

SERS Retirement Board Meeting Minutes

November 21, 2024

The nine hundredth and seventy-third 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, November 21, 2024.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 a.m. with the Pledge of Allegiance.

Roll Call

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

Consent Agenda

The consent agenda for **November 21, 2024**, included:

- Minutes of the **October 17, 2024**, Retirement Board meetings
- Summary of Investment Transactions for the period of **September 1, 2024**, to **September 30, 2024**
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Termination of Disability Benefits, Approval of Appeal of Termination – Any Occupation

James Haller moved and Aimee Russell seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, November 21, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, and Matthew King. Abstain: Daniel Wilson. The motion carried.

Executive Director's Report

Pension and Health Care Annual Actuarial Valuations

Alisa Bennett and Todd Green of CavMac provided actuarial valuations for the SERS pension fund and healthcare fund. Mr. Green opened the report stating that the June 30, 2024 valuation reports that the funded ratio of the Basic Benefits increased to 78.99% from the 76.61% funded ratio reported in 2023 and the amortization period of the unfunded actuarial accrued liability decreased to 20 years. Mr. Green also reported that the current year investment earnings were above the assumed rate of return of 7.0%, and the actuarial value of assets continues to exceed the market value of assets due to the investment smoothing methodology.

Mr. Green continued, stating that one of the key purposes of the Pension Fund Valuation is to determine if the employer and member contribution rates remain sufficient to fund the pension plan. The member contribution rate is 10% and the employer contribution rate is 14%. CavMac has determined that the normal cost of the pension benefits requires a contribution rate of 10.75%. The normal cost is first addressed by the 10% member contribution and the remainder (0.75%) is provided by the employer contribution.

Mr. Green continued stating that CavMac has further determined that the contribution rate required to pay off the UAAL is 8.81%. The 13.25% remaining employer contribution is not only sufficient to address the required UAAL payment but also provides an additional 4.44% toward paying off the UAAL. For these reasons CavMac has concluded that the current contribution rates are reasonable and sufficient to fully fund the pension plan and to amortize the UAAL over the current 20-year amortization period.

Ms. Bennett provided an update on the Health Care Fund Valuation. Ms. Bennett stated that although health care is not funded on an actuarial basis, an annual valuation of the Health Care Fund is performed to fulfill the

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requirements of GASB Statement 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement 75 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

Ms. Bennett continued, stating that the balance of the Health Care Fund as of June 30, 2024 is \$816,468,867, up from \$706,785,561 as of June 30, 2023. This represents a new high in the balance in the Health Care Fund. The funded ratio of the Health Care Fund as of June 30, 2024 is 61.59%, up from 46.14% as of June 30, 2023. The increase is attributed to investment earnings along with lower Medicare costs due to increased federal subsidies. The solvency period of the Health Care Fund as of June 30, 2024 is 45 years, up from 39 years as of June 30, 2023. This is the longest solvency period for the Health Care Fund to date.

Following several questions, the board thanked Mr. Green and Ms. Bennett for their presentation.

Allocation of Employer Contributions

Catherine Moss moved and James Rossler seconded that after review and discussion of the actuary's *Report on the Annual Basic Benefits Valuation of the School Employees Retirement System of Ohio* (prepared as of June 30, 2024) at the November 2024 Board meeting, the Board accept the actuary's recommended allocation of the 14% employer contribution for fiscal year 2025 as follows: Pension Fund (9.13%), Death Benefit Fund (0.03%), Medicare B Fund (0.40%) and Health Care Fund (0.00%). The Board indicated that no allocation should be made to the Health Care Fund during the September 2024 Board meeting, preferring to enhance the funding levels for Basic Benefits. The remainder (4.44%) will also be allocated proportionately to the Pension Fund, Death Benefit Fund and Medicare B Fund in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Health Care Surcharge

Frank Weglarz moved and James Haller seconded the motion to accept the recommendation of SERS's actuary, CavMac, and establish \$33,000 as the minimum compensation amount for purposes of the fiscal year 2026 Health Care surcharge. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Investment Report

Annual Portfolio Review – Fixed Income

SERS Investment staff Jason Naber provided an update on the Fixed Income portfolio. Mr. Naber reported that the portfolio has a value of \$2.6B as of September 30, 2024. Mr. Naber also reported that the portfolio continues to be underweight compared to strategic allocation of 18% by 4.7%. Mr. Naber also stated that interest rates remain higher than in past cycles and higher rates for longer periods of time could lead to an economic downturn or market stress.

Mr. Naber stated the objectives for FY2025 are to increase Fixed Income strategic allocation and increase portfolio duration. Mr. Naber added that long-term returns are expected to be close to the current portfolio yield of 4.8%. With no additional questions, the board thanked Mr. Naber for his report.

Wilshire Quarterly Performance Report – As of September 30, 2024

Joanna Bewick of Wilshire Associates provided a quarterly performance report as of September 30, 2024. Ms. Bewick reported that the U.S. stock market was up 6.2% for the third quarter and is up 20.6% for the year-to-date. Ms. Bewick also stated that during his press conference, Federal Reserve Chair Jerome Powell indicated that data released since their prior meeting – including weak employment numbers – may have played a part in the higher rate cut. Ms. Bewick also reported that a surge in Chinese stocks followed several announcements from China's central bank and government. Among those is the possible removal of significant restrictions on

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home purchases. Ms. Bewick reported that non-US equity markets dominated over US equity markets. China was up 23.6% for the quarter.

Following several questions, the board thanked Ms. Bewick for her presentation.

Executive Session

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

The board convened in executive session at 10:01 a.m.

The board reconvened in open session at 10:21 a.m.

Approval of Legal Action

It was moved by Catherine Moss and seconded by Frank Weglarz to authorize special counsel to the Ohio Attorney General's Office to commence litigation on behalf of the School Employees Retirement System of Ohio as discussed in the Executive Session of November 21, 2024, and to authorize the Executive Director to execute any documents necessary. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

The board took a break at 10:23 a.m.

The board returned from break at 10:36 a.m.

Investment Report (cont.)

Quarterly Investment Report – As of September 30, 2024

Chief Investment Officer, Farouki Majeed, provided an update on the investment fund status for the quarter ending September 30, 2024. Mr. Majeed opened his report stating that we can expect lots of change after the recent election. It's possible that tariffs will go up and deportation efforts could create friction in the market and with distribution.

Mr. Majeed continued his report, stating that the GDP number is expected to go up and the US dollar will remain strong. The US economy is growing due to expansion in the services sector, not growth in manufacturing.

Mr. Majeed finished his report stating that SERS overall performance remains steady but we are approaching the end of the smoothing period. Mr. Majeed and his investments staff will continue to closely monitor the market to look for ways to grow the SERS pension fund.

After several questions, the board thanked Mr. Majeed for his report.

Executive Director's Report (cont.)

Executive Session

Catherine Moss moved and Aimee Russell seconded the motion that the Retirement Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the appointment of a public official. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

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The board convened in executive session at 11:20 a.m.

The board reconvened in open session at 12:01 p.m.

Declaration of Election of Employee Seat

Matthew King, Chairman of the Board, declared Jeanine Alexander elected to fill the employee member seat for the term ending June 30, 2025.

Certification of Election Results by the Attorney General's Office

Lisa Reid, as election judge, monitored the election by the School Employees Retirement System Board held on November 21, 2024, to fill the vacancy in the employee member seat on the Board. I hereby certify that Jeanine Alexander was duly elected by the Board to fill the vacancy.

Lisa Reid
Attorney General's Office

Final Filing of Proposed Rescinded, New, and Amended Administrative Rules

Legal Counsel discussed with the Retirement Board the following proposed rules: rescinded rule 3309-1-02 Definition of compensation; new rule 3309-1-02 Definition of compensation; amended rule 3309-1-35 Health care; amended rule 3309-1-41 Appeals for denial and termination of disability benefits; and new rule 3309-1-51 Recovery of overpayments that have been reviewed by JCARR and are ready for adoption by the Board. Included in the discussion was the delayed effective date of July 1, 2025, for rescinded rule 3309-1-02 and new rule 3309-1-02.

Catherine Moss moved and Aimee Russell seconded that rescinded rule 3309-1-02 Definition of compensation, new rule 3309-1-02 Definition of compensation, amended rule 3309-1-35 Health care, amended rule 3309-1-41 Appeals for denial and termination of disability benefits, and new rule 3309-1-51 Recovery of overpayments, be adopted and filed in final form. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Review of Administrative Expenses

SERS Chief Financial Officer, Marni Hall, provided an update on SERS administrative expenses. Ms. Hall reported that the current FY2025 expenses are on budget and any variances are due to invoices and bills being paid and received in a different month that was budgeted. Ms. Hall reported there are no abnormalities to note. With no questions, the board thanked Ms. Hall for her report.

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

Ms. Hall reported that building expenses are on budget so far this fiscal year. Ms. Hall also reported that SERS staff continues to attract potential tenants and will provide the board with an update on occupancy at 300 E. Broad Street at the December board meeting. With no other questions, the board thanked Ms. Hall for her report.

Executive Director's Report (cont.)

Ohio Retirement Study Council

SERS Executive Director, Richard Stensrud, began his report stating the ORSC meeting scheduled for November 14, 2024, was cancelled. The next ORSC meeting will be scheduled, subject to the call of the chairman.

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Ohio General Assembly

Mr. Stensrud continued his report, stating yesterday the House Pensions Committee had hearings on HB296. The contribution rate increase bill is moving through final approval and is on its way to the senate. The Bill is being amended to increase employee and employer contributions. Because there are a limited number of days available to vote in the lame duck session, it's likely that the Bill will move quickly or attach it to something else, allowing it to move quickly for final approval.

Mr. Stensrud continued, stating post-election sessions will be limited as the House has already cancelled its November sessions. However, SERS leadership is hopeful that possible action on remote meeting legislation (HB 257) will be taken in the lame duck session. This bill is in the senate and has potential to continue moving forward in some form or fashion.

Mr. Stensrud stated SERS staff will continue to watch for any other pension-related legislative activity during the lame duck session.

Federal Legislative Activity

Mr. Stensrud continued his report, stating that the WEP/GPO repeal vote was successful in the House. H.R. 82, the *Social Security Fairness Act of 2023*, passed the U.S. House of Representatives with a vote of 327 in favor and 75 against. H.R. 82 would completely repeal the Windfall Elimination Provision (WEP), and Government Pension Offset (GPO). All of the Ohio U.S. House delegation voted in favor of passage.

Mr. Stensrud stated that the bill overcame a procedural maneuver by the Freedom Caucus to table the bill on election night to keep it from getting a vote. The legislation now heads to the U.S. Senate for consideration. Ohio Senator Sherrod Brown is already the lead sponsor the Senate version (S. 597) of the same WEP/GPO repeal bill that just passed the House and Senator JD Vance is a cosponsor. 62 Senators (of 100) have cosponsored Senator Brown's bill. Passage of the bill would have a \$196B cost and would shorten SSI solvency.

Mr. Stensrud reported that it is historic moment since this is the first time in 40 years there has been a vote to repeal WEP and GPO since it was first passed. Mr. Stensrud advised the board that there is a grassroots letter writing campaign being started by SERS staff. As of today, 1429 messages have been sent with 348 each going to Senator Brown & Senator Vance. The letters are also being sent to other senators, including the House Majority & Minority leaders. SERS is continuing to monitor the legislation and will keep members informed if there are any additional developments.

Stakeholder Engagement

Mr. Stensrud continued his report, stating that an Employer Relations Panel was formed by SERS staff and met recently to discuss new pensionable income rules. Staff continues working hard to support employers as they look forward to implementing the new CBBC rule(s). SERS staff continue to take a high number of calls from employers and members about the new rules. SERS staff have held numerous retirement conferences, webinars, and trainings to help ease the transition. SERS staff are also traveling each month to employers across the state to educate everyone on the new rules. SERS staff is committed to a smooth transition as new compensation rules take effect.

Actuarial Valuation Highlights

Mr. Stensrud reported on some highlights from the actuarial valuation. Mr. Stensrud stated that there are 163,350 active members as of June 30, 2024, which was approximately 3,500 higher compared to June 30, 2023. Of that number, 26% (42,453) are vested and 74% (120,897) are not vested. Mr. Stensrud also stated that 74.0% of current active members have less than 10 years of service. 57.4% have less than 5 years of service. The percentage of active members declines as service increases and drops to 5.8% when you get to 25 or more years of service. This shows that while many people are in SERS for a few years, the active members who stay and ultimately draw a benefit are longer career employees.

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Mr. Stensrud continued, stating that 27.7% of current active members make less than \$10,000 annually. 46.4% of current active members make less than \$20,000 annually. 78.4% make less than \$40,000 annually. 21.6% make more than \$40,000 annually. Also, 68% of active members are female and 32% are male. Mr. Stensrud assured the board and members of the public that retirees are not getting rich from working in Ohio schools. In fact, Mr. Stensrud stated, 47.5% of current service retirees receive an annual benefit of \$12,000 or less. 65.5% of current service retirees receive an annual benefit of \$18,000 or less. 77% receive an annual benefit of \$24,000 or less. Mr. Stensrud shared a few more statistics before moving on with his presentation. Mr. Stensrud also stated that SERS continues to be in a strong position without the need for increase employer or employee contributions.

Annual Board Workshop (Formerly Known as the Annual Board Retreat)

Mr. Stensrud continued his report, stating that the Annual Board Retreat is being rebranded as an Annual Board Workshop. This year, SERS hopes to have Dr. Basu, one of the previous presenters, join us again for a presentation on his economic outlook. The Board Workshop will take place on Wednesday, February 19, 2025, instead of the usual Friday morning session. This change was based on Dr. Basu's availability. We look forward to an informative and educational session with Dr. Basu, SERS actuaries CavMac, and the other presenters.

Upcoming CBIZ Presentation

Mr. Stensrud continued his report, stating that CBIZ will provide a presentation on Compensation. They will meet with the Compensation Committee in December then provide a report to the full board.

Future Meeting Dates

Mr. Stensrud reviewed the meeting calendar with the board, mentioning that the federal Juneteenth holiday falls on the same day as the June board meeting. SERS offices will be closed Thursday, June 19, 2025.

With the board's approval, June's board meeting date will be changed. Mr. Stensrud stated the June Audit committee meeting will take place on Tuesday, June 17, 2025, at 2:30 p.m. The June board meeting, the Compensation Committee, and the Technology Committee meetings will take place on Wednesday, June 18, 2025.

Conference Updates

Board members James Rossler and Aimee Russell provided the board with updates on the conferences they each attended. Mr. Rossler and Ms. Russell both reported that the conferences they attended were informative, the work was challenging, and they both expressed appreciation for the ability to attend educational conferences each year. Mr. Stensrud thanked both board members for their updates.

Retirement Report

There was no executive session for the retirement report.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

There were no requests for additional information.

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Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2025.

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2025 **

AUDIT COMMITTEE MEETINGS

March 19, 2025 – 2:30 p.m. (Weds.)
June 17, 2025 – 2:30 p.m. (Tues.) **** Moved due to Juneteenth Holiday ****
September 17, 2025 - 2:30 p.m. (Weds.)
December 17, 2025 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 20, 2025 – 7:30 a.m. (Thurs.)
June 18, 2025 – 7:30 a.m. (Weds.) **** Moved due to Juneteenth Holiday ****
July 17, 2025 – 7:30 a.m. (Thurs.) **** Special Meeting ****
September 18, 2025 – 7:30 a.m. (Thurs.)
December 18, 2025 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

March 20, 2025 – 12:30 p.m. (Thurs.)
June 18, 2025 – 12:30 p.m. (Weds.) **** Moved due to Juneteenth Holiday ****
September 19, 2025 – 12:30 p.m. (Thurs.)
December 19, 2025 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

February 20 – 21, 2025 – 8:30 a.m. (Weds. and Thurs.) **** Annual Board Workshop Updated ****
March 20 – 21, 2025 – 8:30 a.m. (Thurs. and Fri.)
April 17 – 18, 2025 - 8:30 a.m. (Thurs. and Fri.)
May 15 – 16, 2025 – 8:30 a.m. (Thurs. and Fri.)
June 18, 2025 – 8:30 a.m. (Weds.) **** Moved due to Juneteenth Holiday ****
July 17 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)
September 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.) **** Board Picture Day ****
October 16 – 17, 2025 – 8:30 a.m. (Thurs. and Fri.)
November 20 – 21, 2025 – 8:30 a.m. (Thurs. and Fri.)
December 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)

**** Please note that these dates and times are tentative.**

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Adjournment

Board Chair, Matthew King, moved to adjourn to meet on Thursday, December 19, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:43 p.m.

Matthew King, Board Chair

Richard Stensrud, Secretary