leave Expense	97,562.82
Sick Leave Expense	35,780.27
Employer Contributions- PERS	171,801.71
Group Life	9,307.66
Long Term Disability	3,323.35
Short Term Disability	2,557.80
Group Health Claims	217,806.88
Group Health- Admin Fees	7,423.52
Prescription Claims	26,795.95
Group Health- Stop Loss Admin	17,513.04
Vision Claims	4,056.75
Vision Admin Fees	123.12
Group Health- Employee Cost	(35,074.15)
Group Health- Wellness Incentive	3,935.00
Group Health- Tobacco Premiums	(680.00)
Medicare Premium- Employer	17,846.02
Deferred Compensation Match	4,800.00
Actuarial Services	28,656.00
Custodial Fees	92,000.00
Custodial Banking	15,604.84
Master Recordkeeper Fees	80,000.00

Investment Advisory Fees	43,869.86
Performance/ Analytics Fee	37,401.66
Bloomberg Terminal Rentals	20,250.00
Medical Consultant	3,750.00
Special Counsel	26,722.50
Technical	15,717.99
Other Professional Services	11,126.33
Postage	1,955.49
Telecommunications Services	49,426.72
Member/Employer Education	(991.22)
Communications & Publications	7,848.20
Software Maintenance	4,361.30
Software Subscriptions	101,495.12
Hardware < \$5,000	33.90
Software < \$25,000	750.00
Equipment Repairs & Maintenance	6,129.53
Office Supplies & Expenses	542.01
Furniture & Equipment < \$5,000	2,096.00
Records Storage	1,634.51
Seminars & Conferences	10,756.97
Travel & Transportation	19,004.21
Subscriptions	7,156.19
Memberships	1,595.00
Operations Maintenance	262.09
Interior Landscaping	1,366.37
Vehicle Expense	60.01
Staff Support	7,782.30
Recruiting Expense	284.25
Board Member- School Board Reimb.	1,824.32
Reimbursement of Leased Svcs.	(25,416.67)
<b>Total Administrative Expenses</b>	<b>2,311,595.85</b>

FY2023 Administrative Budget  
Board Expense to Budget Reporting  
Year-to-Date Through May 31, 2023

					Budgeted
Major Category/Sub-Major Category	Line Item	Vendor	FY2023 Budget	Year to Date Expense	Y/N?
<b>PROFESSIONAL SERVICES</b>			<b>\$ 6,502,883.00</b>	<b>\$ 5,073,523.73</b>	
ACTUARIAL ADVISORS			\$ 421,008.00	\$ 346,567.50	
	Actuarial	Cavanaugh Macdonald	272,508.00	263,317.50	Y
<b>AUDITING</b>			<b>\$ 244,000.00</b>	<b>\$ 181,031.00</b>	
	Auditing	RSM	184,000.00	152,444.00	Y
<b>BANKING FEES</b>			<b>\$ 1,268,466.00</b>	<b>\$ 1,066,906.69</b>	
	Custodial Banking		1,073,544.00	925,111.44	
		Huntington	302,004.00	280,656.90	Y
		BNYM	765,000.00	644,454.54	Y
	Administrative Banking	Huntington National Bank/ TOS	194,922.00	141,795.25	Y
<b>INVESTMENT RELATED</b>			<b>\$ 2,664,622.00</b>	<b>\$ 2,230,526.16</b>	
	Master Recordkeeper		1,116,000.00	891,276.32	Y
	Investment Consulting & Advisory Services		650,000.00	492,054.78	
		Aksia	200,000.00	79,554.78	Y
		Wilshire	450,000.00	412,500.00	Y
	Performance Analytics Services		690,263.00	665,837.49	
		Barra-One Risk Mgmt Sys	238,445.00	238,445.00	Y
		BNY Mellon GRS	412,800.00	394,392.49	Y
<b>TECHNICAL</b>			<b>\$ 1,859,787.00</b>	<b>\$ 1,207,242.38</b>	
	Special Counsel		235,020.00	185,116.00	Y
	Technical		1,202,316.00	714,034.73	
		Merative US L.P.	118,000.00	88,500.00	Y
		Sagitec	550,000.00	406,040.25	Y
	Other Professional Services		422,451.00	308,091.65	
<b>OTHER OPERATING EXPENSE</b>			<b>\$ 3,607,379.00</b>	<b>\$ 2,851,870.77</b>	
<b>COMPUTER SUPPORT SERVICES</b>			<b>\$ 2,343,770.00</b>	<b>\$ 1,848,200.49</b>	
	Software Maintenance		1,004,851.00	841,302.52	
		Hyland	110,529.00	114,482.38	Y
		Dell	240,000.00	236,639.52	Y
		Sagitec	420,000.00	350,000.00	Y
	Software Subscriptions		1,183,234.00	901,490.59	Y
		DRaaS	158,000.00	105,856.20	Y
		Dynamo	128,000.00	148,114.00	Y
		Carahsoft	124,688.00	109,855.20	Y
<b>PROPERTY MANAGEMENT LIABILITY INSURANCE</b>					
	Management Liability Insurance		518,000.00	519,591.00	
		Cyber Liability Insurance	118,000.00	105,264.25	Y
		Crime Fiduciary D&O Insurance	400,000.00	414,326.75	Y

**PROJECT ITEMS**

					Budgeted
Major Category/Sub-Major Category	Line Item	Project	FY2023 Budget	YTD Expense	Y/N?
<b>PROFESSIONAL SERVICES</b>					
<b>TECHNICAL</b>					
		CBBC Programming	150,000.00	39,382.20	Y

**SERS**

**UNBUDGETED PROJECT ITEMS**

					Budgeted
Major Category/Sub-Major Cat	Line Item	Project	FY2023 Budget	YTD Expense	Y/N?
Technical	Technical	Agile Coaching- Improving.com	\$ -	\$ 12,950.00	N
	Seminars and Conferences	Agile Coaching- Improving.com	\$ -	\$ 21,095.00	N

**OSERS BROAD STREET, LLC**

**UNBUDGETED PROJECT ITEMS**

					Budgeted
Major Category	Line Item	Project	FY2023 Budget	YTD Expense	Y/N?

# SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

## FINANCIAL HIGHLIGHTS

As of April 30, 2023 and 2022

(unaudited)

<b>SERS (All Funds)</b>	<b>4/30/23 YTD</b>	<b>4/30/22 YTD</b>	<b>Comparative Difference</b>	<b>% Difference</b>
<b><u>ADDITIONS</u></b>				
Employer Contributions	\$502,171,309	\$472,219,161	\$29,952,148	6%
Member Contributions	327,989,146	308,976,124	19,013,022	6
Health Care Premiums, Subsidies & Other Income	169,743,513	68,909,482	100,834,031	146
Total Investment Income, Net	742,321,920	4,412,729	737,909,191	16,722
<b>TOTAL ADDITIONS</b>	<b>1,742,225,888</b>	<b>854,517,496</b>	<b>887,708,392</b>	<b>104</b>
<b><u>DEDUCTIONS</u></b>				
Retirement, Disability, Survivor & Death Benefits	1,140,783,327	1,106,136,638	34,646,689	3
Health Care Expenses	173,214,754	110,054,372	63,160,382	57
Refunds & Transfers	85,560,153	73,407,390	12,152,763	17
Administrative Expenses (excluding Investments)	24,676,480	23,881,230	795,250	3
<b>TOTAL DEDUCTIONS</b>	<b>1,424,234,714</b>	<b>1,313,479,630</b>	<b>110,755,084</b>	<b>8</b>
Changes in Net Position	317,991,174	(458,962,134)	776,953,308	169
Net Position - Beginning	17,574,319,449	18,440,611,356	(866,291,907)	(5)
<b>SERS Net Position - Ending</b>	<b>\$17,892,310,623</b>	<b>\$17,981,649,222</b>	<b>(\$89,338,599)</b>	<b>—%</b>

### HEALTH CARE FUND

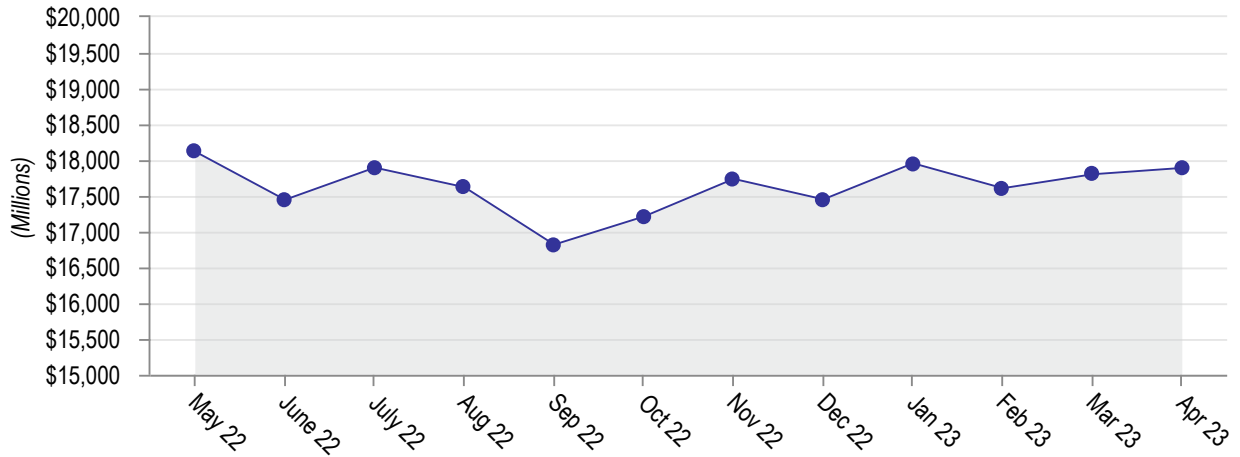
#### HEALTH CARE ADDITIONS

Employer Contributions	\$44,007,655	\$40,973,593	\$3,034,062	7%
Health Care Premiums	50,699,455	52,520,960	(1,821,505)	(3)
Medicare Subsidies & Other Income	119,044,058	16,388,522	102,655,536	626
Total Investment Income, Net	21,870,946	950,877	20,920,069	2,200
<b>TOTAL HEALTH CARE ADDITIONS</b>	<b>235,622,114</b>	<b>110,833,952</b>	<b>124,788,162</b>	<b>113</b>
<b>TOTAL HEALTH CARE DEDUCTIONS</b>	<b>175,345,308</b>	<b>112,612,039</b>	<b>62,733,269</b>	<b>56</b>
Changes in Net Position	60,276,806	(1,778,087)	62,054,893	(3,490)
Net Position - Beginning	611,574,409	600,330,188	11,244,221	2
<b>SERS Health Care Fund Net Position - Ending</b>	<b>\$671,851,215</b>	<b>\$598,552,101</b>	<b>\$73,299,114</b>	<b>12%</b>

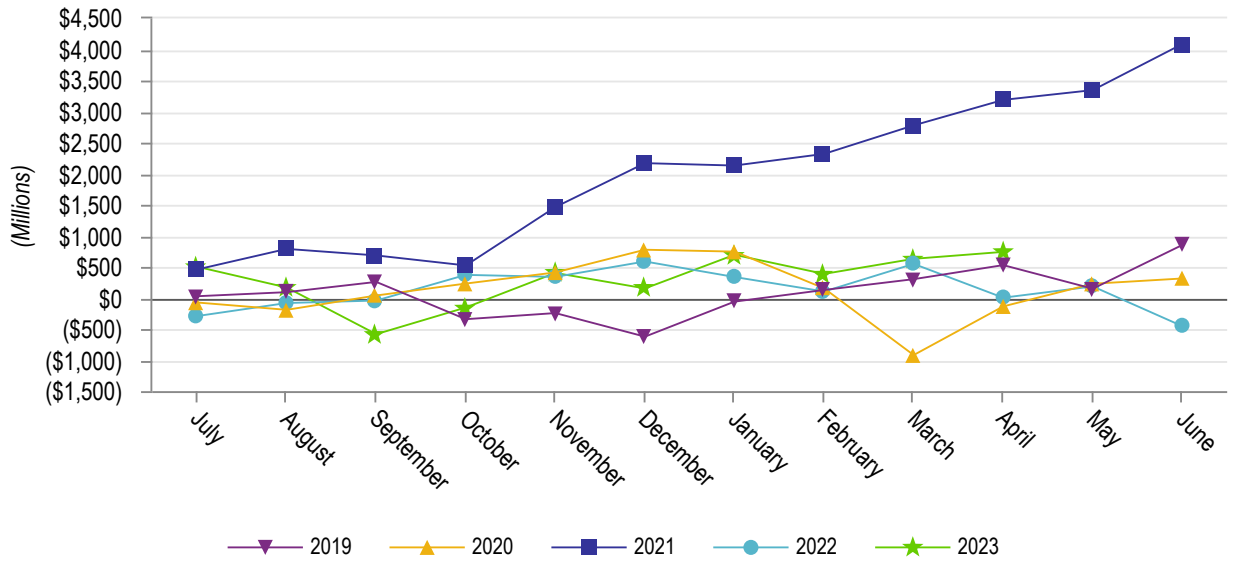
#### ADMINISTRATIVE EXPENSES

	<b>4/30/23 YTD</b>	<b>Fiscal Year Annual Budget</b>	<b>% of Annual Budget</b>
Personnel	\$19,845,625	\$24,392,195	81%
Professional Services	4,698,427	6,502,883	72
Communications	773,900	1,011,873	76
Other Operating Expenses	2,710,153	3,607,379	75
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$28,028,105</b>	<b>\$35,514,330</b>	<b>79%</b>

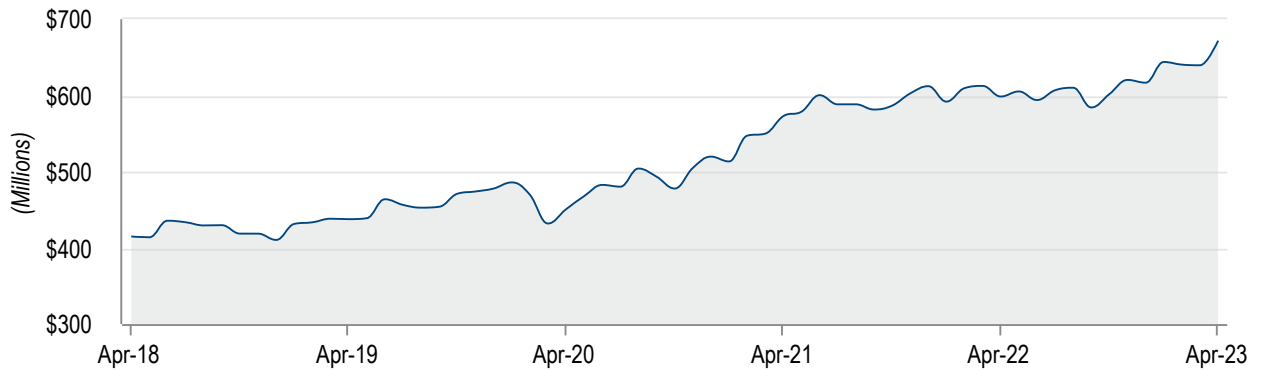
**Total SERS Fund Balance for Previous 12 Months**



**Investment Income (includes realized and unrealized gains & losses)**



**Health Care Fund Balance Trend**





# Memo

**To:** Retirement Board  
**From:** Richard Stensrud, Executive Director  
**CC:** Karen Roggenkamp, Deputy Executive Director  
**Date:** June 1, 2023  
**Re:** FY2024 Budget Approval

At the meeting in May, we reviewed the proposed FY2024 Administrative Budgets for SERS and OSERS Holdings, LLC.

In response to the May meeting feedback, we are sharing a five-year salary and wage history with corresponding headcount. SERS administrative budget salaries and wages are based on budgeted FTE. SERS aggressively fills open positions, as noted by our low vacancy rate.

**Salaries and Wages 5-Year History**

	<b>Proposed FY2024</b>	<b>Projected FY2023</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>
Budget	\$ 18,853,159	17,783,788	16,861,477	16,238,847	16,525,985
Actual	n/a	17,857,222	16,812,893	16,083,758	16,052,733
Variance	n/a	(73,434)	48,584	155,089	473,252
Staffing:					
Average Headcount *	n/a	180	180	178	177
Total Budgeted FTEs	183	182	181	181	181
<b>% Staffed</b>		<b>99%</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>
Total Vacant during the year *		15	19	24	27

\* FY2023 headcounts numbers are as of 4/30/23.

Salaries and wages are a component of the major category Personnel, which include base wages, overtime, incentive compensation and paid leave. The projected negative variance for FY2023 salaries and wages is due to higher-than-expected overtime, incentive compensation and paid leave. Total Personnel expenses are projected to finish FY2023 under budget.

As part of the annual budget cycle, we track the budget as a percentage of actuarial accrued liabilities, a number that increases as our membership grows. This measurement is another way we ensure our budget growth is in-line with the volume of our business.

### Total Budget History

	Proposed FY2024	Projected FY2023	FY2022	FY2021	FY2020
Budget	\$38,750,339	37,686,575	36,112,092	34,602,197	34,952,799
Actual	n/a	35,419,335	35,190,171	32,847,673	33,001,426
Variance	n/a	2,267,240	921,921	1,754,524	1,951,373
Budget Inc/Dec %	2.8%	4.4%	4.4%	-1.0%	1.7%
Budget Utilization %	n/a	94.0%	97.4%	94.9%	94.4%
Actuarial Accrued Liabilities (AAL) (in millions) #	\$ 22,371	22,371	21,530	21,034	20,527
Budget to AAL %	0.173%	0.168%	0.168%	0.165%	0.170%

# Based on preceding June 30<sup>th</sup> AAL.

Consistent with our annual budget cycle, we are requesting approval of these two budgets through separate resolutions at the June meeting:

1. SERS' **Operating and Capital** budgets for the next fiscal year, totaling \$37.4 million. This represents a \$20,484 increase over the May presentation, which was updated based on a recent employment contract negotiation line item.
2. Transfer of funds to **OSERS Holdings, LLC** to cover the net operating expenses of OSERS Broad Street, LLC, in the amount of \$1.7 million.

We will be happy to answer any questions you might have.

**BUDGET RESOLUTION – FY2024 SERS ADMINISTRATIVE BUDGET**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following budget of \$37,357,382 for the fiscal year beginning July 1, 2023, and ending June 30, 2024, be approved, with such approval effective June 30, 2023.

<u>Expense Classification</u>	<u>Budget</u>
Personnel .....	\$ 25,471,425
Professional Services (including Investment-Related Consultants) .....	6,456,305
Communications .....	1,015,710
Other Operating Expenses .....	<u>4,413,942</u>
SERS Administrative Expenses	\$ 37,357,382
<b>Administrative Budget</b>	<b>\$ 37,357,382</b>

Be it further provided that the Board has reviewed the estimated fees and expenses for operation of the investment program and authorizes the payment of actual fees to such service providers and in such amounts as is set by the contract with the individual service providers.

Upon roll call, the vote was as follows:

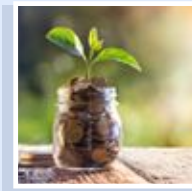
<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**OPERATING TRANSFER RESOLUTION – FY2024**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that SERS transfer to OSERS Holdings, LLC up to \$1,697,957 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2023, and ending June 30, 2024 with such approval effective June 30, 2023. OSERS Holdings, LLC shall report quarterly to the SERS Board of Trustees on the expenditure of all funds and receipt of all revenues.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____



# FY2024

## ADMINISTRATIVE BUDGET

---

School Employees Retirement System of Ohio

*Serving the People Who Serve Our Schools®*



School Employees Retirement System of Ohio  
*Serving the People Who Serve Our Schools®*

**SERS is a public defined benefit pension fund that provides pensions and access to health care coverage for the people who serve our schools.**

## CORE BELIEFS

- We are here to serve.
- We are open and honest.
- We are professional.
- We are dedicated.
- We are enthusiastic.
- We are high performers.
- We are valuable partners.
- We are member advocates.
- We are innovators.
- We are SERS.



# SERS AT A GLANCE



9

Members of the Retirement Board with fiduciary responsibility for the oversight of general administration and management of the Retirement System



1,057

Employers



155,063

Active Members



81,151

All Benefit Recipients



1,347

Average Monthly Benefit



183

SERS Employees



1937

The year School Employees Retirement System of Ohio was established.



## ***SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO***

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746  
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

May 18, 2023

Dear Chairperson DeLeone and SERS Retirement Board Members:

We are pleased to present the Retirement Board with the proposed FY2024 Administrative Budget which supports our approximately 236,000 active members, retirees, and beneficiaries with valuable pension benefit programs and health care services.

### **FY2023 Recap**

In FY2023, we celebrated the system's 85th anniversary and continued to have many successes.

This fiscal year focused on Pension and Health Care sustainability with continued focus on advancing the CBBC legislation and improving the Health Care Wraparound program. We made strides toward making a long-term investment in our technology infrastructure as we completed the first year of the Five-Year Technology Enhancement Project budget. We anticipate closing the year at \$35.4 million or 6.02% below budget.

### **Administration**

- An actuarial audit of SERS' June 30, 2021, actuarial valuations resulted in confirmation of the actuarial methodology and results of Cavanaugh Macdonald's work and minor recommendations such as separately identifying converted disabilities and their conversion dates.
- Internal Audit completed a quality assessment of its office that concluded the office has demonstrated a commitment to quality, successful leadership practices and maintaining an internal auditor's mindset for professionalism.
- In-person Board meetings continue to be offered virtually, allowing more participation and viewer coverage.
- The SERS Health Care Fund increased solvency to 38 years beginning in FY2023.
- Health Care staff achieved net savings due to contract negotiations for Medicare and non-Medicare medical and pharmacy benefits beginning January 1, 2023. The net savings are \$4.3 million for Aetna annually and \$71 million over three years for Express Scripts.
- Health Care staff implemented a Board-approved rule change addressing non-Medicare benefits counseling, expected to reduce expenses by \$1 million per 10% reduction in SERS non-Medicare group plan selection, beginning in FY2024.
- Staff continued progress on the multi-year Information Governance project, which will improve record retention and increase digital storage/retrieval options. Included in the project is the removal of redundant and obsolete digital information and addition of a retention policy covering deleted emails.
- Building occupancy continued to be challenging in FY2023. However, parking revenue increased by over 30%.
- Building Services completed upgrades to the building security software and hardware. The lighting upgrades started in FY2023 will continue into FY2024.





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RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

### **Technology\Information Security**

- The former backup site was successfully decommissioned after implementation of a cloud-based Disaster Recovery program. Servers were transferred to our headquarters, which saved on future hardware purchases.
- Information Security deployed tools to protect against malicious emails and developed procedures to consistently manage cloud services.
- Enterprise Risk Management (ERM) implemented a scored vendor risk register for vendor onboarding, monitoring, and off-boarding.
- ERM completed penetration security testing of our system and mitigated identified issues.
- Employers and Membership
- Advancements in our digital technology has given Member Services the opportunity to expand educational outreach and reduce transportation costs.
- A new outreach program for active members was launched that gives them an opportunity to attend a retirement educational event without having to schedule time on the weekend or outside work hours.
- SERS worked diligently to move all members to direct deposit, including refunds. Originally, there were more than 3,000 members still receiving a paper check. The number of members receiving their monthly checks in the mail is down to 11.
- Employer Outreach returned to offering in-person Employer 101 Workshops. Expanded topics delivered through eSERS virtual training and live webinars produced greater participation levels.

### **Five-Year Technology Enhancement Project**

- SMART MVVM upgrade activities began during the 3rd quarter of FY2023 and will continue into FY2024. This upgrade will enhance the user experience and interface for the internal and external users (Member and Employer Portals). It will also lay the foundation for members to access information through mobile devices and tablets.
- Completed the eDocuments project on the Member Self-Service Portal, which provides the capability to upload different types of documents and automatically initiate workflow.
- Completed the Health Care workflow queues project, which provides the capability to improve operational efficiency by grouping work items by category and automatically assigning tasks for processing.
- Completed the wireless refresh projects throughout the building and the majority of the network refresh.
- Upgraded the server hardware and backup storage capacity.
- Acquired a finance reconciliation tool to gain operational efficiencies.

### **FY2024 Budget Request**

As detailed in the following pages, the proposed FY2024 budget of \$38.8 million reflects a 2.82% increase over the FY2023 budget and a 9.40% increase over the FY2023 projected expenses. The



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RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

significant drivers of this change are a budgeted merit increase of 4.5%, salary adjustments based on CBIZ recommendations to align with current market conditions, and one additional Investment FTE. In addition, subscription-based services increased as the organization moves to a cloud-based environment. These were offset by decreases in professional services, telecommunication services, and net building occupancy. Additional budget adjustments are as follows:

- Microfilm digitization project outsources the conversion of our records currently stored on microfilm to a digital format.
- Two planned Board elections will increase postage and paper supplies costs.
- Procurement of cyber security tools to protect hardware, systems, and data on SERS network.
- Expansion of software tools for Investment operational due diligence automation and implementation of an account reconciliation solution.
- Cyclical equipment upgrades and support.
- Expected increases in cost associated with insurance coverage.
- Training and education expenses have increased returning to pre-pandemic levels.

The financials include the second year of the five-year Technology Project Enhancement Roadmap approved in FY2023. Forecasted FY2024 projects total \$2.99 million. Projects slated for FY2024 are as follows:

- Continued investment in the SMART system expanding the electronic payments capabilities.
- Registration Re-imagination project focusing on security enhancements to the Member and Employer Services portals.
- Continued work on the replacement of our end-of-life telecommunications system that will offer improved member call center features and tracking.
- Continued work on the network refresh.
- Portal Vision Re-imagination project that would improve the functionality and design as well as incorporate new features for the Member portal, including Health Care.
- Replacement of the general accounting system, which includes a cloud-based solution.

We appreciate your consideration of this budget and look forward to discussions regarding its contents.

Respectfully,

A handwritten signature in black ink that reads "Richard Stensrud". The signature is written in a cursive, flowing style.

Richard Stensrud  
Executive Director

A handwritten signature in black ink that reads "Marni Hall". The signature is written in a cursive, flowing style.

Marni Hall, CPA  
Chief Financial Officer

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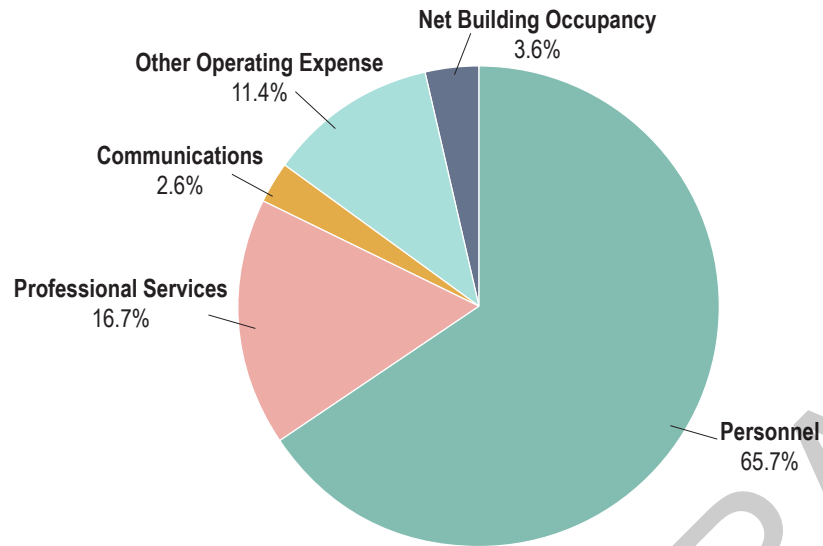
**FIVE YEAR TECHNOLOGY ROADMAP ..... 25**

# BUDGET OVERVIEW

Category and Description	FY2024 Budget \$	38,750,339
<b>PERSONNEL</b>	\$	25,471,425
A performance-based merit increase of 4.5%, salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions, one additional FTE, retirement contributions, Investment Staff professional incentive, and actuarial derived insurance-related staff benefits are included in this category.		
Operational Impact		65.7%
<b>PROFESSIONAL SERVICES</b>	\$	6,456,305
Investment-related fees are analogous to expected investment performance. Also in this category are infrastructure third-party services, health care medical and pharmacy claims data repository, medical/pharmacy pricing advisement, strategic retirement guidance related to pension and health care sustainability, external auditing services, and consulting services across the organization.		
Operational Impact		16.7%
<b>COMMUNICATIONS</b>	\$	1,015,710
Member Services, Health Care, and Employer Services will continue to provide the same standard of service to members and retirees. Retirement Board elections will be held for one retiree and one active member seats. Also included in this category are printing and postage costs as well as telecommunication services.		
Operational Impact		2.6%
<b>OTHER OPERATING EXPENSE</b>	\$	4,413,942
This includes annual requisite computer technology-related support for SERS' network, Board and staff training and education, insurance, and mandatory legislative oversight		
Operational Impact		11.4%
<b>CAPITAL</b>	\$	-
There are no capital projects planned for FY2024.		
Operational Impact		0.0%
<b>NET BUILDING OCCUPANCY-OSERS BROAD STREET, LLC</b>	\$	1,392,957
OSERS Broad Street, LLC will notice a small increase in tenant income in a soft commercial real estate market. This budget includes routine maintenance, upkeep, and tenant alterations. Remodeling anticipated for tenant improvements.		
Operational Impact		3.6%

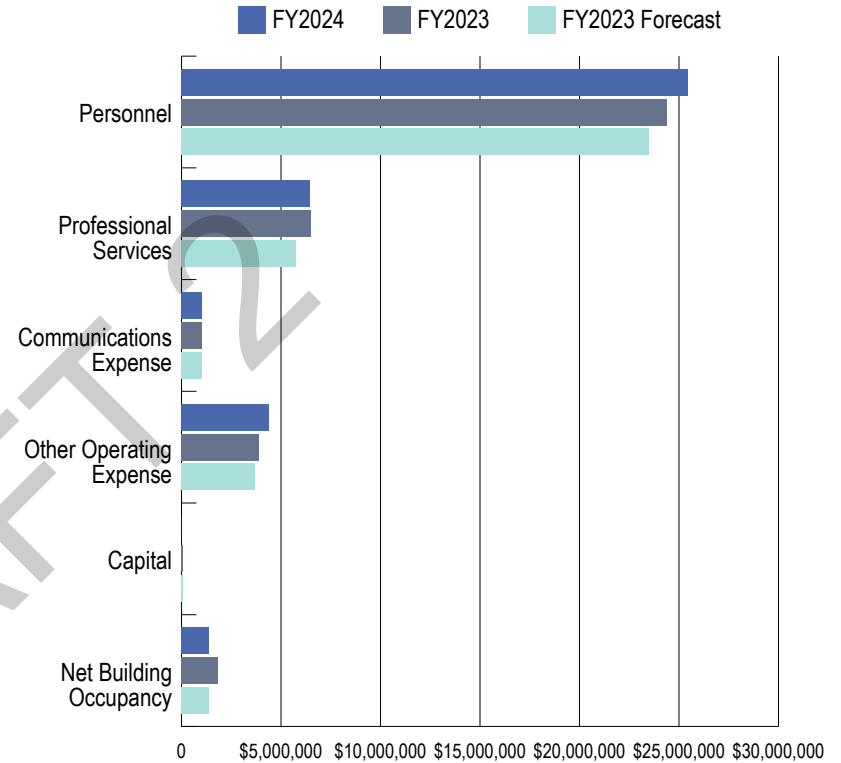
## FY2024 OPERATING BUDGET BY CATEGORY

Total: \$38,750,339



Category	Amount
Personnel	\$ 25,471,425
Professional Services	\$ 6,456,305
Communications	\$ 1,015,710
Other Operating Expense	\$ 4,413,942
Capital	\$ -
Net Building Occupancy	\$ 1,392,957

## BUDGET COMPARISON BY CATEGORY



BUDGET CATEGORY	BUDGET		FORECAST
	FY2024	FY2023	FY2023
Personnel	\$ 25,471,425	\$ 24,392,195	\$ 23,500,586
Professional Services	\$ 6,456,305	\$ 6,502,883	\$ 5,773,965
Communications Expense	\$ 1,015,710	\$ 1,011,873	\$ 1,018,294
Other Operating Expense	\$ 4,413,942	\$ 3,912,379	\$ 3,681,508
Capital	\$ -	\$ 54,109	\$ 54,109
Net Building Occupancy	\$ 1,392,957	\$ 1,813,137	\$ 1,390,873
<b>TOTAL OPERATING</b>	<b>\$ 38,750,339</b>	<b>\$ 37,686,576</b>	<b>\$ 35,419,335</b>

## FY2024 BUDGET SUMMARY

Budget Category	FY2024 Budget	FY2023 Budget	FY2023 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 18,853,159	\$ 17,783,788	\$ 17,857,222	6.0%
OPERS Retirement Contributions	2,527,867	2,389,275	2,371,205	5.8%
Benefits	4,090,399	4,219,132	3,272,159	-3.1%
<b>PERSONNEL</b>	<b>25,471,425</b>	<b>24,392,195</b>	<b>23,500,586</b>	<b>4.4%</b>
Actuarial	292,500	421,008	382,439	-30.5%
Audit Services	234,000	244,000	190,971	-4.1%
Custodial Banking Fees	1,068,000	1,073,544	1,016,562	-0.5%
Master Recordkeeper	1,056,000	1,116,000	1,010,276	-5.4%
Investment Consulting	1,409,349	1,548,622	1,423,511	-9.0%
Other Consulting	2,201,516	1,904,787	1,574,097	15.6%
Banking Expense	194,940	194,922	176,109	0.0%
<b>PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS</b>	<b>6,456,305</b>	<b>6,502,883</b>	<b>5,773,965</b>	<b>-0.7%</b>
Printing & Postage	807,752	729,669	754,064	10.7%
Telecommunications	196,208	264,184	253,774	-25.7%
Member/Employer Education	11,750	18,020	10,456	-34.8%
<b>COMMUNICATIONS</b>	<b>1,015,710</b>	<b>1,011,873</b>	<b>1,018,294</b>	<b>0.4%</b>
Conferences & Education	274,586	230,451	149,956	19.2%
Travel	228,602	209,234	163,321	9.3%
Computer Support Services	2,737,127	2,343,770	2,268,250	16.8%
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,125,227	1,076,924	1,051,594	4.5%
Ohio Retirement Study Council	48,400	52,000	48,387	-6.9%
<b>OTHER OPERATING</b>	<b>4,413,942</b>	<b>3,912,379</b>	<b>3,681,508</b>	<b>12.8%</b>
<b>TOTAL OPERATING</b>	<b>\$ 37,357,382</b>	<b>\$ 35,819,330</b>	<b>\$ 33,974,353</b>	<b>4.3%</b>
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	-	54,109	54,109	-100.0%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
<b>CAPITAL</b>	<b>-</b>	<b>54,109</b>	<b>54,109</b>	<b>-100.0%</b>
<b>NET BUILDING OCCUPANCY EXPENSE</b>	<b>1,392,957</b>	<b>1,813,137</b>	<b>1,390,873</b>	<b>-23.2%</b>

<b>TOTAL OPERATING AND CAPITAL BUDGETS</b>	<b>\$ 38,750,339</b>	<b>\$ 37,686,576</b>	<b>\$ 35,419,335</b>	<b>2.8%</b>
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## THREE-YEAR REVIEW FY2022 – FY2024 BUDGET PRESENTATION

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Description	FY2024 Budget	FY24 Budget- FY23 Forecast Difference	Change % (+/-)
<b>\$ 16,812,893</b>	<b>\$ 17,857,222</b>	<b>\$ 1,044,329</b>	<b>6.2%</b>	Salaries & Wages	<b>\$ 18,853,159</b>	<b>\$ 995,937</b>	<b>5.6%</b>
2,243,212	2,371,205	127,993	5.7%	OPERS Retirement Contributions	2,527,867	156,662	6.6%
4,637,752	3,272,159	(1,365,593)	-29.4%	Benefits	4,090,399	818,240	25.0%
<b>23,693,857</b>	<b>23,500,586</b>	<b>(193,271)</b>	<b>-0.8%</b>	<b>PERSONNEL</b>	<b>25,471,425</b>	<b>1,970,839</b>	<b>8.4%</b>
278,054	382,439	104,385	37.5%	Actuarial	292,500	(89,939)	-23.5%
205,718	190,971	(14,747)	-7.2%	Audit Services	234,000	43,029	22.5%
1,285,192	1,192,671	(92,521)	-7.2%	Banking Fees	1,262,940	70,269	5.9%
2,541,225	2,433,788	(107,437)	-4.2%	Investment Related	2,465,349	31,561	1.3%
45,000	45,000	-	0.0%	Medical	45,000	-	0.0%
1,979,506	1,529,097	(450,409)	-22.8%	Technical	2,156,516	627,419	41.0%
<b>6,334,695</b>	<b>5,773,966</b>	<b>(560,729)</b>	<b>-8.9%</b>	<b>PROFESSIONAL SERVICES</b>	<b>6,456,305</b>	<b>682,339</b>	<b>11.8%</b>
545,502	623,499	77,997	14.3%	Postage	661,302	37,803	6.1%
227,425	253,774	26,349	11.6%	Telecommunication Services	196,208	(57,566)	-22.7%
2,202	10,456	8,254	374.9%	Member/Employer Education	11,750	1,294	12.4%
112,962	130,565	17,603	15.6%	Printing & Publication	146,450	15,885	12.2%
<b>888,091</b>	<b>1,018,294</b>	<b>130,203</b>	<b>14.7%</b>	<b>COMMUNICATIONS</b>	<b>1,015,710</b>	<b>(2,584)</b>	<b>-0.3%</b>
2,196,691	2,268,250	71,559	3.3%	Computer Support Services	2,737,127	468,877	20.7%
144,011	159,279	15,268	10.6%	Office Equipment & Supplies	167,803	8,524	5.4%
80,913	149,956	69,043	85.3%	Conferences & Education	274,586	124,630	83.1%
93,982	163,321	69,339	73.8%	Transportation & Travel	228,602	65,281	40.0%
163,090	191,462	28,372	17.4%	Memberships & Subscriptions	203,794	12,332	6.4%
443,027	519,591	76,564	17.3%	Property & Management Liability Insurance	582,403	62,812	12.1%
66,998	55,847	(11,151)	-16.6%	Maintenance	36,225	(19,622)	-35.1%
106,445	117,185	10,740	10.1%	Staff Support	122,462	5,277	4.5%
6,105	8,229	2,124	34.8%	School District Reimbursement	12,540	4,311	52.4%
38,403	48,387	9,984	26.0%	Mandatory Costs - ORSC	48,400	13	0.0%
(305,000)	(305,000)	(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	0	0.0%
<b>3,034,665</b>	<b>3,376,507</b>	<b>341,842</b>	<b>11.3%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>4,108,942</b>	<b>732,435</b>	<b>21.7%</b>
<b>\$ 33,951,308</b>	<b>\$ 33,669,353</b>	<b>\$ (281,955)</b>	<b>-0.8%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$ 37,052,382</b>	<b>\$ 3,383,029</b>	<b>10.0%</b>
-	-	-	0.0%	Furniture & Equipment > 5,000	-	-	0.0%
132,502	54,109	(78,393)	-59.2%	Computer Hardware > 5,000	-	(54,109)	-100.0%
-	-	-	0.0%	Computer Software > 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
<b>132,502</b>	<b>54,109</b>	<b>(78,393)</b>	<b>-59.2%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>-</b>	<b>(54,109)</b>	<b>-100.0%</b>
<b>\$ 34,083,810</b>	<b>\$ 33,723,462</b>	<b>\$ (360,348)</b>	<b>-1.1%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 37,052,382</b>	<b>\$ 3,328,920</b>	<b>9.9%</b>
<b>1,105,067</b>	<b>1,695,873</b>	<b>590,806</b>	<b>53.5%</b>	<b>OSERS BROAD STREET, LLC</b>	<b>1,697,957</b>	<b>2,084</b>	<b>0.1%</b>
<b>\$ 35,188,877</b>	<b>\$ 35,419,335</b>	<b>\$ 230,458</b>	<b>0.7%</b>	<b>TOTAL OPERATING AND CAPITAL EXPENSES</b>	<b>\$ 38,750,339</b>	<b>\$ 3,331,004</b>	<b>9.4%</b>

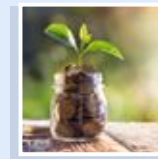


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# FY2024

## SERS OPERATING BUDGET DETAIL

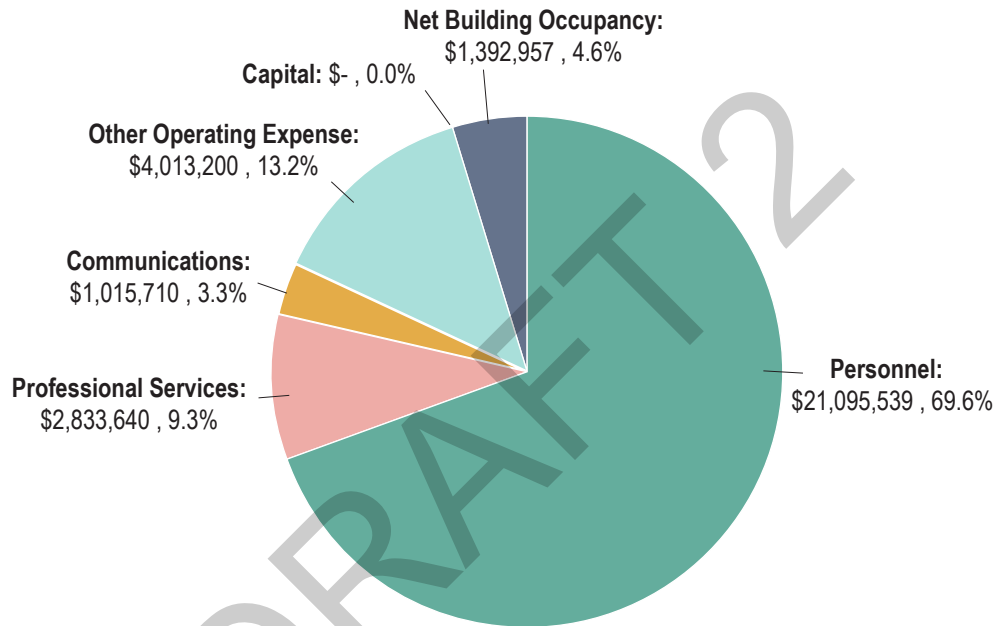




# FY2024 SERS OPERATING BUDGET BY CATEGORY

EXCLUDING INVESTMENTS

**Total: \$30,351,046**



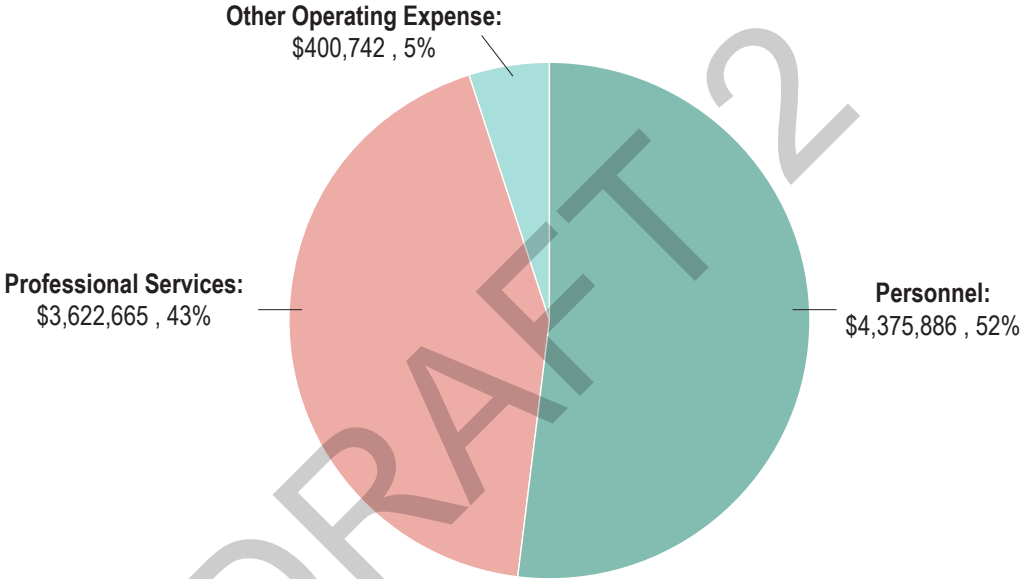
Budget Category	BUDGET		FORECAST
	FY2024	FY2023	FY2023
Personnel	\$ 21,095,539	\$ 20,455,948	\$ 19,622,498
Professional Services	\$ 2,833,640	\$ 2,690,690	\$ 2,203,155
Communications	\$ 1,015,710	\$ 1,011,873	\$ 1,018,294
Other Operating Expense	\$ 4,013,200	\$ 3,606,715	\$ 3,372,966
Capital	\$ -	\$ 54,109	\$ 54,109
Net Building Occupancy	\$ 1,392,957	\$ 1,813,137	\$ 1,390,873
<b>TOTAL OPERATING</b>	<b>\$ 30,351,046</b>	<b>\$ 29,632,472</b>	<b>\$ 27,661,895</b>

## THREE-YEAR REVIEW FY2022 – FY2024 SERS BUDGET PRESENTATION EXCLUDING INVESTMENTS

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Description	FY2024 Budget	FY24 Budget- FY23 Forecast Difference	Change % (+/-)
\$ 13,745,146	\$ 14,680,850	\$ 935,704	6.8%	Salaries & Wages	\$ 15,369,860	\$ 689,010	4.7%
1,876,415	1,983,117	106,702	5.7%	OPERS Retirement Contributions	2,085,286	102,169	5.2%
4,208,194	2,958,531	(1,249,663)	-29.7%	Benefits	3,640,393	681,862	23.0%
<b>19,829,755</b>	<b>19,622,498</b>	<b>(207,257)</b>	<b>-1.0%</b>	<b>PERSONNEL</b>	<b>21,095,539</b>	<b>1,473,041</b>	<b>7.5%</b>
278,054	382,438	104,384	37.5%	Actuarial	292,500	(89,938)	-23.5%
205,718	190,971	(14,747)	-7.2%	Audit Services	234,000	43,029	22.5%
190,606	176,109	(14,497)	-7.6%	Banking Fees	194,940	18,831	10.7%
57,266	58,429	1,163	2.0%	Investment Related	59,684	1,255	2.1%
45,000	45,000	-	0.0%	Medical	45,000	-	0.0%
1,774,450	1,350,208	(424,242)	-23.9%	Technical	2,007,516	657,308	48.7%
<b>2,551,094</b>	<b>2,203,155</b>	<b>(347,939)</b>	<b>-13.6%</b>	<b>PROFESSIONAL SERVICES</b>	<b>2,833,640</b>	<b>630,485</b>	<b>28.6%</b>
545,710	623,499	77,789	14.3%	Postage	661,302	37,803	6.1%
227,425	253,774	26,349	11.6%	Telecommunication Services	196,208	(57,566)	-22.7%
2,202	10,456	8,254	374.9%	Member/Employer Education	11,750	1,294	12.4%
112,962	130,565	17,603	15.6%	Printing & Publication	146,450	15,885	12.2%
<b>888,299</b>	<b>1,018,294</b>	<b>129,995</b>	<b>14.6%</b>	<b>COMMUNICATIONS</b>	<b>1,015,710</b>	<b>(2,584)</b>	<b>-0.3%</b>
2,051,191	2,120,137	68,946	3.4%	Computer Support Services	2,535,127	414,990	19.6%
143,727	158,935	15,208	10.6%	Office Equipment & Supplies	167,095	8,160	5.1%
69,939	137,013	67,074	95.9%	Conferences & Education	253,636	116,623	85.1%
62,915	93,466	30,551	48.6%	Transportation & Travel	136,598	43,132	46.1%
104,376	114,218	9,842	9.4%	Memberships & Subscriptions	118,884	4,666	4.1%
443,027	519,591	76,564	17.3%	Property & Management Liability Insurance	582,403	62,812	12.1%
66,998	55,847	(11,151)	-16.6%	Maintenance	36,225	(19,622)	-35.1%
106,445	117,143	10,698	10.0%	Staff Support	122,292	5,149	4.4%
6,105	8,229	2,124	34.8%	School District Reimbursement	12,540	4,311	52.4%
38,403	48,387	9,984	26.0%	Mandatory Costs - ORSC	48,400	13	0.0%
(305,000)	(305,000)	(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	0	0.0%
<b>2,788,126</b>	<b>3,067,966</b>	<b>279,840</b>	<b>10.0%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>3,708,200</b>	<b>640,234</b>	<b>20.9%</b>
<b>\$ 26,057,274</b>	<b>\$ 25,911,913</b>	<b>\$ (145,361)</b>	<b>-0.6%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$ 28,653,089</b>	<b>\$ 2,741,176</b>	<b>10.6%</b>
-	-	-	0.0%	Furniture & Equipment > 5,000	-	-	0.0%
132,502	54,109	(78,393)	-59.2%	Computer Hardware > 5,000	-	(54,109)	-100.0%
-	-	-	0.0%	Computer Software > 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
<b>132,502</b>	<b>54,109</b>	<b>(78,393)</b>	<b>-59.2%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>-</b>	<b>(54,109)</b>	<b>-100.0%</b>
<b>\$ 26,189,776</b>	<b>\$ 25,966,022</b>	<b>\$ (223,754)</b>	<b>-0.9%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 28,653,089</b>	<b>\$ 2,687,067</b>	<b>10.3%</b>

# FY2024 INVESTMENTS OPERATING BUDGET BY CATEGORY

Total: \$8,399,293



Budget Category	BUDGET		FORECAST
	FY2024	FY2023	FY2023
Personnel	\$ 4,375,886	\$ 3,936,246	\$ 3,878,088
Professional Services	\$ 3,622,665	\$ 3,812,193	\$ 3,570,810
Other Operating Expense	\$ 400,742	\$ 305,664	\$ 308,542
<b>TOTAL OPERATING</b>	<b>\$ 8,399,293</b>	<b>\$ 8,054,103</b>	<b>\$ 7,757,440</b>

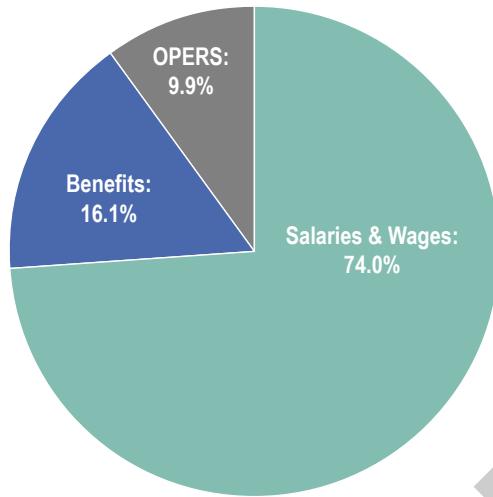
## THREE-YEAR REVIEW FY2022 – FY2024 INVESTMENTS BUDGET PRESENTATION

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Description	FY2024 Budget	FY24 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 3,067,748	\$ 3,176,372	\$ 108,624	3.5%	Salaries & Wages	\$ 3,483,299	\$ 306,927	9.7%
366,798	388,088	21,290	5.8%	OPERS Retirement Contributions	442,581	54,493	14.0%
429,558	313,628	(115,930)	-27.0%	Benefits	450,006	136,378	43.5%
<b>3,864,104</b>	<b>3,878,088</b>	<b>13,984</b>	<b>0.4%</b>	<b>PERSONNEL</b>	<b>4,375,886</b>	<b>497,798</b>	<b>12.8%</b>
-	-	-	0.0%	Actuarial	-	-	0.0%
-	-	-	0.0%	Audit Services	-	-	0.0%
1,094,586	1,016,562	(78,024)	-7.1%	Banking Fees	1,068,000	51,438	5.1%
2,483,959	2,375,359	(108,600)	-4.4%	Investment Related	2,405,665	30,306	1.3%
-	-	-	0.0%	Medical	-	-	0.0%
205,056	178,889	(26,167)	-12.8%	Technical	149,000	(29,889)	-16.7%
<b>3,783,601</b>	<b>3,570,810</b>	<b>(212,791)</b>	<b>-5.6%</b>	<b>PROFESSIONAL SERVICES</b>	<b>3,622,665</b>	<b>51,855</b>	<b>1.5%</b>
-	-	-	0.0%	Postage	-	-	0.0%
-	-	-	0.0%	Telecommunication Services	-	-	0.0%
-	-	-	0.0%	Member/Employer Education	-	-	0.0%
-	-	-	0.0%	Printing & Publication	-	-	0.0%
-	-	-	<b>0.0%</b>	<b>COMMUNICATIONS</b>	-	-	<b>0.0%</b>
145,500	148,114	2,614	1.8%	Computer Support Services	202,000	53,886	36.4%
284	344	60	21.1%	Office Equipment & Supplies	708	364	105.8%
10,974	12,943	1,969	17.9%	Conferences & Education	20,950	8,007	61.9%
31,067	69,855	38,788	124.9%	Transportation & Travel	92,004	22,149	31.7%
58,714	77,244	18,530	31.6%	Memberships & Subscriptions	84,910	7,666	9.9%
-	-	-	0.0%	Property & Management Liability Insurance	-	-	0.0%
-	-	-	0.0%	Maintenance	-	-	0.0%
-	42	42	0.0%	Staff Support	170	128	304.8%
-	-	-	0.0%	School District Reimbursement	-	-	0.0%
-	-	-	0.0%	Mandatory Costs - ORSC	-	-	0.0%
-	-	-	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	-	-	0.0%
<b>246,539</b>	<b>308,542</b>	<b>62,003</b>	<b>25.1%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>400,742</b>	<b>92,200</b>	<b>29.9%</b>
<b>\$ 7,894,244</b>	<b>\$ 7,757,440</b>	<b>\$ (136,804)</b>	<b>-1.7%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$ 8,399,293</b>	<b>\$ 641,853</b>	<b>8.3%</b>
-	-	-	0.0%	Furniture & Equipment > 5,000	-	-	0.0%
-	-	-	0.0%	Computer Hardware > 5,000	-	-	0.0%
-	-	-	0.0%	Computer Software > 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
-	-	-	<b>0.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	-	-	<b>0.0%</b>
<b>\$ 7,894,244</b>	<b>\$ 7,757,440</b>	<b>\$ (136,804)</b>	<b>-1.7%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 8,399,293</b>	<b>\$ 641,853</b>	<b>8.3%</b>

# PERSONNEL

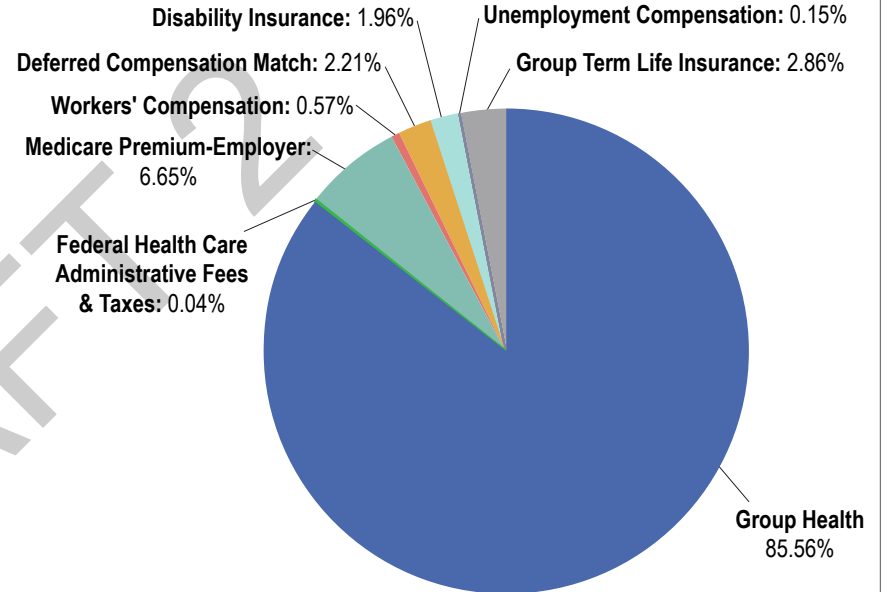
## Personnel FY2024 Budget

### PERSONNEL



Personnel Budget	FY2024
Salaries & Wages	\$ 18,853,159
Benefits	\$ 4,090,399
OPERS Retirement Contributions	\$ 2,527,867
<b>TOTAL</b>	<b>\$ 25,471,425</b>

### BENEFITS



Benefits	FY2024
Group Health	\$ 3,499,812
Federal Health Care Administrative Fees & Taxes	\$ 1,272
Medicare Premium- Employer	\$ 272,161
Workers' Compensation	\$ 23,346
Deferred Compensation Match	\$ 90,516
Disability Insurance	\$ 80,340
Unemployment Compensation	\$ 6,000
Group Term Life Insurance	\$ 116,952
<b>TOTAL</b>	<b>\$ 4,090,399</b>

## PERSONNEL

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY224 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 15,995,775	\$ 17,023,599	\$ 1,027,824	6.4%	Salaries & Wages	\$ 18,001,159	\$ 977,560	5.7%
\$ 817,118	\$ 833,623	\$ 16,505	2.0%	Incentive Payout	\$ 852,000	\$ 18,377	2.2%
<b>\$ 16,812,893</b>	<b>\$ 17,857,222</b>	<b>\$ 1,044,329</b>	<b>6.2%</b>	<b>Salaries &amp; Wages</b>	<b>\$ 18,853,159</b>	<b>\$ 995,937</b>	<b>5.6%</b>
<b>\$ 2,243,212</b>	<b>\$ 2,371,205</b>	<b>\$ 127,993</b>	<b>5.7%</b>	<b>OPERS Retirement Contributions</b>	<b>\$ 2,527,867</b>	<b>\$ 156,662</b>	<b>6.6%</b>
\$ 2,120	\$ 2,500	\$ 380	17.9%	Unemployment Compensation	\$ 6,000	\$ 3,500	140.0%
\$ 105,463	\$ 110,986	\$ 5,523	5.2%	Group Term Life Insurance	\$ 116,952	\$ 5,966	5.4%
\$ 66,092	\$ 71,691	\$ 5,599	8.5%	Disability Insurance	\$ 80,340	\$ 8,649	12.1%
\$ 4,154,059	\$ 2,754,489	\$ (1,399,570)	-33.7%	Group Health	\$ 3,499,812	\$ 745,323	27.1%
\$ -	\$ 1,493	\$ 1,493	0.0%	Federal Health Care Administrative Fees & Taxes	\$ 1,272	\$ (221)	-14.8%
\$ 233,880	\$ 250,680	\$ 16,800	7.2%	Medicare Premium- Employer	\$ 272,161	\$ 21,481	8.6%
\$ 13,123	\$ 10,242	\$ (2,881)	-22.0%	Workers' Compensation	\$ 23,346	\$ 13,104	127.9%
\$ 63,015	\$ 70,078	\$ 7,063	11.2%	Deferred Compensation Match	\$ 90,516	\$ 20,438	29.2%
<b>\$ 4,637,752</b>	<b>\$ 3,272,159</b>	<b>\$ (1,365,593)</b>	<b>-29.4%</b>	<b>Benefits</b>	<b>\$ 4,090,399</b>	<b>\$ 818,240</b>	<b>25.0%</b>
<b>\$ 23,693,857</b>	<b>\$ 23,500,586</b>	<b>\$ (193,271)</b>	<b>-0.8%</b>	<b>PERSONNEL</b>	<b>\$ 25,471,425</b>	<b>\$ 1,970,839</b>	<b>8.4%</b>

### SALARIES AND WAGES

- The **Personnel** budget is based on 183 full-time equivalent personnel. This budget includes a performance-based merit increase of 4.5% and salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions.
- **Incentive Payouts** are payments calculated for Investment staff professionals according to Retirement Board policy and are based on FY2023 Investment portfolio performance.

### RETIREMENT CONTRIBUTIONS

- **OPERS Retirement Contributions** are based on the portion of Salaries & Wages and incentive payments subject to OPERS coverage.

### BENEFITS

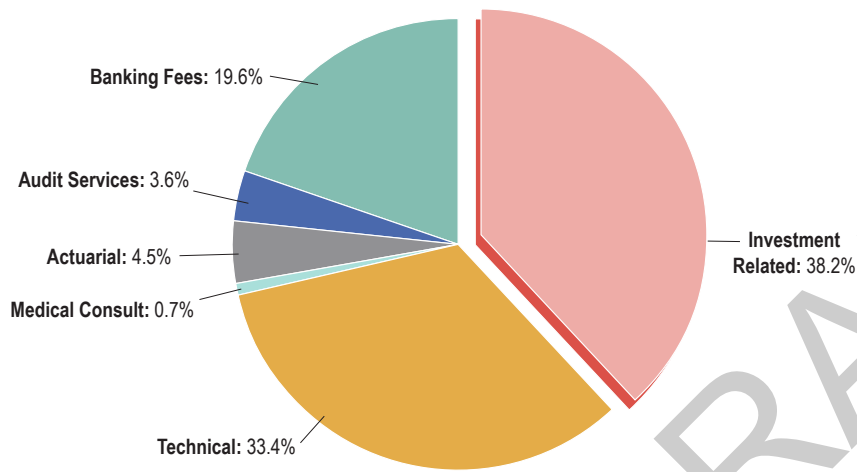
- Employee **Group Health** expenses have been budgeted based on rates supplied by SERS' actuary, considering the number of covered lives on the plan, national trends, and SERS' experience.

- SERS holds a stop-loss insurance policy for group claims and prescriptions. It provides protection for self-insured employers that serves as a reimbursement mechanism for catastrophic claims that exceed a certain level.
- Employee Health Plan Premiums have increased slightly this year which will offset the cost of group claims.
- SERS' **Unemployment Compensation** is self-funded. In FY2024, there are no anticipated reductions in staff or on-going unemployment claims.
- Salary-based benefits include **Group Term Life Insurance, Disability Insurance, and Medicare**. The level of benefits remains unchanged for FY2024.
- As mandated by the Affordable Care Act, SERS is required to pay **Federal Health Care Administrative Fees & Taxes**.
- **Worker's Compensation** is based on payroll-driven rates.
- SERS' per-pay match contribution to the Ohio Public Employees **Deferred Compensation Match** program are made on behalf of the SERS' employees who are actively enrolled in the program.

# PROFESSIONAL SERVICES

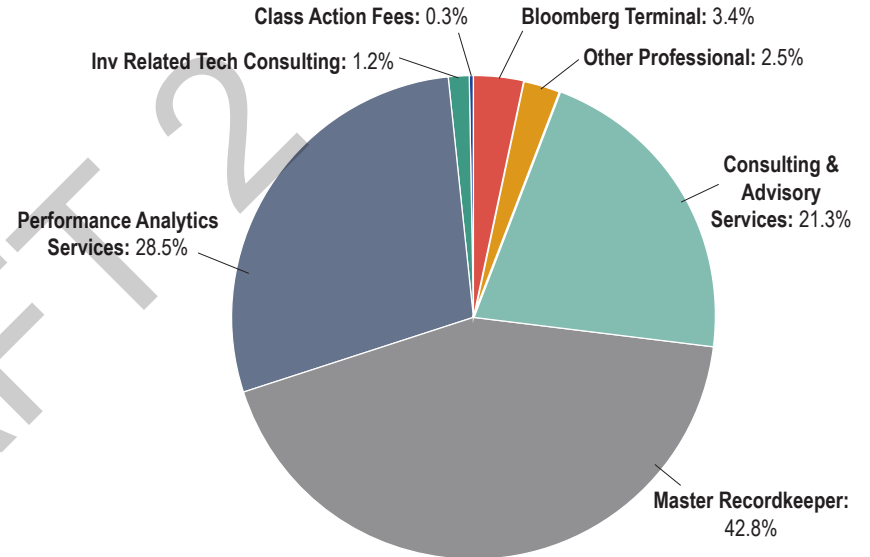
## Professional Services FY2024 Budget

TOTAL SERS PROFESSIONAL SERVICES



Total SERS Professional Services Budget	FY2024
Investment Related	\$ 2,465,349
Technical	\$ 2,156,516
Medical Consult	\$ 45,000
Actuarial	\$ 292,500
Audit Services	\$ 234,000
Banking Fees	\$ 1,262,940
<b>TOTAL</b>	<b>\$ 6,456,305</b>

INVESTMENT-RELATED (38.2% OF TOTAL)



Investment-Related Professional Services Budget	FY2024
Bloomberg Terminal	\$ 84,000
Other Professional	\$ 61,084
Consulting & Advisory Services	\$ 525,000
Master Recordkeeper	\$ 1,056,000
Performance Analytics Services	\$ 703,265
Inv Related Tech Consulting	\$ 30,000
Class Action Fees	\$ 6,000
<b>TOTAL</b>	<b>\$ 2,465,349</b>

## PROFESSIONAL SERVICES

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 278,054	\$ 382,439	\$ 104,385	37.5%	<b>Actuarial</b>	\$ 292,500	\$ (89,939)	-23.5%
\$ 205,718	\$ 190,971	\$ (14,747)	-7.2%	<b>Audit Services</b>	\$ 234,000	\$ 43,029	22.5%
\$ 1,094,586	\$ 1,016,562	\$ (78,024)	-7.1%	Custodial Banking	\$ 1,068,000	\$ 51,438	5.1%
\$ 190,606	\$ 176,109	\$ (14,497)	-7.6%	Administrative Banking Expense	\$ 194,940	\$ 18,831	10.7%
\$ 1,285,192	\$ 1,192,671	\$ (92,521)	-7.2%	<b>Banking Fees</b>	\$ 1,262,940	\$ 70,269	5.9%
\$ 1,016,714	\$ 1,010,276	\$ (6,438)	-0.6%	Master Recordkeeper	\$ 1,056,000	\$ 45,724	4.5%
\$ 650,000	\$ 527,714	\$ (122,286)	-18.8%	Investment Consulting & Advisory Services	\$ 525,000	\$ (2,714)	-0.5%
\$ 705,636	\$ 704,384	\$ (1,252)	-0.2%	Performance Analytics Services	\$ 703,265	\$ (1,119)	-0.2%
\$ 31,930	\$ 33,087	\$ 1,157	3.6%	Investment-Related Technical Consulting	\$ 30,000	\$ (3,087)	-9.3%
\$ 58,607	\$ 59,762	\$ 1,155	2.0%	Other Professional Investment-Related	\$ 61,084	\$ 1,322	2.2%
\$ 78,338	\$ 79,691	\$ 1,353	1.7%	Bloomberg Terminal Rental	\$ 84,000	\$ 4,309	5.4%
\$ -	\$ 18,874	\$ 18,874	0.0%	Class Action Fees	\$ 6,000	\$ (12,874)	-68.2%
\$ 2,541,225	\$ 2,433,788	\$ (107,437)	-4.2%	<b>Investment -Related</b>	\$ 2,465,349	\$ 31,561	1.3%
\$ 45,000	\$ 45,000	\$ -	0.0%	<b>Medical Consultant</b>	\$ 45,000	\$ -	0.0%
\$ 283,101	\$ 219,531	\$ (63,570)	-22.5%	Special Counsel	\$ 240,000	\$ 20,469	9.3%
\$ 1,263,120	\$ 950,873	\$ (312,247)	-24.7%	Technical	\$ 1,360,084	\$ 409,211	43.0%
\$ 433,285	\$ 358,693	\$ (74,592)	-17.2%	Other Professional Services	\$ 556,432	\$ 197,739	55.1%
\$ 1,979,506	\$ 1,529,097	\$ (450,409)	-22.8%	<b>Technical</b>	\$ 2,156,516	\$ 627,419	41.0%
\$ 6,334,695	\$ 5,773,966	\$ (560,729)	-8.9%	<b>PROFESSIONAL SERVICES</b>	\$ 6,456,305	\$ 682,339	11.8%

### ACTUARIAL

- Actuarial fees include amounts for studies on calculations of joint retirement system transfers, special analyses, and legislative analyses. In addition, SERS' health care plan and actuarial premiums calculations will occur along with Government Accounting Standards Board (GASB) Statement evaluations for pension reporting requirements.

### AUDIT SERVICES

- FY2024 Audits include an outsourced IT Audit over Active Directory and year-end financial audit.

### BANKING FEES

- Custodial Banking fees have decreased slightly due to lower transaction volumes and associated costs.

### INVESTMENT-RELATED PROFESSIONAL SERVICES

- Master Recordkeeper fees decreased due to reduction in total assets.
- Investment Consulting & Advisory Services decreased due to a contract renegotiation for less required services from a current provider.
- Investment-Related Technical Consulting included investment-related database and local tax advisors in countries that require special tax consultants.



## PROFESSIONAL SERVICES, CONTINUED

- **Other Professional Investment-Related Consulting** includes proxy and divestiture services.
- **Bloomberg Terminal Rental** fees are for the licenses to use the Bloomberg information systems.

### **MEDICAL**

- The **Medical Consultant** reviews about 1,500 cases per year with the Disability Section staff, participates in the monthly meetings of the Medical Advisory Committee, and attends Board Meetings as needed.

### **TECHNICAL**

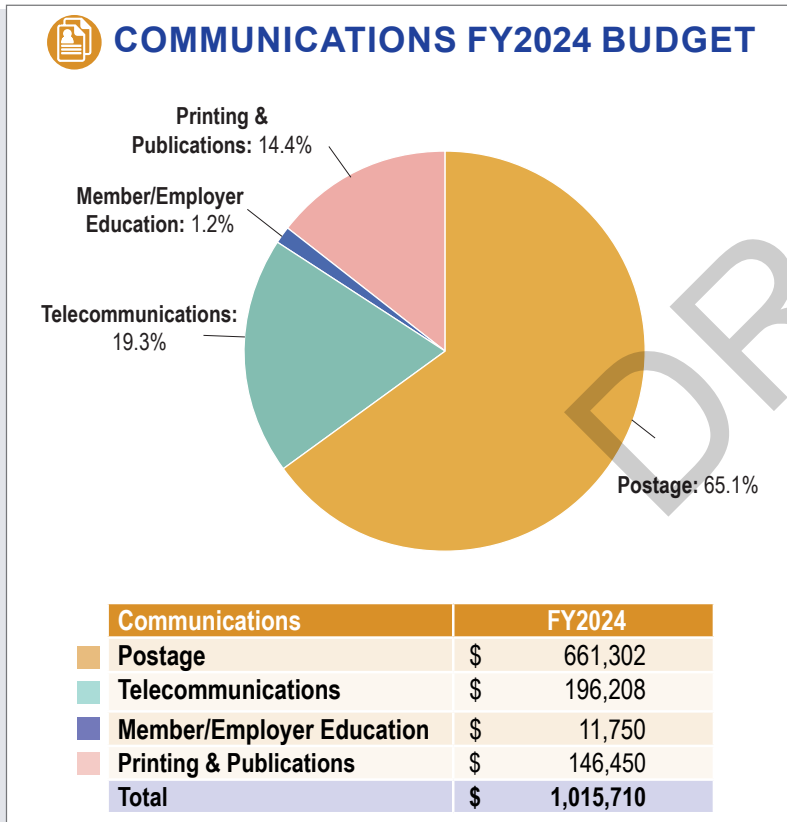
- **Special Counsel** are contingent amounts for the costs of outside legal counsel. Anticipated legal fees for investment contracts comprise approximately 62% of the FY2024 Special Counsel budget.

- The **Technical** account includes the cost of outside consultants that provide computer security, health care data warehouse services, medical and prescription program pricing, specialized benefit system support, and website administration and design. FY2024 also includes organizational wide consulting for project management training focused on developing flexibility, adaptability, and collaboration among staff.
- **Other Professional Services** include the cost for other consultants and advisory services, such as legislative news and political consulting providers, organizational leadership and development, professional work-study internships, surveying and focus groups, and Attorney General Staff reimbursement. Also included are consulting on initiatives around pension and health care sustainability along with the continuation of the enterprise-wide document life cycle evaluation.

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# COMMUNICATIONS

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 545,502	\$ 623,499	\$ 77,997	14.3%	Postage	\$ 661,302	\$ 37,803	6.1%
\$ 227,425	\$ 253,774	\$ 26,349	11.6%	Telecommunications	\$ 196,208	\$ (57,566)	-22.7%
\$ 2,202	\$ 10,456	\$ 8,254	374.9%	Member/Employer Education	\$ 11,750	\$ 1,294	12.4%
\$ 36,787	\$ 45,479	\$ 8,692	23.6%	Printing Paper & Supplies	\$ 46,200	\$ 721	1.6%
\$ 76,175	\$ 85,086	\$ 8,911	11.7%	Communications & Publications	\$ 100,250	\$ 15,164	17.8%
\$ 112,962	\$ 130,565	\$ 17,603	15.6%	Printing & Publications	\$ 146,450	\$ 15,885	12.2%
\$ 888,091	\$ 1,018,294	\$ 130,203	14.7%	<b>COMMUNICATIONS</b>	\$ 1,015,710	\$ (2,584)	-0.3%



## POSTAGE

- The **Postage** budget increased due to two Retirement Board elections and an increase in the cost of postage.

## TELECOMMUNICATIONS

- The **Telecommunications** budget reflects monthly services for websites, point-to-point connection, hybrid work environment video/audio communication resources and webhosting. A savings was realized from the decommissioning of the business continuity site.

## MEMBER/EMPLOYER EDUCATION

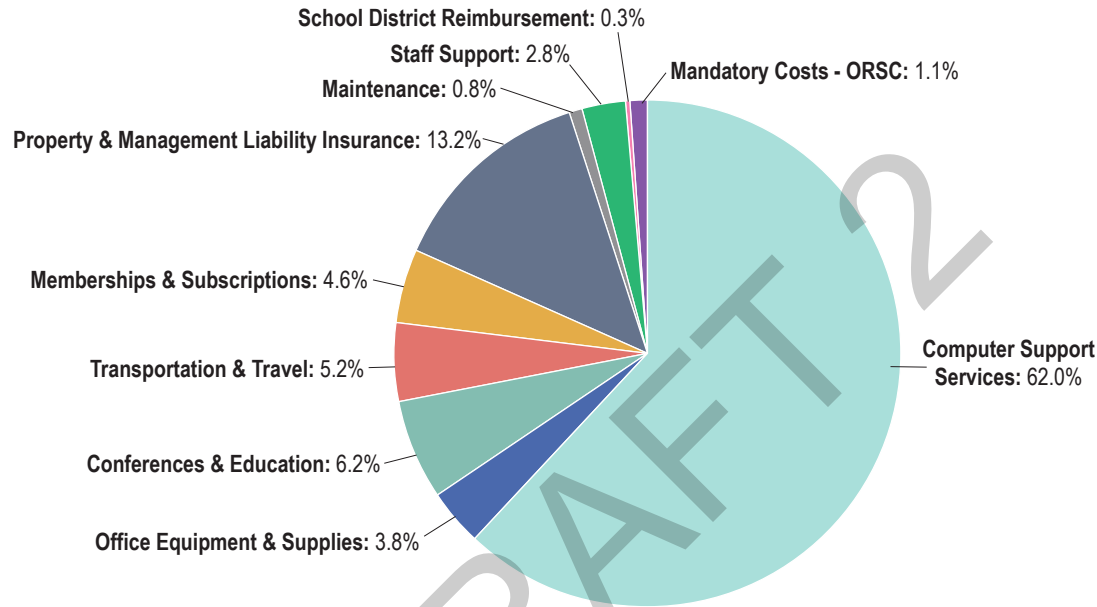
- SERS continues to maintain its outstanding service to members and retirees and plans to continue in-person meetings, conducting membership meetings in school facilities, and remaining in partnership with organizations that benefit SERS' member population. Member Services and Health Care plan to conduct in-house counseling, remote sessions, and virtual open enrollment conferences based upon need and membership requests. In FY2024, Member Services plans to continue to offer retirement conferences and counseling sessions virtually in response to positive member feedback and outreach Employer Services will continue to provide outreach services and group training for the member benefits system in-person and virtually.

## PRINTING & PUBLICATIONS

- This category includes the costs of paper and supplies, and large-quantity specific outsourced printing jobs. The Print Shop continually increases SERS' internal printing capabilities by producing items such as the *Open Enrollment Guide* booklets, *Member Benefit* and *Disability Guides*, and member benefit statements.

# OTHER OPERATING EXPENSE FY2024 BUDGET

## Other Operating Expense FY2024 Budget



Other Operating Expense	FY2024
Computer Support Services	\$ 2,737,127
Office Equipment & Supplies	\$ 167,803
Conferences & Education	\$ 274,586
Transportation & Travel	\$ 228,602
Memberships & Subscriptions	\$ 203,794
Property & Management Liability Insurance	\$ 582,403
Maintenance	\$ 36,225
Staff Support	\$ 122,462
School District Reimbursement	\$ 12,540
Mandatory Costs- ORSC	\$ 48,400
Reimbursement of Leased Services	\$ (305,000)
<b>Total</b>	<b>\$ 4,108,942</b>

## OTHER OPERATING EXPENSE

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 70,556	\$ 129,361	\$ 58,805	83.3%	Hardware Maintenance	\$ 197,000	\$ 67,639	52.3%
\$ 1,064,585	\$ 968,853	\$ (95,732)	-9.0%	Software Maintenance	\$ 1,047,108	\$ 78,255	8.1%
\$ 910,372	\$ 1,100,323	\$ 189,951	20.9%	Software Subscriptions	\$ 1,444,815	\$ 344,492	31.3%
\$ 143,918	\$ 63,722	\$ (80,196)	-55.7%	Hardware < \$ 5,000	\$ 33,204	\$ (30,518)	-47.9%
\$ 7,260	\$ 5,991	\$ (1,269)	-17.5%	Software < \$ 25,000	\$ 15,000	\$ 9,009	150.4%
\$ 2,196,691	\$ 2,268,250	\$ 71,559	3.3%	<b>Computer Support Services</b>	\$ 2,737,127	\$ 468,877	20.7%
\$ 144,011	\$ 159,279	\$ 15,268	10.6%	<b>Office Equipment &amp; Supplies</b>	\$ 167,803	\$ 8,524	5.4%
\$ 80,913	\$ 149,956	\$ 69,043	85.3%	<b>Conferences &amp; Education</b>	\$ 274,586	\$ 124,630	83.1%
\$ 93,982	\$ 163,321	\$ 69,339	73.8%	<b>Transportation &amp; Travel</b>	\$ 228,602	\$ 65,281	40.0%
\$ 163,090	\$ 191,462	\$ 28,372	17.4%	<b>Memberships &amp; Subscriptions</b>	\$ 203,794	\$ 12,332	6.4%
\$ 443,027	\$ 519,591	\$ 76,564	17.3%	<b>Property &amp; Management Liability Insurance</b>	\$ 582,403	\$ 62,812	12.1%
\$ 66,998	\$ 55,847	\$ (11,151)	-16.6%	<b>Maintenance</b>	\$ 36,225	\$ (19,622)	-35.1%
\$ 106,445	\$ 117,185	\$ 10,740	10.1%	<b>Staff Support</b>	\$ 122,462	\$ 5,277	4.5%
\$ 6,105	\$ 8,229	\$ 2,124	34.8%	<b>School District Reimbursement</b>	\$ 12,540	\$ 4,311	52.4%
\$ 38,403	\$ 48,387	\$ 9,984	26.0%	<b>Mandatory Costs- ORSC</b>	\$ 48,400	\$ 13	0.0%
\$ (305,000)	\$ (305,000)	\$ (0)	0.0%	<b>Reimbursement from OSERS Broad Street, LLC, for Leased Services</b>	\$ (305,000)	\$ 0	0.0%
\$ 3,034,665	\$ 3,376,507	\$ 341,842	11.3%	<b>OTHER OPERATING EXPENSE</b>	\$ 4,108,942	\$ 732,435	21.7%

### COMPUTER SUPPORT SERVICES

- The **Hardware Maintenance** category contains annual maintenance contracts to support SERS' computer servers.
- The **Software Maintenance** account includes licenses to use specific software products. SERS maintains a master list of these licenses, which is reviewed each year as part of the budgeting process.
- **Software Subscriptions** cover software used by SERS that is provided as a service and hosted locally on SERS servers. Annual renewed subscriptions include the Human Resources management system, ServiceNow, comprehensive Microsoft product license, member benefits system performance and stress testing, conferencing services, financial and investment accounting system, and tools, ERM risk repository, USPS data feeds, media and publishing licenses, security compliance, e-Discovery litigation services, a transition to monthly phone services, a software as a service model for disaster recovery and cloud storage for system back-ups.

- The FY2024 **Hardware less than 5,000** account is comprised of routine maintenance and repair and unplanned hardware needs that may arise throughout the fiscal year.
- The **Software less than 25,000** category includes routine software purchases and unplanned software needs that may arise throughout the fiscal year.

### OFFICE EQUIPMENT & SUPPLIES

- The majority of this category consists of equipment repairs and maintenance. Furniture and office supplies are purchased to meet staff needs.

### CONFERENCES & EDUCATION

- This category includes both staff and Board training. This includes out-of-state conferences, courses included in the Learning Management System within the ADP platform, and continuing education for professional designations.

## OTHER OPERATING EXPENSE, CONTINUED

### **TRANSPORTATION & TRAVEL**

- Travel costs are associated with both in-state and out-of-state conferences, and due diligence trips to current and prospective investment managers. Whenever possible, staff access training either virtually or via teleconferences instead of travel and combine trips.

### **MEMBERSHIPS & SUBSCRIPTIONS**

- SERS holds memberships in several national organizations that advocate and educate on issues that affect our members and retirees. The major organizations are:
  - Coalition to Preserve Retirement Security
  - Council of Institutional Investors
  - International Foundation of Employee Benefit Plans (IFEBP)
  - National Association of State Retirement Administrators
  - National Council for Real Estate Investment Fiduciaries
  - Professional Resources in Information Systems Management (PRISM)
  - Public Pension Financial Forum
  - Public Sector HealthCare Roundtable
  - State and Local Government Benefits Association
- In addition to attending conferences and receiving publications from these organizations, SERS' staff serves on the boards of some of these industry organizations.

### **PROPERTY & FIDUCIARY INSURANCE**

- SERS' insurance policies cover fiduciary liability, directors and officers liability, crime, cyber liability, auto and property and general liability.

### **MAINTENANCE**

- The category is comprised of rent and other expenses for the Business Continuity Hot Site, interior plants maintenance, and SERS' vehicle maintenance.

### **STAFF SUPPORT**

- Staff Support includes kitchen supplies, cleaning supplies, and first-aid items. This account also includes SERS' staff wellness program, employee assistance program, innovation awards, the administrative expenses associated with employee flexible spending accounts (health and dependent care), employee recruitment and onboarding, and cellular phone reimbursement.

### **BOARD MEMBER REIMBURSEMENT**

- Employers of SERS' Board may receive reimbursement for compensation paid while Board Members attend to Board business.

### **MANDATORY COSTS - ORSC**

- The five Ohio retirement systems are required to pay a proportionate share of the Ohio Retirement Study Council's (ORSC) expenses based on their respective assets under management.

### **REIMBURSEMENT FROM OSERS BROAD STREET, LLC, FOR LEASED SERVICES**

- SERS' Administrative Services staff provides building management services to OSERS Broad Street. To allow OSERS Broad Street expenses to reflect the value of these services and to pass the proportionate costs to tenants, OSERS Broad Street pays a monthly fee to SERS for the use of these services. This amount is accounted for under Facilities Expense in SERS' Annual Financial Report.

# ADMINISTRATIVE CAPITAL

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget-FY23 Forecast Difference	Change % (+/-)
\$ 132,502	\$ 54,109	\$ (78,393)	-59.2%	Computer Hardware > \$ 5,000	\$ -	\$ (54,109)	-100.0%
\$ -	\$ -	\$ -	0.0%	Computer Software > \$ 25,000	\$ -	\$ -	0%
<b>\$ 132,502</b>	<b>\$ 54,109</b>	<b>\$ (78,393)</b>	<b>-59.2%</b>	<b>CAPITAL</b>	<b>\$ -</b>	<b>\$ (54,109)</b>	<b>-100.0%</b>

- There is no Administrative Capital planned for FY2024.

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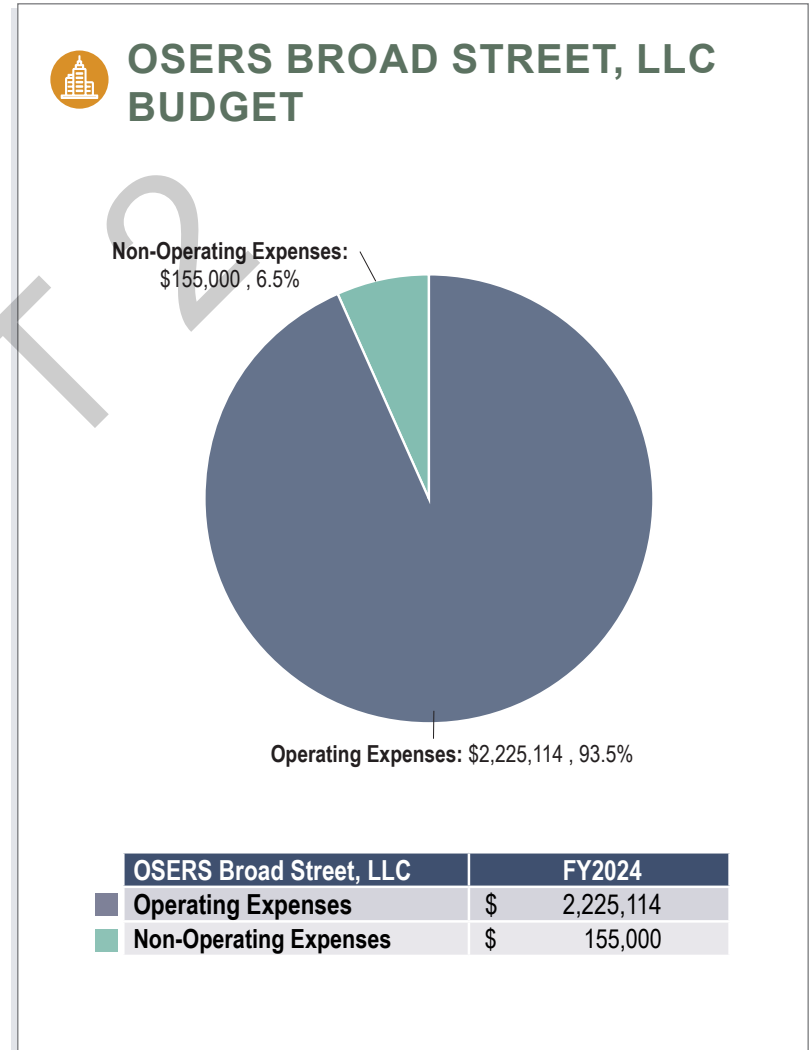


# OSERS BROAD STREET, LLC AND OSERS HOLDINGS, LLC BUDGET



# BUILDING OCCUPANCY BUDGET / OSERS HOLDINGS, LLC

- OSERS Holdings is a limited liability company set up to own and oversee the property of its subsidiary, OSERS Broad Street, LLC, which holds the title to and operates 300 East Broad Street, a class “A” office building with 168,632 square feet of rentable space. SERS occupies 71.1% of the rentable space (119,823 square feet).
- SERS does not pay rent to OSERS Broad Street, LLC; however, net expenses and operating capital in excess of rental income are funded by SERS upon request from OSERS.
- The Board of Directors of SERS Broad Street, LLC, requests operating contributions from SERS to cover the OSERS Broad Street, LLC, Operating Budget, not to exceed \$1,697,957.
- Net building occupancy is \$1,392,957 after deducting budgeted operating revenue and reimbursement of leased services.



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## OSERS BROAD STREET, LLC

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget- FY23 Forecast Difference	Change % (+/-)
\$ 750,589	\$ 438,376	\$ (312,213)	-41.6%	Suite Leases	\$ 506,057	\$ 67,681	15.4%
\$ 181,276	\$ 213,620	\$ 32,344	17.8%	Parking	\$ 206,100	\$ (7,520)	-3.5%
\$ 74,281	\$ 30,807	\$ (43,474)	-58.5%	Miscellaneous	\$ -	\$ (30,807)	-100.0%
<b>\$ 1,006,146</b>	<b>\$ 682,803</b>	<b>\$ (323,343)</b>	<b>-32.1%</b>	<b>Operating Revenue</b>	<b>\$ 712,157</b>	<b>\$ 29,354</b>	<b>4.3%</b>
\$ 305,000	\$ 305,000	\$ 0	0.0%	Property Management & Labor	\$ 305,000	\$ (0)	0.0%
\$ 15,111	\$ 6,486	\$ (8,625)	-57.1%	Other Administrative Expenses	\$ 6,825	\$ 339	5.2%
\$ 999,440	\$ 1,035,137	\$ 35,697	3.6%	Building Operations & Maintenance	\$ 1,129,299	\$ 94,162	9.1%
\$ 367,701	\$ 363,595	\$ (4,106)	-1.1%	Utilities	\$ 408,940	\$ 45,345	12.5%
\$ 84,975	\$ 71,396	\$ (13,579)	-16.0%	Building/ Equipment Insurance	\$ 87,000	\$ 15,604	21.9%
\$ 286,835	\$ 302,118	\$ 15,283	5.3%	Real Estate Taxes	\$ 288,050	\$ (14,068)	-4.7%
<b>\$ 2,059,062</b>	<b>\$ 2,083,732</b>	<b>\$ 24,670</b>	<b>1.2%</b>	<b>Operating Expenses</b>	<b>\$ 2,225,114</b>	<b>\$ 141,382</b>	<b>6.8%</b>
\$ -	\$ 12,000	\$ 12,000	0.0%	Lease Commission Fees	\$ -	\$ (12,000)	-100.0%
\$ 27,040	\$ 4,994	\$ (22,046)	-81.5%	Special Counsel & Other Fees	\$ 5,000	\$ 6	0.1%
\$ 25,110	\$ 2,950	\$ (22,160)	-88.3%	Remodeling for Tenants	\$ 150,000	\$ 147,050	4984.7%
<b>\$ 52,150</b>	<b>\$ 19,944</b>	<b>\$ (32,206)</b>	<b>-61.8%</b>	<b>Non-Operating Expenses</b>	<b>\$ 155,000</b>	<b>\$ 135,056</b>	<b>677.2%</b>
\$ -	\$ 275,000	\$ 275,000	0.0%	Capital Improvements	\$ 30,000	\$ (245,000)	-89.1%
<b>\$ -</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>0.0%</b>	<b>Capital Improvements</b>	<b>\$ 30,000</b>	<b>\$ (245,000)</b>	<b>-89.1%</b>
<b>\$ 1,105,066</b>	<b>\$ 1,695,873</b>	<b>\$ 590,807</b>	<b>53.5%</b>	<b>OSERS Broad Street, LLC Budget</b>	<b>\$ 1,697,957</b>	<b>\$ 2,084</b>	<b>0.1%</b>
\$ (305,000)	\$ (305,000)	\$ -	0.0%	Less Reimbursement to SERS for Leased Services	\$ (305,000)	\$ -	0.0%
<b>\$ 800,066</b>	<b>\$ 1,390,873</b>	<b>\$ 590,807</b>	<b>73.8%</b>	<b>Net Building Occupancy Expense</b>	<b>\$ 1,392,957</b>	<b>\$ 2,084</b>	<b>0.1%</b>



### OPERATING REVENUE

- **Suite Lease** revenue is based on contracted occupancy. **Parking** includes currently contracted tenant monthly parking and outside contracts. **Miscellaneous** includes contracted storage space rental for tenants and telecommunications.



### OPERATING EXPENSES

- **Property Management & Labor is a Reimbursement to SERS for Leased Services** - the services provided to OSERS Broad Street, LLC by SERS' Administrative Services staff. The amount is based on a service agreement between OSERS Broad Street, LLC and SERS, that sets the reimbursement to a fair, reasonable and consistent market value rate.
- The **Other Administrative Expenses** category includes expenses budgeted to run the facility administrative offices, including the costs of office supplies and banking fees.

- The **Building Operations & Maintenance** category includes maintenance, supplies needed for the upkeep of the facility and its public spaces, the cost of janitorial and building security services, and an emergency notification system for life safety.
- **Building/Equipment Insurance** includes some policies that are shared with SERS. The FY2024 budget is based on general market rates and an estimate of the replacement cost of the building. Real Estate Taxes are based on the rates and assessed commercial value published by the Franklin County Auditor.



### NON-OPERATING EXPENSES

- **Special Counsel** is budgeted for potential outside counsel needs regarding existing tenant lease agreements.
- **Remodeling** includes expense for tenant improvements, and new tenant renovations.

 **OSERS BROAD STREET, LLC CAPITAL IMPROVEMENTS**

FY2022 Actual	FY2023 Forecast	FY2023-FY2022 Difference	Change % (+/-)	Budget Category	FY2024 Budget	FY24 Budget- FY23 Forecast Difference	Change % (+/-)
\$ -	\$ 275,000.00	\$ 275,000	0.0%	CAPITAL IMPROVEMENTS	\$ 30,000	\$ (245,000)	-89.1%

 **CAPITAL IMPROVEMENTS**

- The **leasehold improvements** include continued upgrades to the floor lighting control panels.

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# FY2024

## FIVE YEAR TECHNOLOGY ROADMAP

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# FIVE YEAR TECHNOLOGY ROADMAP BUDGET

Description	Total 5-Year Plan	FY2023 Forecast	FY2023 Forecast % of Plan Spend	FY2024 Plan*	Total Projected Spend FY23-FY24	Remaining Roadmap Amount
Telecommunications	\$ 250,000	\$ 175,848	70.3%	\$ 206,491	\$ 382,339	\$ (132,339)
Security Stack	\$ 899,600	\$ 16,000	1.8%	\$ 248,200	\$ 264,200	\$ 635,400
Network Infrastructure Refresh	\$ 886,000	\$ 602,996	68.1%	\$ 465,100	\$ 1,068,096	\$ (182,096)
Hybrid Technology Replacement	\$ 419,000	\$ 121,253	28.9%	\$ 10,000	\$ 131,253	\$ 287,747
Server Infrastructure	\$ 1,216,700	\$ -	0.0%	\$ 127,000	\$ 127,000	\$ 1,089,700
Backup and Recovery	\$ 532,754	\$ 128,905	24.2%	\$ 117,500	\$ 246,405	\$ 286,349
SMART Portals	\$ 196,000	\$ -	0.0%	\$ 196,000	\$ 196,000	\$ -
SMART Framework	\$ 760,000	\$ 175,000	23.0%	\$ 510,000	\$ 685,000	\$ 75,000
SMART Enhancements	\$ 2,623,000	\$ 49,533	1.9%	\$ 855,000	\$ 904,533	\$ 1,718,467
SMART Business Tools	\$ 500,000	\$ 178,100	35.6%	\$ 250,000	\$ 428,100	\$ 71,900
<b>SMART TOTAL</b>	<b>\$ 4,079,000</b>	<b>\$ 402,633</b>	<b>9.9%</b>	<b>\$ 1,811,000</b>	<b>\$ 2,213,633</b>	<b>\$ 1,865,367</b>
<b>INFRASTRUCTURE TOTAL</b>	<b>\$ 4,204,054</b>	<b>\$ 1,045,002</b>	<b>24.9%</b>	<b>\$ 1,174,291</b>	<b>\$ 2,219,293</b>	<b>\$ 1,984,761</b>
<b>TOTAL BUDGET</b>	<b>\$ 8,283,054</b>	<b>\$ 1,447,635</b>	<b>17.5%</b>	<b>\$ 2,985,291</b>	<b>\$ 4,432,926</b>	<b>\$ 3,850,128</b>

\*Projects in FY24 include the continuation of projects from FY23 as well as new initiatives in FY24

## FIVE YEAR TECHNOLOGY ROADMAP BUDGET, CONTINUED

Technology plays an important and extensive role in delivering on the mission of the SERS. The Technology Enhancement Plan provides a framework of needed investments in Technology over the next five years. It is a series of well planned initiatives that will enhance SERS' digital capabilities around SMART, add expanded tools for operational efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, employers, and employees. This is not an considered as an operating

budget, but a framework of carefully planned annual projects that are in alignment with the SERS Strategic Plan goals with oversight by the SERS Technology Committee. The overall projects are intended to remain flexible/agile within the guardrails of SERS' strategic direction, while accommodating the fast pace of technology evolution so that our technology and operations continue to stay fresh and relevant as we support SERS' mission.

### SMART

- SERS Member and Retiree Tracking is the enterprise-wide integrated system that enables SERS staff to service all customers.

### SMART FRAMEWORK

- The technology and software layers underlying the Pension Administration Software. The Sagitec Framework includes the Sagitec Enterprise Application Management Services, the Sagitec Framework Services, and the .NET Foundation services as well as the development tool. The Sagitec Framework may sometimes be referred to as the "Neospin Framework." Included in the project budget are mandated upgrades.

### SMART PORTALS

- SERS SMART application has a portal for the Employers and a different portal for Members and Retirees. The portals allow SERS to put out Alerts and Messages specific to an Employer or Person.
- The Employer Self-Serve provides Employers with an effective, time-saving way to submit and view critical financial and employee information online. Employers can upload files for enrolling new Employees as well as submit Contribution Reporting files.
- Member Self-Serve is a resource for Member and Retirees to access and manage their account with SERS. Features available include reviewing the account balance and service credit, creating estimates, completing applications for Service and Disability benefits, and updating personal information such as address, beneficiary, direct deposit and tax withholding. Members and Retirees can also review documents like Monthly Pay Statement, Member Annual Statements, and Tax Documents.

### SMART ENHANCEMENT

- SMART Enhancement is a category to expand the features of the core business application. Exploring the next phase of SMART's evolution. The enhancements are the product of SERS re-imagining and re-engineering the SMART functionality to assist staff to provide better support to Employers and Members and Retirees. The goal is to preserve and enrich high touch engagement and outcomes.

### BUSINESS TOOLS

- Included in this category are applications to improve the effectiveness and efficiency of

financial processes: Replacement of the financial software to a software-as-a-service cloud solution and a reconciliation tool to gain efficiencies in the reconciliation process.

### TELECOMMUNICATIONS

- Refers to the technology supporting voice and other multi-modal communications, including fax, web chat and web conferencing. The modern phone system consists of software and hardware and physical connections to a phone service provider via fiber or copper trunks.

### SECURITY STACK

- Security is an integrated set of services and cyber security tools used to protect the hardware, systems and data on SERS network. It includes both physical appliances such as a perimeter firewall and software appliances to scan documents for potential threats.

### NETWORK INFRASTRUCTURE

- Refers to the hardware, software and wiring that provides a physical or wireless connection to the network and keeps the network running, allowing devices to communicate with each other and the outside world via the internet.

### HYBRID TECHNOLOGY REPLACEMENT

- Technology deployed for end-users to support the hybrid work model at SERS, including laptops that can be used when working on-site or remote and conference room equipment for improved virtual meeting experiences.

### SERVER INFRASTRUCTURE

- Servers are comprised of hardware and software, on-site or in the cloud that provide functionality for multiple programs or clients to perform work. Examples of typical servers are web, application, database, and file servers.

### BACKUP AND RECOVERY

- Technology used to create multi-level backups of SERS data in compliance with information governance retention policies and support business continuity of critical processes in the event of a catastrophic failure of the onsite network and server infrastructure. Examples include Disaster Recovery as a Service or DRaaS and cloud storage of data backed up daily.

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**School Employees Retirement System of Ohio**  
300 E. Broad St., Suite 100, Columbus, Ohio, 43215  
Toll-Free 800-878-5853 | [www.ohsers.org](http://www.ohsers.org)

# Memo

To: Retirement Board  
From: SERS Legal Department  
CC: Richard Stensrud  
Date: June 2, 2023  
Re: Administrative Rules

One category of resolutions on Administrative Rules are on the June Board Agenda.

**I. Approval to file with JCARR the following proposed amended rules:**

- **3309-1-18 Payment of contributions.**

This rule addresses contribution and surcharge payments. The proposed amendments to paragraphs (B), (D), and (H) change the point of reference for deadlines regarding the payment of contributions from the date the payment was remitted to the date SERS receives the payment. An amendment to paragraph (C) reflects that reports are now posted online to eSERS (a secure intranet site for use by SERS employers). Amendments to paragraphs (E) and (G) reflect changes to the payment of state operating funds to community schools and science, technology, engineering, and mathematics (STEM) schools enacted by the 134<sup>th</sup> General Assembly in HB 110. For SERS purposes the changes were not substantive; however, changes to statute citations necessitate conforming amendments in the rule.

- **3309-1-04 Election of retirement board members.**

This rule specifies the process for conducting retirement board elections. The proposed amendments permit SERS to provide nominating petitions in an electronic format in addition to paper. The amendments expressly permit the use of electronic signatures for the electronic petitions. In order for this rule to be effective in time for August collection of signatures, Legal is requesting to file this rule as an emergency rule.

Please call Susan Russell at 614-222-5809 or Dawn Viggiano at 614-222-5924 if you have any questions before the meeting.

## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule as an emergency and regular rule: 3309-1-04 Election of retirement board members.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed amended rule 3309-1-04 be filed with JCARR as an emergency and regular rule as discussed.

### **3309-1-04 Election of retirement board members.**

- (A) The school employees retirement board shall conduct elections in accordance with Chapter 3309. of the Revised Code and this rule.
- (B) Notifications
  - (1) At a regular meeting of the retirement board but no later than July in the fiscal year in which an election of members to the board is required, the retirement board shall establish an election time schedule.
  - (2) This schedule shall include, a statement of the requirements for nomination by petition, the date after which nominating petitions shall be available, the final date for receipt of completed nominating petitions, the final date for receipt of completed election ballots being the first Monday in March, and the date and place for the election count to be conducted under the supervision of judges as designated in paragraph (D) of this rule.
- (C) Nominations
  - (1) Candidates for board members shall be nominated by petition on forms provided by the school employees retirement system. Petitions shall be made available in paper and electronic format. Electronic signatures shall be permitted.
  - (2)
    - (a) Not later than the last business day of September in the fiscal year in which an election is held for an employee member, notice of election posters shall be sent to employers and petitions and required forms shall be available to members.
    - (b) Any member, except a member receiving a disability benefit pursuant to section 3309.40 or 3309.401 of the Revised Code, who is not otherwise ineligible under Chapter 3309. of the Revised Code, may be nominated for election as an employee member of the board by petitions that contain at least five hundred valid nominating signatures with not less than twenty signatures of members from each of at least ten different counties in Ohio. In order for a nominating signature to be valid, the member must be actively contributing to SERS and their SERS ID or last four digits of their social security number and the name of their school employer and the county in which the employer is located must be provided. The member's place of employment shall determine the county for such member.
  - (3)



- (a) Not later than the last business day of September in the fiscal year in which an election is held for a retirant member, a notice of election shall be sent to retirants at their home addresses of record and petitions and required forms shall be available to retirants.
- (b) Any retirant, who is not otherwise ineligible under Chapter 3309. of the Revised Code, may be nominated for election as a retirant member by petitions which contain at least one hundred fifty valid nominating signatures, with not less than ten signatures of retirants from each of at least five different counties in Ohio. In order for a nominating signature to be valid, the retirant's SERS ID or last four digits of their social security number, their home address and county must be provided. The retirant's place of residence shall determine the county of such retirant.

(4)

- (a) Petitions and completed required forms for a candidate must be received by the system by the petition filing date established by the retirement board pursuant to paragraph (B) of this rule to be valid.
- (b) Petition signatures and candidate eligibility shall be verified based on records of the retirement system and the requirements of Chapter 3309. of the Revised Code. Signatures that cannot be conclusively verified shall not be counted.
- (c) The names of qualified candidates shall be certified by a director of the retirement system and shall be subject to review and audit by the secretary of state. A qualified candidate is one who meets the requirements of Chapter 3309. of the Revised Code. In the event that there is a discrepancy between the certification by the officer of the retirement system and the results of the review and audit by the secretary of state, the determination of the secretary of state shall control and be final.
- (d) Based on the final certification, the names of qualified candidates shall be placed on the ballot for election. Each ballot shall also include a space for a write-in candidate.

(D) Voting

- (1) The retirement board may conduct an election by paper ballots or through electronic methods.

(2)

- (a) Voting materials for each voting member or retirant of the retirement system shall include a list of candidates, information on each candidate, voting instructions, and any other materials the retirement board deems necessary.
- (b) Voting materials shall be sent to eligible members or retirants no later than the last business day in January in an election year at the address on file with the retirement system.

(3)

- (a) For any election requiring a vote by members, the retirement board shall distribute ballots for such election to all members whose accounts have had contributions posted within the eighteen month period immediately preceding the month in which ballots are distributed; and
  - (b) To members whose accounts have not had contributions posted within the eighteen month period immediately preceding the month in which ballots are scheduled to be distributed, upon the members written request for a ballot.
- (4) The election count shall be monitored by a panel of judges consisting of representatives of the secretary of state and the attorney general. The representative of the secretary of state shall be the chief judge. If a representative from such offices is not available, a representative of the retirement system's independent auditor and/or the auditor of state may be substituted. If a representative of the secretary of state is not available, the chief judge, in order of precedence, shall be the representative of the attorney general, the representative of the auditor of state, or the representative of the retirement system's independent auditor.
- (5) If the ballot count results in a tie vote, the election shall be determined by a coin toss conducted by the judges with "heads" being assigned to the candidate whose last name is first alphabetically and "tails" assigned to the other candidate.
- (6) If a candidate is elected by a margin of less than one percent of the votes cast, a recount will automatically be conducted.
- (7) The chief judge shall provide a certification of the election results signed by all judges. The election results shall be submitted to the retirement board for its approval at the first regular retirement board meeting that is not less than thirty-one calendar days after certification of the results of the election.
- (8) Within thirty calendar days after the certification of the election count, an unsuccessful candidate may request a recount in writing to the retirement board together with a check payable to the retirement system for the costs of the recount in the amount of one hundred dollars; provided however, if the recount results in the requesting candidate winning the election, the cost shall be refunded.

(E) Vacancies

- (1) When an election is held to fill the vacant term of an elected member of the board, the election shall be held pursuant to paragraph (E) of this rule.
- (2) The retirement board by majority vote of the board shall declare the seat vacant and establish a board-meeting schedule to nominate, interview and select a successor member to fill the position.
- (3) The retirement board shall provide notice of the vacancy and the procedure and forms required to be considered as a qualified candidate to fill the vacancy.
  - (a) Candidates shall qualify under the same eligibility requirements as the predecessor in office.
  - (b) The names of qualified candidates shall be certified by a director of the

retirement system and shall be subject to review and audit by the secretary of state. In the event that there is a discrepancy between the certification by the officer of the retirement system and the results of the review and audit by the secretary of state, the determination of the secretary of state shall control and be final.

- (4) At a public board meeting, each board member may nominate one candidate to fill the vacancy.
  - (5) The board members shall interview the nominated candidates.
  - (6) A successor member shall be elected from the list of candidates by a majority vote of the retirement board in a public meeting as follows:
    - (a) Two successive votes shall occur in order for one candidate to receive a majority. If no candidate receives a majority, successive votes shall continue with the candidate receiving the least number of votes eliminated after each vote until one candidate receives a majority vote of the board or until only two candidates remain.
    - (b) In the event no candidate receives a majority vote and two candidates remain, one final vote shall occur. If neither candidate receives a majority vote, the winner shall be decided by a coin toss conducted by the election judge with "heads" assigned to the candidate whose last name is first in alphabetical order and "tails" to the other candidate.
  - (7) The election shall be monitored by a representative of the secretary of state, or if unavailable, by a representative of the attorney general, who shall serve as election judge and certify the results of the election.
  - (8) All documents regarding filling the vacancy, including resumes and forms required by the retirement system, shall be made available to any person upon request and payment of the cost of compiling, copying and mailing the documents.
- (F) An employee member of the board who retires while a member of the board shall be eligible to become a retirant member of the board when three years have elapsed from the member's effective date of retirement and the date of the scheduled election for the retirant member seat. An employee member of the board retires while a member of the board when the member served on the board in the month immediately preceding the member's effective date of retirement.

History: 4/30/23, 4/10/14, 1/7/13, 4/3/09, 8/10/07, 12/2/04  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.05, 3309.06, 3309.07, 3309.071, 3309.075, 3309.22  
Review Date: 2/1/28

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-18 Payment of contributions.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed amended rule 3309-1-18 be filed with JCARR as discussed.

### **3309-1-18 Payment of contributions.**

(A) For purposes of this rule:

- (1) "Employer" has the same meaning as in section 3309.01 of the Revised Code.
- (2) "Contribution report" means payroll data for each pay date that has been cleared of any errors or warnings.
- (3) "Surcharge" means the employer minimum compensation contribution amount determined pursuant to section 3309.491 of the Revised Code.

(B) Payments due under section 3309.47 of the Revised Code shall be ~~remitted to~~ received by the school employees retirement system by the fifth business day following the pay date.

(C) Contribution reports shall be posted online with ~~submitted to~~ the retirement system by the fifth business day following the pay date.

(D) Payments due under section 3309.51 of the Revised Code and paid by an employer directly to the employers' trust fund shall be ~~remitted~~ received by the retirement system by the fifth business day following the pay date.

(E) Payments due to the employers' trust fund pursuant to section 3309.51 of the Revised Code and received from the amounts allocated under Chapter 3317. of the Revised Code, ~~section 3314.08 of the Revised Code, and section 3326.33 of the Revised Code~~ shall be remitted each month and attributed to that month.

(F) Annually, the retirement system shall issue a final school year statement that reconciles the estimated employer payments received with the employer payments owed. Within thirty days of the statement's issuance, the employer shall directly pay to the employers' trust fund any balance owed, or the retirement system shall directly refund to the employer any overpayments made. The retirement system shall not issue a refund to an employer whose reports or payments are delinquent.

(G) Surcharge payments due to the employers' trust fund shall be collected in one of the following ways:

- (1) An employer who chooses direct pay or an employer who does not receive amounts allocated under Chapter 3317 of the Revised Code ~~section 3314.08 or 3326.33 of the Revised Code may choose to shall~~ pay its surcharge directly to the employers' trust fund. ~~An employer who chooses this option must pay its surcharge~~ within thirty days after receipt of the certified amount due from the retirement system.
- (2) For those employers who do not choose the direct pay option under paragraph (G)(1) of this rule, as well as science, technology, engineering, and mathematics schools and community schools~~employers who receive amounts allocated under section 3314.08 or 3326.33 of the Revised Code~~, the retirement system shall include surcharge payments in the estimated payments certified to the superintendent of public instruction pursuant to section 3309.51 of the Revised Code.
- (H) For any payments made pursuant to paragraphs (B), (D), (F) and (G)(1) of this rule, payment remittance information shall be submitted in the manner specified by the retirement system no later than the date the payment is ~~remitted~~ received by the retirement system.
- (I) The retirement system may extend a due date for an employer upon a finding that good cause has been shown.
- (J) For purposes of section 3309.571 of the Revised Code, "days" refers to "business days."
- (K) An employer shall repay the retirement system for any amounts paid by the retirement system as the result of employer errors in reporting or certifying information to the retirement system.

History: 9/30/21, 5/3/19, 5/15/17 2/27/17 (Emer.), 12/4/14, 1/7/13, 7/1/10  
 Promulgated Under: 111.15  
 Statutory Authority: 3309.04  
 Rule Amplifies: 3309.47, 3309.49, 3309.491, 3309.51, 3309.55, 3309.571  
 Review Date: 2/1/24

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____

Barbra Phillips  
James Rossler  
Daniel Wilson  
Jeffrey DeLeone

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# Memo

**To:** SERS Retirement Board

**From:** SERS Legal

**Date:** June 5, 2023

**Re:** Definition of Compensation

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In anticipation of SERS' Contribution Based Benefit Cap (CBBC) legislation being enacted this year and wanting to report back to the Board following the May 5, 2023, annual SERS/OASBO meeting, Legal will facilitate further discussion regarding SERS' definition of compensation.

Attached to this memo are the statutory definition of compensation and the administrative rule supplemental definition of compensation, as well as the Definition of Compensation Power Point presentation from the February 2023 Board Meeting.



## **Sec. 3309.01 Definitions.**

As used in this chapter:

\*\*\*

(V)(1) Except as otherwise provided in this division, "compensation" means all salary, wages, and other earnings paid to a contributor by reason of employment. The salary, wages, and other earnings shall be determined prior to determination of the amount required to be contributed to the employees' savings fund under section 3309.47 of the Revised Code and without regard to whether any of the salary, wages, or other earnings are treated as deferred income for federal income tax purposes.

(2) Compensation does not include any of the following:

(a) Payments for accrued but unused sick leave or personal leave, including payments made under a plan established pursuant to section 124.39 of the Revised Code or any other plan established by the employer;

(b) Payments made for accrued but unused vacation leave, including payments made pursuant to section 124.13 of the Revised Code or a plan established by the employer;

(c) Payments made for vacation pay covering concurrent periods for which other salary or compensation is also paid or during which benefits are paid under this chapter;

(d) Amounts paid by the employer to provide life insurance, sickness, accident, endowment, health, medical, hospital, dental, or surgical coverage, or other insurance for the contributor or the contributor's family, or amounts paid by the employer to the contributor in lieu of providing the insurance;

(e) Incidental benefits, including lodging, food, laundry, parking, or services furnished by the employer, use of the employer's property or equipment, and reimbursement for job-related expenses authorized by the employer, including moving and travel expenses and expenses related to professional development;

(f) Payments made to or on behalf of a contributor that are in excess of the annual compensation that may be taken into account by the retirement system under division (a)(17) of section 401 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 401(a)(17), as amended. For a contributor who first establishes membership before July 1, 1996, the annual compensation that may be taken into account by the retirement system shall be determined under division (d)(3) of section 13212 of the "Omnibus Budget Reconciliation Act of 1993," Pub. L. No. 103-66, 107 Stat. 472;

(g) Payments made under division (B), (C), or (E) of section 5923.05 of the Revised Code, Section 4 of Substitute Senate Bill No. 3 of the 119th general assembly, Section

3 of Amended Substitute Senate Bill No. 164 of the 124th general assembly, or Amended Substitute House Bill No. 405 of the 124th general assembly;

(h) Anything of value received by the contributor that is based on or attributable to retirement or an agreement to retire, except that payments made on or before January 1, 1989, that are based on or attributable to an agreement to retire shall be included in compensation if both of the following apply:

(i) The payments are made in accordance with contract provisions that were in effect prior to January 1, 1986.

(ii) The employer pays the retirement system an amount specified by the retirement board equal to the additional liability from the payments.

(3) The retirement board shall determine by rule whether any form of earnings not enumerated in this division is to be included in compensation, and its decision shall be final.

**3309-1-02      Definition of compensation.**

- (A) This rule amplifies and is in addition to the provisions of division (V) of section 3309.01 of the Revised Code.
- (B) Except as otherwise provided by division (V) of section 3309.01 of the Revised Code, the following payments made by an employer are not "compensation."
  - (1) Payments made by the employer for accrued but unused compensatory time for overtime worked;
  - (2) One-time and/or lump-sum payments made by the employer to an employee where such payments are not based upon the employee's standard rate of pay or identified in paragraph (C) of this rule;
  - (3) Retroactive payments or pay increases made or granted by the employer in whole or in part in consideration of retirement or an agreement to retire; and
  - (4) Any terminal payments or other additional remuneration paid by the employer in consideration of retirement or an agreement to retire.
- (C) The following payments made by an employer shall be "compensation":
  - (1) Payments on behalf of the contributor to an eligible retirement plan as defined in section 402(c)(8) of the Internal Revenue Code of 1986, 26 U.S.C. 402(c)(8).
  - (2) Back wages awarded pursuant to a final order or final settlement award that reinstates the contributor to the contributor's former position, or comparable position, without interruption or loss of time.
  - (3) Effective January 1, 2009, differential wage payments as defined in section 3401(h)(2) of the Internal Revenue Code, 26 U.S.C. 3401(h)(2).
  - (4) Payments based on an employee's length of service.
  - (5) A one-time or lump sum payment by the employer that is paid in lieu of a salary or wage increase, to all persons in a class of employees, in the same dollar amount or same percentage of salary or wages, and in accordance with a written contractual agreement.
  - (6) A one-time or lump sum payment made by the employer for additional services rendered.
- (D)

- (1) Prior to remitting contributions on salary, wages or other earnings where there is a question on whether such payments or earnings are "compensation," the employer shall request in writing a determination by the retirement board.
- (2) The retirement board shall give the employer written notice of its determination.
- (3) If the employer fails to request a prior determination and the retirement board determines that the salary, wages or other earnings are not "compensation," then any contributions received on such salary, wages and other earnings shall be deemed unauthorized and shall be refunded.
- (4) If the employer fails to request a prior determination and the retirement board determines that the salary, wages, or other earnings are "compensation," then the retirement board may certify for collection pursuant to sections 3309.47 and 3309.51 of the Revised Code the amount of contributions not remitted.



# SERS Definition of Compensation Discussion

February 16, 2023

Retirement Board Meeting

# Why Now?



- Review alignment between definition of compensation and trends in school compensation practices
- 
- Review definition of compensation in light of the proposed Contribution Based Benefit Cap legislation

# Compensation: Why does it matter?



- Contributions are main source of funds that SERS invests
- Final Average Salary (FAS): The sum of the three highest years of compensation divided by three
- Compensation is used to calculate pensions
  - $(\text{Years of service credit}) \times 2.2\% \text{ of FAS} = \text{pension}$

# Compensation and Spiking



- Spiking defined:  
An increase in defined benefit pension benefits as a result of a FAS that is substantially larger than what would be expected from normal salary increases.
- Spiking is not necessarily the result of an intentional plan to game the system to obtain an enhanced pension.

## Anti-Spiking Tools Include:

- Number of years used to calculate FAS  
(SERS uses 3 years)
- Limit types of remuneration included in compensation  
(SERS' definition of compensation limits types of earnings other than salary and wages)
- Limit percent of compensation growth in FAS years  
(SERS does not do this)
- Contribution Based Benefit Cap  
(SERS is seeking legislation for this)



# Contribution Based Benefit Cap



CBBC will set a limit as to how much greater a member's formula benefit can be from an annuity based on the member's contributions.

## How CBBC Will Operate:

- A member's capped benefit will be calculated by multiplying an annuity based on the member's contributions by the formula factor approved by the Retirement Board.
- A member's pension will be the lower of the formula benefit or the capped benefit.

# Compensation - Definition

COMMITMENT



R.C. 3309.01(V) Sets forth Statutory definition of compensation

- 1) Except as otherwise provided in this division, “compensation” means all salary, wages, and other earnings paid to a contributor by reason of employment. \*\*\*
- 2) Compensation does not include any of the following: \*\*\*
- 3) The retirement board shall determine by rule whether any form of earnings not enumerated in this division is to be included in compensation, \*\*\*”

# Compensation- Definition



Admin Rule 3309-1-02 (C) lists the six types of earnings - other than salary and wages and payments based on the employee's standard rate of pay - that are compensation:

- 1) Payments on behalf of contributor to an eligible retirement plan
- 2) Back wages awarded pursuant to a final court order or final settlement award
- 3) Differential wage payments
- 4) Payments based on an employee's length of service
- 5) A one-time or lump sum payment by the employer that is paid in lieu of a salary or wage increase, to all persons in a class of employees, in the same dollar amount or same percentage of salary or wages, and in accordance with a written contract
- 6) A one-time or lump sum payment made by the employer for additional services rendered.



# 2024 Premium and Plan Changes

June 15, 2023

**Christi Pepe**

Director Health Care Services



**School Employees Retirement System**  
*Serving the People Who Serve Our Schools®*

# Agenda

- Medicare Premiums & Benefit Changes
- Non-Medicare Premiums & Benefit Changes
- Marketplace Wraparound HRA
- Dental and Vision
- Premium Discount Program



# Medicare Premiums

- No change to Aetna Medicare premiums
  - Full premium remains \$198
  - Most frequently paid premium remains \$84
- Reduce Traditional Choice premiums to match actuary's recommendation
  - Full premium will be \$539



# Medicare Benefit Changes

	2023 Co-Pay	2024 Co-Pay
Specialist Office Visit	\$30	<b>\$20</b>

- Quarterly \$60 over-the-counter product benefit available through CVS pharmacies or order online or by phone
- Medicare prescription drug network transitions to Express Scripts' National Medicare Performance Network



# Non-Medicare Premiums

- No change to Aetna Choice premiums
  - Full premium remains \$1,524
  - Most frequently paid premium remains \$333
- AultCare premiums increasing by 4%
  - Full premium to \$1,149 from \$1,106
  - Most frequently paid premium will be \$258





# Non-Medicare Benefit Changes

	2023 Co-Pay	2024 Co-Pay
Primary Care Office Visit	\$20	<b>\$10</b>
Specialist Office Visit	\$40	<b>\$25</b>



## Wraparound HRA Benefit

- HRA federal reimbursement limit expanded to \$2,100 from \$1,950
- Expand reimbursement to any out-of-pocket expense for a Marketplace plan-covered service
- \$0 premium continues



# Dental and Vision Rates

<b>Delta Dental</b>	<b>2024-2025 Premiums</b>
Benefit Recipient	<b>\$30.37</b>
Benefit Recipient and one dependent	<b>\$60.74</b>
Benefit Recipient and two or more dependents	<b>\$91.35</b>

<b>VSP Vision</b>	<b>2024-2025 Premlums</b>
Benefit Recipient	<b>\$6.17</b>
Benefit Recipient and one dependent	<b>\$12.34</b>
Benefit Recipient and two or more dependents	<b>\$14.49</b>



# Premium Discount Program

- Eligibility for 25% premium reduction remains at or below 175% of the Federal Poverty Level



School Employees Retirement System  
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# Questions & Resolutions



School Employees Retirement System of Ohio  
*Serving the People Who Serve Ours Schools®*

# Memo

To: SERS Board  
From: Christi Pepe  
CC: Richard Stensrud, Executive Director, Karen Roggenkamp, Deputy Director,  
Joe Marotta, General Counsel  
Date: June 2, 2023  
Re: 2024 Health Care Program: Premium and Benefit Changes

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This memorandum summarizes the proposed changes to the health care program for 2024.

## **Medicare Premiums and Benefits**

1. No changes to the Aetna Medicare Advantage premium are proposed.
2. The Medicare prescription drug network will be transitioned to Express Scripts' National Medicare Performance Network.
3. Out-of-pocket Part D prescription drug expenses will not exceed the federally established limit for 2024.
4. The in-network specialist physician office visit copay will decrease to \$20 from \$30.
5. A quarterly \$60 over-the-counter product benefit available through CVS pharmacies or for home delivery will be provided as part of the Aetna Medicare Advantage plan.

## **Traditional Choice Premiums**

The Aetna Traditional Choice premium will be reduced to \$539 based on the actuary's recommendation.

### **Non-Medicare Premiums and Benefits**

1. The Aetna Choice POS II premium will remain the same.
2. Aetna Choice copayments for primary care and specialist office visits will be reduced from \$20 to \$10 and \$40 to \$25 respectively.
3. The AultCare premium will increase by approximately 4%.
4. The Wraparound HRA total annual reimbursement limit will increase to \$2,100.
5. Wraparound HRA reimbursement will be available for any out-of-pocket Marketplace covered service expense, eliminating current service category limitations.

### **Dental Plan**

The SERS dental benefit is offered by Delta Dental. The benefits are not changing for 2024. Dental premiums will increase to \$30.37 for a benefit recipient, \$60.74 with one dependent, and \$91.35 for a benefit recipient and two or more dependents for 2024. Premiums will be stable for the 2024 and 2025 two-year enrollment period.

### **Vision Plan**

SERS vision coverage is offered by VSP. The program is also fully supported by member premiums. Benefits are not changing for 2024. Vision premiums will remain unchanged for 2024. Premiums will be stable for the 2024 and 2025 two-year enrollment period.

**Approval of 2024 Health Care Premiums and Plan Design Changes**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve the 2024 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2024.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____



**APPENDIX A**  
**SERS HEALTH CARE 2024 PREMIUMS**

Fully Insured Plans		2023	2024		2023	2024		2023	2024
<b>Aetna Medicare PPO Plan</b>	17.5%	\$64	\$64	<b>Spouse</b>			<b>Children</b>	\$149	\$149
	20%	\$68	\$68						
	25%	\$76	\$76	80%	\$166	\$166	70%		
	50%	\$117	\$117	90%	\$182	\$182			
	100%	\$198	\$198	100%	\$198	\$198			
<b>Aetna Medicare Part B Only</b>	17.5%	\$127	\$127	<b>Spouse</b>			<b>Children</b>	N/A	N/A
	20%	\$140	\$140						
	25%	\$166	\$166	80%	\$166	\$166	70%		
	50%	\$297	\$297	90%	\$182	\$182			
	100%	\$558	\$558	100%	\$558	\$558			
<b>Aultcare PPO</b>	17.5%	\$222	\$230	<b>Spouse</b>			<b>Children</b>	\$167	\$173
	20%	\$249	\$258						
	25%	\$303	\$314	80%	\$720	\$747	70%		
	50%	\$571	\$592	90%	\$805	\$836			
	100%	\$1,106	\$1,149	100%	\$891	\$925			

Self-Insured Plans		2023	2024		2023	2024		2023	2024
<b>Aetna Choice POS II (non-Medicare)</b>	17.5%	\$296	\$296	<b>Spouse</b>			<b>Children</b>	\$296	\$296
	20%	\$333	\$333						
	25%	\$407	\$407	80%	\$989	\$989	70%		
	50%	\$780	\$780	90%	\$1,108	\$1,108			
	100%	\$1,524	\$1,524	100%	\$1,227	\$1,227			
<b>Aetna Traditional Choice (Medicare)</b>	17.5%	\$166	\$123	<b>Spouse</b>			<b>Children</b>	\$557	\$388
	20%	\$184	\$136						
	25%	\$222	\$161	80%	\$632	\$438	70%		
	50%	\$408	\$287	90%	\$706	\$489			
	100%	\$781	\$539	100%	\$781	\$539			

	2023	2024
Aetna Choice POS II Administrative Fee	\$25.85	\$25.85
Healthscope (Wrap HRA)	\$14.00	\$14.00

**Appendix B**  
**2024 Plan Design Changes**

**Plan Design Changes Effective 1/1/2024**

Wraparound HRA total annual limit will increase to \$2,100 from \$1,950 to match the 2024 limit established by the IRS.

Out-of-pocket expenses for Marketplace plan-covered services will be eligible for HRA reimbursement.

Medicare Part D Plan will transition to Express Scripts National Medicare Performance Network.

Out-of-pocket Part D prescription drug expenses will not exceed the federally established limit for 2024.

Aetna Medicare Advantage in-network specialist office visit copay will decrease to \$20 from \$30.

Aetna Medicare Advantage will include a \$60 quarterly over-the-counter product benefit through CVS pharmacies.

Aetna Choice POS II primary care office visit copay will decrease to \$10 from \$20.

Aetna Choice POS II specialty office visit copay will decrease to \$25 from \$40.

**Approval of 2024 and 2025 Dental and Vision Premiums**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve the 2024 and 2025 dental and vision premiums as described in Appendix A. The premiums are effective January 1, 2024.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**APPENDIX A  
DENTAL AND VISION PREMIUMS**

<b>2024-2025 Delta Dental Premium</b>	
<b>Benefit Recipient</b>	<b>\$30.37</b>
<b>Benefit Recipient and one dependent</b>	<b>\$60.74</b>
<b>Benefit Recipient and two or more dependents</b>	<b>\$91.35</b>

<b>2024-2025 Vision Premium</b>	
<b>Benefit Recipient</b>	<b>\$ 6.17</b>
<b>Benefit Recipient and one dependent</b>	<b>\$12.34</b>
<b>Benefit Recipient and two or more dependents</b>	<b>\$14.49</b>

# Memo

**To:** Retirement Board  
**From:** Christi Pepe  
**CC:** Richard Stensrud, Karen Roggenkamp, Joe Marotta  
**Date:** June 2, 2023  
**Re:** **Health Care Premium Discount Program (Safety Net) for 2024**

---

## Summary

During the Health Care presentation, you will have before you a resolution to approve the 2024 Health Care Premium Discount Program (Safety Net).

## Background

SERS introduced the Safety Net in 2004 as a means of providing health care premium relief to lower income benefit recipients. The premium discount is based on household size and income. Enrollees of the program are granted a 25% reduction of the health care premium. At the inception of the program, eligibility for the program was established using a household income threshold equal to 125% of the federal poverty level. The threshold was increased to 150% in 2022 and 175% in 2023. The Safety Net Program is brought before the Board for approval annually.

The Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare plan and to “split families” in which only one spouse is enrolled in SERS’ Aetna Medicare plan.

Eligibility for the Health Care Premium Discount Program during the 2024 calendar year will be based upon the applicant’s qualifying household income for calendar year 2022. Medicare Part B reimbursement is excluded from the definition of qualifying household income. In accordance with the Board’s approval in June 2022, enrollees who are determined eligible based on a manual application will no longer be required to reapply for the program each year, and instead will be presumed eligible in subsequent years.

For the 2024 Plan year, if the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2023 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS

premium subsidized by SERS. In 2024, a single person will qualify for a premium discount if their income is less than \$25,515.

SERS will continue automatic enrollment of SERS health care participants into the Premium Discount Program who have been approved by Medicare for the non-institutionalized Part D low- income subsidy.

**2024 HEALTH CARE PREMIUM DISCOUNT PROGRAM (SAFETY NET)**

The 2024 Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare Advantage plan and to “split families” in which only one spouse is enrolled in a SERS Medicare Advantage plan.

Eligibility for the Health Care Premium Discount Program during the 2024 calendar year will be based upon the applicant’s qualifying household income for calendar year 2022. Medicare Part B reimbursement is excluded from the definition of qualifying household income. Members who are determined eligible by manual application will be presumed to be eligible in subsequent years.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2023 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *more* than 175% of the 2023 federal poverty level for the household size, the applicant may request special consideration. Special consideration will be given to applicants providing written evidence satisfactory to SERS’ staff that a material change in the applicant’s financial circumstance subsequent to calendar year 2022 has caused the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, to become *less* than or equal to 175% of the 2023 federal poverty level for the household size.

Effective January 1, 2024, SERS health care participants approved by Medicare for the non-institutionalized Part D low-income subsidy program, which has similar household income eligibility requirements to the Premium Discount Program, will be automatically enrolled into the Premium Discount Program. Previously approved participants will continue to be enrolled for the program in 2024 without reapplication.

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve the 2024 Health Care Premium Discount Program.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

# Memo

**To:** SERS Retirement Board  
**From:** SERS Legal  
**CC:** Richard Stensrud, Karen Roggenkamp, Christi Pepe  
**Date:** June 2, 2023  
**Re:** Restated Health Care Plan and Trust

---

SERS' Health Care Plan and Trust ("HC Plan") was last restated in 2000. The attached proposed restated HC Plan, which would be effective July 1, 2023, is based on the 2000 HC Plan. The purpose of the proposed restated HC Plan is to update content that is no longer current. SERS Legal consulted with outside health care legal counsel at Calfee, Halter & Griswold in Cleveland to develop the proposed restated HC Plan.

A Health Care Plan is intended to outline the benefits, rights and obligations of participants and to provide the guidelines within which the Plan Administrator operates the Plan. To this end the SERS HC Plan describes eligibility, participation, contributions, benefits, and claims procedures. It also addresses compliance with federal and state law, coordination of benefits, subrogation and assignment, and administration matters.

The proposed restated HC Plan incorporates some content from health care plan documents as well as Ohio Revised Code Chapter 3309 and SERS administrative rules and sets forth additional content directly into the Plan to supplement the incorporated terms.

Please call Susan Russell with any advance questions at (614) 222-5809.



**ADOPTION OF RESTATED HEALTH CARE PLAN**

Legal Counsel discussed with the Retirement Board the “SERS Health Care Plan and Trust” restated July 1, 2023.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to adopt the “SERS Health Care Plan and Trust” restated July 1, 2023.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

# **School Employees Retirement System of Ohio**

## **Health Care Plan and Trust**

**Restated July 1, 2023**

School Employees Retirement System of Ohio  
Health Care Plan and Trust  
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## HEALTH CARE PLAN AND TRUST

### PREAMBLE

The School Employees Retirement System of Ohio Health Care Plan (the “Plan”) is hereby amended and restated effective as of July 1, 2023.

The Health Care Fund (“Fund”) established pursuant to Chapter 3309, Ohio Revised Code is a separate trust fund, established in compliance with Internal Revenue Code Section 105(e). The Fund is a separate and distinct trust fund administered by the School Employees Retirement System of Ohio (“SERS”) to provide health benefits directly or through insurance to retired employees and their spouses and dependents of Ohio public school employers. The Fund is funded by employer contributions to provide medical care as defined in Internal Revenue Code Section 213(d) to retirees and their spouses and dependents as defined herein. Additional funding consists of federal subsidies, investment income, and retiree premiums, copays, and deductibles.

The trustees of the Fund shall be the members of the School Employees Retirement Board (“Board”). The administration and management of the Plan and Fund are vested in the Board. The Board shall have full power to invest the assets of the Fund, to sue and be sued, plead and be impleaded, contract and be contracted with and to do all things necessary to carry out the Plan and administer the Fund.

On behalf of the school employers, SERS has adopted this Plan. This document supersedes any prior version of this Plan. In the event that the provisions of any Applicable Benefit Description or Applicable Contract (both as defined below) conflict with or contradict the provisions of this document, the Plan Administrator shall use its discretion to interpret the terms and purpose of the Plan, including the written terms and provisions of any Applicable Benefit Description or Applicable Contract, so as to resolve any conflict or contradiction.

The employees of SERS are authorized to act for the Board in accordance with the Plan, the policies and rules adopted by the Board, and as directed or approved by the Board.

### **ARTICLE I DEFINITIONS**

The following capitalized words and phrases when used in the text of the Plan shall have the meanings set forth below. Words in the masculine gender shall connote the feminine gender as well. Whenever any words are used in the singular form, they shall be construed as though they were used in the plural form in all cases where they would so apply.

**Section 1.1** Applicable Benefit Description means the benefit booklets, certificates of coverage, evidence of coverage, and any other similar document prepared for Participants which describe the Plan benefits, indemnity programs, preferred provider organizations, managed care programs, dental and vision programs, health

reimbursement arrangement, and prescription drug programs under which Participants may elect to receive benefits under this Plan for the coverage period of the program.

**Section 1.2** **Applicable Contract** means an agreement entered into between SERS and an organization in which the organization agrees to provide benefits, or administer the provision of benefits, under this Plan to Covered Persons.

**Section 1.3** **Board** refers to the Board of Trustees of SERS.

**Section 1.4** **Code** means the Internal Revenue Code as amended from time to time.

**Section 1.5** **Covered Person** means an Eligible Person and each of such Eligible Person's Eligible Dependents who are covered under this Plan. No other individual shall be a Covered Person under this Plan, except as may be specifically provided by the Plan Sponsor.

**Section 1.6** **Effective Date** of this amended and restated Plan means July 1, 2023.

**Section 1.7** **Eligible Dependent** means a person who is described in Section 2.2.

**Section 1.8** **Eligible Person** means a person who is described in Section 2.1.

**Section 1.9** **Employer** means an employer specified in 3309.01(A) of the Ohio Revised Code.

**Section 1.10** **Fund** means the Health Care Fund established pursuant to Chapter 3309 of Ohio Revised Code.

**Section 1.11** **Medicare** means the program of health care for the aged and disabled established by Title XVIII of the Social Security Act of 1965, as amended.

**Section 1.12** **Participant** means an Eligible Person who is participating in the Plan in accordance with the provisions of Article II and III of this Plan.

**Section 1.13** **Plan** means the School Employees Retirement System of Ohio Health Care Plan, as provided herein, which is offered by SERS to Eligible Persons and Eligible Dependents.

**Section 1.14** **Plan Administrator** means a vendor selected by the Plan Sponsor to administer benefits under the Plan.

**Section 1.15** **Plan Sponsor** refers to SERS or its delegatee.

**Section 1.16** **Plan Year** means the twelve (12) month period ending on December 31 of each year.

**Section 1.17** **SERS** means the School Employees Retirement System of Ohio.



## **ARTICLE II ELIGIBILITY**

**Section 2.1 Eligible Persons.** Eligible Persons include those age and service retirants, disability benefit recipients, or beneficiaries receiving a monthly benefit who meet the eligibility requirements set forth in section 3309.69 of the Ohio Revised Code and rules adopted by SERS.

**Section 2.2 Eligible Dependents.** Eligible Dependents include those individuals who meet the eligibility requirements for dependents set forth in section 3309.69 of the Ohio Revised Code and rules adopted by SERS.

**Section 2.3 Determinations of Eligibility.** The Plan Sponsor reserves the right to request verification of a dependent child's age or status as a disabled dependent child upon initial enrollment and from time to time thereafter as the Plan Sponsor or Plan Administrator may require. The Plan Sponsor shall have the right in its sole discretion, to make all determinations involving eligibility, except for the determination of permanently and totally disabled for purposes of determining a dependent's eligibility, which shall be made by the Plan Administrator.

## **ARTICLE III PARTICIPATION**

**Section 3.1 Participation.** Each Eligible Person (and as applicable each Eligible Dependent) shall begin participation in the Plan as provided in applicable provisions of the Ohio Revised Code and rules adopted by SERS. Upon becoming eligible in accordance with the provisions of Article II, each Eligible Person as described under Section 2.1 may apply for health care coverage for himself or herself (and on behalf to an Eligible Dependent, as applicable) on forms designated by the Plan Sponsor and/or Plan Administrator. In addition, an Eligible Person who does not enroll in the Plan upon first becoming eligible may be permitted to make a later election under Section 3.2 as provided in rules adopted by SERS.

**Section 3.2 Enrollment After Waiver.** Enrollment After Waiver means the period of time specified by the Plan Sponsor when each Eligible Person (and as applicable each Eligible Dependent) who has not previously enrolled and who has waived coverage in the Plan, or whose coverage was cancelled, shall be given the opportunity to enroll in the Plan. This opportunity shall be given only as authorized in Chapter 3309 of the Revised Code or in rules adopted by SERS.

**Section 3.3 Open Enrollment Period.** An election of benefits shall remain in effect for the remainder of the Plan Year. During the Annual Open Enrollment Period established by the Plan Sponsor, each Eligible Person who is enrolled in a Benefit Program shall be given the opportunity to select among the available coverage options.

**Section 3.4 Cessation of Participation.** Subject to any continuation of coverage rights that may otherwise be available under federal and state law, the participation in the

Plan by any Participant (and as applicable any Eligible Dependent) shall terminate as provided in applicable provisions of the Ohio Revised Code and rules adopted by SERS.

**Section 3.5 Individuals With Available Coverage from Another Ohio Public Retirement System.** An individual may not participate in the Plan if they are eligible for coverage from another Ohio public retirement system under the circumstances described in the rules adopted by SERS.

#### **ARTICLE IV CONTRIBUTIONS**

**Section 4.1 Contribution by Covered Person.** Contributions shall be required for Covered Persons in an amount as determined from time to time by the Board.

**Section 4.2 Employer Contributions.** The Employer contribution rate shall be established by the Board from time to time pursuant to Chapter 3309 of the Ohio Revised Code and the Board Funding Policy.

#### **ARTICLE V BENEFITS**

The benefits available to a Participant shall be only those specified in the Applicable Benefit Description under which the Participant has elected to receive Plan benefits. The provisions of the Applicable Benefit Description are hereby incorporated by reference hereunder and made a part hereof for purposes of determining the benefits provided to or on behalf of a Participant or his/her Eligible Dependents. The rights and conditions with respect to the benefits shall be determined exclusively from such Applicable Benefit Description, except as otherwise indicated in this Plan document. Any co-pay, deductibles, and out-of-pocket expenses, shall be determined exclusively from such Applicable Booklets.

In no event shall any expenses incurred due to on-the-job injuries or illnesses be covered by this Plan.

#### **ARTICLE VI FEDERAL AND STATE LAW COMPLIANCE**

Notwithstanding anything in this Plan or the Applicable Benefit Description or Applicable Contract to the contrary, the Plan Administrator shall administer the Plan in accordance with all applicable federal and state laws.

#### **ARTICLE VII COORDINATION WITH MEDICARE**

**Section 7.1 Program Coverage is Secondary to Medicare.** To the extent allowable under applicable law, coverage under the Plan for an Eligible Person or Eligible Dependent who is eligible to be covered under Medicare shall be secondary to coverage

of such Eligible Person or Eligible Dependent under Medicare. In such a case, the benefit payable under this Plan will be reduced by the greater of (i) the amount actually allowed and paid by Medicare, or (ii) the Medicare allowable amount if the Eligible Person or Eligible Dependent were enrolled in Medicare Part A and Part B.

**Section 7.2 Eligibility for Medicare.** An Eligible Person or Eligible Dependent is considered eligible for Medicare for the purposes of the Plan during any such period such Eligible Person or Eligible Dependent has coverage under Medicare or, while otherwise qualifying for coverage under Medicare, does not have such coverage solely because they have refused, discontinued, or failed to make any necessary application or payment for Medicare coverage.

**Section 7.3 Coordination.** To the extent an Eligible Person who is a SERS retiree is eligible for Medicare and the coverage for the Eligible Person is not secondary to Medicare, coverage under this Plan shall be primary.

## **ARTICLE VIII COORDINATION WITH OTHER PLANS AND BENEFITS**

**Section 8.1 Applicability.** This Plan shall be coordinated with all other plans under which an individual is covered for benefits, so that the total benefits available under both plans shall not exceed one hundred percent (100%) of the amount the individual was legally obligated to pay. The coordination rules shall be established by the Applicable Benefit Description or the Applicable Contract.

**Section 8.2 Right to Receive and Release Needed Information.** Certain facts are needed to apply these coordination of benefit rules. The Plan Administrator has the right to decide which facts it needs. It may get needed facts from or give them to any other organization or person. The Plan Administrator need not tell or get the consent of any person to do this. Each person claiming benefits under This Plan must give the Plan Administrator any facts the Plan Administrator or its designee needs to pay the claim.

**Section 8.3 Facility of Payment.** A payment made under another plan may include an amount which should have been paid under This Plan. If it does, the Plan Administrator may pay that amount to the organization which made that payment. That amount shall then be treated as though it were a benefit paid under this Plan. The Plan Administrator shall not have to pay that amount again. The term "payment made" includes providing benefits in the form of services, in which case "payment made" means reasonable cash value of the benefits provided in the form of services.

**Section 8.4 Right of Recovery.** If the amount of the payments made by the Plan Administrator is more than it should have paid under these coordination of benefit rules, it may recover the excess from one or more of:

- (a) the persons it has paid or for whom it has paid;
- (b) insurance companies; or

(c) other organizations.

The “amount of the payments made” includes the reasonable cash value of any benefits provided in the form of services.

## **ARTICLE IX CLAIMS PROCEDURE**

**Section 9.1 Claims Review Procedure.** The claim filing and review procedures of each Applicable Benefit Description and Applicable Contract shall apply with respect to the particular coverages therein described.

In addition, appeals of any claims denials for benefits under this Plan shall be subject to any administrative procedures which may be adopted by the Plan Administrator regarding such claims appeals. No claims determination by the Plan Administrator in favor of any Participant shall create a basis for retroactive adjustment for any other Participant. All rules, regulations, determinations, constructions and interpretations made by the Plan Administrator in accordance with the provisions of this Article shall be conclusive and binding on all persons to the maximum extent permitted by law.

**Section 9.2 Exhaustion of Remedies.** If a claimant fails to file a request for claims review in accordance with the procedures described in Section 10.1, such claimant shall have no rights to a review of the denial of his/her claim and shall have no right to bring action in any court, and the denial of the claim shall become final and binding on all persons for all purposes.

## **ARTICLE X ADMINISTRATION**

**Section 10.1 Duties of the Plan Sponsor.** Subject to the authority contractually reserved to a health maintenance organization or insurance company that insures a Benefit Program, the Plan Sponsor shall have the exclusive authority and responsibility:

(a) To construe and interpret the Plan, and to resolve ambiguities, inconsistencies and omissions in accordance with the intent of the Plan;

(b) To find facts and to grant or deny claims relating to enrollment and eligibility in accordance with the Plan;

(c) In conjunction with the Plan Administrator, to prescribe procedures and forms to be followed by Participants in filing applications for benefits and for furnishing evidence necessary to establish their rights to benefits under the Plan;

(d) In conjunction with the Plan Administrator, to prepare and distribute, in such manner as it determines to be appropriate, information explaining the Plan and the medical benefits covered under the Plan;

(e) In conjunction with the Plan Administrator, to obtain from Participants and others such information as it shall deem to be necessary for the proper administration of the Plan;

(f) In conjunction with the Plan Administrator, to take all steps to properly administer the Plan in accordance with its terms and the requirements of applicable law;

(g) To execute any certificate, contract, instrument or other written direction on behalf of the Plan with respect to the administration of this Plan;

(h) To appoint such accountants, counsel, specialists, third party administrators and other persons as it deems necessary or appropriate in connection with the administration of this Plan. In this regard, the Plan Sponsor may enter into contracts with such parties if the Plan Sponsor determines such contracts are desirable in connection with the administration of the Plan; and

(i) To establish rules for the administration and operation of the Plan.

**Section 10.2 Duties of the Plan Administrator.** Subject to the authority contractually reserved to a health maintenance organization or insurance company that insures a Benefit Program, the Plan Administrator shall have exclusive authority and responsibility:

(a) To determine the amount, manner and time of payment of any benefits under the Plan and to make benefit payments directly to Participants and/or their assignees entitled to benefits hereunder;

(b) To find facts and to grant or deny claims relating to the payment or nonpayment of benefits in accordance with the Plan;

(c) To enter into contracts with health care providers and provider networks to offer discount arrangements with respect to medical benefits offered under this Plan;

(d) In conjunction with the Plan Sponsor, to prescribe procedures and forms to be followed by Participants in filing applications for benefits and for furnishing evidence necessary to establish their rights to benefits under the Plan;

(e) In conjunction with the Plan Sponsor, to prepare and distribute, in such manner as it determines to be appropriate, information explaining the Plan and the medical benefits covered under this Plan;

(f) In conjunction with Plan Sponsor, to obtain from Participants and others such information as it shall deem to be necessary for the proper administration of the Plan;

(g) In conjunction with the Plan Sponsor, to take all steps to properly administer the Plan in accordance with its terms and the requirements of applicable law.

**Section 10.3 Authority of the Plan Administrator.** All procedures with respect to any of the duties and responsibilities described in Section 10.2 shall be promulgated by the Plan Administrator, and all such procedures and rules shall be conclusive and binding on all persons to the maximum extent permitted by law.

All decisions of the Plan Administrator with respect to the Plan's administration, including, but not limited to, interpretations of the Plan, benefit determinations, claims decisions relating to eligibility or enrollment, and questions concerning the administration and application of the Plan, shall be made by the Plan Administrator in its sole discretion, and all such determinations and decisions shall be conclusive and binding on all persons to the maximum extent permitted by law.

**Section 10.4 Recordkeeping.** The Plan Sponsor shall keep full and complete records of the administration of the Plan, and shall prepare such reports and such information concerning the Plan and the administration thereof as may be required under the Code and the regulations promulgated thereunder.

**Section 10.5 Expenses.** All expenses incurred by the Plan Sponsor for the administration of the Plan shall be paid by the Plan. Such expenses shall include any expenses incident to the functioning of the Plan, including, but not limited to, attorney fees, accounting and clerical charges, actuarial fees and other costs of administering the Plan.

**Section 10.6 Delegation of Responsibilities.** The Plan Sponsor shall have the authority to delegate from time to time, by a written instrument, all or any part of its responsibilities under this Plan to such person or persons as it may deem advisable, and in the same manner to revoke any such delegation of responsibility. Any action of a person in the exercise of such delegated responsibility shall have the same force and effect for all purposes hereunder as if such action had been taken by the Plan Sponsor. The Plan Sponsor shall not be liable for any acts or omissions of any such person, who shall periodically report to the Plan Administrator concerning the discharge of the delegated responsibilities.

**Section 10.7 Right to Receive and Release Necessary Information.** The Plan Sponsor and the Plan Administrator may release or obtain any information necessary for the application, implementation and determination of this Plan or other plans without the consent of, or notice to, any person, to the extent permitted by law including but not limited to HIPAA and any applicable state law. Such information may be released to or obtained from any insurance company, organization, or person. Any individual claiming any benefit or right under this Plan shall release to the Plan Sponsor or Plan Administrator such information as the Plan Sponsor or Plan Administrator, in its sole and absolute discretion, determines to be necessary to implement this provision.

## **ARTICLE XI SUBROGATION**

The Covered Person must agree to reimburse the Plan for any benefits it has paid and for which such Covered Person is not eligible under the terms of the Plan. This payment is due and payable immediately upon notification by the Plan Administrator. The Plan Administrator has the sole right to determine whether any overpayments, wrong payments, or any excess payments made under this Plan are an indebtedness which may be recovered by the Plan by deducting it from any future benefits under the Plan, or any other coverage provided by the Plan. The Plan's acceptance of dues or payment of benefits under this Plan does not waive its rights to enforce these provisions in the future.

To the extent the Plan provides or pays benefits, and to the extent the selected coverage provides for subrogation, the Covered Person must agree that the Plan shall have a first lien on any settlement proceeds, and such Covered Person shall reimburse and pay the Plan, on a first-priority basis, from any money recovered by suit, settlement, judgment or otherwise from any third party or his or her insurer or from any carrier providing uninsured/under insured motorist coverage. The Covered Person must reimburse the Plan on a first-priority basis regardless of whether a lawsuit is actually filed or not and, if settled, regardless of how the settlement is structured or which items of damages are included in the settlement, and regardless of whether or not such Covered Person is made whole or is fully compensated for any injuries.

The Covered Person is required to hold in trust for the Plan any money (up to the amount of Benefits paid by the Plan) recovered as described above. Such Covered Person is required to cooperate and furnish information and assistance which the Plan may require to obtain this reimbursement, including signing legal documents.

The failure of any Covered Person to comply with this Section may result in termination of coverage under the Plan and/or legal action to enforce collection.

Nothing in this Section shall be construed as limiting in any way the right of an injured Covered Person to claim and receive Benefits under this Plan and also proceed against the third party causing or liable for the injury for which such benefits are paid.

## **ARTICLE XII ASSIGNMENT OF BENEFITS**

Except as otherwise provided in an Applicable Benefit Description, and to the extent permitted by law, no benefit payable at any time under the Plan shall be assignable or transferable, or subject to any lien, in whole or in part, either directly or by operation of law, or otherwise, including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, or in any other manner, and no benefit payable under the Plan shall be liable for, or subject to, any obligation or liability of any Covered Person. If any Covered Person entitled to a benefit under the Plan shall attempt to or shall alienate, sell, transfer, assign, pledge or otherwise encumber such benefit or any part thereof, or if by reason of his/her bankruptcy or other event happening at any time, such benefit would

devolve upon anyone else or would not be enjoyed by him/her, then the Plan Administrator, in its discretion, may terminate the Covered Person's interest in any such benefit and hold or apply it to or for the Covered benefit or the benefit of his/her beneficiary in such manner as the Plan Administrator may deem proper.

### **ARTICLE XIII QUALIFIED MEDICAL CHILD SUPPORT ORDERS**

The Plan shall provide benefits in accordance with the applicable requirements of a qualified medical child support order, as required by the federal or state law, received by the Plan. The Plan Sponsor shall establish written procedures in accordance with federal or state law to determine whether a medical child support order received by the Plan is a qualified child support order under the federal or state law.

### **ARTICLE XIV RIGHT TO TERMINATE AND AMEND**

SERS reserves the right at any time and from time to time, without notice, to terminate, modify, alter, or amend, in whole or in part, any or all of the provisions of the Plan, including the level of contributions required from Participants. SERS may also make any modifications or amendments to the Plan retroactively that are necessary or appropriate to qualify or maintain the Plan as a plan meeting the requirements of an applicable section of the Code.

### **ARTICLE XV GENERAL PROVISIONS**

**Section 15.1 Participant's Responsibility.** Each Participant shall provide the Plan Administrator and Plan Sponsor with such information and documentation as may be requested upon his/her initial eligibility to participate herein and from time to time thereafter for purposes of operating and administering the Plan in accordance with its provisions. Failure to timely provide such information and documentation shall constitute sufficient basis upon which the Plan Administrator or Plan Sponsor may, in its sole and absolute discretion, delay or deny participation in, or benefits under, the Plan and take, or cause to be taken, such other action as the Plan Administrator or Plan Sponsor, in its sole and absolute discretion, determines necessary or appropriate for purposes of operating and administering the Plan. Each Participant shall be responsible for providing the Plan Administrator and Plan Sponsor with his/her current address. Any notices required or permitted to be given hereunder shall be deemed given if directed to such address and mailed by regular United States mail. The Plan Administrator and Plan Sponsor shall not have any obligation or duty to locate a Participant.

**Section 15.2 Payment to Representative.** Except as otherwise provided in the Applicable Booklet, in the event that a guardian, conservator, committee or other legal representative has been duly appointed for a Covered Person to any payment under the Plan, any such payment may be made to the legal representative making claim therefore,



and such payment so made shall be in complete discharge of the liabilities of the Plan therefore and the obligations of the Plan Administrator and Plan Sponsor under the Plan.

**Section 15.3 Forms of Communication.** If a written election or consent is not specifically required by the Code or other applicable law, the Plan Administrator or Plan Sponsor may prescribe or permit a verbal, electronic, or telephonic instruction in lieu of or in addition to a written form. The Plan Administrator or Plan Sponsor shall not incur any liability acting upon any notice, request, signed letter, telegram, or other paper or document, or verbal, telephonic, or electronic transmission believed by the Plan Administrator or Plan Sponsor to be genuine or to be executed or sent by an authorized person.

**Section 15.4 Interpretation.** In resolving any conflict between provisions of this Plan and in resolving any other uncertainty as to the meaning or intention of any provision of the Plan, the interpretation that i) causes the Plan to comply with all applicable requirements of the Code, including Code Section 105(e), and ii) causes the Plan to comply with other applicable federal law and with Ohio laws shall prevail over other interpretation.

**Section 15.5 Governing Law.** The Plan shall be governed by and construed in accordance with the laws of the State of Ohio or the United States, to the extent such laws are applicable to the Plan.

**Section 15.6 Misrepresentation.** Any material misrepresentation on the part of the Covered Person in making application for coverage, or reclassification of coverage, or in applying for and/or for obtaining benefits under the Program, shall render the coverage null and void ab initio.

**Section 15.7 Fraudulent Claims.** If any person files a fraudulent claim for benefits under the Plan, the Plan Sponsor, in its sole discretion, may cause such person and all members of his/her immediate family to forfeit all rights to participate in the Plan.

**Section 15.8 Receipt and Release.** Any payments to any Covered Person shall, to the extent thereof, be in full satisfaction of the claim of such Covered Person being paid thereby and the Plan may condition payment thereof on the delivery by the Covered Person of the duly executed receipt and release in such form as may be determined by the Plan.

**Section 15.9 Right of Recovery.** If the Plan Administrator makes any payment that according to the terms of the Plan should not have been made, it may recover that incorrect payment, whether or not it was made due to the Plan's, Plan Sponsor's or Plan Administrator's own error, from the person to whom it was made or from any other appropriate party. If any such incorrect payment is made directly to a Covered Person, the Plan or the Plan Administrator may deduct it when making future payments directly to that Covered Person.

**Section 15.10 Limitation of Rights and Obligations.** Neither the establishment nor maintenance of the Plan nor any amendment thereof, nor any act or omission under the Plan or resulting from the operation of the Plan shall be construed:

(a) as conferring upon any Covered Person, beneficiary or any other person a right or claim against the Plan, Plan Sponsor, or the Plan Administrator, except to the extent that such right or claim shall be specifically expressed and provided in the Plan or provided under the Act;

(b) as creating any responsibility or liability of the Plan, Plan Sponsor, or Plan Administrator for the validity or effect of the Plan; or

(c) as a contract or agreement between the Plan, Plan Sponsor, or Plan Administrator and any Covered Person or other person.

**Section 15.11 Notice.** Any notice given under the Plan shall be sufficient if given to the Plan Administrator, when addressed to it at its office; or if given to the Plan Sponsor, when addressed to its office; or if given to a Covered Person, when addressed to the Eligible Person at his or her address as it appears on the records of the Plan Administrator or Plan Sponsor,

**Section 15.12 Legal Counsel.** The Plan and/or its designee, may from time to time consult with counsel, who may be counsel for the Plan, and shall be fully protected in acting upon the advice of such counsel.

**Section 15.13 Evidence of Action.** Any action by the Plan Sponsor pursuant to any of the provisions of the Plan shall be evidenced by resolution of its governing body, and the Plan Administrator shall be fully protected in acting in accordance with such resolution so certified to it.

**Section 15.14 Legal Actions.** If the Plan is made a party to any legal action regarding the Plan, except for a breach of fiduciary responsibility of such person or persons, any and all costs and expenses, including reasonable attorneys' fees, incurred by the Plan in connection with such proceeding shall be paid from the assets of the Plan.

**Section 15.15 Reliance.** The Plan Administrator or Plan Sponsor shall not incur any liability in acting upon any notice, request, signed letter, telegram, or other paper or document believed by it to be genuine or to be executed or sent by an authorized person.

**Section 15.16 Disclaimer of Liability.** Nothing contained herein shall confer upon a Covered Person any claim, right, or cause of action, either at law or at equity, against the Plan, Plan Administrator, or Plan Sponsor, for the acts or omissions of any health care provider from whom a Covered Person receives care, services, or supplies under the Plan.

**Section 15.17 Entire Program.** This document, the Applicable Benefit Descriptions, the Applicable Contracts, and the governing statutes and administrative rules shall constitute

the only legally governing documents for the Plan. All statements made by the Plan, Plan Sponsor, or Plan Administrator shall be deemed representations and not warranties and do not alter the terms and conditions of the Plan.

**Section 15.18 Severability of Provisions.** If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Plan shall be construed and enforced as if such provision had not been included.

**Only If Needed**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M. / P.M.**

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**RETURNED TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**EXECUTIVE DIRECTOR COMPENSATION**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that as recommended by the Compensation Committee, Executive Director Richard Stensrud receive a \_\_\_% merit increase in salary effective the first pay date in Fiscal Year 2024.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**CHIEF AUDIT OFFICER COMPENSATION**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that as recommended by the Audit Committee, SERS Chief Audit Officer Jeff Davis receive a \_\_\_% merit increase in salary effective the first pay date in Fiscal Year 2024.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____



## SERS Board Overall Evaluation

<b>5 – Always</b>		<b>4 – Almost Always</b>		<b>3 - Sometimes</b>		<b>2 – Almost Never</b>		<b>1 - Never</b>	
		<u>5</u> <i>Always</i>	<u>4</u> <i>Almost Always</i>	<u>3</u> <i>Some-times</i>	<u>2</u> <i>Almost Never</i>	<u>1</u> <i>Never</i>			
1.	The Board knows and understands SERS’ mission and reflects this understanding when addressing key issues.								
2.	The Board engages in long-range strategic thinking and planning.								
3.	The Board has achieved what it set out to accomplish during the last two years.								
4.	The Board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term.								
5.	The Board conducts a comprehensive evaluation of the Executive Director annually.								
6.	The Board ensures that new Board members receive a prompt and thorough orientation.								
7.	Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.								
8.	The Board meeting agendas are well-balanced, allowing appropriate time for the most critical issues.								
9.	The Board and Committee meetings are of reasonable length.								
10.	The Committees are comprised of the right number and type of members.								
11.	The Committees are effective, focusing on pertinent topics and allocating reasonable time.								
12.	The Committees report back to the Board as necessary.								
13.	The Board is well-educated on benefits, investment, and health care issues.								

		<u>5</u> <i>Always</i>	<u>4</u> <i>Almost Always</i>	<u>3</u> <i>Some- times</i>	<u>2</u> <i>Almost Never</i>	<u>1</u> <i>Never</i>
14.	The Board recognizes its policy-making role, and reconsiders and revises policies as necessary.					
15.	The Board is consistent about being prepared for meetings and staying engaged.					
16.	The Board receives timely, accurate, and useful information upon which to make decisions.					
17.	The Board as a whole (and Board members as individuals) evaluates its performance on an annual basis and in a meaningful way.					
18.	The Board reviews and adopts a reasonable operating budget that is followed and monitored.					
19.	The Board regularly monitors investment performance and measures it against appropriate benchmarks.					
20.	The Board periodically monitors benefit levels as well as service to members and retirees.					
21.	The Board comprehends and respects the difference between its oversight/governance role and the Executive Director's management role.					
22.	Board goals, expectations, and concerns are promptly, candidly, and effectively communicated to the Board Chair and Executive Director.					
23.	The Board speaks in "one voice" when directing or delegating to staff and Board members respect the majority votes on issues.					
24.	The Board brings discussions to a conclusion with clear direction to staff.					
25.	The Board is collegial and polite during meetings.					

*Continued on next page.*

Identify the greatest achievement(s) of the Board during the past two years.

What critical issues need to be addressed by the Board in the future?

## SERS Board Member Self Evaluation

<b><i>Evaluate the following statements in relation to your involvement as a Board Member of SERS.</i></b>	
1.	I attend the Board and Committee meetings I am expected to attend, and I arrive on time and stay until meetings conclude.
2.	I contribute to the discussion in a meaningful and helpful way, listening to others and making my points concisely.
3.	I fully understand my fiduciary duties and act for the benefit of all members, not merely for or in response to pressure from a particular constituency or the appointing authority.
4.	I make an effort to be educated on the aspects of the retirement plan that I do not understand.
5.	I am adequately well-versed on benefits and investments.
6.	I avoid conflicts of interest and ask questions of the Board Chair or Executive Director if I am unsure if a conflict exists.
7.	I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.
8.	I work with the other Board members as a team, striving for consensus when it is called for.
9.	I understand that certain work requests of staff and outside consultants need to be agreed to by the Board and I act accordingly.
10.	I work with the Executive Director in a way that creates an atmosphere of trust and cooperation.
11.	I understand that the Executive Director works for the entire Board and not for individual Board Members.
12.	I communicate governance and ethical problems to the Board Chair and Executive Director.

**BOARD OFFICER ELECTION**

**OFFICERS FOR SERS BOARD FISCAL YEAR 2024  
(July 1, 2023 through June 30, 2024)**

As Chairperson of the SERS Board, I open the floor for nominations for Chair:

Nominated: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

**As Chairperson of the SERS Board, I declare \_\_\_\_\_ CHAIRPERSON for fiscal year 2024 (July 1, 2023 through June 30, 2024).**

I open the floor for nominations for Vice Chair:

Nominated: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

**As Chairperson of the SERS Board, I declare \_\_\_\_\_ VICE CHAIRPERSON fiscal year 2024 (July 1, 2023 through June 30, 2024).**

**CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2023 \*\***

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**AUDIT COMMITTEE MEETINGS**

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

**COMPENSATION COMMITTEE MEETINGS**

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**

July 20, 2023 – 12:30 p.m. (Thurs.) \* **Rescheduled from June 2023** \*  
September 21, 2023 – 12:30 p.m. (Thurs.)  
December 21, 2023 – 12:30 p.m. (Thurs.)

**BOARD MEETINGS**

July 20 – 21, 2023 - 8:30 a.m. (Thurs. and Fri.)  
September 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
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.)

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

**CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 \*\***

**AUDIT COMMITTEE MEETINGS**

March 20, 2024 – 2:30 p.m. (Weds.)  
June 19, 2024 – 2:30 p.m. (Weds.)  
September 18, 2024 - 2:30 p.m. (Weds.)  
December 18, 2024 – 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

March 21, 2024 – 7:30 a.m. (Thurs.)  
June 20, 2024 – 7:30 a.m. (Thurs.)  
July 18, 2024 – 7:30 a.m. (Thurs.) \* **Special Meeting** \*  
September 19, 2024 – 7:30 a.m. (Thurs.)  
December 19, 2024 – 7:30 a.m. (Thurs.)

**TECHNOLOGY COMMITTEE MEETINGS**

March 21, 2024 – 12:30 p.m. (Thurs.)  
June 20, 2024 – 12:30 p.m. (Thurs.)  
September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

**BOARD MEETINGS**

February 15 - 16, 2024 - 8:30 a.m (Thurs. and Fri.)  
March 21 - 22, 2024 – 8:30 a.m (Thurs. and Fri.)  
April 18 – 19, 2024 - 8:30 a.m. (Thurs. and Fri.)  
May 16 – 17, 2024 – 8:30 a.m (Thurs. and Fri.)  
June 20 - 21, 2024 - 8:30 a.m (Thurs. and Fri.)  
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)  
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)  
November 21 – 22, 2024 – 8:30 a.m (Thurs. and Fri.)  
December 19 – 20, 2024 – 8:30 a.m (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**



**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_  
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7. \_\_\_\_\_  
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8. \_\_\_\_\_  
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9. \_\_\_\_\_  
\_\_\_\_\_
10. \_\_\_\_\_  
\_\_\_\_\_

**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the SERS Retirement board adjourn to meet on for their next regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ a.m./p.m.

\_\_\_\_\_  
Jeffrey DeLeone – Chair

\_\_\_\_\_  
Richard Stensrud, Secretary