

## SERS Retirement Board Meeting Minutes

### May 20, 2021

#### **Pledge of Allegiance**

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

#### **Roll Call**

Following the Pledge of Allegiance, the roll call was as follows: Hugh Garside, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Barbra Phillips. Also attending virtually was Samuel Peppers, representative of the Ohio Attorney General's Office, Joanna Bewick and David Lindberg of Wilshire Associates, various members of the SERS staff, and members of the public.

#### **Out of State Travel**

Frank Weglarz moved and James Haller seconded the motion to approve the following out of state travel for SERS board members:

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
IFEBP 67 <sup>th</sup> Annual Employee Benefits Conference	Barbra Phillips	October 17 -20, 2021	Denver, CO	\$ 3,486.60
IFEBP 67 <sup>th</sup> Annual Employee Benefits Conference	Catherine Moss	October 17 -20, 2021	Denver, CO	\$ 3,481.00
IFEBP Certificate Series - Investment Basics	James Rossler	September 29 – 30, 2021	Orlando, FL	\$ 2,472.60
IFEBP Certificate Series – Organizational Strategies for Health & Financial Wellness	James Rossler	October 1 – 2, 2021	Orlando, FL	\$ 2,355.00

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

#### **Consent Agenda**

The consent agenda for May 2021 included:

- Minutes from the April 15, 2021 board meeting
- Summary of Investment Transactions for the period of March 1, 2021 through March 31, 2021
- Retirement Report – Superannuation and Survivor Benefits (no special cased this month)
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, and additions

James Rossler moved and Barbra Phillips seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, May 20, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

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### **Investment Report**

#### **Annual Portfolio Review- Overlay Program**

Farouki Majeed presented the annual review of the Overlay Program. The Overlay Program directly enhances the total fund and is not funded through asset class policy allocation. It is made up of two-subprograms, Active Currency and Tactical Asset Allocation. The Overlay program has a performance-based fee. The Board thanked Mr. Majeed for his presentation.

#### **Wilshire Quarterly Performance**

Joanna Bewick and David Lindberg presented Wilshire's quarterly Investment performance report as of March 31, 2021. Ms. Bewick reviewed asset class performance, asset class assumptions, first quarter rebound of employment, interest rates in the inflation dynamic. David Lindberg reviewed the total asset allocation summary, composite performance, peer group analysis, attribution analysis and total fund asset class performance. Mr. Lindberg commented that the total performance for the FYTD period exceeds the benchmark by over 2% and the total fund returns rank in the top quartile in peer universe for 5 years. After comments, the Board thanked Ms. Bewick and Mr. Lindberg for their presentation.

#### **Quarterly Investment Report**

Farouki Majeed provided a summary of the Investment report for the quarter ending March 31, 2021. Mr. Majeed reviewed the U.S. economy and its growth within the first quarter. The Board had comments and questions before the preliminary report was discussed. As of April 30, 2021, the fund was \$17.34 billion with an FYTD return of 23.08%. Mr. Majeed also discussed risk and return for SERS compared to the other Ohio funds as of December 31, 2020. The Board thanked Mr. Majeed for the presentation.

#### **Draft Annual Investment Plan FY22**

Farouki Majeed reviewed the Annual Investment Plan for FY2022. Mr. Majeed noted a motion will be prepared for the Board to approve during the June Board meeting. Following comments and questions, the Board thanked Mr. Majeed.

#### **Investment Incentive Plan**

Joe Bell presented the proposed changes to the Investment Incentive Plan for FY2022. After questions, James Rossler moved and Barbra Phillips seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2022 which replaces the Fiscal Year 2021 Investment Department Incentive Plan approved May 21, 2020. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

The Investment Report concluded at 10:45 a.m. The board took a break at 10:45am and reconvened at 11:00 a.m.

### **Executive Director's Report**

#### **COVID-19 Health Care Report**

SERS Executive Director, Richard Stensrud, reported on the Covid-19 data from SERS Medicare plan. To date, 2,933 cases have been reported, with 262 deaths. Mr. Stensrud reported that the case numbers were consistent with those in March and April.

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### **“Return to Office” Plan Update**

Mr. Stensrud reported SERS continues to phase-in the return of staff to on-site operations. After the July 4 holiday weekend, all staff will be back in the office. Mr. Stensrud reported that SERS will continue to assess the structure of the ‘new normal,’ but he expects that in the near-term staff will continue to have a meaningful onsite presence with modest remote operations. Mr. Stensrud noted that SERS Member Services staff had resumed limited in-person retirement counseling sessions on May 17. These sessions are by appointment-only for members within one year of retirement. Members will still have the option to schedule a phone or Zoom counseling session. Mr. Stensrud reported that since May 17, there had been 33 in-office counseling sessions, 4 Zoom sessions, and 16 phone sessions. Mr. Stensrud reported the Retirement webinar in May had 45 participants. Mr. Stensrud also reported that the Employer Services staff had recently conducted an employer wage certification training session with 125 participants. SERS will phase back in on-site training for employers in the coming months.

Mr. Stensrud was asked if there were any specific age or demographic groups showing a preference over virtual vs. in person counseling sessions. Mr. Stensrud stated after one week of in-person counseling session, it is too early to tell but SERS targets communication with members depending on where they are in their career, and he expects preference patterns will develop with time

### **Advocacy Groups**

Mr. Stensrud reported that the annual OASBO/SERS update with the OASBO Legislative and Education Finance Committees was held as a virtual event on April 23rd. Mr. Stensrud noted that 54 OASBO members attended via Zoom, which is more than normally attend in person. SERS staff provided a system overview and update, and Mr. Stensrud discussed the Board’s Sustainability initiative. A Q&A session where there was an opportunity to have a dialog with OASBO members about their experiences in the districts. Among the topics discussed was whether there was concern there will be a downsizing of active membership based on the experience from the pandemic. Some OASBO attendees thought that inflow of federal pandemic relief funding could cause schools to hire more people and/or pay people more, but this was not expected to be a permanent uptick in hiring and compensation. Board members Daniel Wilson and James Rossler were in attendance and stated the sessions are valuable and they liked the interaction.

Mr. Stensrud reported that he had recently met with OAPSE representatives to discuss the Sustainability Initiative. Mr. Stensrud noted that he thought it was a positive discussion. Board member Barbra Phillips reported that she had heard it was very informative, and that OAPSE was appreciative of the outreach.

### **Ohio Retirement Study Council (ORSC)**

Mr. Stensrud reported that the April 2021 ORSC meeting was cancelled. The May meeting was held last week and was the 2<sup>nd</sup> live streamed meeting. Mr. Stensrud reported that he presented the draft SERS FY22 budget to the Council and there were no questions. Mr. Stensrud also reported that the Council heard reports from RVK regarding the quarterly investment performance ending 12/31/20 as well as a presentation by the Council’s actuary on Ohio Police and Fire’s (OPF) funding adequacy. The actuary reported that OPF was within the funding parameter requirements but that he believed a reduction in their 8% investment return assumption would likely need to be considered soon and that could cause the fund to fall outside the parameters.

The next regularly scheduled ORSC meeting is Thursday, June 10<sup>th</sup>.

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### **State Legislative Activity**

Mr. Stensrud reported that he and the government relations team continue to meet with new state legislators and members of key committees. Mr. Stensrud noted that information regarding SERS is shared with the legislators and any questions they may have are addressed. Mr. Stensrud said he believes the meetings have all been very well received and that they will pay dividends when SERS must advocate for any specific legislative changes.

Mr. Stensrud reported that SERS and the other statewide retirement systems are hoping to obtain an amendment in the state operating budget bill currently being worked on by the Senate to allow the retirement systems to establish a policy allowing retirement system board members to continue to attend board meetings remotely beyond the July 1<sup>st</sup> expiration of the current authority. Mr. Stensrud noted that the authority for remote participation would come with several requirements, including limits on the number of meetings a board member could attend remotely, the minimum number of board members who must be onsite for the meeting, and that if the meeting has remote participation the meeting must be live streamed. Mr. Stensrud also noted that the budget bill also includes language to extend authorization for public bodies to meet via electronic technology until December 31<sup>st</sup>. Mr. Stensrud reported that the ORSC endorsed the proposed legislation. Mr. Stensrud also reported that he advised the Council that it is SERS' intent to continue to live stream meetings even if no Board Members are participating remotely.

### **Federal Legislative Activity**

Mr. Stensrud reported that Congressman Neal (D-MA), Chairman of the House Ways and Means committee, has reintroduced his WEP reform legislation from last year. Although not a full repeal, the legislation would make the WEP formula fairer as well as provide a monthly rebate to retirees currently impacted by the WEP. Both Chairman Neal and ranking member Brady (R-TX) insist that finding a solution to the WEP issue is a top priority, but a bi-partisan solution remains elusive. Senator Sherrod Brown has also re-introduced his legislation seeking a full repeal of both WEP and the GPO.

Mr. Stensrud stated that he is cautiously optimistic that with champions in both chambers, the chances of some type of reform was possible.

Mr. Stensrud reported that SERS has gotten positive support from members of the Ohio delegation to add language to federal appropriations bills regarding the Wraparound HRA, and members of the delegation have been urging the Departments of HHS, Treasury, and Labor to study and report on the success of the Wraparound program. Mr. Stensrud also reported that SESRS is encouraging the Biden administration to revisit the current \$1,800 cap on reimbursements per household in the HRA program.

### **Pension Bridge Annual**

Mr. Stensrud reported that he moderated the Executive Director/CEO roundtable panel at the virtual 2021 Pension Bridge Annual Summit that took place May 4 – 7, 2021. This event is a large investment-related conference. Board member Barbra Phillips was in attendance and stated there was a wealth of information provided. There was a robust discussion about the hybrid working models in the post-pandemic world. Mr. Stensrud reported there are many common challenges facing the attendees and new ways of tackling challenges are being discussed on a continual basis.

### **Technology Committee Meeting**

Mr. Stensrud reported that the SERS Technology Committee is scheduled to have its first meeting on May 26, 2021.

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### **Compensation Study**

Mr. Stensrud reported the compensation and classification study Request for Proposals (RFP) is out and responses are due May 31, 2021. The Compensation Committee will review the proposals in June, entertain presentations in July, and will provide a recommendation to the full Board thereafter.

### **Feedback on Consent Calendar and Revised Minutes**

Mr. Stensrud noted that the proposed consent agenda and revised minutes format had been initiated for the May meeting and invited comments from the Board. Board Chair Hugh Garside reported that he is a proponent of the consent agenda. Board member Daniel Wilson asked for reassurance from all members that board materials will still be read and thoughtfully considered before voting but agreed the consent agenda makes voting more efficient.

Mr. Stensrud reiterated that just because an item is on the consent agenda item does not automatically make it "approved". There will continue to be opportunities to pull items from the consent agenda to discuss further and ask questions whenever needed.

The Board also expressed approval for the condensed version of the April board meeting minutes.

### **Board Self-Evaluation Discussion**

Mr. Stensrud reported that Mosaic Governance Advisors will begin reaching out to Board Members regarding the Board self-assessment process and will be conducting a survey and individual interviews.. Mr. Stensrud noted that Mosaic is planning a discussion session with the Board regarding the self-assessment project at the July Board Meeting.

### **Quarterly Financials**

Tracy Valentino, Chief Financial Officer for SERS, provided an update on SERS quarterly financials.

### **New Employer Request**

Ms. Valentino reported on the request from SouthWest Ohio Computer Association Council of Governments (SWOCA), a council of governments organized under Chapter 167 of the Ohio Revised Code, to accept it as a new employer unit under Chapter 3309 of the Ohio Revised Code effective July 1, 2021. SouthWest Ohio Computer Association Council of Governments (SWOCA) has passed an appropriate resolution agreeing to accept all requirements and obligations imposed by Chapter 3309 of the Ohio Revised Code. The board approved the request.

It was moved by Catherine Moss and seconded by Barbra Phillips that the Board accept SouthWest Ohio Computer Association Council of Governments (SWOCA), as an employer in accordance with Chapter 3309 of the Ohio Revised Code, effective July 1, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Jeffrey DeLeone, James Haller, Matthew King, Catherine Moss, James Rossler, Frank Weglarz, Daniel Wilson, and Hugh Garside. The motion carried.

### **FY22 Budget Presentation**

Ms. Valentino presented the proposed FY22 administrative budget. The presentation was informational and no action was requested or required by the Board. Ms. Valentino outlined the SERS' budget-related policies; the basic categories and structure of the budget; the various mechanisms for monitoring expenditures; and the process for developing the budget. Ms. Valentino outlined significant budget-related actions in the current year and discussed the impact of those actions on the proposed budget for next fiscal year. Ms. Valentino outlined the proposed budget; how it compares to the current year budget; how expenditures in the current year compare to what was budgeted; and the principal sources for the increase in the proposed budget. Ms. Valentino noted that the board budget book provides extensive additional detail regarding the proposed budget.

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After a robust discussion, the Board requested a budget-to-budget comparison going back several years to help put the budget experience in context.

The Board thanked Ms. Valentino for her presentation. The Board will act on the proposed budget at the June Board Meeting.

The board recessed for lunch at 12:31 p.m. and reconvened at 1:12 p.m.

### **Health Care Update**

Christi Pepe, Director of SERS' Health Care Services, introduced Alisa Bennett, President and Consulting Actuary with Cavanaugh Macdonald. Ms. Bennett presented the 2022 proposed rates for SERS' self-insured medical plans and prescription drug coverage. Highlights included the potential impact of COVID-19, suggesting uncertainty regarding pent-up demand for elective procedures in 2021 or 2022 and beyond due to deferral of care and non-emergency surgeries, as well as possible cost savings due to an increased use of telemedicine.

Ms. Pepe reported on the health care program status, discussed 2022 rates, expectations, and program considerations, and presented recommendations for program and plan design changes. She noted that as of May 2021, non-Medicare enrollment was at 4,310; Medicare enrollment was at 36,725; optional dental coverage was at 40,784; and optional vision coverage was at 30,554.

Ms. Pepe reported both Delta Dental and VSP Vision 2022 premiums were expected to be lower than the previous year. While there were no proposed 2022 benefit changes for benefit recipients with Aetna Choice/Aetna Medicare, there were potential increases for those with non-Medicare Aetna Choice.

Ms. Pepe also noted that the proposed premiums for AultCare PPO non-Medicare benefit recipients were lower for 2022 than the previous year.

Ms. Pepe reported on the 2022 Medicare prescription drug network proposal, which included transitioning Medicare plan enrollees to the Express Scripts Board Performance Network. This proposal offered a potential savings to SERS of \$3.3 million. Finally, Ms. Pepe reported on a premium discount potential expansion, and the Wraparound HRA benefit flexibility.

Ms. Pepe requested the Board's approval for the recommended 2022 health care premium amounts and plan changes at the June board meeting.

The board thanked Ms. Pepe for her presentation.

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### Board Communication and Policy Issues

#### FUTURE CALENDAR DATES FOR 2021 \*\*

##### AUDIT COMMITTEE MEETINGS

June 16 - 2:30 p.m. (Weds.)  
September 15 - 2:30 p.m. (Weds.)  
December 15 - 2:30 p.m. (Weds.)

##### COMPENSATION COMMITTEE MEETINGS

June 17 - 7:30 a.m. (Thurs.)  
September 16 - 7:30 a.m. (Thurs.)  
December 16 - 7:30 a.m. (Thurs.)

##### BOARD MEETINGS

May 20 and 21 (Thurs. and Fri.)  
June 17 and 18 (Thurs. and Fri.)  
July 15 and 16 (Thurs. and Fri.)  
September 16 and 17 (Thurs. and Fri.)  
October 21 and 22 (Thurs. and Fri.)  
November 18 and 19 (Thurs. and Fri.)  
December 16 and 17 (Thurs. and Fri.)

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

#### **Continued or New Business**

The Board continued with the review of continued or new business.

#### **Recess**

James Haller moved that the Board take a recess & reconvene Friday, May 21, 2021 at 8:30 a.m. to continue the board meeting & discuss Pension Sustainability.

The meeting recessed at 2:00 p.m.

#### **Adjournment**

The board reconvened at 8:30am on Friday, May 21, 2021 to discuss Pension Sustainability.

After robust board discussion, Hugh Garside moved to adjourn to meet on Friday, May 20, 2021 for their regularly scheduled meeting. The meeting adjourned at 11:29 a.m.

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Hugh Garside, Chair

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Richard Stensrud, Secretary