

**June 20, 2019**

The nine hundredth and twenty-one meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, June 20, 2019. The meeting convened in open session at 8:30 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: James Rossler, Chair, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, Daniel Wilson and Beverly Woolridge. James Rossler excused the absence of Hugh Garside. Also in attendance was Isaac Molnar, representative of the Attorney General, various members of the SERS staff, and members of the public.

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON  
May 16, 2019**

Catherine Moss moved and Barbra Phillips seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, May 16, 2019. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, Barbra Phillips, and Beverly Woolridge. Abstain: Daniel Wilson and James Rossler. The motion carried.

**EDUCATION SESSION – ACTUAL STANDARDS OF PRACTICE (ASOP) 51**

Executive Director Richard Stensrud introduced Todd Green, Actuary, from Cavanaugh Macdonald, to present an education session on Actuarial Standards of Practice 51 (ASOP 51). Mr. Stensrud stated that the information provided in the ASOP 51 analysis will be very helpful for understanding and assessing considerations directly impacting sustainability. Mr. Stensrud further stated that given the information's relevance to sustainability, SERS elected to implement early and asked Cavanaugh Macdonald to prepare a report based on the June 30, 2018 data, which will be presented during the July Board meeting. Mr. Stensrud stated that ASOP 51 becomes effective with the June 30, 2019 actuarial valuation.

Mr. Green provided an overview of Actuarial Standard of Practice (ASOP) No. 51: Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, is being added to the list of standards actuaries must follow when performing an annual actuarial evaluation of a public pension fund. Other standards in place include ASOP No. 4 on measuring pension obligations and determining pension plan costs or contributions; ASOP No. 23 on data quality; ASOP No. 27 on economic assumptions; ASOP No. 35 on demographic assumptions; ASOP No. 41 on actuarial communications; and ASOP No. 44 on asset valuation methods.

Mr. Green said the biggest concern for public pension actuaries regarding ASOP No. 51 is the disclosure of an "investment risk defeasement cost," which is a method of calculating the cost of terminating a pension plan. Unlike private pension plans that can close if a company goes out of business, the oversight of public plans is conducted by governments who have the responsibility of providing retirement security to public workers, and it is unlikely that a government will go out of business.

Mr. Green stated that another concern public pension actuaries have with ASOP No. 51 is that some actuarial assumptions like the investment discount rate, inflation rate, and payroll growth will be reviewed annually rather than only once during a five-year period as part of the actuarial experience study. They believe that proposed changes to these assumptions will be tied more closely to recent experience rather than future expectations, which runs contrary to the long-term view public pensions must take to provide retirement security to future generations of workers.

Mr. Green said there are some recommendations in the standard that are relevant for most public plans, including monitoring of investment risk, longevity risk, covered payroll risk, active population risk, and contribution risk

The Board thanked Mr. Mr. Green for his presentation.

The Board took a break at 9:40 a.m., and reconvened at 9:49 a.m.

Board Chair James Rossler asked Chief Investment Officer Farouki Majeed to present the Investment Report.

## INVESTMENT REPORT

### ANNUAL INVESTMENT PLAN

Barbra Phillips moved and Jeffrey DeLeone seconded the motion to approve the Annual Investment Plan for fiscal year ending June 30, 2020, which replaces the 2019 Annual Investment Plan, originally approved June 21, 2018. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

#### **Monthly Investment Report**

Mr. Majeed discussed the Investment report for the period ending April 30, 2019. The preliminary performance report as of May 31, 2019 was distributed to the Board for their information. As of April 30, 2019, the Fund was \$14.5 billion with a FYTD return of 5.02%.

Following comments from Executive Director Richard Stensrud, Mr. Majeed discussed the RVK Investment Performance Report and the upcoming asset allocation review. Mr. Majeed commented the RVK report provided to the ORSC in June ranked SERS' performance of 9.1% for the seven-year period ended December 31, 2018 in the highest percentile (12) of a peer group of plan sponsors with assets greater than \$10 billion.

Mr. Majeed stated that the Investment staff and Wilshire Associates will be conducting an asset allocation review in the coming months including discussions with the Board on input assumptions and alternative scenarios, followed by a possible recommendation for changes. Following questions and answers, the Board thanked the Investment staff for their efforts and Mr. Majeed for his comments.

### SUMMARY OF INVESTMENT TRANSACTIONS

Barbra Phillips moved and Beverly Woolridge seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **April 1, 2019** through **April 30, 2019** hereby be approved. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

#### A. PURCHASES

| Asset Class                  | Approximate Cost<br>(in millions) |
|------------------------------|-----------------------------------|
| US Equities                  | \$ 263.8                          |
| Non-US Equities              | 162.0                             |
| Fixed Income                 | 492.0                             |
| Multi-Asset Strategies       | 0.5                               |
| Private Equity Capital Calls | 39.5                              |
| Real Asset Capital Calls     | 1.4                               |
| Opportunistic                | 7.5                               |
| Cash Equivalents             | 449.0                             |

B. SALES

| Asset Class                  | Approximate Net Proceeds (in millions) | Approximate Gain/(Loss) (in millions) |
|------------------------------|--|---------------------------------------|
| US Equities                  | \$ 206.7                               | \$ 7.1                                |
| Non-US Equities              | 110.0                                  | 1.9                                   |
| Fixed Income                 | 353.4                                  | 1.0                                   |
| Multi-Asset Strategies       | 21.2                                   | 4.6                                   |
| Private Equity distributions | 19.3                                   | n/a                                   |
| Real Asset distributions     | 9.6                                    | n/a                                   |
| Opportunistic                | 1.2                                    | n/a                                   |
| Cash Equivalents             | 635.2                                  | n/a                                   |

**STRATEGIC PLANNING UPDATE**

Executive Director Richard Stensrud provided highlights of SERS' Strategic Plan for FY2020-2024. The operational plan will guide the organization for the next three to five years.

The plan encompasses six goals:

- **Pension Fund Sustainability:** Our pension fund is designed to be sustainable and adaptive to meet the needs of our members, employers, and retirees.
- **Health Care Sustainability:** Our approach to health care focuses on program sustainability and access to quality care.
- **Service Delivery:** Our service delivery is responsive and shaped by the needs of those we serve.
- **Operations:** Our systems and processes foster organization-wide efficiency, agility, and accountability.
- **Culture:** Our culture promotes a high-performing team driven by mission and continuous improvement.
- **Communications and Stakeholder Engagement:** Our communications and stakeholder engagement promotes awareness, transparency, accountability, and trust.

Director Stensrud thanked RAMA Consulting, the consulting firm selected to facilitate strategic planning exercises, SERS' Leadership Team, SERS staff, the Board, and various advocacy groups, that assisted in creation of the plan.

**EXECUTIVE DIRECTOR'S UPDATE**

**Ohio Retirement Study Council**

Executive Director Richard Stensrud stated that the ORSC meeting was held on June 13th, wherein he presented a summary of the SERS proposed budget. The next meeting is tentatively scheduled for July 11th.

**Marketplace Wraparound Plan Advocacy**

Mr. Stensrud stated that SERS continues to push for an extension of the authority to provide its health care Wraparound Program. Current efforts are focused on encouraging members of the Senate Appropriations Committee to introduce legislation to extend the program and pushing for action by regulatory agency representatives. Mr. Stensrud noted SERS is encouraging members and retirees to

contact their Senators and urge them to support an extension to the Wraparound Program. Mr. Stensrud stated the Wraparound Program saves SERS money, which helps keep the health care fund solvent.

### **Pension Sustainability and Health Care Sustainability**

Mr. Stensrud reported that facilitators have been identified for both the Pension Sustainability and the Health Care Sustainability projects. Mr. Stensrud stated these discussions will begin at the Board Retreat, scheduled for Wednesday, July 17, 2019 at 9:00 a.m. Mr. Stensrud noted that these discussions will likely focus on risk factors that can adversely affect future pension and health care funding and measures that might be considered to mitigate those risks.

Mr. Stensrud stated that to help provide an informational foundation for the sustainability discussions, staff had developed materials illustrating how SERS' pension and health care programs had evolved to their current states by showing how key elements and metrics of the programs had changed over time. Mr. Stensrud noted that information was presented in two different ways. The first set of materials does so in a chronological timeline format, with five separate timelines highlighting active member demographic changes; retiree demographic changes; SERS' transition from being cash flow positive to a 'mature' retirement system; the changes in SERS' funded status; and the evolution of SERS' health care fund and benefit program. The second set of materials presents the information in a 'decade snapshot' format.

Mr. Stensrud commended staff for the quality of the materials. The Board concurred that the materials were very helpful and well presented.

### **Disability Committee**

Following up on previous discussions regarding alternatives to the current approach for conducting disability hearings, Mr. Stensrud suggested that one alternative would be to form a 4-member disability committee, that would include representation by employee and retiree elected Board Members and appointed Board Members, to conduct the hearings.

Several Board Members expressed their view that it is important that members have the opportunity to present their appeal to the full Board, and it was the consensus of the Board to maintain the current approach to conducting hearings while continuing to explore potential changes in the scheduling of the hearings.

### **Joint Trustee Training reminder**

Mr. Stensrud reminded the Board that the Joint Trustee training is scheduled for November 4th at OPERS.

## **LEGISLATIVE REPORT**

### **STATE LEGISLATION BOARD REPORT 133<sup>rd</sup> General Assembly (Prepared by Chris Collins as of June 7, 2019)**

**SB10 THEFT IN OFFICE PENALTIES** Steve Wilson (R-Maineville) To expand the penalties for theft in office based on the amount stolen and to include as restitution audit costs of the entity that suffered the loss.

Current Status: 05/09/2019 Reported Out

---

**FEDERAL LEGISLATION BOARD REPORT**  
**116<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of June 7, 2019)**

---

**H.R. 141**

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: House - 01/31/2019 Referred to the Subcommittee on Social Security

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 182 co-sponsors; eight Ohioans

---

**H.R. 748**

SPONSOR: Rep. Joe Courtney (D-CT)

LAST ACTIONS: House - 05/21/2019 Motion to place bill on Consensus Calendar filed by Mr. Courtney

CAPTION: Middle Class Health Benefits Tax Repeal Act of 2019

COMMENT: Repeals the health care "Cadillac Tax." 345 co-sponsors; 13 Ohioans

---

**H.R. 1398**

SPONSOR: Rep. Ami Bera (D-CA)

LAST ACTIONS: House - 02/27/2019 Referred to the Committee on Ways and Means, and Committee on Energy and Commerce

CAPTION: To delay the reimposition of the annual fee on health insurance providers until after 2021

COMMENT: Delays the health care HIF tax. 91 co-sponsors; three Ohioans

---

**S. 521**

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: Senate - 02/14/2019 Referred to Committee on Finance

CAPTION: Social Security Fairness Act of 2019

COMMENT: Repeals the GPO and WEP. 30 co-sponsors.

---

**S. 684**

SPONSOR: Sen. Martin Heinrich (D-NM)

LAST ACTIONS: Senate - 03/06/2019 Referred to the Committee on Finance

CAPTION: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage

COMMENT: Repeals the health care "Cadillac Tax." 37 co-sponsors; two Ohioans

---

## MEMORANDUM

To: Chris Collins, Government Relations Officer

From: Carol Nolan Drake, Federal Liaison

Date: June 5, 2019

Re: Federal Legislative and Regulatory Report

### OVERVIEW

**Highlights for May and early June include:** continued hearings in the House and Senate on the FY 2020 budget and appropriation requests; advocacy for the SERS Wraparound Program; regulatory efforts to express concerns with proposed rules from CMS related to EGWPs and Medicare Part D plans; House action on retirement security legislation; and health care and prescription drug legislation and hearings.

**Hearings and markups for appropriations are continuing in both the House and the Senate in June.** House Majority Leader Steny Hoyer (D-MD) indicated that the “chamber will begin moving the measures to the floor June 12.” One of these measures is a “mini-bus” appropriation bill for funding passed initially by the House Committee on Appropriations, Subcommittee on Labor, Health and Human Services, Education and Related Agencies and then the full Committee on Appropriations on May 8. The bill contains language that applies to limited wraparound plans, which is discussed in greater detail in this report. (A mini-bus bill is a smaller appropriations bill than an omnibus bill.)

**While the House will be moving appropriation bills in June, the Senate has become the chamber that has slowed down even bipartisan bills, such as the Portman-Cardin bill on retirement security, as it has focused on judicial appointments.** A \$19 billion disaster aid bill finally passed on June 3 after Republicans blocked the House vote twice.

**Discussions between Speaker Nancy Pelosi (D-CA), House Minority Leader Kevin McCarthy (R-CA), Senate Majority Leader Mitch McConnell (R-KY) and Senate Minority Leader Chuck Schumer (D-NY) are ongoing as they try to reach at least a two-year budget deal.** Finding common ground on a two-year deal would put future budget discussions past the 2020 elections. A deal would also help stave off a government shutdown, provide guidance on budget caps for defense and non-defense programs, and could include a fix for the debt ceiling.

**The House returned on Monday, June 3 and will be in session for sixteen more days in June.** The members are scheduled to work in their districts from June 28 until July 15. Hearings of interest:

- Committee on Energy and Commerce- [Hearing: "Investing in America's Health Care"](#)
- Committee on Financial Services- [Hearing: Putting Investors First: Examining Proposals to Strengthen Enforcement Against Securities Law Violators](#)
- Committee on Financial Services- [Hearing: Diversity in the Boardroom: Examining Proposals to Increase the Diversity of America's Boards](#)
- Committee on Financial Services, Subcommittee on Diversity and Inclusion- [Hearing: Diverse Asset Managers: Challenges, Solutions and Opportunities for Inclusion](#)

**The Senate returned on Monday, June 3 and will be in session until June 28.** The Senate has several hearings set this month relating to the federal budget and two of particular interest:

- Committee on Banking, Housing, and Urban Affairs- Hearings to examine confronting threats from China, assessing controls on technology and investment and measures to combat opioid trafficking. <https://www.banking.senate.gov/hearings/confronting-threats-from-china-assessing-controls-on-technology-and-investment-and-measures-to-combat-opioid-trafficking>
- Committee on the Judiciary- Hearings to examine competitive implications of vertical consolidation in the healthcare industry. <https://www.judiciary.senate.gov/meetings/your-doctor/pharmacist/insurer-will-see-you-now-competitive-implications-of-vertical-consolidation-in-the-healthcare-industry>.

## **SERS WRAPAROUND PLAN**

**SERS leadership team members, Chris Collins, Christi Pepe, Penny Baker and I have continued to pursue federal legislative and/or regulatory solutions for the SERS Wraparound Plan.** On April 30, the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies met to consider the report of the budget allocations for FY2020 of the noted agencies. Included in the bill markup was the following paragraph:

**Limited Wraparound Coverage.**—The Committee strongly urges CMS to extend the pilot program established by a final regulation published on March 18, 2015, to allow limited wraparound benefits, or supplements, to individual health insurance coverage (or Basic Health Plan coverage). Wraparound coverage is a specialized offering targeted to help part-time workers and retirees whose employers or former employers meet standards of responsibility and have agreed to provide this supplemental coverage as an option. The Committee recommends this pilot program be made permanent. (House Appropriations Committee, p. 130)

**I immediately contacted the offices of Reps. Marcy Kaptur (D-OH), Tim Ryan (D-OH), and David Joyce (R-OH) who serve on the Committee.** Staff members from their offices reached out to Subcommittee staff to discuss the language. We appreciated the Subcommittee's support for limited wraparound plan coverage, however, the inserted paragraph did not provide for an extension of wraparound plans or include the other regulatory agencies (DOL and Treasury/IRS) that were involved with HHS/CMS to create the limited wraparound plan rules. Our concerns were duly noted. We heard that the paragraph was inserted in the bill as a placeholder while the full Committee waited for the Congressional Budget Office (CBO) scoring for a permanent program or over the course of ten years, as required under the rules.

**The full Committee markup occurred on May 8.** The CBO score was still not available at that time. The Manager's amendment included additional language to request a report from CMS within 90 days to the Committee on the status of limited wraparound plans to try and encourage accountability. The Committee voted out the bill, with Reps. Kaptur and Ryan voting for the bill, and Rep. Joyce voting against the bill, along party lines. **The Committee received over 15,000 requests for appropriation language** and tried to accommodate as many of them that it could. We recognized that it was significant for wraparound plan language to be included in the bill and expressed appreciation to all three House offices.

**During a trip to Washington, D.C. on May 20 for Hill visits on the Wraparound Plan and other business, I was notified that the scoring numbers were released.** I was able to review the letter from the Joint Committee on Taxation (JCT), the entity requested by the CBO to assist in scoring the cost of making limited wraparound plans permanent or scoring an extension for ten years. The cost came out to be \$1.568 billion if wraparound plans were made permanent. The letter delineated no numbers for the years 2020 or 2021, however, listed a \$3 million cost for implementation in 2022 and \$1 million cost in 2023 for an extension. After I shared this information with SERS, it was clear that we needed clarification how the JCT arrived at these numbers. The House staff members agreed to seek clarification for us.

**SERS had not requested any appropriation to extend the Plan and the tax credits or subsidies are available for every other eligible citizen, not just the SERS wraparound plan enrollees.** Staff said that they would follow up with the Committee to request additional information. After a daily back and forth, we learned that the Committee would be recommending a one-year, \$1 million appropriation be included in the Manager's amendment when the bill was brought to the House floor. We pointed out that 2020 is an election year and at least a two-year extension would get us past the elections. By the end of May, we were in discussions that a two-year extension would be requested. As of this date, we do not have confirmation of the final language in the Manager's amendment but it is expected this week. Once we have the full details, I will notify the Ohio House delegation offices to garner their support for the bill. It is possible that the ultimate vote will be along party lines because the "mini-bus" will include hundreds of other appropriation requests.

**The full House is expected to consider the "mini-bus" appropriations bill, which will include the Labor, Health and Human Services, Education, and Related Agencies budget language and**

**several other appropriation bills on June 12, per House Majority Leader Steny Hoyer's announcement this week.** I will be flying in to make sure we can respond quickly to any questions as the bill moves to the floor.

**In the meantime, Rep. Kaptur's office requested that SERS review language to authorize a longer-term extension of limited wraparound plans, which SERS Legal Counsel reviewed quickly.** The language was prepared in bill format so Rep. Kaptur can be ready to introduce and sponsor the bill in the future if an opportunity presents itself. In the authorizing language, which mirrors what SERS presented to her office, limited wraparound plans would be extended for ten years:

**SEC. 2. EXTENDING THE LIMITED WRAPAROUND PILOT PROGRAM FOR 10 YEARS.**

(a) Limited wraparound coverage, expansion of pilot program— **(F) Pilot program with sunset** - The provisions of [paragraph \(b\)\(3\)\(vii\)](#) of this section apply to limited wraparound coverage that is first offered no earlier than January 1, 2016 and no later than December 31, ~~2028~~ **48** and that ends no later than on the later of:

- (1) The date that is three ten years after the date limited wraparound coverage is first offered; however, for any existing Limited Wraparound Plan that was established by a Plan Sponsor during the initial three-year pilot program, it shall not be subject to the aforementioned sunset provision and may continue under the authority of the Plan Sponsor....**

**Once the appropriations bill passes the House, it will move to the Senate. Already we have had fruitful discussions with the health care staff members in offices of Senators Sherrod Brown (D-OH) and Rob Portman (R-OH).** Neither Senator serves on the Senate Committee on Appropriations, however, they are able to make requests to the Committee. As soon as we know the final language in the House bill, we will ask Senators Brown and Portman to request that the Senate Committee on Appropriations mirror that language in its appropriation bill. If the Senate passes the bill with this language it helps to ensure that any Joint Budget Conference Committee will not strip out the language.

**SERS and I have formulated a plan to call upon our national stakeholders, retirees and peers to help advocate for the Senate to include comparable language.** Many stakeholders and Ohio delegation offices wrote letters or made calls to the regulatory agencies supporting wraparound plans.

**As part of another advocacy effort, during a call on June 3 with staff members from the offices of Senators Brown and Portman, we discussed their interest in sending a joint letter to the three regulatory agencies, requesting that they reconsider the decision not to extend limited wraparound plans.** Their offices are working to finalize a letter as soon as possible.

**One remaining alternative legislative solution could occur as Congress considers how to address the necessary Medicare and health care extenders package that will need to pass before the end of the fiscal year.** Leadership will need to resolve whether a one- or two-year extension will occur. This would be a last-minute effort if the appropriations process does not move forward for some reason.

**WINDFALL ELIMINATION PROVISION**

**No hearings have been scheduled to consider changes to the WEP formula.** I continue to remain in touch with the Subcommittee on Social Security staff.

**As previously reported, S. 521, the "Social Security Fairness Act," was introduced by Senator Sherrod Brown (D-OH) and still has 30 cosponsors as of this date.** The bill would amend title II of the Social Security Act to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). There has been no action on the bill and Senator Portman is not one of the co-sponsors as of this date.



**H.R. 141, the companion House bill to repeal GPO and WEP, now has 182 co-sponsors**, as of today's date, including eight Ohio delegation members, who are Reps. Tim Ryan (D-OH), David Joyce (R-OH), Steve Stivers (R-OH), Bob Gibbs (R-OH), Marcy Kaptur (D-OH), Michael Turner (R-OH), Marsha Fudge (D-OH) and Joyce Beatty (D-OH). The bill has been referred to the Committee on Ways and Means, Subcommittee on Social Security. There has been no action on the bill.

### **SOCIAL SECURITY**

**The 2019 Annual Report of the Supplemental Security Income Program (the 23rd such report) was released on May 30 by Nancy A. Berryhill, Acting Commissioner. She said, "We prepare this report in compliance with section 231 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996."** The major findings were:

- By 2043, the end of the 25-year projection period, we estimate that the Federal SSI recipient population will reach 8.7 million. The projected growth in the SSI program over the 25-year period is largely due to the overall growth in the U.S. population, though the growth in the SSI recipient population is projected to be somewhat slower than the growth in the U.S. population.
- As a percentage of the total U.S. population, the number of Federal SSI recipients decreased slightly from 2.43 percent in 2017 to 2.39 percent in 2018. We project this percentage to gradually decline throughout the 25-year projection period, reaching 2.22 percent of the population in 2043.

The full report may be viewed here: <https://www.ssa.gov/oact/ssir/SSI19/ssi2019.pdf>

**H.R. 2302, the "Protecting and Preserving Social Security Act," that was introduced on April 12, by Rep. Theodore Deutsch (D-FL) now has eight co-sponsors.** Rep. Marcy Kaptur (D-OH) is one of the co-sponsors. The bill would "amend title II of the Social Security Act and the Internal Revenue Code of 1986 to make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection." This bill, like the "Social Security 2100" bill, H.R. 860, that seeks to improve the solvency of Social Security and provide benefit payments to recipients well into the future.

### **MEDICARE AND MEDICAID**

**On May 14, I flew to Washington, D.C. to attend a meeting at CMS along with representatives from the Better Medicare Alliance (BMA) and Jane Gilbert, director of Retiree Health Care for the Teachers' Retirement System of Kentucky.** SERS was invited to attend the meeting to discuss concerns with the proposed rule by CMS to exempt Medicare Part D plans, but not EGWP plans from the safe harbor provisions for manufacturer rebates.

**SERS submitted a follow up letter to Administrator Seema Verma on June 5, in which Executive Director Richard Stensrud said,**

Recently, the Centers for Medicare and Medicaid Services (CMS) proposed to exempt individual Medicare Part D plans from the unintended consequences of eliminating the safe harbor protection for manufacturer rebates. Thus far, CMS has not extended the same protection to the EGWP plans. SERS has already commented on our concerns with the elimination of the safe harbor protection for manufacturer rebates. The proposal to treat EGWPs differently is another blow to a plan sponsor using an EGWP which has provided protection through plan design.

SERS uses all rebates from our Medicare Part D EGWP plan to buy down premiums by approximately \$45 per person, per year, and to keep drug copays affordable for our participating Medicare enrollees. In total, over \$20 million is paid back to retirees by way of reduced monthly premiums. Any decision by CMS to exempt EGWPs will increase premiums for our retirees, including 22,500 members who would not benefit from point of sale reductions because they do not use rebated drugs.

**SERS will also be a signatory on the letter that the Public Sector HealthCare Roundtable will be submitting to Administrator Verma.**

**H.R. 1346, a bill to “amend title XVIII of the Social Security Act to provide for an option for individuals who are ages 50 to 64 to buy into Medicare,** has 41 cosponsors, however, no members of the Ohio House delegation have signed on as of today’s date. S. 470 is the companion Senate bill that Senator Sherrod Brown (D-OH) has co-sponsored.

## **HEALTH CARE**

**President Trump, the Senate and House have been actively pursuing changes to address several concerns with health care for Americans, including transparency in health care prices, surprise medical bills, and pre-existing conditions.** There are glimmers of bipartisan action on this front that could be welcome, although several health care groups have expressed concerns that they are being unfairly targeted.

**On May 24, several media reports provided information that President Trump will be preparing an executive order to foster greater price transparency in the health-care industry.** During several meetings earlier in May, the President heard from patients who were shocked to receive high medical bills even with insurance. The Executive Order has not been issued yet. The Executive Order could require that insurers and hospitals disclose the discounted rates they negotiate for services, which has been a closely guarded secret by insurance companies and hospitals.

**Senator Lamar Alexander (R-TN) and Patty Murray (D-WA) are working on a draft of a bipartisan package of bills to lower health care costs.** Senator Alexander is the chair of the Senate Health, Education, Labor and Pension (HELP) Committee and Senator Murray is the Ranking Member. A copy of the draft 165-page bill was released on May 23:

[https://www.help.senate.gov/imo/media/doc/LHCC%20Act%20Discussion%20Draft%205\\_23\\_2019.pdf](https://www.help.senate.gov/imo/media/doc/LHCC%20Act%20Discussion%20Draft%205_23_2019.pdf)

**Senator Alexander was quoted, saying the bill would have “as many as two dozen proposals,” including:**

- Protecting patients from massive “surprise” medical bills when they go to the emergency room;
- Changes to discounts drug companies give known as rebates; and
- Measures to increase transparency in health care prices;

**You will recall that Senators Alexander and Murray worked closely last year on a bipartisan bill to resolve some of the issues with the ACA.** While that bill did not move in the Senate, both Senators have continued to discuss ways that the members of the HELP Committee can work together.

**The Administration has continued to pursue a legal challenge to strike down the ACA in the case pending before a Texas federal judge.** On May 1, the New York Times reported, “The Trump administration formally declared its opposition to the entire Affordable Care Act on Wednesday, arguing in a federal appeals court filing that the signature Obama-era legislation was unconstitutional and should be struck down.” This decision was a switch from the previous Trump administration position that some of the ACA should stand. The filing by the Department of Justice caused a stir among both Republicans and Democrats, who have been concerned that citizens with pre-existing conditions would not be able to obtain affordable, comprehensive coverage.

**Some Democrats in the House and Senate support the ‘Medicare for All’ platform that would provide Medicare-like health care coverage for everyone.** Not all Democrats are on board, however. Republicans have expressed concerns with the proposed cost of the change and the role of the federal government overtaking a person’s private health insurance arrangements. Hearings in the House have occurred on Medicare for All. It is a volatile issue that causes strong feelings in both parties.

**On May 9, the House voted on H.R. 986, a bill that Democrats said would protect 134 million Americans with pre-existing conditions.** The bill passed with a vote of 230-183, with Ohio Democratic Members Beatty, Fudge and Kaptur supporting the bill, with Rep. Ryan not voting. Ohio Republican delegation members voted against the bill. Reps. David Joyce (R-OH) and Anthony Gonzalez (R-OH) tried to introduce an amendment which they said would protect “people with preexisting conditions. Rep. Gonzalez tweeted: “@RepDaveJoyce and I proposed an amendment to today’s messaging bill to actually

protect people with preexisting conditions if the ACA is ruled unconstitutional. @HouseDemocrats blocked it in committee. Read it for yourself and ask why: [congress.gov/bill/116th-con.](https://congress.gov/bill/116th-con)

**As reported, Senator Rob Portman (R-OH) is one of the co-sponsors of S. 1125, the “PROTECT Act” which amends the Health Insurance Portability and Accountability Act (HIPAA).** The bill has 34 co-sponsors now but has not moved in the Senate.

**H.R. 1884, the “Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019,” a bill designed to lower healthcare premiums and ensuring coverage for individuals who suffer from pre-existing conditions, has not moved in the House.** The bill is sponsored by Rep. Frank Pallone (D-NJ) and has 157 cosponsors now, none from Ohio thus far.

**Rep. Anthony Gonzalez (R-OH) has signed onto the legislation that would repeal the Cadillac tax.** SERS was notified in May by Stephen Hostelley, Legislative Director for Rep. Gonzalez.

### **PRESCRIPTION DRUGS**

**The Trump administration announced that it will require drug companies to disclose sticker prices in TV ads.** The policy will begin this summer and applies to drugs that cost more than \$35 a month. Some companies have already begun to state the prices for certain drugs during their ads.

**The House passed two pieces of legislation that will make it easier to get generic prescription drugs to market.** H.R. 1503, the “Orange Book Transparency Act of 2019,” passed the House on May 9 with a vote of 422-0. According to the FDA, the Orange Book includes the Approved Drug Products with Therapeutic Equivalence Evaluations. H.R. 1520, the “Purple Book Continuity Act of 2019,” was also passed by the House on May 9, with a vote of 421-0. According to the FDA, the Purple Book includes the list of Licensed Biological Products with Reference Product Exclusivity and Biosimilarity or Interchangeability Evaluations. The Senate will need to consider both bills.

**H.R. 987, the “Strengthening Health Care and Lowering Prescription Drug Costs Act,” passed the House on May 16.** The vote was 234 – 183, with the Ohio delegation voting along party lines, although Rep. Bill Johnson (R-OH) did not vote.

**PBS reported that Attorneys General from 43 states and Puerto Rico are alleging the nation’s largest generic drug manufacturers conspired to artificially inflate and manipulate prices for more than 100 different generic drugs, including treatments for diabetes, cancer, arthritis and other medical conditions.** The lawsuit, filed in federal court in Connecticut, names 15 individual senior executives responsible for sales, marketing and pricing. The suit also seeks reimbursement of profits from the actions and damages to be paid to the state agencies and consumers who were harmed by the drug company practices. <https://www.pbs.org/newshour/nation/states-bring-price-fixing-suit-against-generic-drug-makers>

**The House Committee on Energy and Commerce, with Rep. Bob Latta (R-OH) and Bill Johnson (R-OH) as members, and the Committee on Ways and Means, with Rep. Brad Wenstrup (R-OH) as a member, are working on a bill that would cap what seniors on Medicare’s prescription drug benefit would pay out of pocket each year, at \$5,100.**

**Speaker Nancy Pelosi (D-CA) outlined the House Democrats’ plan to require CMS/ Medicare to negotiate on a minimum of 25 drugs each year.** *Patients for Affordable Drugs* released a report that determined the 25 costliest drugs made up 29.6 percent of total Medicare Part D drug spending. <https://www.patientsforaffordabledrugs.org/>

**H.R. 965, the “CREATES Act of 2019,” which aims to increase competition by cracking down on brand-name drug manufacturers using tactics to keep generic manufacturers from entering the market, was advanced out of the Committee on Energy and Commerce and will be considered by the Committee on the Judiciary.** The bill is cosponsored by Ohio Reps. David Joyce (R-OH), Jim Jordan (R-OH) and Anthony Gonzalez (R-OH). The bill will also enable generic drug companies to sue

brand-name drug companies for withholding product samples.

**S. 474, the “Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act of 2019,” and its companion House bill, requires drug companies to publicly justify any substantial price increases, has ten cosponsors but neither Senators Brown nor Portman.** The bill would require manufacturers to submit justification explaining the causes of the increase or high launch price, as well as information on additional expenses from developing, manufacturing or marketing the drug.

### **RETIREMENT SECURITY**

**The House passed H.R. 1994, the “Setting Every Community up for Retirement Enhancement Act of 2019,” or [SECURE Act](#), by an overwhelming margin, 417-3, on May 23.** Rep. Stivers did not vote and all other Ohio delegation members voted yes. The Senate has entertained a companion bill, or a similar bill, in this and the last session, and is expected to take up a bill soon. One issue that has arisen is the removal of language in the House’s passed version that would have allowed 529 plans to be used for home schooling costs and supplies for K-12 students. Passage of the bill would provide businesses with additional ways to offer retirement plans and give workers and taxpayers more opportunities to save for retirement. This was another bipartisan bill that industry and several national groups supported.

**Senate Finance Committee Chairman Senator Chuck Grassley (R-IA) and Ranking Member Senator Ron Wyden (D-OR) have introduced their own bill, known as the “RESA Act,” that compliments the House’s version of the SECURE Act.** Their bill does not include the provisions relating to 529 plans. Senator Rob Portman (R-OH) is supportive, too. Chairman Grassley commented:

The SECURE Act, which passed today in the House of Representatives and includes my Retirement Enhancement and Savings Act, takes an important step forward to help encourage and facilitate retirement savings. It also includes an important fix to eliminate unintended effects of the tax law on children with unearned income, such as Gold Star families and students who earn scholarships and grants. This legislation is an example of bipartisan cooperation to solve issues on behalf of Americans. I appreciate the hard work of my colleagues in the House and look forward to its quick passage in the Senate.

**Senators Rob Portman (R-OH) and Ben Cardin (D-MD) introduced S. 1431, the “Retirement Security and Savings Act,” on May 20.** It is another bill to help Americans save more for retirement.

### **U.S. SUPREME COURT**

**News reports indicated that the U.S. Supreme Court is considering whether to take up retirement-related cases involving IBM and the Roman Catholic Archdiocese of San Juan.** The first case, *Retirement Plans Committee of IBM et al. vs. Larry W. Jander et al.*, is being appealed by International Business Machines (IBM), arguing that the court incorrectly interpreted the standards for making fiduciary breach claims about company stock in defined contribution plans. The U.S. Supreme Court issued a unanimous decision in the case, *Fifth Third Bancorp, et al. vs. Dudenhoeffer et al.*, in 2014, which established the precedent when lower federal courts are considering stock-drop complaints.

**The other case is Supreme Court will also consider a petition from the Roman Catholic Archdiocese of San Juan, Puerto Rico, to decide if courts can override a religious organization's legal structure and force affiliates to face joint and several pension liability as a single entity after filing bankruptcy.** The case is *Roman Catholic Archdiocese of San Juan, Puerto Rico v. Feliciano*.

### **OHIO’S GERRYMANDERING CASE**

**A stay was granted by the U.S. Supreme Court in Ohio’s gerrymandering case on May 24.** “The application for stay presented to Justice Sotomayor and by her referred to the Court is granted, and it is ordered that the order of the United States District Court for the Southern District of Ohio, case No. 1:18-CV-00357, entered May 3, 2019, is stayed pending the timely filing and disposition of an appeal in this Court or further order of this Court,” according to the Court’s statement.

**Two earlier cases whether gerrymandered districts were drawn, from North Carolina and Maryland, will still be considered by the Court before the end of June.**

## **SECURITIES AND EXCHANGE COMMISSION (SEC)**

**On May 8, Chairman Jay Clayton testified on the FY 2020 budget for the SEC. In his opening remarks, he said:** “To begin, I want to make it clear that our people—our human capital—are our most important resource. Over the past several years, they have moved the Commission forward in the face of ever-changing markets as well as well-known and emerging risks....Staff compensation is the largest portion of our budget, and the most critical in order for the SEC to stay competitive in retaining and recruiting top talent whose skills and expertise provide them with many employment choices.” <https://www.sec.gov/news/testimony/testimony-financial-services-and-general-government-subcommittee-us-senate-committee>

**On Wednesday, June 5, the Senate Committee on Banking, Housing, and Urban Affairs will consider several nominations of candidates for high level federal positions.** Allison Herren Lee, of Colorado, is listed under consideration to be a Member of the Securities and Exchange Commission.

## **OTHER MATTERS OF INTEREST**

**SERS was asked to respond to a question coming from Rep. Marcy Kaptur’s office whether it held any Peruvian land bonds.** SERS responded that it holds only 3 Peruvian government bonds, not land bonds, as of April 30, 2019. We were told that “hundreds of US pension/hedge funds invested in Peru’s land bonds over the last few decades and a series of unconstitutional court decisions in Peru has devalued the bonds and now Peru won’t negotiate over an accurate valuation on the debt owed.” We have heard that Secretary of State Mike Pompeo has been engaging with Peru to try to negotiate under the Peru Free Trade Agreement. Rep. Kaptur was working on an Ohio delegation letter to Secretary Pompeo.

**One hundred years ago, on June 4, 1919, Congress passed the 19<sup>th</sup> Amendment, ratified on August 20, 1920, which guaranteed American women the right to vote.**

<https://www.archives.gov/historical-docs/19th-amendment>

## **ACTIVITIES:**

1. Two trips to Washington, D.C. in May for Ohio delegation visits to discuss the SERS Wraparound Plan, EGWPs at CMS, WEP reform, prescription drug and health care issues.
2. Reached out through calls and emails to Ohio delegation offices to discuss House/Senate efforts on Wraparound Plans and to discuss legislative and/or regulatory solutions.
3. Drafted a letter for SERS to send to Administrator Verma on concerns with the possible exemption of EGWP plans in proposed rules.
4. Participated on conference calls and in meetings with SERS representatives to update them on advocacy efforts and made calls on Wraparound Plan to several stakeholder representatives and the Public Sector HealthCare Roundtable.
5. Attended meeting in Columbus on May 24 with the new District Director for Rep. Joyce Beatty with the SERS Government Relations Officer to discuss SERS’ federal legislative priorities.
6. Monitored bills from the Committee on Appropriations, and others related to public pensions, retirement security, health care, prescription drugs, Social Security and kept informed of relevant House and Senate Committee hearings and witnesses.
7. Reviewed bills that were introduced by members of the Ohio delegation or other House/Senate members on issues that could impact SERS, retirement security and/or health care.
8. Reviewed the testimony by Chairman Jay Clayton, SEC, on the agency’s proposed FY 2020 budget.
9. Reviewed public notices or proposed rules from the SEC, HHS/CMS and regulatory agencies.
10. Monitored organizations, such as the Social Security Administration, American Benefits Council, AARP and other entities on pension, investment, and/or health-care-related issues.
11. Reviewed reports and newsletters from CII, ICGN, NASRA, NCTR, NCPERS, and the Public Sector HealthCare Roundtable, Social Security, retirement issues and prepared the monthly Federal Update.

Continuing, Executive Director Richard Stensrud and SERS' Retirement Board recognized outgoing Retiree-member Beverly Woolridge with a proclamation.

**The Retirement Board of the School Employees Retirement System of Ohio  
adopted the following resolution on June 20, 2019  
to honor Beverly A. Woolridge**

**WHEREAS**, the School Employees Retirement System of Ohio provides pension benefits to more than 239,000 active and retired nonteaching public school employees; and

**WHEREAS**, Ms. Beverly A. Woolridge has served with distinction as a Trustee of the School Employees Retirement System as an employee-elected member from 2009 to 2013, and as a retiree-elected member since 2015; and

**WHEREAS**, Ms. Woolridge has initiated and fostered a higher level of interaction and cooperation between the School Employees Retirement System of Ohio and its stakeholders; and

**WHEREAS**, Ms. Woolridge was an integral part of the Board's sustainability discussions, which will affect the System's financial strength for many years to come; and

**WHEREAS**, Ms. Woolridge lent a calm and honest voice to the discussions of the various important matters addressed by the Board; and

**WHEREAS**, Ms. Woolridge has demonstrated her concern for the welfare of the members and retirees of SERS by her dedicated representation of their interests; now, therefore,

**BE IT RESOLVED**, that the Retirement Board of the School Employees Retirement System of Ohio applauds and recognizes Ms. Beverly A. Woolridge for her stewardship, service, and commitment to the retirement security of Ohio's nonteaching public school employees.

Concluding, Board member Beverly Woolridge presented the following comments:

First of all, I'd like to say "thank you" to the SERS staff and Board members for all that's been done to help me in my service on the Board. The training and education I have received over the years is invaluable. It has broadened my knowledge and has helped me to be a more effective member of the Board.

I am looking forward to the sustainability and healthcare conversations as we go through strategic planning with the Board and its stakeholders formally beginning with the Retreat in July. I am sorry that these conversations are occurring after my term has ended. Therefore, I hope to be able to return to the SERS Board of Trustees so that I can input into these conversations as a representative for retirees.

If I'd only gotten enough signatures on those petitions! I would be getting sworn in July rather than sitting on the outside looking in. At any rate, I plan to continue as best I can to attend the meetings and keep my finger on the pulse of what's going on until I am reelected.

Serving on this Board challenges me and I enjoy the challenge of learning, growing and applying what's been learned to my fiduciary duties and the decision-making on behalf of those I represent, which is all SERS members—active and retired—but especially the retired.

When I first came on the SERS Board of Trustees, it was 2009, at the height of the economic downturn and, man, was I “green.” It made me wonder what I had gotten myself into, but over the years I’ve grown and learned. Initially, I had no frame of reference to a lot of the terms and practices of the financial and actuarial worlds; however, now, I have frames on which to hang the things I’ve learned. I am still learning and wish to continue learning until I am ripe with the knowledge and understanding that makes me a good and effective member of the SERS Board.

Again, thank you, thank you, thank you; and, best wishes to all of you as we move into yet another look at why we do what we do, and for whom it is that we are doing it.

Respectfully submitted,  
Beverly Woolridge

**SERS FY 2020 ADMINISTRATIVE BUDGET**

Executive Director Richard Stensrud requested approval of the proposed administrative budget for FY2020.

**BUDGET RESOLUTION – FY 2020 SERS ADMINISTRATIVE BUDGET**

Barbra Phillips moved and James Haller seconded that the following budget of \$33,783,735 for the fiscal year beginning July 1, 2019 and ending June 30, 2020 be approved, with such approval effective June 21, 2019. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

| <u>Expense Classification</u>   | <u>Budget</u>        |
|---|----------------------|
| Personnel .....   | \$ 22,034,653        |
| Professional Services (including Investment-Related Consultants)..... | 6,793,192            |
| Communications .....  | 958,100              |
| Other Operating Expenses .....  | <u>3,362,922</u>     |
| SERS Administrative Expenses  | \$ 33,148,867        |
| Administrative Capital .....  | <u>634,868</u>       |
| <b>Administrative Budget</b>  | <b>\$ 33,783,735</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.

**OPERATING TRANSFER RESOLUTION – FY 2020**

Barbra Phillips moved and Catherine Moss seconded that SERS transfer to OSERS Holdings, LLC up to \$1,465,584 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2019 and ending June 30, 2020. 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: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

### **EXECUTIVE SESSION**

At 11:16 a.m., Catherine Moss moved and James Haller seconded the motion that the Board go into 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: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

The Board returned to open session at 12:10 p.m.

The Board took a break and 12:10 p.m., and reconvened at 1:01 p.m.

### **EXECUTIVE SESSION**

At 1:01 p.m., Barbra Phillips moved and Beverly Woolridge 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. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

The Board returned to open session at 2:40 p.m.

Concluding the Disability Report, the Board took a break at 2:43 p.m., and reconvened at 2:51 p.m.

### **FY 2020 INTERNAL AUDIT PLAN AND AUDIT COMMITTEE UPDATE**

Chief Internal Auditor Joe Bell provided an overview of the Audit Committee meeting. Mr. Bell then provided an overview of recently completed audits, which included the Transmittal Data audit and the Cash Management audit. Mr. Bell stated that there were no changes made to the Internal Audit Charter and the Audit Charter.

Continuing, Mr. Bell discussed the Internal Audit Plan for FY20, as well as the plan's respective overall risk rating. Mr. Bell noted that the plan is aligned with the Audit Charter and Internal Audit Charter, and that there are a number of individuals involved in the plan, including management. Mr. Bell stated that the plan is also well-aligned with the Strategic Plan. There were no changes to risk factors from the prior year. Mr. Bell then continued with an overview of the Risk Assessment process which involves the audit universe.

Mr. Bell stated that annually, the Audit Committee reviews and assesses the adequacy of their Committee Charter. After review, there are no planned revisions to the Charter this year.

Audit Committee Chair Barbra Phillips stated that the reporting of audit has been very helpful and knowledgeable. Ms. Phillips stated that she appreciates the Committee and the work of Mr. Bell.

### **EXECUTIVE SESSION**

At 3:07 p.m., Catherine Moss moved and Barbra Phillips seconded the motion that the Board go into 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: Catherine Moss, Jeffrey DeLeone, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

Board member Jeffrey DeLeone was excused from the Board meeting at 3:10 p.m.

The Board returned to open session at 3:46 p.m.



## **EXECUTIVE DIRECTOR COMPENSATION**

The SERS Compensation Committee recommends that Executive Director Richard Stensrud receive a 2.25% merit increase in salary effective the first pay date in Fiscal Year 2020. James Haller moved to adopt the Committee's recommendation. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

## **CHIEF AUDIT OFFICER COMPENSATION**

The SERS Audit Committee recommends that Chief Audit Officer Joe Bell receive a 2% merit increase in salary effective the first pay date in Fiscal Year 2020. Catherine Moss moved to adopt the Committee's recommendation. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

## **2020 HEALTH CARE PREMIUMS AND PLAN DESIGN CHANGES**

Director of Health Care Services Christi Pepe presented the 2020 premium and benefit changes for Board approval at the June meeting.

Ms. Pepe stated it was recommended that the Paramount Elite Medicare plan be discontinued due to low plan enrollment and premium costs, which are 20% higher than the Aetna Medicare Plan (PPO). The plan's 356 plan participants would move to the Aetna plan starting January 1. Ms. Pepe also stated that in examining network disruption, it was determined that 94% of the doctors visited by Paramount plan enrollees were also in the Aetna provider network. The disruption analysis also found that 98.5% of all claims paid for Paramount Elite enrollees were for providers also in the Aetna Medicare network.

Ms. Pepe stated the following premium and plan changes for the Medicare plans also were proposed:

- Keep Aetna Medicare Plan (PPO) premiums the same as 2019
- Increase premiums by 2% for the PrimeTime Plan
- Add medical wig coverage as a benefit
- Reduce the preferred insulin co-pay maximum to \$25 from \$30

On the non-Medicare side, staff recommended:

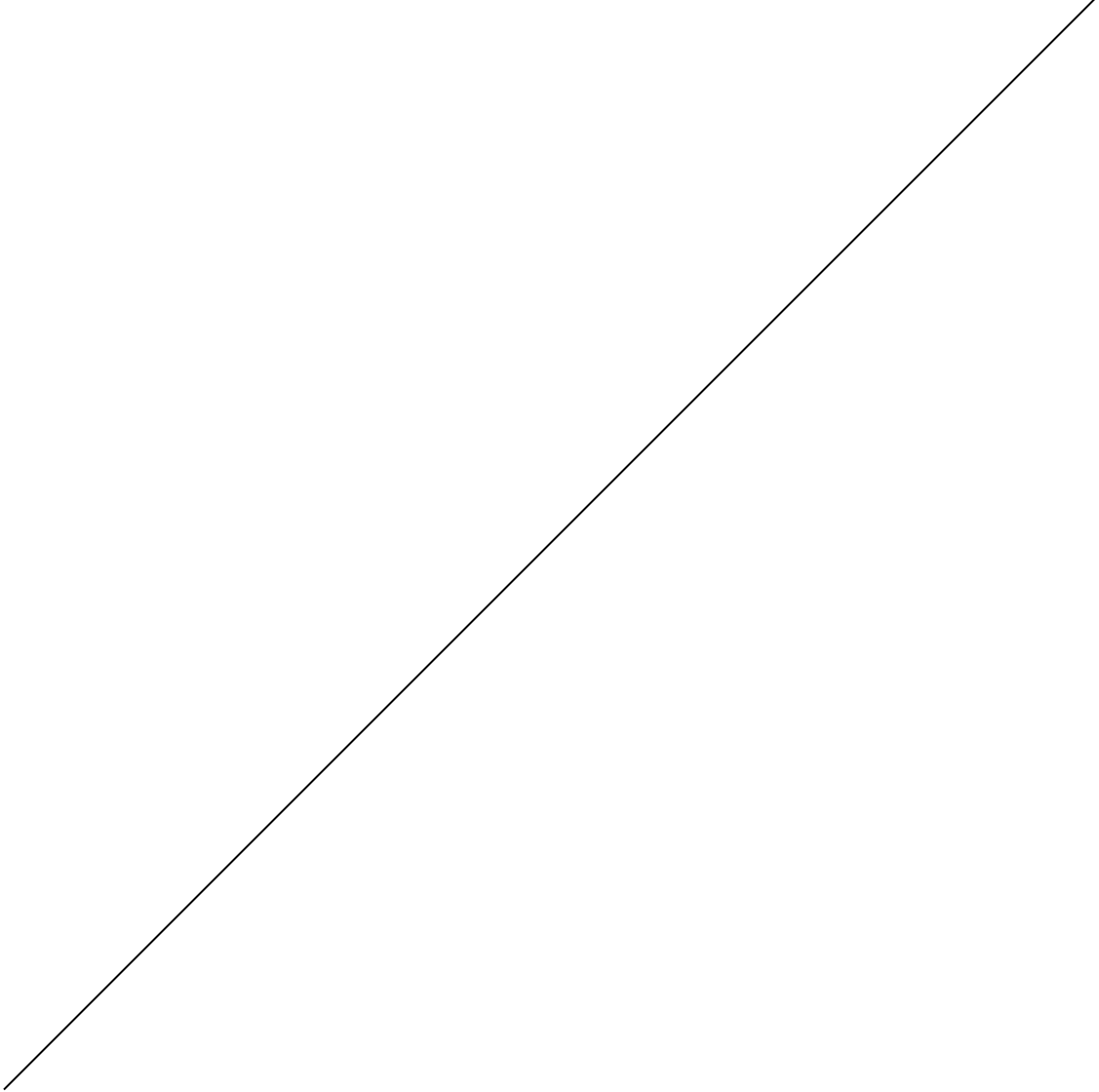
- Keep Aetna Choice POS II plan premiums the same as 2019
- Increase premiums by 7% for the AultCare Plan. It was noted that even with the increase, AultCare continues to offer a competitive non-Medicare plan premium.
- Reduce the preferred insulin co-pay maximum to \$25 from \$30.

Next, Ms. Pepe reviewed the 2020 dental and vision plan premiums. Dental premiums were proposed to increase by 2.56% while the vision premiums will remain the same. Benefits under each plan will remain the same as the prior year.

Ms. Pepe requested the SERS Board to renew the SERS Premium Discount Program for 2020. Ms. Pepe stated that retirees who receive certain categories of Medicare Extra Help, which shares similar eligibility requirements with the SERS program, are automatically enrolled in the SERS Premium Discount Program; paper applications will continue to be accepted and processed.

**APPROVAL OF 2020 HEALTH CARE PREMIUMS AND PLAN DESIGN CHANGES**

Catherine Moss moved and Barbra Phillips seconded to approve the 2020 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2020. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.



**APPENDIX A  
SERS HEALTH CARE 2020 PREMIUMS**

| Fully Insured Plans   |        | 2019       | 2020       |               | 2019 | 2020 |                 | 2019     | 2020     |      |          |          |     |
|---|--------|------------|------------|---------------|------|------|-----------------|----------|----------|------|----------|----------|-----|
| <b>Aetna Medicare PPO Plan</b>                              | 17.50% | \$64.00    | \$64.00    | <b>Spouse</b> |      |      | <b>Children</b> | \$149.00 | \$149.00 |      |          |          |     |
|   | 20%    | \$68.00    | \$68.00    |               |      |      |                 |          |          |      |          |          |     |
|   | 25%    | \$76.00    | \$76.00    |               |      |      |                 |          |          | 80%  | \$166.00 | \$166.00 | 70% |
|   | 50%    | \$117.00   | \$117.00   |               |      |      |                 |          |          | 90%  | \$182.00 | \$182.00 |     |
|   | 100%   | \$198.00   | \$198.00   |               |      |      |                 |          |          | 100% | \$198.00 | \$198.00 |     |
| <b>Aetna Medicare Part B only<sup>1</sup></b>               | 17.50% | \$127.00   | \$127.00   | <b>Spouse</b> |      |      | <b>Children</b> | N/A      | N/A      |      |          |          |     |
|   | 20%    | \$140.00   | \$140.00   |               |      |      |                 |          |          |      |          |          |     |
|   | 25%    | \$166.00   | \$166.00   |               |      |      |                 |          |          | 80%  | \$453.00 | \$453.00 | 70% |
|   | 50%    | \$297.00   | \$297.00   |               |      |      |                 |          |          | 90%  | \$506.00 | \$506.00 |     |
|   | 100%   | \$558.00   | \$558.00   |               |      |      |                 |          |          | 100% | \$558.00 | \$558.00 |     |
| <b>Aultcare PPO (Medicare Part B only and non Medicare)</b> | 17.50% | \$211.00   | \$224.00   | <b>Spouse</b> |      |      | <b>Children</b> | \$159.00 | \$168.00 |      |          |          |     |
|   | 20%    | \$236.00   | \$251.00   |               |      |      |                 |          |          |      |          |          |     |
|   | 25%    | \$287.00   | \$304.00   |               |      |      |                 |          |          | 80%  | \$678.00 | \$724.00 | 70% |
|   | 50%    | \$539.00   | \$574.00   |               |      |      |                 |          |          | 90%  | \$759.00 | \$810.00 |     |
|   | 100%   | \$1,042.00 | \$1,113.50 |               |      |      |                 |          |          | 100% | \$839.00 | \$896.00 |     |
| <b>Aultcare Primetime (Medicare)</b>                        | 17.50% | \$74.00    | \$75.00    | <b>Spouse</b> |      |      | <b>Children</b> | \$193.00 | \$196.00 |      |          |          |     |
|   | 20%    | \$80.00    | \$81.00    |               |      |      |                 |          |          |      |          |          |     |
|   | 25%    | \$91.00    | \$93.00    |               |      |      |                 |          |          | 80%  | \$215.00 | \$219.00 | 70% |
|   | 50%    | \$148.00   | \$150.00   |               |      |      |                 |          |          | 90%  | \$238.00 | \$242.00 |     |
|   | 100%   | \$260.00   | \$265.00   |               |      |      |                 |          |          | 100% | \$260.00 | \$265.00 |     |

| Self-Insured Plans                         |        | 2019       | 2020       |               | 2019 | 2020 |                 | 2019     | 2020     |      |            |            |     |
|--|--------|------------|------------|---------------|------|------|-----------------|----------|----------|------|------------|------------|-----|
| <b>Aetna Choice POS II (non-Medicare)</b>  | 17.50% | \$253.00   | \$253.00   | <b>Spouse</b> |      |      | <b>Children</b> | \$253.00 | \$253.00 |      |            |            |     |
|  | 20%    | \$284.00   | \$284.00   |               |      |      |                 |          |          |      |            |            |     |
|  | 25%    | \$347.00   | \$347.00   |               |      |      |                 |          |          | 80%  | \$833.00   | \$833.00   | 70% |
|  | 50%    | \$659.00   | \$659.00   |               |      |      |                 |          |          | 90%  | \$932.00   | \$932.00   |     |
|  | 100%   | \$1,282.00 | \$1,282.00 |               |      |      |                 |          |          | 100% | \$1,032.00 | \$1,032.00 |     |
| <b>Aetna Traditional Choice (Medicare)</b> | 17.50% | \$173.00   | \$173.00   | <b>Spouse</b> |      |      | <b>Children</b> | \$585.00 | \$585.00 |      |            |            |     |
|  | 20%    | \$192.00   | \$192.00   |               |      |      |                 |          |          |      |            |            |     |
|  | 25%    | \$232.00   | \$232.00   |               |      |      |                 |          |          | 80%  | \$664.00   | \$664.00   | 70% |
|  | 50%    | \$428.00   | \$428.00   |               |      |      |                 |          |          | 90%  | \$743.00   | \$743.00   |     |
|  | 100%   | \$821.00   | \$821.00   |               |      |      |                 |          |          | 100% | \$821.00   | \$821.00   |     |

Proposed rates as of 6/5/2019

|                                 | 2019    | 2020    |
|---------------------------------|---------|---------|
| Aetna POS II administrative fee | \$24.35 | \$25.02 |
| HealthScope (Wrap)              | \$14.00 | \$14.00 |

<sup>1</sup> If a benefit recipient has Part B only and has 25 or more years of service then that person pays the Medicare AB premium for his/her service years.

## **APPENDIX B 2020 PLAN DESIGN CHANGES**

### **2020 Plan Design Changes – Medicare**

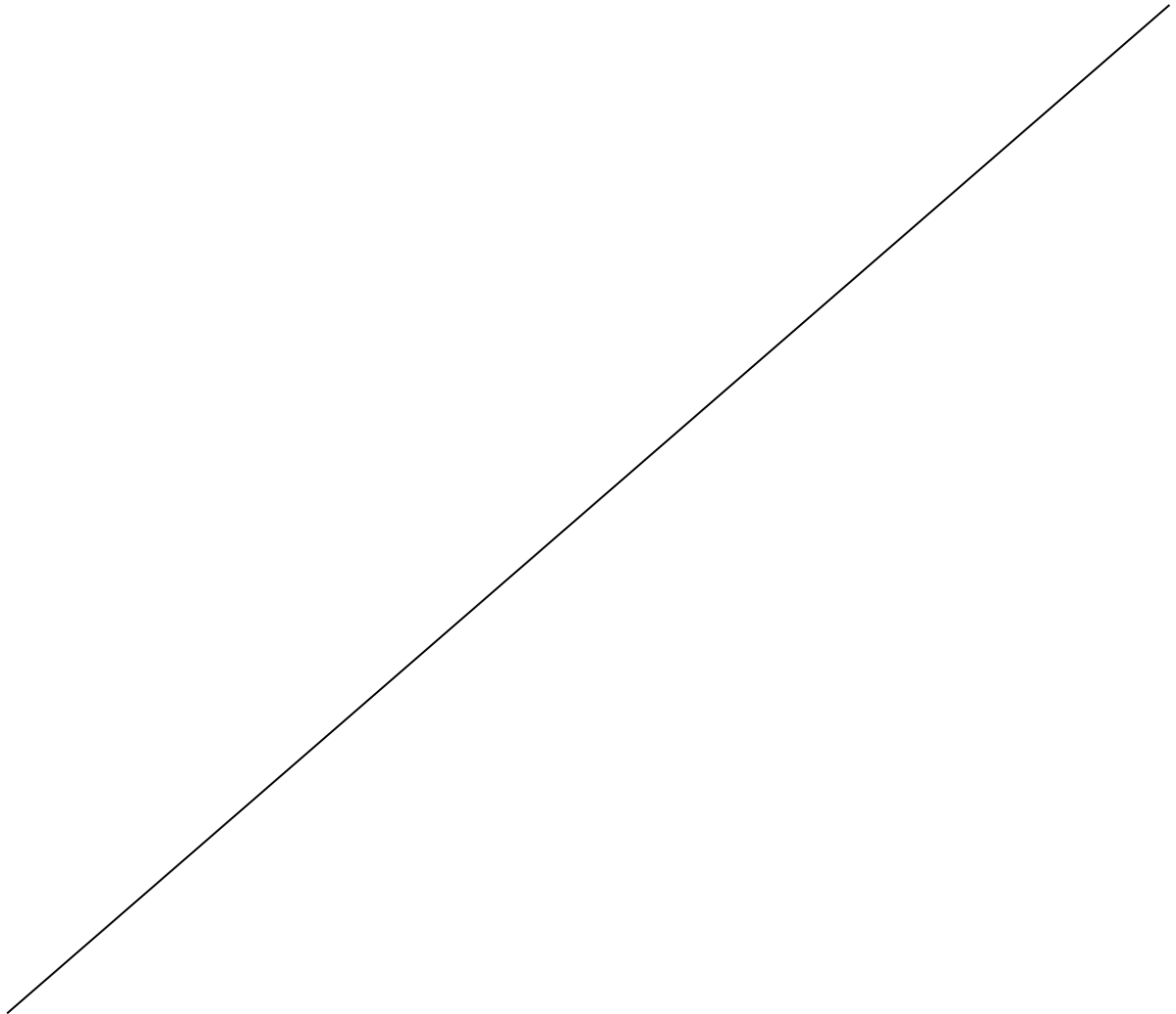
The Health Care Department is recommending the following plan design changes to the **Medicare** program:

1. Paramount enrollment transition to Aetna
2. Add medical wig coverage
3. Reduce preferred insulin co-pay maximum to \$25 from \$30

### **2020 Plan Design Changes – Non-Medicare**

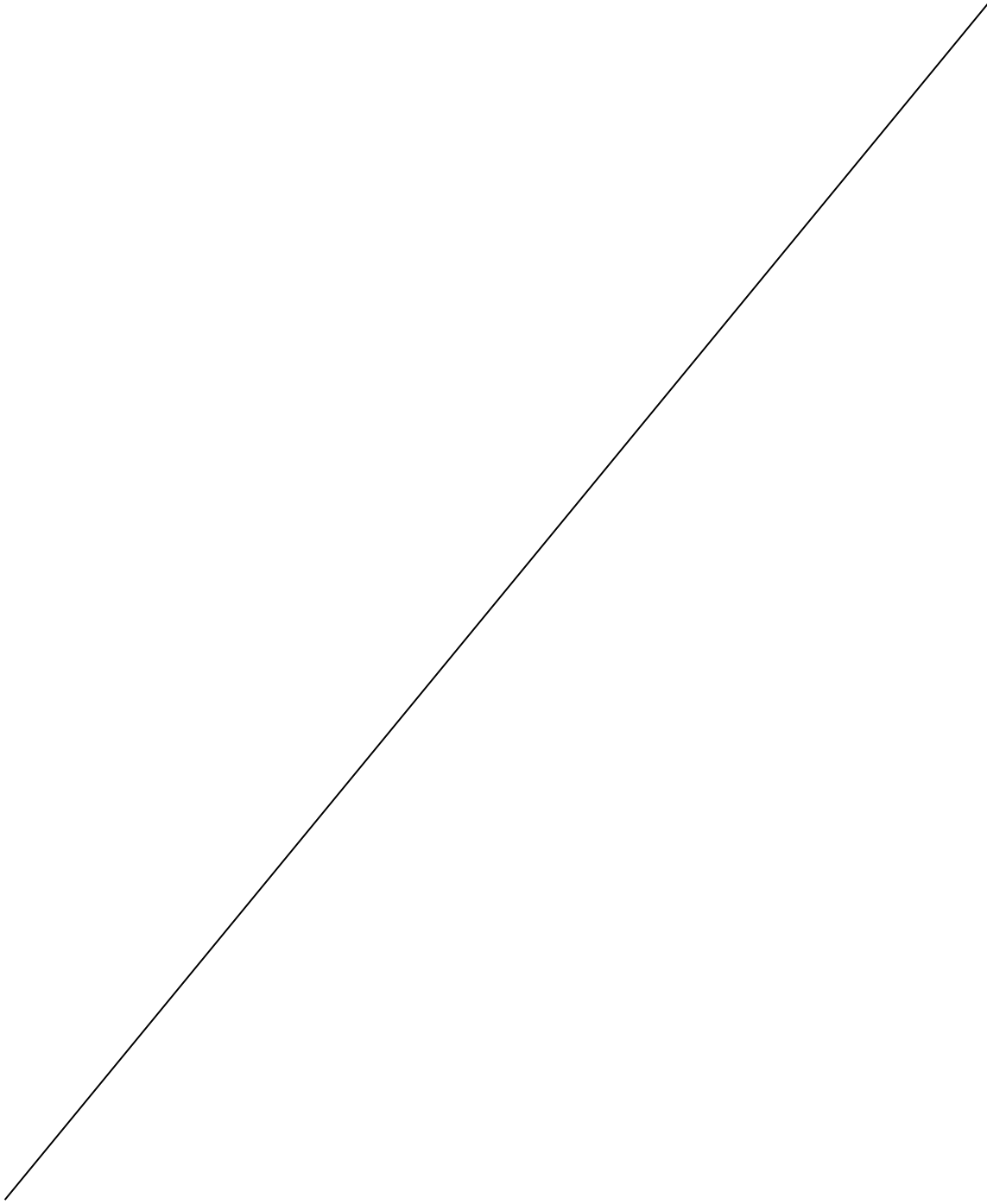
The Health Care Department is recommending the following plan design change to the **non-Medicare** program:

1. Reduce preferred insulin co-pay maximum to \$25 from \$30



**APPROVAL OF 2020 DENTAL AND VISION PREMIUMS**

Barbra Phillips moved and Catherine Moss seconded to approve the 2020 dental and vision premiums as described in Appendix A. The premiums are effective January 1, 2020. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.



## APPENDIX A

| <b>2020<br/>Delta Dental Premium</b>                |                |
|---|----------------|
| <b>Benefit Recipient</b>                            | <b>\$28.53</b> |
| <b>Benefit Recipient and one dependent</b>          | <b>\$57.06</b> |
| <b>Benefit Recipient and two or more dependents</b> | <b>\$85.54</b> |

| <b>2020<br/>VSP Vision Premium</b>                  |                |
|---|----------------|
| <b>Benefit Recipient</b>                            | <b>\$ 7.11</b> |
| <b>Benefit Recipient and one dependent</b>          | <b>\$14.22</b> |
| <b>Benefit Recipient and two or more dependents</b> | <b>\$16.70</b> |

### **2020 HEALTH CARE PREMIUM DISCOUNT PROGRAM (SAFETY NET)**

The 2020 Health Care Premium Discount Program is offered only to applicants enrolled a SERS Medicare plan and to “split families” in which only one spouse is enrolled in a SERS Medicare plan.

Eligibility for the Health Care Premium Discount Program during the 2020 calendar year will be based upon the applicant’s qualifying household income for calendar year 2018. Medicare Part B reimbursement is excluded from the definition of qualifying household income.

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 125% of the 2019 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 125% of the 2019 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 2018 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 125% of the 2019 federal poverty level for the household size.

Effective January 1, 2020, SERS health care participants approved by Medicare for the non-institutionalized full 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.

Catherine Moss moved and Barbra Phillips seconded to approve the 2020 Health Care Premium Discount Program. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Daniel Wilson, Beverly Woolridge and James Rossler. The motion carried.

### **BOARD OFFICER ELECTION/APPOINT COMMITTEE CHAIRS**

James Rossler, Board Chair, continued with the election of Board Officers to be effective July 1, 2019. Mr. Rossler asked for nominations for Chair. Barbra Phillips nominated Catherine Moss. Mr. Rossler asked for other nominations; there being none, Mr. Rossler declared Catherine Moss Chair for the 2019-2020 fiscal year.

Mr. Rossler asked for nominations for Vice Chair. Catherine Moss nominated Hugh Garside, Jr. Mr. Rossler asked for other nominations; there being none, Mr. Rossler declared Hugh Garside Jr. Vice Chair for the 2019-2020 fiscal year.

As Chairperson for the 2019-2020 fiscal year, Catherine Moss made the appointment of audit committee members. There being no nominations, Ms. Phillips was reappointed to chair the audit committee with Catherine Moss and James Rossler serving as committee members.

Ms. Moss reserved appointment of compensation committee chair and committee members until the July 2019 Board meeting.

The Board continued with the review of calendar dates and future board meetings.

**CALENDAR DATES FOR FUTURE BOARD MEETINGS**

**2019**

July 17 (Board Retreat)  
July 18 and 19 (Thurs. and Fri.)  
September 19 and 20 (Thurs. and Fri.)  
October 17 and 18 (Thurs. and Fri.)  
November 21 and 22 (Thurs. and Fri.)  
December 19 and 20 (Thurs. and Fri.)

**\*\*NOTE: The above dates are *tentative*.**

**CONTINUED OR NEW BUSINESS**

Executive Director Richard Stensrud continued by reviewing the open and closed information items.

**ADJOURNMENT**

James Rossler moved that the Board adjourn to meet on Thursday, July 18, 2019 for their regularly scheduled meeting. The meeting adjourned at 4:14 p.m.

\_\_\_\_\_  
James Rossler, Chair

\_\_\_\_\_  
Richard Stensrud, Secretary