

SERS Retirement Board Meeting Minutes

February 20, 2025

The nine hundredth and seventy-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 20, 2025.

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, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, and Daniel Wilson. Absent (and excused): Jeffrey DeLeone, Catherine Moss. 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 **February 20, 2025**, included:

- Minutes of the **December 19, 2024**, Retirement Board meetings.
- Summary of Investment Transactions for the period of **November 1, 2024**, to **November 30, 2024** and **December 1, 2024** to **December 31, 2024**.
- Retirement Report – Superannuations, Survivor Benefits, and Transfers.
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Approval of Appeal on Personal Appearance, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation, Disapproval of Appeal of Termination – Any Occupation

James Haller moved and James Rossler seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, February 20, 2025. Upon roll call, the vote was as follows: Yea: Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

Investment Report

Annual Portfolio Review – Global Equities

SERS Investment staff Judi Masri and Hai Yen Le provided an update on the Global Equities portfolio. Ms. Masri reported that the portfolio has a \$8.3B market value. The target allocation is 40% while the actual allocation is 42.9%. For the one year, SERS' U.S. equity portfolio posted a return of 23.17%, which was below the benchmark of 23.81%. The portfolio underperformed due to its overweight small capitalization, which generated less return than large capitalization stock. Ms. Masri continued, stating that the U.S. equity portfolio had a market value of \$4.3 billion, with 75% of the portfolio passively invested in large cap stocks. Ms. Masri also stated that the investment staff initiated a number of changes to restructure the portfolio, such as reducing the small cap overweight and beta managers. In addition, the portfolio's management philosophy has changed from hiring small boutique firms to hiring large, institutional firms with benchmark aware strategies.

Ms. Le reported that unlike U.S. equity markets, non-U.S. markets are less efficient which means there is more opportunity to outperform benchmarks using active management. Therefore, SERS has constructed the \$1.2 billion non-U.S. developed market equity portfolio with 83% active managers to increase returns. The 17% passive management in large cap helps to reduce the portfolio's overall fees. Ms. Le continued, stating that emerging markets finished strong at 10.47%, exceeding the benchmark by 2.97%, while developed markets underperformed the benchmark by 0.53% with a return of 4.16%. Ms. Le closed her report stating that the underperformance of developed markets was due in large part to being overweight in small cap and the underperformance of one large cap manager. The outperformance of emerging markets was due to the strong performance of newly hired managers. Following a brief discussion, the board thanked Ms. Masri & Ms. Le for their report.

SERS Retirement Board Meeting Minutes

February 20, 2025

Quarterly Performance Report – As of December 31, 2024

Joanna Bewick and Chris Tessman of Wilshire Associates provided the Board with an update of current U.S. economic conditions, and a review of SERS' October-December 2024 quarterly results. Ms. Bewick reported that during the fourth quarter, the stock market was up 2.6% with the best-performing sectors being consumer discretionary, financials, and technology. Ms. Bewick continued, reporting that the Federal Reserve began raising rates in early 2022 in response to inflation. While it is too early to measure if the Fed achieved a "soft landing," early data is positive. Ms. Bewick's current expectations for rate cuts in 2025 are modest.

Mr. Tessman reported that SERS' calendar year gross return of 10.33% ranked in the 50th 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 (5th), 5-year (4th), and 10-year (2nd) periods and doing so with less risk. After several questions, the board thanked Ms. Bewick and Mr. Tessman for their report.

Quarterly Investment Report – As of December 31, 2024

Chief Investment Officer, Farouki Majeed, provided a brief update on the investment fund status for the quarter ending December 31, 2024. Mr. Majeed reported that the US economy growth was 2.3% in Q4, decelerating from 3.1% in Q3. Mr. Majeed continued, stating that the US labor market remains solid while inflation continued to tick up to 2.9% in December, 0.1% higher than in November. Mr. Majeed closed his presentation stating most of the information had already been reviewed at the annual board workshop and by Wilshire. After several questions, the board thanked Mr. Majeed for his report.

Executive Director's Report

ORSC Update

SERS Executive Director Richard Stensrud reported that there were no ORSC meetings in January or February. Mr. Stensrud noted that appointments to the ORSC had not been completed but there will likely be changes to the composition of the ORSC.

Advocacy Partners Roundtable

Mr. Stensrud reported that SERS held its annual Advocacy Partners Roundtable discussion on Friday, January 17, 2024. Stakeholders were provided with a report on the state of SERS pension fund and healthcare program and fund, and a preview of likely issues and initiatives in 2025. In addition to the stakeholders, several Board Members attended and reported that the information was well-received by the stakeholders.

Mr. Stensrud emphasized the importance of engagement with stakeholders and noted that SERS plans to hold further stakeholder meetings in the next few months with OASBO and SERO. Details will be provided as they are made available.

Ohio General Assembly

Mr. Stensrud reported that the state legislature will be focusing on the annual operating budget in the new legislative session. Mr. Stensrud noted that changes to the committee structure and committee membership had been made with the House Pensions Committee being disbanded and the assignment of pension matters to a new House Public Insurance and Pensions Committee.

Mr. Stensrud reported that meetings were being scheduled with members of the new committee and new members of the ORSC. Mr. Stensrud also reported that he recently met with ORSC member Senator Romanchuk to discuss possible pension-related legislation in the new legislative session. The Board will be kept informed of any developments.

SERS Retirement Board Meeting Minutes

February 20, 2025

HB257 – Authorization for Certain Public Bodies to Meet Virtually

Mr. Stensrud reported that HB257, which authorizes members of the governing boards of certain public bodies to participate in meetings virtually, will go into effect in April 2025. He noted that in order for SERS Board Members to participate virtually, SERS will need to adopt a Board policy that adheres to the requirements stated in the bill. Mr. Stensrud reported that a proposed policy that conforms to the law will be presented for the Board's consideration at the March Board Meeting. If the policy is approved in March, Board Members will be able to participate in Board Meetings virtually beginning in April.

Federal Legislative Activity - WEP/GPO Repeal

Mr. Stensrud reported that while the WEP/GPO has been repealed, the Social Security Administration is saying that it may take several months to make the changes effective. SERS staff will continue to monitor this situation and will keep the Board and SERS members informed of any developments.

SERS Board Election – Active Employee Seats

Mr. Stensrud reported that an election is underway for two open employee seats on the SERS Board. The ballots will be accepted up until March 3 at 4:30 p.m. On March 4 the ballots will be counted and the results will be certified by the Ohio Attorney General's Office. Candidates will have the right to challenge the results in writing and the winners will be certified at the April Board Meeting. Mr. Stensrud noted there are three people running for two open seats including incumbent Board Members James Haller and Jeanine Alexander.

Member and Employer Engagement

Mr. Stensrud reported on various programs through which SERS was engaging with SERS members and employers. Mr. Stensrud noted that there have been several webinars focused on preparing members for retirement and educational programs for employers.

CBIZ Compensation Presentation

Joe Rice, Director at CBIZ, a compensation consulting firm, provided an annual update to the Board on current labor market salary data that directly affects the salary ranges and salary levels for SERS staff. Reviewing and adjusting the salary ranges and overall salary growth on an annual basis is considered a best practice as it helps assure that SERS' compensation levels remain aligned with the compensation for comparable positions, and in so doing, helps assure that the compensation enables SERS to attract and retain the quality of employees that will allow SERS to continue to be successful at its mission.

Based on the labor market data, Mr. Rice suggested a 3.1% increase to current salary ranges with an increase in the total salary budget of 4.5%.

Mr. Stensrud noted that adjusting the salary ranges does not mean that salaries will increase by that amount. The primary source of salary growth at SERS is through the annual merit adjustment. SERS' employees do not receive step increases or cost-of-living adjustments. Total salary budget growth includes annual merit increases, promotions, and salary adjustments.

Mr. Stensrud noted that no action was required from the Board at this time. He noted that at the March Board Meeting the Board will be provided with information regarding the fiscal impact of various combinations of salary structure, salary budget growth and merit levels. At that time the Board will be asked to approve a specific salary structure and salary budget adjustment, and merit level, so that this information can be built into the budget for FY 2025-2026.

Following several questions, the Board thanked Mr. Rice for his presentation.

The Board took a break at 10:17 a.m.

SERS Retirement Board Meeting Minutes

February 20, 2025

The Board reconvened at 10:30 a.m.

Executive Session

James Haller moved and Aimee Russell seconded the motion that the Retirement Board convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Catherine Moss, Jeffrey DeLeone. The motion carried. The board convened in executive session at 10:31 a.m.

The Board went into executive session at 10:31 a.m.

The Board reconvened in open session at 10:48 a.m.

Review of Administrative Expenses

Chief Financial Officer, Marni Hall, provided a brief update on SERS administrative expenses, including budgeted to actual. Ms. Hall noted that operating expenses will vary based on the timing of invoicing and billing. Ms. Hall noted that benefits and computer support services continue to be the biggest line items. Ms. Hall answered several questions, and the Board thanked her for her report.

Healthcare Pre-Planning for CY2026

SERS Director of Health Care Services, Michael Steiner, PhD, provided an update on the Health Care Fund and presented information regarding possible adjustments to the Medicare Plan Premium Surcharge.

Dr. Steiner explained that in 2009, SERS' actuary projected that the Health Care Fund would be exhausted by 2014. At that time, the Board assembled a Health Care Preservation Task Force to find ways to strengthen the Fund and make it sustainable over a 20-year period.

One of the Task Force recommendations adopted by the Board was the addition of a \$35 premium surcharge beginning in 2011. In addition, since then the Board had taken further actions to increase the sustainability of the Health Care Fund. These actions, along with good investment returns and increased federal subsidies, have helped the Health Care Fund attain its highest balance and an estimated 45-year solvency period as of June 30, 2024.

As this is more than double the solvency target established by the Board, Dr. Steiner provided the Board with information on the possible scaling back or elimination of the premium surcharge in order to improve the value of the Medicare Advantage plan for enrollees and potentially increase participation in the plan. Dr. Steiner noted that although the plan benefits have improved over recent years, participation in SERS' Medicare plan has declined about 1.5% annually. He also reported that the results of a 2024 member survey suggest that members prefer premium reductions compared to future benefits enhancements. Dr. Steiner presented information showing that the potential premium surcharge reduction scenarios would result in a modest decrease in the solvency period ranging from one to five years.

After several questions and a robust discussion, the Board expressed interest in having Dr. Steiner return at an upcoming meeting to provide more detailed information on a possible reduction in the Premium Surcharge. The Board thanked Dr. Steiner for his presentation.

Risk Management Update

SERS Chief Risk Officer, Colette Barricks, and Phil Grim, SERS Assistant Director of Information Security, provided an overview of SERS' Risk Management Program.

Ms. Barricks stated that SERS' Risk Management Program ensures risk considerations are included in decision-making, aligns risk exposure with risk management, conducts rigorous risk assessments, and assures that risk

SERS Retirement Board Meeting Minutes

February 20, 2025

assessment and mitigation aligns with strategic planning. Ms. Barricks discussed how the program has made steady progress reducing and managing key risks while creating a firm foundation for risk awareness, monitoring, and reporting. She also discussed the process, decision making and governance structure that has been established for assessing Artificial Intelligence opportunities and tools.

Ms. Barricks and Mr. Grim provided the Board with information regarding several key risk management projects for FY2025. Those projects include:

- External member and employer identity fraud assessment to validate existing controls, processes and documentation
- Evaluation of Co-Pilot (AI tool) as means to increase productivity (oversight provided by the AI Oversight Committee)
- Refund Reimagination Project to improve member security and streamline the refund process to enhance member experience
- External verification of 'source code escrow' and 'break glass' scenarios to protect our investment in SMART
- Micro-segmentation to prevent lateral movement and spread
- HIPAA Assessment to ensure compliance
- Disaster Recovery Live Test to validate SERs can recover systems quickly
- Cyber Incident Tabletop to test our Incident Management plan, processes, and procedures

Discussion followed and the Board thanked Ms. Barricks and Mr. Grim for their presentation.

Benefit Payment Options

Mr. Stensrud noted that at the December Board Meeting there was a request to update the Board on the benefit payment options available to SERS members upon retirement. To that end, John Grumney, SERS Director of Member Services, presented an overview of the seven retirement plan payment options, noting how the different options impact the monthly pension amount.

Mr. Grumney noted that SERS' counselors and retirement publications provide guidance to help members select the best option. Mr. Grumney reported that in 2024 over sixty percent of SERS' retirees chose the single life allowance with no beneficiary, the option that provides the largest benefit to the retiree.

Discussion followed and the Board requested information illustrating the steps a person would take to retire with a SERS pension. Mr. Stensrud noted that the Board will be provided with the information at an upcoming meeting.

The Board thanked Mr. Grumney for his presentation.

Executive Session

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

The board went into executive session at 12:37 p.m.

The board reconvened in open session at 12:54 p.m.

It was moved by Frank Weglarz and seconded by James Rossler to contract with Hudepohl & Associates to assist SERS in the search for a new Chief Audit Officer. Upon roll call, the vote was as follows: Yea: Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Catherine Moss, Jeffrey DeLeone. The motion carried.

SERS Retirement Board Meeting Minutes

February 20, 2025

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 SERS staff provide information to show the steps in the retirement process and information regarding a possible reduction in the health care Premium Surcharge.

Calendar Dates for Future Board Meetings

The Board members reviewed the 2025 meeting calendar with no further comment.

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

AUDIT COMMITTEE MEETINGS

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

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

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

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.**

Adjournment

Board Chair, Matthew King, moved to adjourn to meet on Thursday, March 20, 2025, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:55 p.m.

Matthew King, Board Chair

Richard Stensrud, Secretary