

# SERS Retirement Board Meeting Minutes

**February 15, 2024**

The nine hundredth and sixty-sixth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, February 15, 2024.

## Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:31 a.m. with the Pledge of Allegiance.

## Roll Call

The roll call was as follows: Frank Weglarz, Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Also attending was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff and the public attended in person. Several SERS staff members and members of the public attended virtually.

## Approval of Out-of-State Board Travel

Barbra Phillips moved and Aimee Russell 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 expenses be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
IFEBP Investments Institute	Frank Weglarz	March 6 – March 7, 2024	Rancho Mirage, CA	\$3449.89
2024 NCPERS Annual Conference & Exhibition (ACE)	Cathie Moss	May 19 – 22, 2024	Seattle, WA	\$3890.15

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

## Consent Agenda

The consent agenda for **February 15, 2024**, included:

- Minutes of the December 21, 2023, Retirement Board meeting
- Summary of Investment Transactions for the period of November 1, 2023, to November 30, 2023 and December 1, 2023, to December 31, 2023
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination, Approval of Appeal of Termination – Any Occupation, Approval of Appeal of Termination on Personal Appearance – Any Occupation

Catherine Moss moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, February 15, 2024. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

## Investment Report

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## Annual Portfolio Review – Global Equities

SERS Chief Investment Officer, Farouki Majeed, introduced Judi Masri and Yen Li, Investment staff members, who provided the Board with an overview of SERS' \$7.6 billion global equities investment portfolio which comprises 41.7% of the Total Fund.

Ms. Masri reported that the Global Equities portfolio is divided into two segments: US Global Equities and Non-US Global Equities & Emerging Markets. US equity was overweight by 0.3% relative to the MSCI ACWI benchmark of 62.7% while non-US developed equity was overweight by 0.7% relative to the MSCI ACWI benchmark of 26.8%. Emerging markets were underweight by 1.0% relative to the MSCI ACWI benchmark of 10.5%. Ms. Masri stated that the global equity portfolio posted a return of 20.50% for the one year, which was 1.70% below the benchmark.

Ms. Li reported that the non-US. equity portfolio posted a one-year return of 15.38%, which was below the benchmark by 0.23%. Developed markets finished strong at 18.83%, exceeding the benchmark by 0.89%, while emerging markets underperformed the benchmark by 4.32% with a return of 5.51%.

Following a robust discussion, the board thanked the investment staff for their report.

## Wilshire Associates Quarterly Performance Report – As of December 31, 2023

Joanna Bewick of Wilshire Associates provided the Board with an update of current U.S. economic conditions, and a review of SERS' October-December 2023 quarterly results. Ms. Bewick reported that during the fourth quarter, the stock market was up 12.1% with the best performing sectors being real estate (18%) and information technology (17%). The only negative sector was energy, which came in at -6.8%.

Ms. Bewick continued, stating that the possibility of a recession in 2024 remains high primarily because of the inverted yield spreads between long- and short-term bonds. Ms. Bewick also stated SERS' diversified portfolio contains less U.S. equity exposure than most other pension systems and generally posts lower Total Fund returns when the U.S. stock market registers big gains. While SERS' calendar year gross return of 10.66% ranked in the 84th percentile when compared to Wilshire's universe of pension systems, SERS continues to compare favorably with other U.S. pension plans in terms of gross returns over the 3-year (2nd), 5-year (4th), and 10-year (2nd) periods and doing so with less risk. Following a robust discussion, the board thanked Ms. Bewick for her presentation.

The board took a break at 10:15 a.m.

The board reconvened at 10:30 a.m.

## Executive Director's Report

### CBIZ – Compensation Update

Joe Rice from CBIZ provided an Annual Compensation Guidance report for the board as a follow-up to last year's compensation study. After further market analysis, Mr. Rice recommended a 3.6% increase to the current salary ranges with a total salary growth budget of 5%. Mr. Rice explained that total salary growth includes annual merit increases, promotions, staffing additions, and salary adjustments.

Following his presentation, Mr. Stensrud followed up, stating at the March meeting, the board will be presented with FY2025 compensation numbers for approval. The board will have ample time to review the proposed compensation adjustments before voting on the FY2025 budget in June. After a brief discussion, the board thanked Mr. Rice for his presentation.

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## **Investment Report (cont.)**

### **Quarterly Investment Report**

SERS Chief Investment Officer, Farouki Majeed, followed up and provided an update on economic and financial market outlook for the quarter ending 12/31/2023. Mr. Majeed reported that the US labor market continues to be resilient, adding 216,000 jobs in December and US headline inflation increased marginally to 3.4% in December. Mr. Majeed also reported that overall, the program is adding to the fund and remains above the benchmark. Following a vigorous discussion, the board thanked Mr. Majeed for his presentation and for the strategic work the investment staff performs on behalf of the SERS members.

## **Executive Director's Report (cont.)**

### **ORSC**

SERS Executive Director, Richard Stensrud, began his report stating the ORSC met on January 11<sup>th</sup>. They heard several reports from the systems. SERS provided the ORSC with reports on our annual valuations, the annual health care report, as well as the annual Iran/Sudan report.

Mr. Stensrud continued, stating the ORSC also met on February 8<sup>th</sup>. This ORSC meeting agenda covered the review of changes made to the SERS travel policy, after it was reviewed by the Ohio Ethics Commission. This change will exclude conference registration fees from the total amount allowed for annual board travel. This change will also standardize the per diem rate as it will now be based on GSA standards. This change was approved and is effective moving forward.

Mr. Stensrud also reported that the ORSC announced that a subcommittee will be created to review RFP's for the ORSC audit of SERS that will likely take place this summer. Their goal is to recreate the actuarial summary that was previously created when SERS performed its own audit a few years ago.

Mr. Stensrud continued, reporting that Hank Kim from NCPERS spoke to the ORSC about raising employer rates. Several tough questions were raised about the topic of employer rates but no decision was made. Mr. Stensrud also stated that Representative Lightbody has left the ORSC and the Ohio Legislature. Her replacement is Beryl Brown Piccolantonio, who has been advised of SERS lack of interest in increasing employer rates. There was also a WEP and GPO presentation by ORSC staff.

### **Ohio General Assembly**

Mr. Stensrud continued his report, stating that SERS staff met with Rep. Beryl Brown Piccolantonio (D-Gahanna) who replaced Rep. Lightbody (D-Westerville) on ORSC also replaced Rep. Lightbody as the ranking member on the House Pensions committee.

Mr. Stensrud reported although it is expected that the General Assembly will not meet as frequently since it is an election year, SERS staff will continue to monitor any pension related legislation. The House Pensions committee continues to hold hearings on employer contribution rate increase legislation (HB 296) for OP&F and SERS will continue to emphasize this is not a need for our system.

Mr. Stensrud also reported some activity is expected in the Senate Government Oversight committee on legislation to allow retirement system board members to participate in meetings remotely (HB 257). This authority was authorized on an interim basis during the pandemic and is currently in the Senate. Senate Government Oversight has also held sponsor testimony on the resolution (HCR 6) urging Congress to repeal WEP and GPO. The last ORSC meeting had a presentation on WEP and GPO.

### **Advocacy Groups**

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Mr. Stensrud continued his report stating that on January 19<sup>th</sup>, SERS held its annual Pension and Healthcare Advocacy Roundtable as a virtual meeting, which was also attended by 6 members of the board. The board members in attendance commented on how well SERS differentiates itself from other Ohio pension systems.

Mr. Stensrud reported that 13 representatives from 9 advocacy groups attended to hear SERS staff present about the state of the retirement system. SERS staff also provided a look forward to key activities planned for 2024.

Mr. Stensrud also reminded the board that this afternoon, there will be a Pensionable Compensation discussion with stakeholders after the board meeting in the O'Keefe conference center at the SERS building. SERS wants to initiate some dialogue around the topic of pensionable compensation. Six stakeholders are expected to attend in person with several others attending online. This discussion is scheduled to begin at 1:00 p.m.

Mr. Stensrud continued stating that he will be attending the OFT (Ohio Federation of Teachers) Retirement Committee meeting next week to share the story of SERS' success. OFT continues to respond positively to interactions with SERS staff.

## **NCTR/NASRA Winter Joint Meeting**

Mr. Stensrud continued his report stating that he, along with Deputy Executive Director Karen Roggenkamp and Government Relations Office Chris Collins, are planning to attend the NASRA/NCTR winter meeting in Washington DC at the end of February. They will provide feedback at the next board meeting.

## **Board Retreat**

Mr. Stensrud continued his report stating the annual SERS Board Retreat is scheduled for Friday morning starting at 8:30am in the O'Keefe Conference Center. There will be 4 presentations including one from Dr. Anirban Basu, an economist who will provide an analysis of the economy. Following Dr. Basu is a global market forecast by KKR for the year to come. Also presenting will be Nathan Haws from Linea who will provide a demonstration of how Artificial Intelligence works. Cavanaugh Macdonald, SERS actuary, will close the retreat with a risk and sustainability report.

## **Member Engagement**

Mr. Stensrud continued his report stating that SERS staff continues to engage with members and employers. SERS newsletter, *Retiree Focus*, was issued in January and made available to SERS members. This newsletter contains information about upcoming webinars and other educational sessions. SERS staff will host several events for employers and retirees in the coming months and will continue to engage with members on a regular and consistent basis.

## **School Treasurer's Letter to the Board**

Mr. Stensrud continued his report, advising that a letter was received from several school district treasurers regarding retirement eligibility standards, such as age and service requirements. The treasurers would like SERS to revisit the current standards. During the meeting, the board was provided with some historical context on the changes that were made several years ago. SERS actuary Cavanaugh Macdonald was asked how the proposed changes would affect the fund. Changing the requirements would add \$600M to the fund's liabilities and will reduce the fund's sustainability by 1% as well as reduce the health care solvency.

Mr. Stensrud continued, stating that the SERS retirement board has the authority to raise requirements but any effort to lower requirements would require legislative changes. It was also noted that SERS actuaries utilize a smoothing process over a four-year period. SERS has had a stretch of positive returns in recent years. However, SERS will now enter into several years of net-deferred losses which could potentially push fund levels

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down. SERS wants to remind the board to carefully consider the outcomes before making additional changes to the eligibility standards.

A board member asked if SERS actuary, Cavanaugh Macdonald, would be able to create scenarios to demonstrate how changes would affect the fund as of today before responding to the treasurers. It was advised that creating these scenarios would cause SERS to incur substantial costs. It was also stated by several board members that when the changes were made several years ago, the decision was well thought out and took years of discussion and review before it was finalized. The board agreed it would not be feasible to create several new scenarios due to the cost involved. The board asked that SERS staff draft a response letter to the treasurers. After the board chair provides feedback, the response letter will be sent to the treasurers.

## **Review of Second Quarter Budget to Actual Administrative Expenses for SERS and OSERS Broad Street, LLC**

SERS Chief Financial Officer, Marni Hall, provided a 2<sup>nd</sup> quarter YTD report for administrative expenses so far this fiscal year. Ms. Hall stated personnel costs are on budget but prescription costs are increasing. Other key points to the budget include the technology budget dollars that haven't been used yet due to project delays.

Ms. Hall also reported that there are invoices that are outstanding and have not been paid yet. Another reason for the budget surplus is that money allocated for tenant improvements weren't used. Ms. Hall also pointed out that there were three pay periods in December which is reflected in the administrative expense report. After several questions, the board thanked Ms. Hall for her report.

## **COMPENSATION COMMITTEE UPDATE**

### **Compensation Committee Report**

Compensation Committee Chair, Daniel Wilson, provided an update on the work of the committee. Mr. Wilson reported that the committee met this morning to discuss the compensation and hiring policies at SERS. There will be more discussion at the March Compensation Committee meeting.

## **TECHNOLOGY COMMITTEE UPDATE**

### **Technology Committee Report**

Technology Committee Chair, Matthew King, provided a brief update on the work of the committee. The Technology Committee met on December 21, 2023 and discussed progress on the SMART infrastructure updates and the committee received a quarterly IT update. The committee will meet again in March.

## **Retirement Report**

There was no executive session for the retirement report.

## **Board Communication and Policy Issues**

### **Board Information Request & Follow Up Items**

The board requested that a meeting be scheduled with stakeholders to discuss changes to the definition of compensation and how that might affect employers.

### **Calendar Dates for Future Board Meetings**

The board reviewed the meeting dates for 2024.

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## CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 \*\*

### AUDIT COMMITTEE MEETINGS

March 20, 2024 – 2:30 p.m. (Weds.)  
June 20, 2024 – 2:30 p.m. **(Thurs.) \*\* New Date \*\***  
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 21, 2024 – 7:30 a.m. **(Fri.) \*\* New Date \*\***  
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 – 1:30 p.m. **(Thurs.) \*\* New Time \*\***  
September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

### BOARD MEETINGS

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 21, 2024 - 8:30 a.m. **(Fri.) \*\* New Date \*\***  
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)  
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)  
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.**

### Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, March 21, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:42 p.m.

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Frank Weglarz, Board Chair

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Richard Stensrud, Secretary