School Employees Retirement System

SPECIAL COMPENSATION COMMITTEE MEETING MINUTES

Preparer	Vatina Gray	**Meeting Date**:	June 18, 2025

Committee Chair: Daniel Wilson

Committee Roll Call was as follows: Present: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson.

Also in Attendance: Maggie O'Shea, representative from the Ohio Attorney General's Office. Also in attendance were SERS Staff: Richard Stensrud, Joe Marotta, Michelle Miller, and Vatina Gray.

Agenda

1. Roll Call
2. Approval of April 17, 2025, Special Compensation Committee Minutes (R)
3. Discussion of Changes to Employee Leave Time Program
4. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)
5. Adjournment

Discussion

The SERS Special Compensation Committee meeting convened in open session at 7:33 a.m.

ROLL CALL

The SERS Special Compensation Committee roll call was as follows: In-Person: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson.

APPROVAL OF MINUTES

James Haller moved and Aimee Russell seconded the motion to approve the minutes of the Special Compensation Committee meeting held on April 17, 2025. Upon roll call the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson. The motion carried.

DISCUSSION OF CHANGES TO EMPLOYEE LEAVE TIME PROGRAM

SERS Executive Director, Richard Stensrud, provided an update on the SERS Employee Leave Program. Mr. Stensrud reported that annually, the Executive Director, with input and guidance from the Deputy Executive Director and the Directors of Human Resources, Health Care Services, and Finance, reviews and considers potential adjustments to the non-salary benefits provided to SERS employees. The primary goal is to assure that we are being fiscally prudent while providing a benefits package that supports our overall compensation objective of being able to attract and retain well-qualified personnel.

Mr. Stensrud continued, stating Examples of the benefits reviewed and adjusted annually include the elements of the employee health care plan such as:

- Premiums
- Co-pays
- Co-insurance
- Deductibles
- Out-of-pocket maximums
- Prescription formulary changes
- Wellness and disease management programs
- Flexible Spending Account vendors

Mr. Stensrud reported that other benefits that have been reviewed and adjusted over the last several years include:

- Provisions of the life insurance offered to retired SERS employees
- The length of the SERS work week
- Parental leave
- The tuition reimbursement program
- The cell phone reimbursement program
- Short term disability benefit levels
- Expanding 'stop loss' coverage to employee prescription claims
- Sick leave accrual and cash out
- Vacation leave accrual and cash out

Mr. Stensrud stated that a chronological list of these latter benefit changes has been provided. The longstanding practice at SERS has been that benefit adjustments such as those referenced above are made pursuant to the operational authority granted to the Executive Director, with no Board approval required. However, in situations where adjustments are more widespread and/or substantial, it has been my practice to advise the Compensation Committee about what is being done and why. This can be seen in the chronology, where in December 2017, I reported to the Committee on a package of benefit adjustments that would be implemented beginning in 2018. A copy of the memorandum to the Compensation Committee describing those changes is attached for your reference.

Mr. Stensrud advised the Compensation Committee about a package of adjustments to the employee sick and vacation leave accrual and cash out program that will be implemented over the next year.

Mr. Stensrud continued, stating that re-assessing sick and vacation leave accrual and cash out has become more important in recent years. Those adjustments (which for past years are described in the chronology and memorandum referenced above) are largely for three reasons: (1) GASB has issued directives requiring that more accumulated leave time must be reported on SERS' financial statements as an expense accrual, which places a strain on current and future operating budgets; (2) Leave usage by employees has declined, causing leave balances to increase and financial statement reporting levels to increase, and further resulting in the potential for larger leave cash outs before retirement/separation from service; and (3) A difference between some of SERS' leave accrual and cash out caps and those at the other Ohio retirement systems.

Mr. Stensrud reported as of December 2024, there was $1.6 million in vacation leave liability and $2.1 million in sick leave liability that must be reported on the financial statements.

Mr. Stensrud continued, outlining SERS' current vacation and sick leave accrual and cash out provisions and the adjustments that will be made to the program.

Current Vacation Leave Accrual and Cash Out Provisions

- SERS employees earn 4,5,6,7, or 8 hours of vacation leave per pay period depending on seniority.
- All employees are required to use at least 40 hours of vacation leave time per year.
- Accrued vacation leave over 80 hours can be cashed in up to 3 times per year at the employee's current rate of pay.
- Vacation leave maxes out at 2 years' worth of accruals (208 – 416 hours).
- All vacation leave is paid out at time of separation.
- As of December 2024, 75% of SERS' employees have 80 or more hours of accrued vacation leave and 35% have more than 200 hours.

Vacation Leave Accrual and Cash Out Changes

- The accrual rates and maximum accrual levels will not change, and employees with more than 80 hours will still be able to cash in up to three times a year.
- However, there will be an annual 120-hour cap on vacation leave cash ins effective July 1, 2026.
  - This is intended to help alleviate large cash in spikes which are hard to plan and budget for.
  - The 120-hour cash-in-cap should also encourage employees to use more leave time on an annual basis without instituting a mandate for all employees to use more hours in a year. If more people use leave time within the year, it will reduce the leave expense assumption over time for budgeting purposes.
- The 40-hour vacation leave usage requirement will remain in effect for all staff except Executive level staff who earn more than 8 hours of vacation leave per pay period. Given their higher vacation accrual rate, those individuals will be required to use 80 hours of vacation leave per year.

Current Sick Leave Accrual and Cash Out Provisions

- SERS employees earn 4 hours of sick leave per pay period regardless of seniority.
- There is currently no cap on the number of sick leave hours that can be accrued; however a maximum of 960 hours is payable upon separation from service.

	• Employees with over 500 sick leave hours in January of each year have the option to cash in one half of the sick leave hours they earned over the year and did not use. The other half is carried forward. The maximum annual cash in is 52 hours. • As of December 2024, 32% of SERS employees have 500+ hours of sick leave, 22% have 720+ hours, and 11% have 1000+ hours. **Sick Leave Accrual and Cash Out Changes (effective January 2026)** • A hard cap of 960 hours will be established for sick leave accrual. • Employees can voluntarily cash in sick leave if they have at least 480 hours of accrued sick leave. • Sick leave cash in will be mandatory for employees with at least 720 hours of accrued sick leave. • The cash in will be for all hours earned but not used in the past year and will be paid out at a 50% rate. The dollar amount paid out under the former and new provisions would be the same, the difference is that the half of the hours that used to be carried over will no longer carry over. **Long Term Impact** Mr. Stensrud stated that the changes to the leave time program will allow SERS to maintain our current sick and vacation accruals and continue to provide the opportunity for an annual cash-in of unused leave time. With the phase-in of the provisions being changed, those employees closest to retirement will be the least impacted by the changes. The leave accrual rate, the leave accrual caps, and the leave accrual cash in opportunities will be on par with those at the other retirement systems and will help enable SERS to attract and retain high quality employees. At the same time, SERS will benefit by reducing cash in volatility and reducing the rate of growth of the future leave liability over time. It is estimated that the future leave liability will be reduced by over 10% within 5 years. Following a robust discussion, the Compensation Committee members thanked Mr. Stensrud for his report. **<u>EXECUTIVE SESSION</u>** Catherine Moss moved and James Haller seconded the motion that the Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee. Upon roll call the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Aimee Russell, and Daniel Wilson. The motion carried. The committee convened in executive session at 7:53 a.m. The committee returned to open session at 8:29 a.m. **<u>ADJOURNMENT</u>** Daniel Wilson moved to adjourn the meeting at 8:30 a.m.

	Action Items	Assigned Person	Due Date
Action Items			

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Daniel Wilson, Committee Chair Richard Stensrud, Secretary