

# SERS Retirement Board Meeting Minutes

**October 20, 2022**

The nine hundredth and fifty-third meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, October 20, 2022.

## **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: Jeffrey DeLeone, Frank Weglarz, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, and Daniel Wilson. Absent: Hugh Garside. Also attending in person was Lisa Reid, representative of the Ohio Attorney General's Office and various members of the SERS staff. Attending virtually was several SERS staff members and members of the public.

## **Consent Agenda**

The consent agenda for October 20, 2022, included:

- Minutes from the **September 15, 2022**, Board Meeting
- Summary of Investment Transactions for the period of **August 1, 2022, through August 30, 2022**.
- Retirement Report – Superannuation and Survivor Benefits and Special Cases
- Disability Report - Approval of Disability Benefits, Disapproval of Disability Benefits, Disapproval of Appeal of Termination – Any Occupation

Barbra Phillips moved and Frank Weglarz seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, October 20, 2022. Upon roll call, the vote was as follows: Yea: Frank Weglarz, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Hugh Garside. The motion carried.

## **Investment Report**

### **Annual Portfolio Review – Private Equity**

SERS Chief Investment Officer, Farouki Majeed, introduced SERS Investment Staff members Steve Price and Phil Sisson who provided a Global Private Equity Portfolio review. Mr. Price began his presentation by summarizing the SERS Private Equity portfolio which currently has a \$2.21 billion market value. There are 24 general partners, 68 funds, 9 co-investments, and \$1.50 billion in unfunded commitments.

Mr. Price continued his report stating that the focus of the portfolio positioning is to continuously review and improve portfolio construction & management, to stay aware of trends and enhance implementation, and continue active participation in the Institutional Limited Partners Association (ILPA).

Mr. Price reported on the FY2022 portfolio performance, stating there were 34.4% 1-Year Net Return vs. 22.3% Benchmark Return and co-investments are generating solid returns (23.8% 5-Year Return). There has been value-added performance across all periods.

Mr. Price wrapped up his report stating that ten-year return exceeds PE benchmark with premium to public equity returns and distributions increased significantly in recent years.

Phil Sisson continued the annual portfolio review with a report on the new fund commitments. Mr. Sisson reported that \$597 million has been committed to new investments. The new investments are broadly diversified and include eight funds, two new managers, and four co-investment vehicles. To maintain consistent investment discipline, there is a focus on portfolio fit, performance, people, process, and product when evaluating new investments. Mr. Sisson also stated SERS did not re-engage with several managers who no longer meet the mentioned criteria.

# SERS Retirement Board Meeting Minutes

October 20, 2022

Mr. Sisson continued, stating that the FY2023 objectives are to:

- Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 12%, subject to identifying opportunities that meet SERS' investment criteria.
- Review the private equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions, and optimize manager count as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the private equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the private equity portfolio.

After a robust discussion, the board thanked Mr. Price and **Monthly Investment**

## **Report**

SERS Chief Investment Officer, Farouki Majeed, provided a monthl on several factors affecting SERS investments, including the US a not officially in a recession, the rate of growth is slowing. Inflation month.

SERS investments continue to perform better than the benchmarks, one. SERS Investment staff will continue to look for ways to reduce f possible. Following a robust discussion, the board thanked Mr. Majeed for hi

## **Executive Director's Report**

### **Ohio Retirement Study Council**

Richard Stensrud, SERS Executive Director, began his report cancelled. The next meeting is scheduled for November 10, 202 will occur after the election and activity is expected to ramp up at

### **Federal Legislative Activity**

Mr. Stensrud continued, reporting the US House Ways and Means Commit 20th of legislation (H.R. 82) that would repeal the application of the Windfall E the Government Pension Offset (GPO) for Social Security benefits payabl the Committee reported the bill on a voice vote, without recommendation, efforts to have the measure fast-tracked for consideration by the full House  
The hope is that the lack of movement will be an impetus for Neal & Brady

The final repeal of these two provisions is less likely than before, a compromise on reform of the WEP. At the mark-up, Chairman N path forward and will continue working closely with Ranking Mem those who have spent their lives in service of their communities."

### **Joint Trustee Training Reminder**

Mr. Stensrud reported the 2022 Ohio Trustee Joint Training Ev 9th, at OPERS. The event will begin with breakfast at 9:00am with event will be onsite at OPERS. Several board members plan t

# SERS Retirement Board Meeting Minutes

October 20, 2022

## Employee Charitable Initiatives

Mr. Stensrud reported the SERS annual United Way campaign took place this month. United Way provides resources to support the most vulnerable people living in central Ohio. Staff could participate through online pledges as well as other fun activities. This year, over \$17K has been collected/pledged so far. Mr. Stensrud thanked the staff for their continued support and generosity.

## Member and Employer Outreach

Mr. Stensrud provided several publications to the board members to illustrate the outreach and communications sent out to SERS members and employers. Mr. Stensrud also let the board know there have been several virtual conferences, webinars, and other training opportunities for members and employers hosted by SERS staff. SERS continues to score highly with respect to the Q&A sessions and the overall experience. Scores have been 4.8 out of 5. Programs are being held jointly with SERS staff from Member Services and the Communications Team.

November 10, there will be a 30-minute training session over lunch to learn about the SERS and the defined benefit plan. SERS staff also intends to educate members on the importance of saving for retirement. SERS staff hopes to make this type of training a regularly scheduled event.

Mr. Stensrud also reported the Healthcare team held two in-person meetings and attendance was relatively low as there haven't been many changes to the plan. Employer services also held two webinars and sent out an employer bulletin.

## Myths and Misconceptions

Mr. Stensrud continued his report with the latest rendition of "Myths and Misconceptions". This month, Mr. Stensrud addressed the recent claim by the CFA Institute that 94% of public pensions invest in cryptocurrency. The CFA Institute is a widely respected global non-profit organization that provides financial education to investment professionals. The CFA Institute did not make this claim, the author of the study made this claim.

Mr. Stensrud reported this was not a study but rather a survey taken from a pool of 151 institutional investors, which is not a relatively large sample size. Of the 151 investors who were voluntarily surveyed, 7-8 pension fund investors are investing in cryptocurrencies. This number equates to 5% of those surveyed.

Mr. Stensrud wants to ensure the board and the public that SERS **does not** invest in cryptocurrency and SERS staff will put together additional communication to further debunk this myth and misconception.

## CBBC

SERS staff has been meeting with legislators regarding CBBC, the Contribution-Based Benefit Cap. SERS staff will continue to advocate on behalf of this anti-spiking legislation after the November election.

## ESG – Environmental, Social, and Governance Factors

Mr. Stensrud continued his report noting that ESG investments have become a buzzword lately. Environmental, Social, and Governance factors are non-financial factors investors use as part of their analysis process to identify material risks and growth opportunities. Mr. Stensrud wanted to ensure the board and the public that SERS does not use these factors to determine how to invest. SERS investment staff ask managers to determine the risk involved and invest based on their knowledge and professional expertise.

## Quarterly Financial Update

SERS Chief Financial Officer, Marni Hall, provided an update on the SERS quarterly financials. With no questions, the board thanked Ms. Hall for her presentation.

The board took a break at 10:14 a.m.

The board reconvened at 10:27 a.m.

# **SERS Retirement Board Meeting Minutes**

**October 20, 2022**

## **Executive Session**

Barbra Phillips moved and Frank Weglarz seconded the motion that the board convene in executive session pursuant to R.C. 121.22 (G)(2) to discuss the purchase of property. Upon roll call, the vote was as follows: Yea: Frank Weglarz, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. Absent: Hugh Garside. The motion carried.

The board went into executive session at 10:28 a.m.

The board reconvened in open session at 10:57 a.m.

## **Technology Committee Update**

Matt King, Chair of the Technology Committee, provided an update on the work being done by the Technology Committee. The committee last met on September 15. SERS staff provided updates on key projects including updating the member portal, upgrading the telecommunications platform, and so far, things are going smoothly. The committee was introduced to the concept of Agile Teams and there was an update from SERS staff on information security and disaster recovery. Mr. King advised the board that the Technology is scheduled to meet again in December. Following the update, the board thanked Mr. King for his presentation.

## **Retirement Report**

There was no retirement report.

## **Board Communication and Policy Issues**

The board reviewed the meeting dates for the remainder of 2022 and for 2023. James Rossler advised that he will be absent from the board meeting in December.

### **AUDIT COMMITTEE MEETINGS**

December 14, 2022 - 2:30 p.m. (Weds.)

### **COMPENSATION COMMITTEE MEETINGS**

December 15, 2022 - 7:30 a.m. (Thurs.)

### **TECHNOLOGY COMMITTEE MEETINGS**

December 15, 2022 – 12:30 p.m. (Thurs.)

### **BOARD MEETINGS**

October 20-21, 2022 – 8:30 a.m. (Thurs. and Fri.)  
November 17-18, 2022 – 8:30 a.m. (Thurs. and Fri.)  
December 15-16, 2022 – 8:30 a.m. (Thurs. and Fri.)

# SERS Retirement Board Meeting Minutes

October 20, 2022

## CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2023

### AUDIT COMMITTEE MEETINGS

March 15, 2023 – 2:30 p.m. (Weds.)  
June 14, 2023 – 2:30 p.m. (Weds.)  
September 20, 2023 - 2:30 p.m. (Weds.)  
December 20, 2023 – 2:30 p.m. (Weds.)

### COMPENSATION COMMITTEE MEETINGS

March 16, 2023 – 7:30 a.m. (Thurs.)  
June 15, 2023 – 7:30 a.m. (Thurs.)  
July 20, 2023 – 7:30 a.m. (Thurs.) \* *Special Meeting* \*  
September 21, 2023 – 7:30 a.m. (Thurs.)  
December 21, 2023 – 7:30 a.m. (Thurs.)

### TECHNOLOGY COMMITTEE MEETINGS

March 16, 2023 – 12:30 p.m. (Thurs.)  
June 15, 2023 – 12:30 p.m. (Thurs.)  
September 21, 2023 – 12:30 p.m. (Thurs.)  
December 21, 2023 – 12:30 p.m. (Thurs.)

### BOARD MEETINGS

February 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)  
March 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)  
April 20 – 21, 2023 - 8:30 a.m. (Thurs. and Fri.)  
May 18 – 19, 2023 - 8:30 a.m. (Thurs. and Fri.)  
June 15 – 16, 2023 - 8:30 a.m. (Thurs. and Fri.)  
July 20 – 21, 2023 - 8:30 a.m. (Thurs. and Fri.)  
September 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)  
October 19 – 20, 2023 - 8:30 a.m. (Thurs. and Fri.)  
November 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)  
December 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)

### Continued or New Business

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

### Adjournment

Jeffrey DeLeone moved to adjourn to meet on Thursday, November 17, 2022, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 11:04 a.m.

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Jeffrey DeLeone, Board Chair

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Richard Stensrud, Secretary