



## SERS Retirement Board Agenda March 16, 2023 8:30am

Click the Zoom Link to Join the Meeting:

<https://ohsers.zoom.us/j/97735222121?pwd=NklvbDhtUGR1Mk5qZzVaeEk1ZEImUT09>

Meeting ID: 977 3522 2121 Password: 127870

To join by phone, dial: (312) 626-6799 Meeting ID: 977 3522 2121 Password: 127870

### PLEDGE OF ALLEGIANCE

1. Roll Call
2. Approval of Out-of-State Board Travel (R-2)

### CONSENT AGENDA

3. Minutes of the:
  - February 16, 2023 Retirement Board meeting
  - February 17, 2023 Board Retreat
4. Summary of Investment Transactions – January 1, 2023, to January 31, 2023
5. Retirement Report
  - Superannuation and Survivor Benefits
  - Special Cases
6. Disability Report
  - Approval of Disability Benefits
  - Approval of Appeal of Termination
  - Disapproval of Appeal of Termination

### INVESTMENT REPORT

7. Annual Portfolio Review – Global Equities
8. Monthly Investment Report
9. Asset Allocation Discussion with Staff and Wilshire Associates

### EXECUTIVE DIRECTOR'S REPORT

10. Executive Director's Update
11. Review of Administrative Expenses
12. Filing of Proposed Amended Administrative Rules (R-3)
13. Discussion of Salary Growth Information for Preliminary FY 23-24 Budget
14. Executive session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law (R)
  - Personal Appearance **10:30am**

### HEALTHCARE REPORT

15. Premium Subsidy for Non-Medicare Disability Participants (R)
16. Discussion of potential two-year enrollment period for Dental/Vision plans

### RETIREMENT REPORT

17. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (R) *if needed*

### AUDIT REPORT

18. Audit Committee Update

### COMPENSATION REPORT

19. Compensation Committee Update

### BOARD COMMUNICATION AND POLICY ISSUES

20. Calendar Dates for Future Board Meetings
21. Continued or New Business - Board Information Requests and Follow-up Items

### ADJOURNMENT (R)

FY2023 SERS Board Roll Call

Jeffrey DeLeone	_____
Frank Weglarz	_____
Hugh Garside	_____
James Haller	_____
Matthew King	_____
Catherine Moss	_____
Barbra Phillips	_____
James Rossler	_____
Daniel Wilson	_____

**APPROVAL OF OUT-OF-STATE BOARD TRAVEL**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conferences and meetings be approved.

<b>Conference</b>	<b>Attendee</b>	<b>Conference Date(s)</b>	<b>Conference Location</b>	<b>Estimate of Expenses</b>
NCPERS 2023 Annual Conference & Exhibition	Catherine Moss	May 21 – May 24, 2023	New Orleans, LA	\$2545.00
NCPERS 2023 Annual Conference & Exhibition	Barbra Phillips	May 21 – May 24, 2023	New Orleans, LA	\$2571.00

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

## CONSENT AGENDA

1. Minutes of the
  - a. **February 16, 2023**, Retirement Board meeting and
  - b. **February 17, 2023** SERS Annual Board Retreat
2. Summary of Investment Transactions – **January 1, 2023 to January 31, 2023**
3. Retirement Report
  - a. Superannuation and Survivor Benefits
  - b. Special Cases
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Approval of Appeal of Termination
  - c. Disapproval of Appeal of Termination

**APPROVAL OF CONSENT AGENDA**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Consent Agenda, which includes the following items:

- 1. Minutes of the
  - a. **February 16, 2023**, Retirement Board meeting and
  - b. **February 17, 2023** SERS Annual Board Retreat
- 2. Summary of Investment Transactions – **January 1, 2023 to January 31, 2023**
- 3. Retirement Report
  - a. Superannuation and Survivor Benefits
  - b. Special Cases
- 4. Disability Report
  - a. Approval of Disability Benefits
  - b. Approval of Appeal of Termination
  - c. Disapproval of Appeal of Termination

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

# **SERS Retirement Board Meeting Minutes**

**February 16, 2023**

The nine hundredth and fifty-sixth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, February 16, 2023.

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

## **Consent Agenda**

The consent agenda for February 16, 2023, included:

- Minutes of the December 15, 2022, Retirement Board meeting
- Summary of Investment Transactions for the period of November 1, 2022, to November 30, 2022 and December 1, 2022 to December 31, 2022.
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits, Termination of Disability Benefits – An Occupation, Approval of Appeal of Disability Benefits, Approval of Appeal of Termination – Any Occupation, Disapproval of Appeal of Termination – Any Occupation

Barbra Phillips moved, and Catherine Moss seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, February 16, 2023. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. The motion carried.

## **Investment Report**

### **Annual Portfolio Review – Real Assets**

SERS Chief Investment Officer, Farouki Majeed, introduced Investment staff members, Paul Cheng and Michael Browning, who provided a Real Assets Investment Portfolio review. Mr. Cheng began his presentation summarizing the portfolio which currently has a \$3.7B market value which includes \$2.7B in real estate and \$996.8M in infrastructure investments. There are \$408M in unfunded commitments and \$100M in new commitments in 2022.

Mr. Cheng continued stating the performance objective is to provide returns in excess of the benchmark, NCREIF Property Index (NPI), net of fees. There was a net return of 16.91% in 2022, which outperformed the NPI benchmark by 83 points.

Mr. Cheng reported Private Real Estate (Core & Non-Core) remains the largest exposure at 72% with the allocation increasing slightly over the past year. Infrastructure declined from 28% in 2021 to 27% in 2022 on a relative basis as Real Estate gains outpaced Infrastructure's increases. Public Real Estate provides portfolio liquidity and remains below 2%.

Mr. Browning reported In FY2023, staff will be exploring additional co-investment opportunities, evaluating new strategies that can benefit from market dislocations, and focusing on investments with inflation protection characteristics. Following a brief discussion, the board thanked the Investment Staff for their presentation.

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## Wilshire Associates Quarterly Performance Report (As of December 31, 2022)

Joanna Bewick of Wilshire Associates provided an update on current global market conditions, as well as SERS' FY2023 second quarter (October-December) investment results. Ms. Bewick reported although the stock market was up 7.1%, it's still down 19% overall in 2022.

Ms. Bewick reported that the Fed has taken action to stimulate the economy, including raising interest rates. This has been the most rapid tightening in recent years and the Fed states it will continue to raise interest rates. The Fed anticipates it will raise interest rates by another 0.75% by the end of 2023. However, the open market doesn't agree that rates will keep rising and how this disagreement plays out is likely to be a primary market driver this year.

Ms. Bewick continued, stating Europe faced similar challenges as the United States in 2022 – surging inflation and aggressive central bank tightening. However, Europe had to deal more directly with the war in Ukraine. Despite China's zero-COVID policies, including lockdowns, infections continued to surge intermittently. Tension among the country's citizens continued to rise and led to protests not seen in decades. In early December, China's central government took definitive steps to ease restrictions.

Ms. Bewick reported for the calendar year, the median fund was down 12.91%. SERS outperformed that by 8%, placing the System in the 5<sup>th</sup> percentile, meaning SERS' performance was better than 95% of public funds. Ms. Bewick noted that SERS was able to achieve higher returns with lower risk compared to almost all of its peers. Following a robust discussion, the board thanked Ms. Bewick for her report.

## SERS Quarterly Investment Report

SERS Chief Investment Officer, Farouki Majeed, continued the investments presentation with a quarterly investment report. Mr. Majeed reported that US growth slowed but remained resilient amid the Fed's aggressive tightening. The growth rate was 2.9% for Q4, and 2.1% for 2022. The main drivers of Q4 GDP were increase in private inventory investment, consumer and government spendings.

Mr. Majeed continued, stating the US labor market was strong in December with 223,000 jobs added and unemployment rate at 3.5%. The labor force participation rate was 62.3%, remaining below the pre-pandemic level 63.3%, indicating labor market remains tight. The lack of working age adults in the labor force is not good for the economy overall.

Mr. Majeed also reported the Fed will continue to raise rates to maintain the economy. Both equities and bonds had great returns last year and SERS was underweight. This is how SERS was able to have negative returns and still be above other funds. SERS will ride it out the current wave with little to no adjustments. SERS will maintain this course by remaining underweight in equities while reviewing other investment options.

After discussion and questions, the board thanked Mr. Majeed and the investment team for their presentations and continued hard work.

The board took a break at 9:53 a.m.

The board reconvened at 10:03 a.m.

## Personal Appearance

Barbra Phillips moved and Catherine Moss seconded the motion that the board convene in Executive Session pursuant to R.C 121.22 (G)(5) to discuss a matter required to confidential by law. Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, Daniel Wilson, and Jeffrey DeLeone. The motion carried.

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The board convened in Executive session at 10:05 a.m.

The board reconvened in open session at 10:26 a.m.

## **Member Appeal**

Board member, Daniel Wilson, noted he has had interactions with the member involved in the appeal and asked to recuse himself. Board Chair Jeffrey DeLeone allowed the request and Mr. Wilson excused himself.

At 10:28 a.m. the SERS Retirement board took a recess to consider a member appeal.

The board reconvened following recess at 11:38 a.m.

Frank Weglarz moved and Catherine Moss seconded the motion to affirm the January 5, 2023 Revised Final Staff Determination that the member "M.M." is an independent contractor and not an employee of "N.B.L.S.D." for purposes of R.C. 3309.01 (B)(1). Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, and Jeffrey DeLeone. Recused: Daniel Wilson. The motion carried.

Hugh Garside moved and James Rossler seconded the motion to affirm the January 5, 2023 Revised Final Staff Determination that the member "B.A." is an independent contractor and not an employee of "N.B.L.S.D." for purposes of R.C. 3309.01 (B)(1). Upon roll call, the vote was as follows: Yea: Frank Weglarz, Hugh Garside, James Haller, Matthew King, Catherine Moss, Barbra Phillips, James Rossler, and Jeffrey DeLeone. Recused: Daniel Wilson. The motion carried.

## **Investment Report (cont.)**

### **Asset Allocation Review presented by Wilshire Associates**

Joanna Bewick and David Lindberg of Wilshire Associates provided an Asset Allocation review. Wilshire, SERS Investment Staff, and the SERS Board last reviewed asset allocation in-depth in 2019-2020. Following the last review, it was determined by the board that policy decisions should remain very long-term focused and implementation considerations are key for any policy changes. The board decided it does not want to stray far from the current policy, and the board recognized that the current policy was efficient, meaning modest changes to the policy were not statistically beneficial.

The 2022-2023 asset allocation review is expected to occur over several meetings. During December 2022 and January 2023, SERS and Wilshire will map the project and complete foundational work. During February 2023, asset class expected returns and risk assumptions will be reviewed with the Board.

In March 2023, there will be a review of asset-only optimization unique to SERS. Asset-only optimization serves as a useful tool in comparing risk/return trade-off among various alternative policy portfolios. In April 2023, Wilshire will introduce SERS' liability information to the modeling process and finalize a recommendation to Board.

Mr. Lindberg stated building investments is a top-down process and from an investment perspective, objectives don't change.

Ms. Bewick continued, stating that the assumption numbers should not move much considering these are 10-year assumptions. Wilshire utilizes a high yield bond model to forecast returns, which accounts for credit yield spreads, defaults, recoveries & appreciation/depreciation of principal.

In conclusion, Ms. Bewick reported that the initial step in the asset allocation process is to approve the critical inputs including asset class returns, risk and correlations. Wilshire employs a robust methodology that incorporates multiple models for forecasting returns, risk and correlations. Wilshire's forecasts have generally



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shown accuracy over the “long-term” –defined as a span of the next ten years, however, the models are adaptable and volatile or transformative market environments can result in forecasting adjustments over shorter time horizons. Compared to the last asset allocation study in 2019, a higher inflation regime and a more restrictive monetary policy has lifted return expectations for most fixed income-oriented assets as the expected real return (return in excess of inflation) on cash is now positive. More moderate equity valuations have improved expected returns for most risk assets. Ms. Bewick closed stating Wilshire believes that the 2022 estimates are well-reasoned and serve as a prudent foundation for the asset allocation study. After several questions, the board thanked Wilshire for their presentation.

The board took a lunch break at 12:26 p.m.

The board reconvened after lunch at 12:58 p.m.

## **Executive Director’s Report**

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

SERS Executive Director Richard Stensrud reported that the ORSC did not meet in January. However, the ORSC has a meeting scheduled for February 23. In addition to organizing for the new legislative session, the ORSC agenda may include summaries of system reports that had been submitted to the Council including the SERS Annual Health Care Report. SERS staff will be present and prepared to address items if the ORSC requests additional information.

### **Advocacy Groups**

Mr. Stensrud continued his report stating on January 20, 2023, SERS held its annual SERS Pension and Health Care Advocacy Group Roundtable as a hybrid meeting, allowing attendees to join using Zoom or to attend in person. This is the first time the meeting has allowed attendees to meet in person in a few years. 12 representatives from 9 different advocacy groups attended to hear SERS presentations about the state of the retirement system as well as a look forward to key activities in 2023.

Five SERS board members also attended the roundtable discussion. SERS Board Chair Jeffrey DeLeone stated he thought it was great collaboration and was happy he was able to attend. He also expressed his appreciation for the SERS staff who compiled all the meeting materials for the public and attendees. SERS Board Vice Chair Frank Weglarz reported he was happy to spend some time with stakeholders at the roundtable discussion. SERS board member Barbira Phillips reported she was grateful for stakeholders in attendance. Mr. Stensrud stated his goal is to maintain an open, flowing communication line between SERS and its stakeholders.

Mr. Stensrud continued stating that SERS is scheduled to hold its annual joint meeting with OASBO coming up on May 5. May 9 is the SERO annual meeting where SERS staff will be in attendance to present information about SERS.

Mr. Stensrud also reported on packets provided to SERS board members with recent communications sent out to stakeholders and SERS members. In a effort to engage with employers, SERS staff recently hosted 3 webinars and answered 790 phone calls from employers. The goal is always to educate, train, and listen to our employers.

### **State Legislation**

Mr. Stensrud continued his report stating that SERS leadership has been meeting with members of the new House Pensions Committee to provide information about SERS and brief them on SERS’ CBBC proposal. It is not clear what the role of the Committee will be relative to the role of the ORSC. Mr. Stensrud noted that in

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the meetings thus far Committee members consistently comment that they never hear negative reports about SERS.

Mr. Stensrud stated SERS staff continues to work towards reintroduction the CBBC legislation and engage with ORSC staff and legislative leaders to identify the best way to move forward with our proposal. It is expected that the proposal will be heard by the new House Pensions Committee. It is also expected that Committee attention will be given to such topics as ESG (Environmental, Social, and Governance).

With respect to ESG, Mr. Stensrud stated that ESG-related legislation has been reintroduced (SB 6) by Senator Schuring. Mr. Stensrud observed that it does not appear the legislation would require any changes in SERS' investment practices as SERS' investments decisions are not driven by ESG considerations, but rather, are based on risk & return considerations. Mr. Stensrud noted that SERS' investment performance is in the top 5% of public retirement systems in the country and that caution should be exercised regarding possible measures that would limit SERS' ability to maintain a high level of investment performance.

## **Federal Legislative Update**

Mr. Stensrud reported a WEP/GPO repeal bill was reintroduced by in the House by Congressman Garret Graves (R-LA). The bill has 143 co-sponsors so far, including Ohio legislators Joyce Beatty, Shontel Brown, and Michael Turner. There is no Senate companion bill yet, although Senator Sherrod Brown sponsored the bill last session. SERS will continue to advocate in support of WEP/GPO reform or repeal.

## **Retirement Announcement**

Mr. Stensrud announced that Penny Baker, who has played a important role in the SERS Healthcare Program, will be retiring. She has been a valued contributor and team member since 2006. SERS staff and the Board congratulated Ms. Baker on her upcoming retirement, thanked her for her hard work and dedication over the years.

## **Board Retreat**

Mr. Stensrud reported that the SERS Board will have its annual Retreat/Workshop tomorrow, February 17, 2023 starting at 8:30 a.m. The session will be held in person in the O'Keefe Conference Center and will be streamed via Zoom for those wishing to attend virtually. There will be presentations on the economy and a global market forecast for the upcoming year. There will be a pension sustainability discussion led by SERS leadership and SERS' actuaries, Cavanaugh Macdonald. The SERS strategic plan will also be discussed. The retreat is scheduled to conclude at 3:30 p.m.

## **Board Tenure**

Mr. Stensrud provided a report on the history of the tenure of SERS Board Members and the value of Board continuity. Mr. Stensrud noted that the current SERS board is the longest tenured board in SERS history and this has been an important factor in SERS in SERS' success and stability.

Mr. Stensrud noted that Catherine Moss has the longest tenure currently serving in her 18<sup>th</sup> year. James Rossler has the second longest tenure, serving for 18 years as well. Daniel Wilson has the third longest tenure, serving for 17 years. Barbra Phillips has the fourth longest tenure, serving for 17 years as well. Mr. Stensrud thanked all of the Board Members for their commitment to SERS, and its members, retirees and participating employers.

## **Administrative Expenses**

SERS Chief Financial Officer Marni Hall provided an update on SERS administrative expenses. Ms. Hall reported about SERS "budget season" currently underway. Each department completes their specific

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departmental budget and finance staff are halfway through budget review meetings with each department. Each quarter reviews budget to actuals and trends. Ms. Hall stated SERS expects to end FY2023 year under budget. Ms. Hall also stated in FY2023 finance staff created a new report which includes year to actuals, also summarized in the new report are additional details about administrative expenses that posted November and December. Ms. Hall closed her report stating that healthcare expenses are expected to go down for FY2023.

Board member Daniel Wilson asked for additional information to include a monthly or quarterly report on the holding of the SERS building at 300 E. Broad Street. Mr. Wilson asked for information such as vacancy rates, income generated from leases and parking, etc. Ms. Hall stated she will begin reporting the requested details at future board meetings.

After a few clarifying questions, the board thanked Ms. Hall for her report.

## Definition of Compensation

SERS Legal Counsel Susan Russell opened a discussion on the definition of pensionable compensation. The last time this topic was significantly discussed was in 2018 and at that time it was decided that the Board would periodically review this definition in order to assure that there was alignment between the definition of compensation and trends in school compensation practices. It was also observed that it would be prudent to review the definition of compensation in light of the proposed Contribution Based Benefit Cap (CBBC) legislation.

Ms. Russell noted that member and employer contributions are the main source of funds that SERS invests so the definition of compensation matters. Ms. Russell noted that one of the challenges in assessing pensionable compensation is the possibility of 'pension spiking.' Ms. Russell reported there is no one definition of spiking, but generally it viewed as *an increase in defined benefit pension benefits as a result of a Final Average Salary (FAS) that is substantially larger than what would be expected from normal salary increases*. Ms. Russell further stated that spiking is not necessarily the result of an intentional plan to game the system to obtain an enhanced pension. Ms. Russell also stated the CBBC legislation, once enacted, will affect a small amount of members.

Ms. Russell continued her report stating R.C. 3309.01(V) Sets forth Statutory definition of compensation:

- 1) Except as otherwise provided in this division, "compensation" means all salary, wages, and other earnings paid to a contributor by reason of employment. \*\*\*
- 2) Compensation does not include any of the following: \*\*\*
- 3) The retirement board shall determine by rule whether any form of earnings not enumerated in this division is to be included in compensation, \*\*\*"

Ms. Russell also stated Administrative Rule 3309-1-02 (C) lists the six types of earnings - other than salary and wages and payments based on the employee's standard rate of pay - that are compensation:

- 1) Payments on behalf of contributor to an eligible retirement plan
- 2) Back wages awarded pursuant to a final court order or final settlement award
- 3) Differential wage payments
- 4) Payments based on an employee's length of service
- 5) A one-time or lump sum payment by the employer that is paid in lieu of a salary or wage increase, to all persons in a class of employees, in the same dollar amount or same percentage of salary or wages, and in accordance with a written contract
- 6) A one-time or lump sum payment made by the employer for additional services rendered.

Following a robust discussion, the board thanked Ms. Russell for her presentation.

## Compensation Information for FY 23-24 Budget

Mr. Stensrud introduced the matter by noting that the Board will be asked to consider and provide guidance on two compensation-related matters that will be incorporated in the FY 23-24 budget that is being

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developed. Pursuant to policy and practice, a preliminary budget is presented to the ORSC in April, the draft budget is presented for Board discussion in May, and the proposed final budget is presented for Board approval in June. Mr. Stensrud further noted that both compensation matters are addressed annually in the normal course of business and are important for maintaining the compensation structure and objectives established in the compensation study last year.

Mr. Stensrud explained that pursuant to the Compensation Policy, each year the salary structure (i.e., all of the salary ranges for all employees) is reviewed and adjusted as necessary based on the changes to the labor market salary data for the markets against which SERS' positions are benchmarked (public sector or private sector depending on the position). This is important because it is the mechanism by which SERS' salary ranges are kept aligned with the salaries for comparable positions, and in so doing, it helps assure that the salary ranges allow SERS to attract and retain the quality of employees that will enable SERS to continue to be successful at our mission. The annual salary range adjustment is the same for and applied to all positions. Any change to the salary range for individual positions is typically done as part of a compensation study.

Mr. Stensrud further noted that changes to salary ranges does not mean that all employees receive a salary increase in the amount of the change. In most cases, it is simply the salary range that is changed, not the salary. In some cases, however, an employee's salary may fall below the new salary range minimum, and in such a case the salary is raised to the new salary range minimum. Typically, this is a small salary adjustment.

Mr. Stensrud explained that the second compensation matter is the merit increase for FY 23-24. Mr. Stensrud reminded the Board that merit increases are determined based on an employee's performance relative to established performance goals. Strong performance results in a higher merit increase than performance that is not as strong. The merit level approved by the Board is used to establish an overall merit budget and the actual merit increase will be within a range based on the approved level and overall merit budget. Mr. Stensrud noted that annual merit increases are the primary source of salary growth for most SERS employees. Salary growth can also come via a promotion, be based on expanded job duties, or for an equity adjustment to keep the employee appropriately placed in her/his salary range. SERS employees do not receive automatic step increases or cost of living adjustments.

Mr. Stensrud noted that maintaining an appropriate level of individual salary growth is essential for enabling SERS to be able to attract and retain high quality employees. It is also important that salary levels continue to remain aligned with the salary ranges to avoid having to make substantial salary increases in subsequent compensation studies. To that end, pursuant to the compensation study engagement with CBIZ, they will be presenting recommendations on these matters for the Board's consideration.

Joe Rice from CBIZ provided an update on the compensation study he provided for SERS last year. Mr. Rice started with a recap of the compensation study that was completed in 2022. Mr. Rice continued, providing an update on the current job market and employment trends. Specifically, Mr. Rice noted that US labor force has returned to pre-pandemic levels but is not back to where we should be. Columbus is consistently below the state average of Ohio for unemployment and above average for job postings. Mr. Rice also noted Columbus has a young, educated population and ranks 1st in the Midwest with respect to population growth and job growth.

Mr. Rice also discussed the business operating models in the marketplace, with many employers offering hybrid work schedules, while other employers are pushing to have employees spend more time in the office. Mr. Rice noted that layoffs have started in various industries but they are not prevalent in the overall economy.

Mr. Rice provided his recommendations for salary structure adjustments and total base salary growth based on the current labor market conditions. Total salary growth includes annual merit increases, promotions, and salary adjustments. Mr. Rice recommended that the salary structure be increased 5.1% and total base salary growth be between 6.3% and 8.0%. Mr. Rice noted that the Board could decide to go lower than the

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recommendations but it could result in the need to make bigger adjustments in the future if SERS fell behind the market.

Board members stated their desire is to make incremental changes rather than drastic ones when a correction is needed. After a several questions and a robust discussion, the board thanked Mr. Rice for his presentation.

The Board asked staff to develop cost impact numbers for a 5.1% salary range update and 6.3% total salary growth so they could see the impact on SERS' personnel expenditures before they approve the FY2024 budget in May.

The board took a break at 3:07 p.m.

The board reconvened at 3:19 p.m.

## Healthcare Sustainability Discussion

Christi Pepe, Director of Health Care Services, provided a presentation on potential changes to non-Medicare health care coverage as part of ongoing sustainability discussions. Per the Board's directive, Ms. Pepe provided additional information on a Marketplace counseling requirement for non-Medicare members wanting to enroll in SERS' health care coverage. The goal is to help non-Medicare members understand and choose the best, most affordable SERS coverage option.

Ms. Pepe noted that since 2016, SERS has contracted with HealthSCOPE Benefits to provide Marketplace counseling, Medicaid eligibility verification, Marketplace plan enrollment, and Medicaid application, as well as process claims for the Marketplace Wraparound Health Reimbursement Arrangement (HRA). As part of its services, HealthSCOPE provides two SERS-dedicated and Marketplace-trained agents, a Marketplace-trained supervisor, and additional staff for high-volume call periods.

Ms. Pepe noted the initial counseling calls average 30-60 minutes, with primary concerns being reimbursement, coverage levels, and provider networks. Once a plan is selected, calls to complete Marketplace or Medicaid applications average 60 minutes or more. Current call volume ranges from 30 to 150 calls per month, the higher counts during peak retirement months. Ms. Pepe noted that call volume would increase with implementing a Marketplace counseling requirement. The contracted services have not resulted in complaints, said Ms. Pepe. She also reported contacting 12 current Marketplace enrollees to survey them about their experiences. Overall, Ms. Pepe said the feedback was overwhelmingly positive.

Ms. Pepe next addressed implementation alternatives and the costs of a counseling requirement. Although there would be an increase in HealthSCOPE fees, the cost increase would be smaller than hiring a dedicated SERS employee with benefits. In addition, SERS would still require HealthSCOPE counseling support. It is estimated that every 10% uptake in the Marketplace Wraparound HRA enrollment vs. SERS traditional plan enrollment would account for \$1 million in annual savings.

Ms. Pepe asked for the Board's direction going forward. After a brief discussion, the Board indicated they would like to require Marketplace counseling for enrollment in a non-Medicare plan. Ms. Pepe responded that a rule change would be drafted for a formal vote in March.

Ms. Pepe discussed two additional potential changes raised during past sustainability sessions:

- Making disability and service premiums the same for non-Medicare retirees.
- Increasing non-Medicare premiums to levels of 30%, 40%, and 50% as a minimum level.

The Board indicated an interest in making disability and service premiums the same. The projected savings for this change is estimated to be \$3 million annually. Making disability and service premiums the same resolves the issue of highest-cost members paying the least premium, said Ms. Pepe. The self-funded plan's

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Service Retiree spend averaged \$11,766 per year in 2021, while the Disability Beneficiary's net cost was more than double that amount at \$25,628.

It was noted that this change does not cut access to health care coverage but brings parity to premiums. Based on the discussion, Ms. Pepe noted that staff would prepare for this scenario, with final Board approval of 2024 premiums and any needed resolution in a future meeting. After a robust discussion, the board thanked Ms. Pepe for her presentation.

## Board Communication and Policy Issues

The board reviewed the meeting dates for 2023.

## CALENDAR DATES FOR SERS BOARD AND COMMITTEE 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

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.)

# SERS Retirement Board Meeting Minutes

February 16, 2023

## **Continued or New Business**

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

## **Adjournment**

Board Chair, Jeffrey DeLeone, wished all a happy holiday, and moved to adjourn to meet on Thursday, February 16, 2023, at 8:30 a.m. for the SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 3:58 p.m.

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Jeffrey DeLeone, Board Chair

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Richard Stensrud, Secretary

DRAFT

# **SERS Retirement Board Annual Retreat Meeting Minutes**

**February 17, 2023**

## **Roll Call**

Following the Pledge of Allegiance, the roll call was as follows: Jeffrey DeLeone, Hugh Garside, James Haller, Matthew King, Barbra Phillips, James Rossler, Frank Weglarz, and Daniel Wilson. Absent: Catherine Moss. Also attending in person stakeholders and various members of the SERS staff. Several SERS staff members and members of the public attended virtually.

## **Introduction**

SERS Executive Director, Richard Stensrud, introduced the first retreat presenter, Dr. Anirban Basu. Dr. Basu is Chairman & CEO of Sage Policy Group, Inc., an economic and policy consulting firm headquartered in Baltimore, Maryland with an office in Orlando, Florida. The firm provides strategic analytical services to energy suppliers, law firms, medical systems, government agencies, and real estate developers among others.

## **Educational Session on Current U.S. Economic Conditions**

Dr. Anirban Basu, Chairman and CEO of Sage Policy Group, Inc., provided a presentation titled "Show Me the Money (Supply) that focused on the current economic conditions in the U.S. and Ohio. Dr. Basu stated that money supply is "at the heart of all things." When money supply is abundant, everything is good.

Dr. Basu reported As the U.S. emerged from the pandemic, consumers had significant liquidity, and the economy heated up fast. Add to that the war in Ukraine, and lingering supply chain issues and there was more demand than supply. This brought on inflation as prices in consumer price index, such as food, energy, housing, clothing, and medical care, increased rapidly. To fight inflation, the Federal Reserve (Fed) began hiking interest rates to shrink the money supply.

However, despite the Fed's interest rate increases, U.S. consumers continued spending without regard to the price increases. One reason was that retailers built up inventory in November and December, which led to sale prices in January.

Dr. Basu continued his report stating inflation has negatively impacted poor households and older Americans on fixed incomes the most. Even though U.S. consumers have shown great resilience as inflation is rising, there are signs that interest rate increases are indeed, slowing inflation. However, Dr. Basu reported that data indicates savings rates are slowing down and credit card balances are rising.

Dr. Basu stated he's surprised that that the labor force continues to shrink, with more than 11 million jobs currently unfilled. One reason for this is that participation by men in the workforce is now 9.5% lower than it was in 1980. In contrast, the participation of women in the workforce is 5.3% higher than it was in 1980. In addition, younger women are outpacing younger men in earnings.

Dr. Basu continued, reporting that the U.S. economy needs more workers. Substantial openings in skilled trades are slowing construction projects. He also said that fewer workers paying into Social Security is hurting its solvency because there are fewer workers per retiree.



# SERS Retirement Board Annual Retreat Meeting Minutes

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Dr. Basu continued his presentation reporting on national trends. Currently, large cities, especially in the South, are adding more jobs but finding qualified workers continues to be a major challenge. In Ohio, 105,000 jobs were lost between 2020 and 2022, but employers are still struggling to fill open positions.

Looking forward, Dr. Basu sees indicators that the current economic cycle is beginning to change and a recession could be on the way.

These indicators include:

1. Expensive S&P 500 prices.
2. Employers who are reducing head counts to control finances.
3. The presence of an inverted yield curve, which is when the one-year U.S. Treasury yields go above 10-year U.S. Treasury yields.
4. Rising interest rates, which decreased housing applications and reduced sale prices by 1%.
5. A reduction in building permits on single-family and multi-family housing.
6. Less capital being lent by banks to finance building projects.

Dr. Basu closed his presentation stating even if there is not a recession, he predicts economic weakness ahead. If, however, consumer spending continues on the current pace and infrastructure projects continue to be funded, the economy could achieve the soft landing the Fed is trying to achieve.

After a robust question and answer session, the board thanked Dr. Basu for his presentation.

The board took a break at 9:52 a.m.

The board reconvened at 10:05 a.m.

## **Risk Assessment Educational Session**

Mr. Stensrud provided an overview and introduced Todd Green, President and Consulting Actuary, and John Garrett, Principal and Consulting Actuary, from Cavanaugh Macdonald Consulting, provided a risk analysis of SERS' defined benefit plan.

Todd Green reported as SERS' actuary, one of Cavanaugh Macdonald's roles is to identify risks that could impact the System's future financial condition. The primary types of risk that could affect funding are:

- **Investment risk:** Investment return is different than expected
- **Longevity risk:** Mortality experience is different than expected
- **Covered payroll risk:** Covered payroll will not increase as assumed
- **Active population risk:** Number of active members decline
- **Contribution rate risk:** Contribution rates are too high for the employer to pay

Actuaries assess these risks through a series of plan maturity measurements, such as comparing the number of actives to retirees; retired liability to total liability; net cash flow to market value of assets; and market value of assets to payroll.

# **SERS Retirement Board Annual Retreat Meeting Minutes**

**February 17, 2023**

Cavanaugh Macdonald began its qualitative risk assessment by examining SERS' funding and amortization policies; the size of active membership compared to growth in total covered payroll; and the effect of annual cost-of-living adjustments (COLAs).

Mr. Green continued, stating currently, employers are required to pay a contribution rate of 14% and members are required to pay 10%. Employer contributions exceeding those required to pay basic benefits may be allocated the Health Care Fund.

In keeping with SERS' objective of maintaining a closed amortization period, the Board approved a change to the System's funding policy in 2015. If the funded ratio of the pension fund is below 70%, all 14% of the employer contribution must be allocated to SERS' basic benefits; if the funded ratio is at least 70%, but less than 80%, the Board can allocate up to 0.50% of the 14% employer contribution toward health care; if the funded ratio is at least 80%, but less than 90%, the Board can allocate up to 0.75% to basic benefits; and if the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employer contribution that is not needed for basic benefits. Mr. Green noted that SERS' funding policy is a positive factor as it has accelerated the funding of the pension plan by \$600 million.

The System's amortization policy is that SERS' unfunded actuarial accrued pension liability must be amortized, or paid off, within thirty years. Mr. Green remarked that this is also a positive factor.

When evaluating the size of SERS' active membership to the total covered payroll, the assessment found that this factor presents a limited risk due to decreased active membership.

Mr. Green stated currently, there are two active members contributing to SERS for every retiree. While this is an adequate ratio to be able to fund basic benefits, membership has slightly decreased from pre-pandemic numbers. In FY2019, 159,363 active, contributing members paid into SERS. In FY2022, that number was 155,063. While FY2022 was lower than FY2019, it was an increase of 8,417 from FY2021.

Mr. Green reported Senate Bill 8 became effective in March 2018, allowing SERS' Board to decide how many anniversaries new benefit recipients must achieve before they are eligible for a COLA. Mr. Green indicated this authority is considered positive as it allows SERS to act proactively rather than pursuing legislation to address an issue and mitigate a portion of the risk.

As far as mortality risk is concerned, small, continuous improvements in mortality are anticipated. Mr. Green stated that recent experience represents approximately a 1% improvement per year. This presents a slight risk as retirees will be receiving a benefit for longer periods of time and there is the possibility in a sudden shift in life expectancy due to major medical advancements.

Finally, Mr. Green discussed investment risk. After performing a stress test, or an analysis used to determine the ability of a financial institution to manage an economic crisis, it was determined that SERS could sustain a single "shock" return like the one experienced in FY2009, but it would likely require more Board action to maintain pension sustainability. Therefore, this presents a slight risk to the System.

# SERS Retirement Board Annual Retreat Meeting Minutes

February 17, 2023

In conclusion, Green and Garrett stated SERS' risk profile has improved since the FY2018 assessment primarily due to investment performance and the Board's funding policy. However, the Board needs to continue to monitor risks and adjust as necessary.

The board recessed for lunch at 11:49 a.m.

The board reconvened at 12:50 p.m.

## Market Snapshot Educational Session

Candice Tse, global head of the Strategic Advisory Solutions team at Goldman Sachs Asset Management, provided an overview of the current U.S. economic conditions and inflection points.

Tse began by remarking that the Federal Reserve's attempt to bring down runaway inflation while preventing the economy from going into recession is still viable, but the path is narrowing. The Fed is making an effort to fight inflation by slowing economic growth enough to reduce labor demand and wage growth. The economy is not cooling off as rapidly as the Fed hoped, which helps with a "soft" landing, but this is a sign that the central bank will likely need to apply more tightening by continuing to raise interest rates.

The U.S. experienced extraordinary economic growth coming out of 2021 at 5.9%. Last year, the gross domestic product (GDP) increased by about 2.1% and economists expect it to increase by about 1.5% in 2023. Tse noted it is necessary for economic growth to remain low to prevent the economy from overheating.

While some believe a recession in the U.S. is imminent, Tse noted that Goldman Sachs believes there is a narrow path for a soft landing due to less impact from a tighter Financial Conditions Index (FCI), ongoing supply chain improvements, and well-anchored long-run inflation expectations. While it believes the intersection to inflation and policy is likely to remain volatile, there are clear points of entry, such as yield, idiosyncratic alpha, and pricing dislocation.

Some indicators that continue to be sources of volatility are:

- **Policy Rates:** The forecasted Fed terminal rate, or the long-term target rate is expected to reach 5.13% by May 2023.
- **Business Sentiment:** The index, which gauges the overall health of the business environment, is below 50, which indicates that the economy is contracting, rather than growing.
- **Debt Ceiling:** The current federal debt ceiling is \$31.4 trillion; that amount is estimated to be breached later this year if not raised.
- **Recession Risk:** Economists believe there is a 65% chance of a U.S. recession.

Some indicators that are sources of stability include:

- **Banking:** Only 0.72% of total loans and leases are past due, compared with the long-term average of 1.9%.

# SERS Retirement Board Annual Retreat Meeting Minutes

February 17, 2023

- **Corporates:** Approximately 2.4% of U.S. high yield debt is maturing in 2023.
- **Housing:** Only 5% of households have an adjustable-rate mortgage, compared to 25% in 2006.
- **Labor:** The U.S. jobs-workers gap, or the difference between the number of job openings and the total labor force, is currently 5.3 million. The gap can provide a potential buffer to reduce labor demand.

As far as capital market forecasts, Tse noted that equities are likely to be resilient over the long-term, though volatility may persist near-term. While TINA (There Is No Alternative to equities) has been a key driver with real yields declining and stocks appearing more attractive, investors are now shifting to TARA (There Are Reasonable Alternatives to equities) with bonds appearing more attractive.

With real yields rising, investors are looking to potential wealth creators of the future. Approximately one-third of wealth creators are in the U.S., one-third are in Europe, and one-third are in Taiwan. Some examples include:

- **Innovators:** The Taiwan Semiconductor Manufacturing Company, the world's largest chipmaker, which expanded to the U.S.
- **Disruptors:** Electric vehicles, which changed the face of the automobile industry
- **Enablers:** Chipotle, which enabled the use of locally-grown, sustainable farm products
- **Adapters:** Tesco, a U.K. retailer, that responded to the pandemic by creating the Tesco Whoosh rapid delivery concept

Tse concluded her presentation by noting that more episodic volatility in the equity market presents opportunities for investors to consider other asset classes. This may mean renewed opportunities for income and tax-alpha.

After a discussion, the board thanked Ms. Tse for her presentation.

At the pleasure of the Board Chair, it was decided that the Strategic Plan update would be postponed & would be presented at a future board meeting.

The meeting adjourned at 1:54 p.m.

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be  
Reported to the Retirement Board for  
Ratification in March

The following is a summary of the investment transactions made during the period of **January 1, 2023 through January 31, 2023**. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$ 133.0
Fixed Income	503.5
Private Equity Capital Calls	27.9
Real Asset Capital Calls	36.1
Opportunistic & Tactical	7.8
Global Private Credit	10.0
Cash Equivalents	555.3

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$ 286.3	\$ 73.9
Fixed Income	443.5	(0.9)
Private Equity distributions	28.3	n/a
Real Asset distributions	16.4	n/a
Opportunistic & Tactical	20.9	(4.5)
Global Private Credit	n/a	n/a
Cash Equivalents	533.8	n/a



# GLOBAL EQUITY PORTFOLIO REVIEW

As of January 31, 2023

Presented by Investment Staff:

Judi Masri and Hai Yen Le

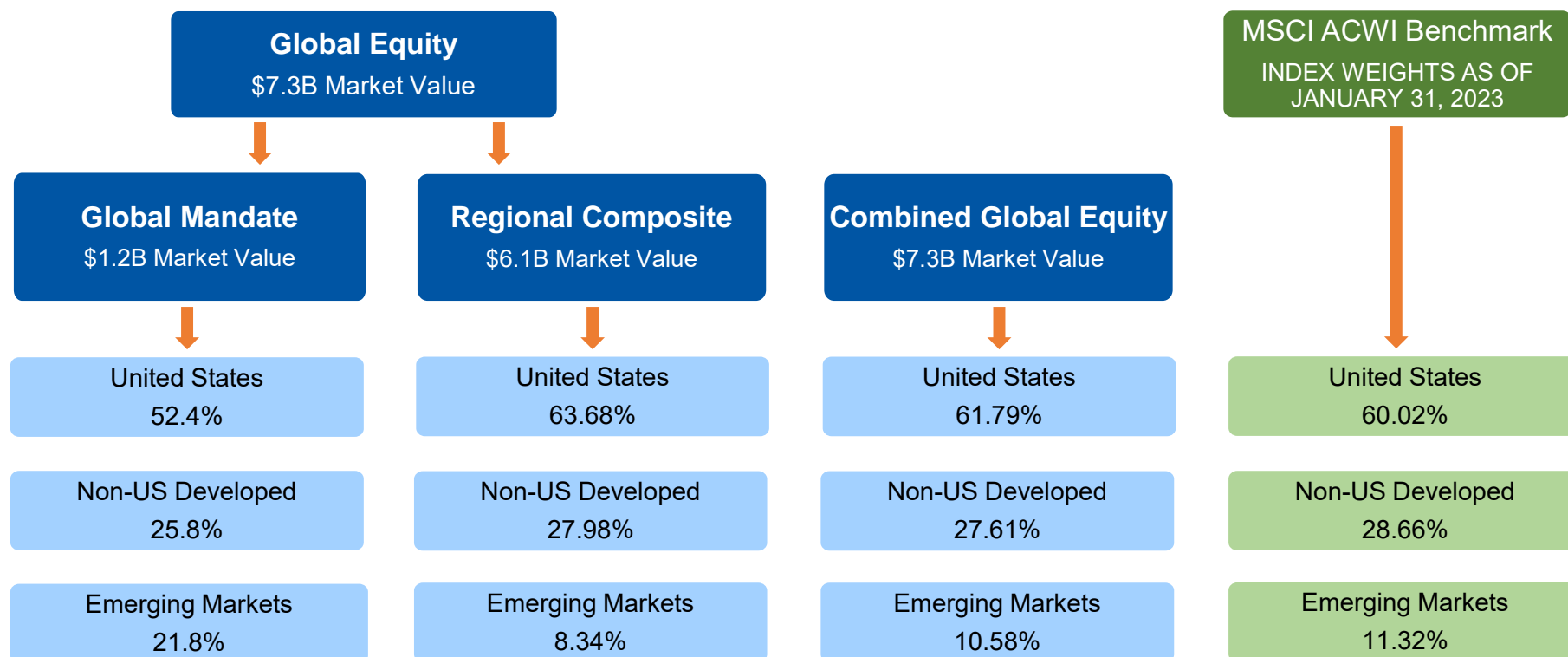
*Meeting Date: March 2023*



# Portfolio Construction

## New Global Equity Structure Overview

- New Structure Effective July 1, 2022
- Global Equity Benchmark is the MSCI ACWI
- Portfolio Weights Floats with the MSCI ACWI Benchmark





# Global Equity Market Review

FYTD	One Year	Three Years	Five Years	Ten Years
Developed ex-US 14.15%	Developed ex-US (2.98%)	Russell 3000 9.51%	Russell 3000 9.12%	Russell 3000 12.28%
All Country World 9.61%	All Country World (7.99%)	All Country World 6.82%	All Country World 5.53%	All Country World 8.23%
Russell 3000 9.45%	Russell 3000 (8.24%)	Developed ex-US 4.64%	Developed ex-US 2.47%	Developed ex-US 4.91%
Emerging 4.67%	Emerging (12.12%)	Emerging 1.40%	Emerging (1.48%)	Emerging 2.07%

## Global Market Summary

- All Equity Markets Declined over the Last Year
- Developed ex-US led FYTD as the US\$ Declined
- The US leads Longer-Term



as of January 31, 2023



**GLOBAL EQUITY**

# Net of Fee Performance

	One Year	Three Years	Five Years	Ten Years
Global Equity	(7.05%)	7.45%	5.78%	8.72%
Custom Global Equity BM	(7.68%)	6.52%	5.20%	8.29%
Excess Return	0.63%	0.93%	0.58%	0.43%

## \$7.3 Billion Market Value Global Equity Portfolio

- Actual Portfolio Weight of 41.36% is 3.64% Underweight the 45% Global Equity Target
- One-Year Excess Return driven by All Composites except EM
- Longer-Term Excess Return driven by All Composites except US
- Strong Ten-Year Absolute Return may continue to Decline

as of January 31, 2023

**GLOBAL  
MANDATE**

# Net of Fee Performance



	One Year	Three Years	Five Years	Ten Years
<b>Global Mandate</b>	<b>(5.14%)</b>	<b>9.19%</b>	<b>4.78%</b>	<b>6.76%</b>
<b>Custom Global Equity BM</b>	<b>(7.16%)</b>	<b>3.11%</b>	<b>1.05%</b>	<b>4.04%</b>
<b>Excess Return</b>	<b>2.02%</b>	<b>6.08%</b>	<b>3.73%</b>	<b>2.72%</b>

## \$1.2 Billion Market Value Global Active Portfolio

- 100% Active Global ACWI Portfolio by One Manager, Ranked as A
- Benchmark is MSCI ACWI ex-US through June 30, 2022
- Benchmark is MSCI ACWI from July 1, 2022, through Current



# Portfolio Summary

## \$3.8 Billion Market Value

- 71.5% of Portfolio is Passive with 1 Manager, ranked as A
- 28.5% of Portfolio is Active with 9 Mandates
  - Three ranked as A
  - Three ranked as B
  - Three new managers

## Focus on Portfolio Structure

- US Markets are Efficient – Passively Invest most Large Cap Stocks
- Portfolio Management Fee dropped from 18 to 14bps
- Redeemed a net \$133 Million
- Wilshire Analyzed Portfolio Structure

## New Mandates

- Small Cap Growth Funded in June 2022
- Small Cap Core Funded in October 2022
- Portable Alpha Funded in October 2022

as of January 31, 2023



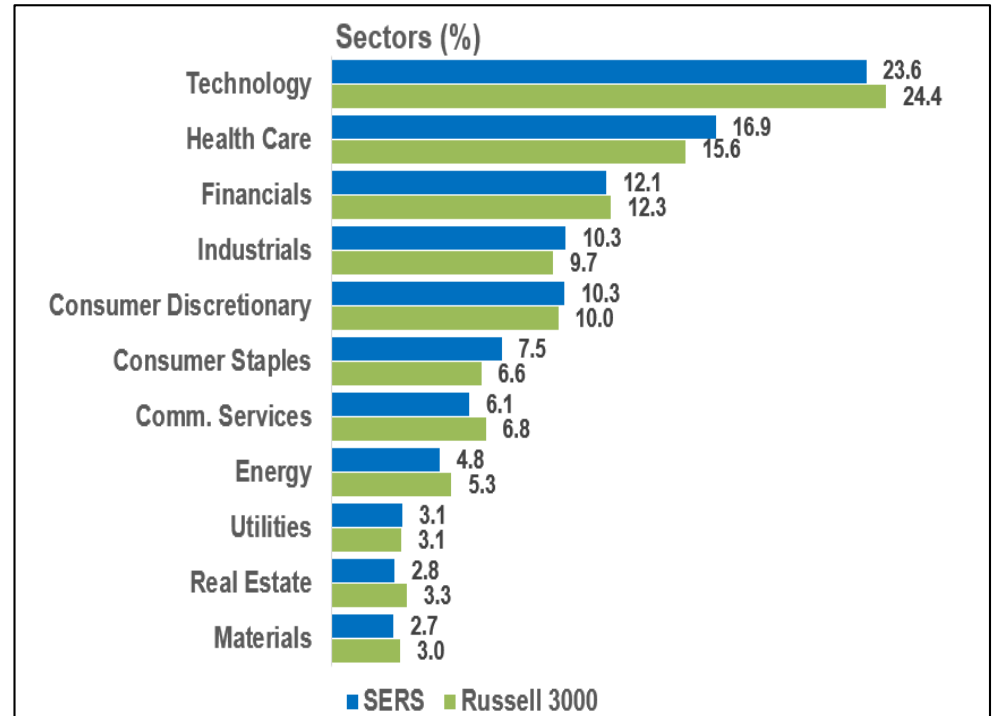
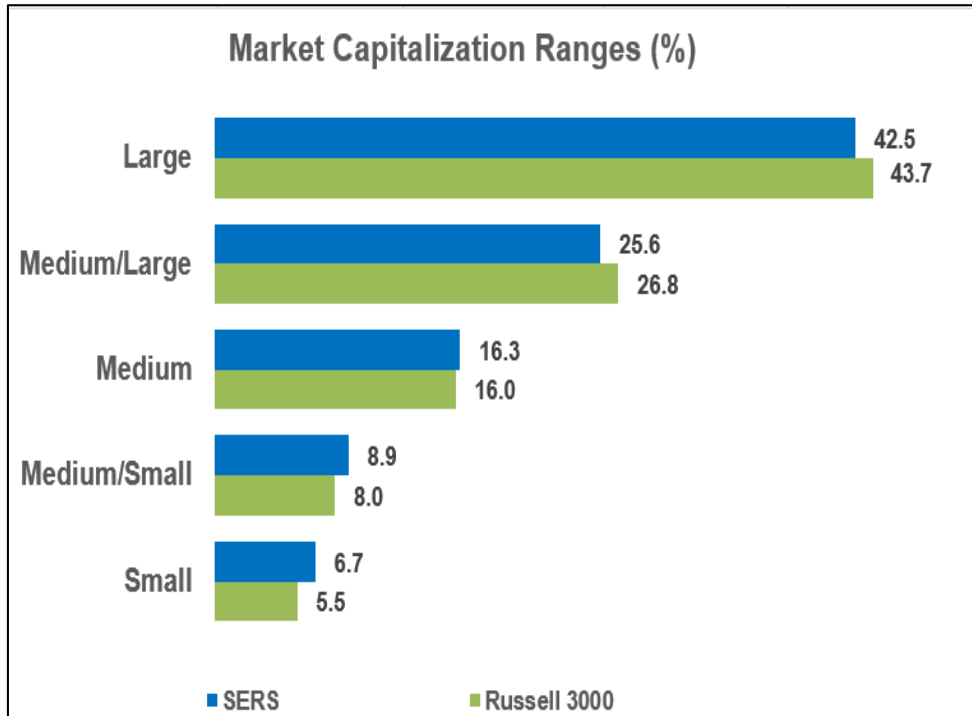
US EQUITY

## Portfolio Characteristics

Indicator	SERS	Russell 3000
Price/Earnings ratio	21.4	21.5
Price/Book ratio	3.3	3.3
Price/Cash Flow ratio	14.1	14.1
Price/Sales ratio	2.1	2.2
Dividend Yield	1.7%	1.7%
Number of Holdings	1,431	2,960
Beta	0.99	N/A



# Portfolio Characteristics



## Characteristics are within Annual Plan Range

- 71.5% Passive moves Characteristics towards Benchmark
- Small Cap Overweight helped One-Year Performance
- Neutral Style Tilt



# US Equity Market Review

FYTD	One Year	Three Years	Five Years	Ten Years
Russell 2000 14.03%	R3000 Value (0.43%)	Russell 1000 Large 9.66%	R3000 Growth 10.78%	R3000 Growth 14.18%
R3000 Value 11.71%	Russell 2000 (3.38%)	R3000 Growth 9.52%	Russell 1000 Large 9.38%	Russell 1000 Large 12.51%
Russell 3000 9.45%	Russell 3000 (8.24%)	Russell 3000 9.51%	Russell 3000 9.12%	Russell 3000 12.28%
Russell 1000 Large 9.16%	Russell 1000 Large (8.55%)	R3000 Value 8.62%	R3000 Value 6.86%	R3000 Value 10.06%
R3000 Growth 7.21%	R3000 Growth (15.48%)	Russell 2000 7.51%	Russell 2000 5.54%	Russell 2000 9.36%

## US Market Review

- Value Outperformed over One-Year as Fed Funds Target Rate rose to 4.75%
- Small Cap Outperformed FYTD as Fed Rate Increases Nearing Completion
- Large Growth maintains the Lead Longer-Term
- Small Cap Value maintains the Largest Discount

as of January 31, 2023



US EQUITY

# Net of Fee Performance

		One Year	Three Years	Five Years	Ten Years
<b>US Equity</b>		<b>(7.67%)</b>	<b>9.35%</b>	<b>8.82%</b>	<b>11.95%</b>
-Large Active	(19.0%)	(4.54%)	9.13%	7.95%	10.61%
-Large Passive	(71.5%)	(8.44%)	10.12%	9.74%	12.69%
-Small Active	(9.5%)	(5.72%)	5.86%	6.08%	10.85%
<b>Russell 3000 Benchmark</b>		<b>(8.24%)</b>	<b>9.51%</b>	<b>9.12%</b>	<b>12.28%</b>
<b>Excess Return</b>		<b>0.57%</b>	<b>(0.16%)</b>	<b>(0.30%)</b>	<b>(0.33%)</b>

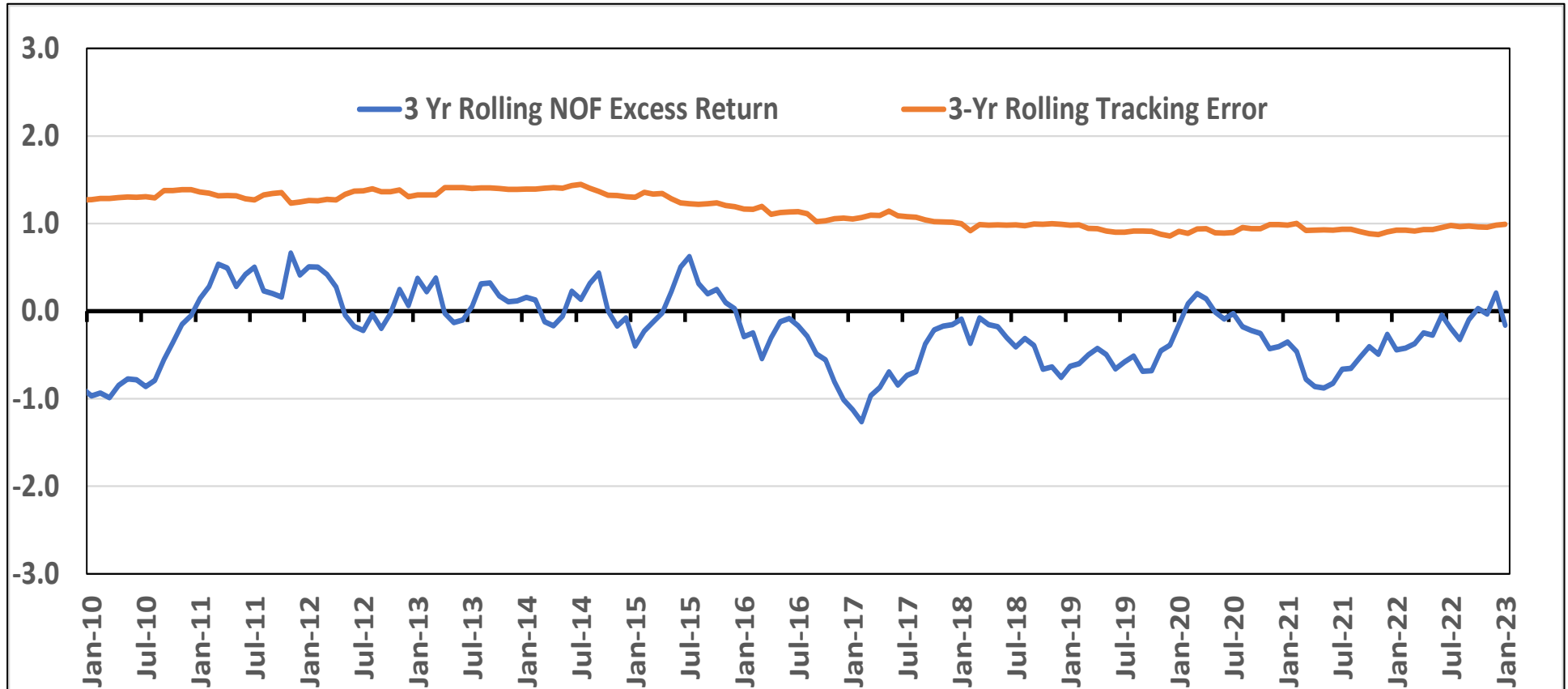
## One-Year Performance Review

- Large Cap Active Defensive Beta of 0.86 Preserved Capital
- Passive Composite Outperformed the Russell 1000 Benchmark of (8.55%)
- 3 of 6 Active Managers Outperformed their Benchmark



US EQUITY

# Three Year Risk and Return



- Relative performance has improved since June 2021
- Tracking error reduced to about 1% over last 5 years



as of January 31, 2023

NON-US EQUITY  
DM & EM

# Portfolio Summary



## Focus on Portfolio Structure

- Non-US Portfolio Market Value \$2.21 Billion
- Non-US Markets are more Inefficient than US – 78% Active Management
- Redeemed a net \$13.2 Million for CY 2022
- Portfolio Management Fee of 51 bps

## Developed Markets: \$1.70 Billion Market Value

- 28.6% of Portfolio is Passive with one Mandate, ranked as A
- 71.4% of Portfolio is Active with 6 Mandates
  - 5 ranked as A
  - 1 New Manager

## Emerging Markets: \$508 Million Market Value

- 100% Active with 4 Mandates
  - 3 ranked as A
  - 1 ranked as C
- Funded a New Emerging Market Core Manager in March 2023

as of January 31, 2023

NON-US EQUITY  
DM & EM

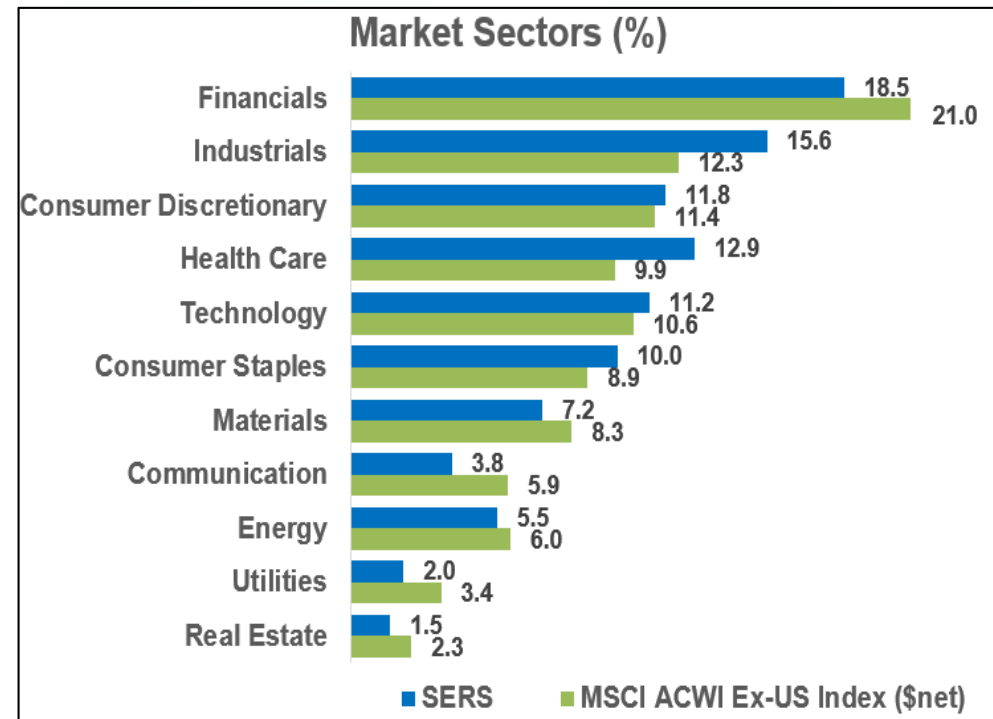
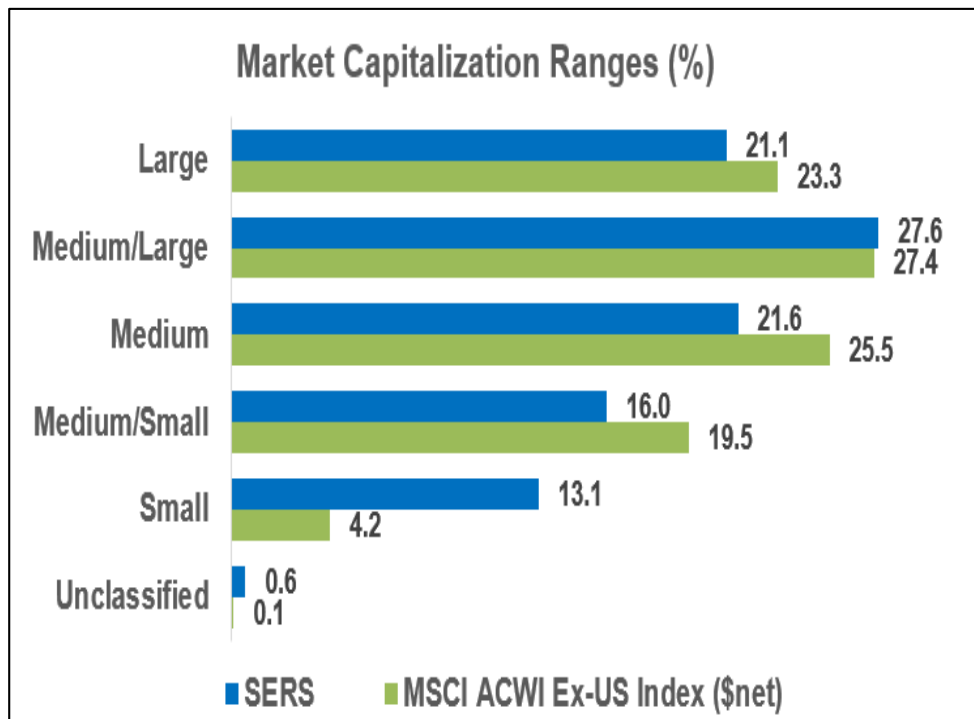
## Portfolio Characteristics



Indicator	SERS	MSCI ACWI ex US (\$net)
Price/Earnings ratio	13.8	13.8
Price/Book ratio	1.8	1.7
Price/Cash Flow ratio	8.5	8.3
Price/Sales ratio	1.4	1.4
Dividend Yield	3.0%	2.4%
Number of Holdings	1,568	2,255
Beta	0.98	N/A



# Portfolio Characteristics



## Characteristics are within Annual Plan Range

- 78% Active Management leads to Wider Characteristic Differences
- Small Cap Overweight helps Longer-Term Returns
- Neutral Style Tilt



# Non-US Equity Market Review

FYTD	One Year	Three Years	Five Years	Ten Years
Developed ex-US 14.15%	ACWI ex-US Value (2.36%)	Developed ex-US 4.64%	Developed ex-US 2.47%	ACWI ex-US Small 5.53%
ACWI ex-US Value 11.68%	Developed ex-US (2.98%)	ACWI ex-US Small 4.53%	ACWI ex-US Growth 2.11%	ACWI ex-US Growth 5.16%
ACWI ex-US Large 11.37%	ACWI ex-US Large (5.45%)	ACWI ex-US Value 4.15%	ACWI ex-US Large 1.61%	Developed ex-US 4.91%
ACWI ex-US 11.31%	ACWI ex-US (5.72%)	ACWI ex-US Large 4.00%	ACWI ex-US 1.36%	ACWI ex-US 4.19%
ACWI ex-US Small 11.30%	ACWI ex-US Small (8.50%)	ACWI ex-US 3.64%	ACWI ex-US Small 1.10%	ACWI ex-US Large 4.14%
ACWI ex-US Growth 10.97%	ACWI ex-US Growth (9.22%)	ACWI ex-US Growth 2.66%	ACWI ex-US Value 0.29%	ACWI ex-US Value 3.03%
Emerging 4.67%	Emerging (12.12%)	Emerging 1.40%	Emerging (1.48%)	Emerging 2.07%

## Non-US Market Review

- Non-US Markets Rebounded FYTD after Declining over One-Year
- Value Outperformed Growth over One-Year
- Emerging Markets maintains the Largest Discount

as of January 31, 2023



**NON-US EQUITY  
DM & EM**

# Net of Fee Performance

	One Year	Three Years	Five Years	Ten Years
<b>Non-US Equity</b>	<b>-5.63%</b>	<b>5.51%</b>	<b>2.73%</b>	<b>5.52%</b>
<b>Custom Non-US Equity BM</b>	<b>-5.75%</b>	<b>3.55%</b>	<b>1.31%</b>	<b>4.31%</b>
<b><i>Excess Return</i></b>	<b><i>0.12%</i></b>	<b><i>1.96%</i></b>	<b><i>1.42%</i></b>	<b><i>1.21%</i></b>
<b>Developed Market Equity</b>	<b>-2.66%</b>	<b>6.44%</b>	<b>3.56%</b>	<b>6.40%</b>
<b>MSCI World ex-US Index (\$net)</b>	<b>-2.98%</b>	<b>4.64%</b>	<b>2.47%</b>	<b>4.91%</b>
<b><i>Excess Return</i></b>	<b><i>0.32%</i></b>	<b><i>1.80%</i></b>	<b><i>1.09%</i></b>	<b><i>1.49%</i></b>
<b>Emerging Market Equity</b>	<b>-13.77%</b>	<b>3.32%</b>	<b>0.56%</b>	<b>2.71%</b>
<b>MSCI Emerging Market Index (\$net)</b>	<b>-12.12%</b>	<b>1.40%</b>	<b>-1.48%</b>	<b>2.07%</b>
<b><i>Excess Return</i></b>	<b><i>-1.65%</i></b>	<b><i>1.92%</i></b>	<b><i>2.04%</i></b>	<b><i>0.64%</i></b>

## One-Year Performance Review

- 4 out of 7 Developed Mandates Outperformed
- 1 out of 4 Emerging Market Mandates Outperformed



# Non-US Equity Index Return – Currency Impact

	Three Months	One Year	Three Years	Five Years	Ten Years	Twenty Years
MSCI-AC World Ex-USA Index (\$Net)	19.97	-5.72	3.64	1.36	4.20	7.34
MSCI-AC World Ex-USA Index (Local Currency Net)	11.41	-0.97	5.43	3.96	6.92	7.48
<i>Currency Impact</i>	<b>8.56</b>	<b>-4.75</b>	<b>-1.79</b>	<b>-2.60</b>	<b>-2.72</b>	<b>-0.14</b>

## Currency can be Impactful

- Strong US\$ for Previous 10-Years Negatively Impacted Non-US Returns
- Declining US\$ over Previous Quarter Positively Impacted Non-US Returns
- Currency Impacts are Minimal Over Longer Periods



# Three Year Risk and Return



- Relative performance has been consistently positive for the last 7 years
- Tracking error has been below 2% for the last 10 years, although increased by 60 bps since June 2021



# Presentation Acronyms

- **ACWI Ex-US:** MSCI All Country World Excluding United States Net Index, which includes stocks from 22 developed countries and 23 emerging market countries
- **ACWI Ex-US Growth:** MSCI All Country World Excluding United States Growth Net Index includes stocks from 22 developed countries and 23 emerging market countries with higher expected growth
- **ACWI Ex-US Value:** MSCI All Country World Excluding United States Value Net Index, which includes stocks from 22 developed countries and 23 emerging market countries with lower price-to-book ratios and lower expected growth rates
- **Developed Ex-US:** MSCI World Excluding United States Net Dividend Index, which includes stocks from 22 developed countries
- **Emerging:** MSCI Emerging Markets Net Dividend Index, which includes stocks from 23 emerging market countries
- **Portable Alpha:** A levered investment strategy that separates the active return (alpha) from passive market exposure (beta). Beta is replicated synthetically using an index derivative and the remaining cash is invested in an uncorrelated strategy to generate alpha.
- **Russell 3000:** Russell's Top 3,000 United States Companies by Market Capitalization
- **Russell 1000 Large:** 1,000 Largest United States Companies by Market Capitalization in the Russell's Top 3,000 universe
- **Russell 2000 Small:** Smallest 2,000 United States Companies by Market Capitalization in the Russell's Top 3,000 universe
- **Russell 3000 Growth:** Selected United States Companies that display signs of above average growth in the Russell's Top 3,000 universe
- **Russell 3000 Value:** Selected United States Companies that have lower price-to-book ratios and lower expected growth rates in the Russell's Top 3,000 universe





# Ohio SERS Investment Report

## Monthly Report to the Board

For the period ending: January 31, 2023

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: March 2023*



# Investment Agenda

Annual Portfolio Review – Global Equities  
Monthly Investment Report (January 31, 2023)  
Asset Allocation Discussion



# Economic and Financial Market Outlook

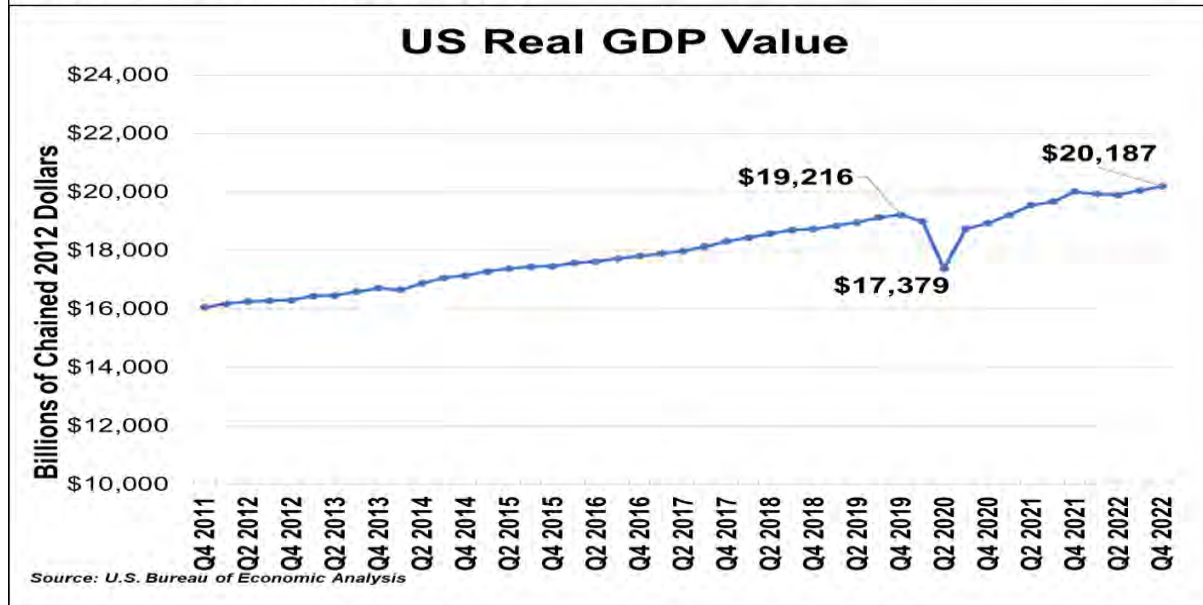
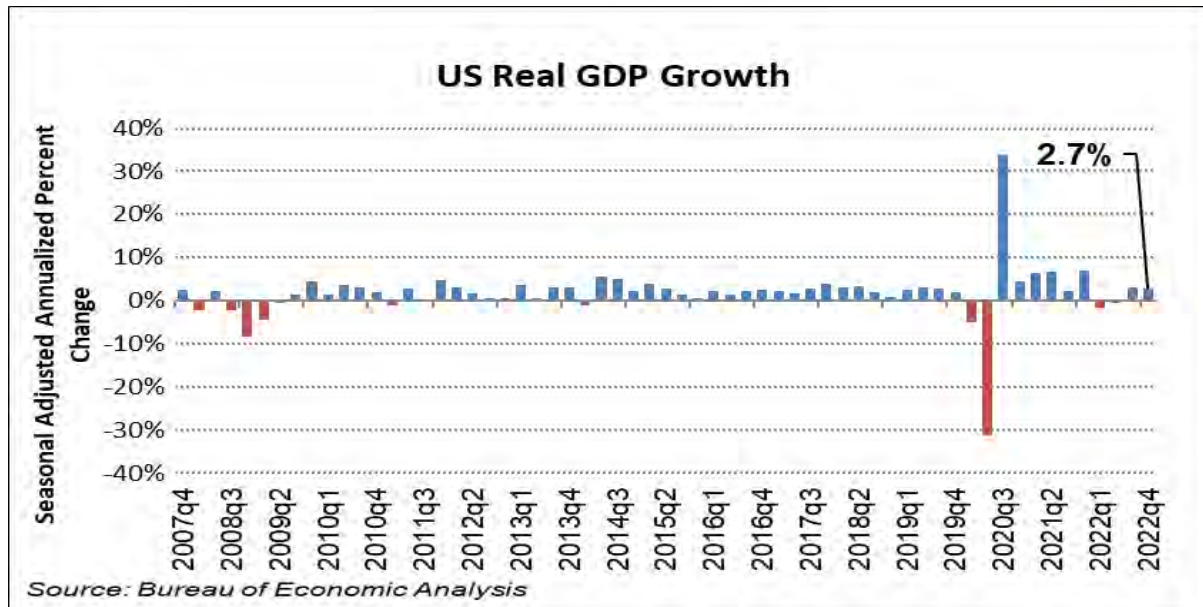
- US growth slowed but remained resilient amid the Fed's aggressive tightening. The growth rate was 2.7% for Q4 and 2.1% for 2022. The main drivers of Q4 GDP were increases in private inventory investments, consumer and government spendings. (Source: Bureau of Economic Analysis)
- US labor market was strong in January with 517,000 jobs added and unemployment rate at 3.4%. The labor force participation rate was 62.4%, remaining below the pre-pandemic level of 63.3%, indicating a continued tight labor market. (Sources: Bureau of Labor Statistics and Department of Labor)
- US inflation trended down from its peak but remains high as the headline was 6.4% and the core was 5.6% in January. The energy index and food index increased 8.7% and 10.7%, respectively. (Source: Bureau of Labor Statistics).
- The 10-year Treasury nominal yield was 3.92% as of February end, which increased by 40 bps from January. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and the current headline inflation was negative 2.62% in January. On February 1, the Fed conducted the first interest rate hike of 0.25% in 2023, after seven hikes in 2022, to curb inflation. The Fed Funds rate currently is in the range of 4.5-4.75%, the highest level over the last 15 years.
- The S&P Case-Shiller 20-City home price index was down 0.9% for the month and up 4.6% for the last 12 months as of December, indicating house prices continued cooling down.
- Consumer Sentiment Index released by Thomson Reuters and University of Michigan continued improving from June 2022 to 60.7 in February; but, remained below the historical average. February US Economic Surprise index improved to 38.6. The January Leading Economic Index (LEI) issued by the Conference Board was 110.3, down 3.6% from 6 months ago.
- Both US and Global Manufacturing PMI readings were below 50, indicating contraction. High and rising interest rates, and high inflation continue to be the largest challenges to the US and global economy. (Source: Institute for Supply Management).
- Equity markets were down in February. US market (Russell 3000) and Non-US Developed markets (MSCI World ex-USA) were down 2.34% and 2.33%, respectively. Emerging markets were down 6.48%.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was down 2.59% in February.

Notes: Acronym – PMI – Purchasing-Managers' Index



**ECONOMY**

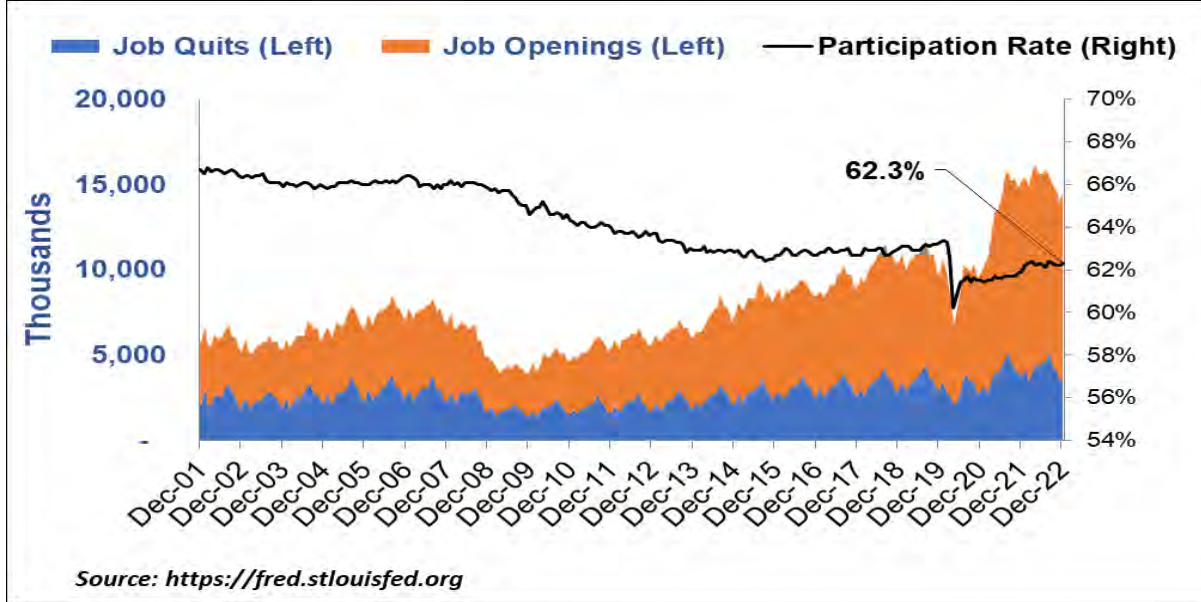
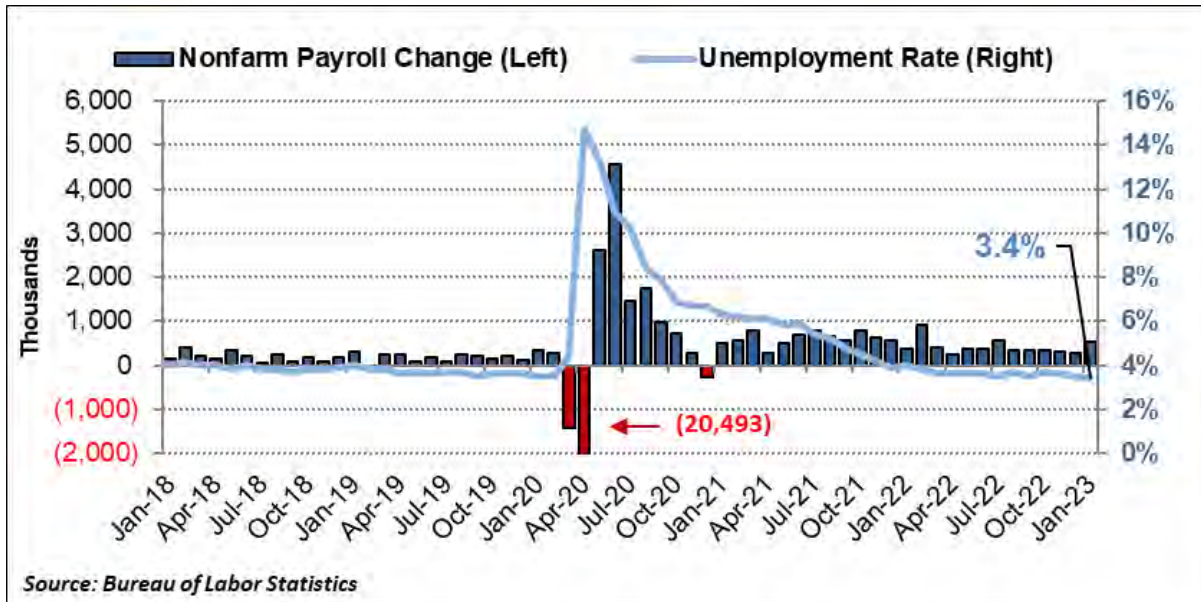
**US Real Gross Domestic Product**





**ECONOMY**

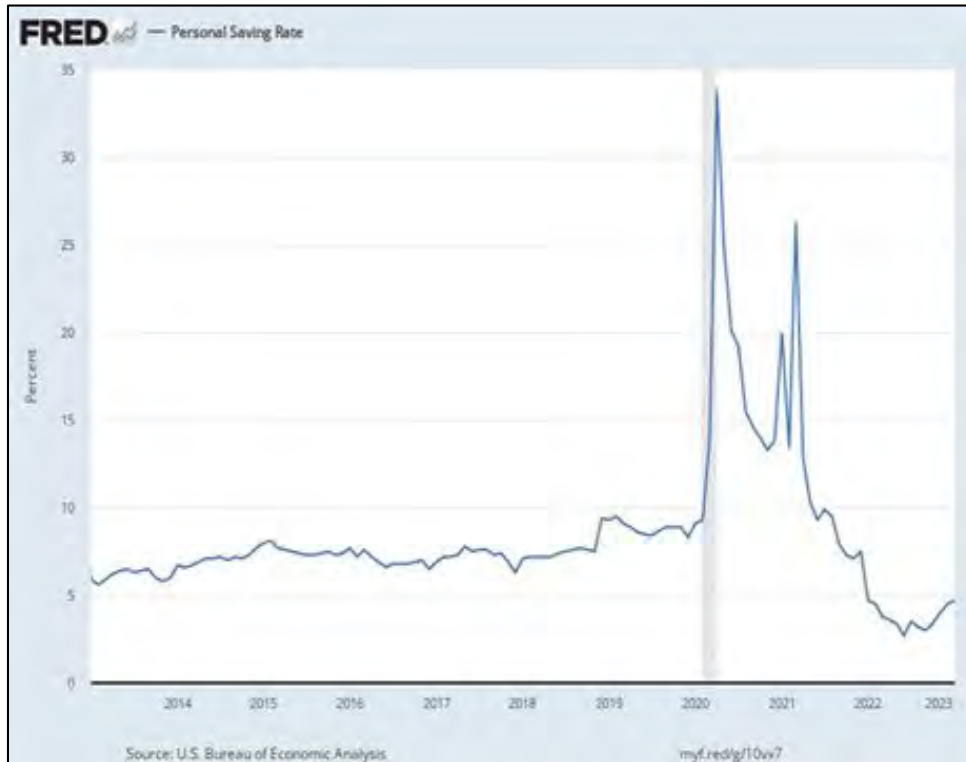
**US Labor Market**





**ECONOMY**

**Personal Savings Rate & Personal Expenditures: Goods**



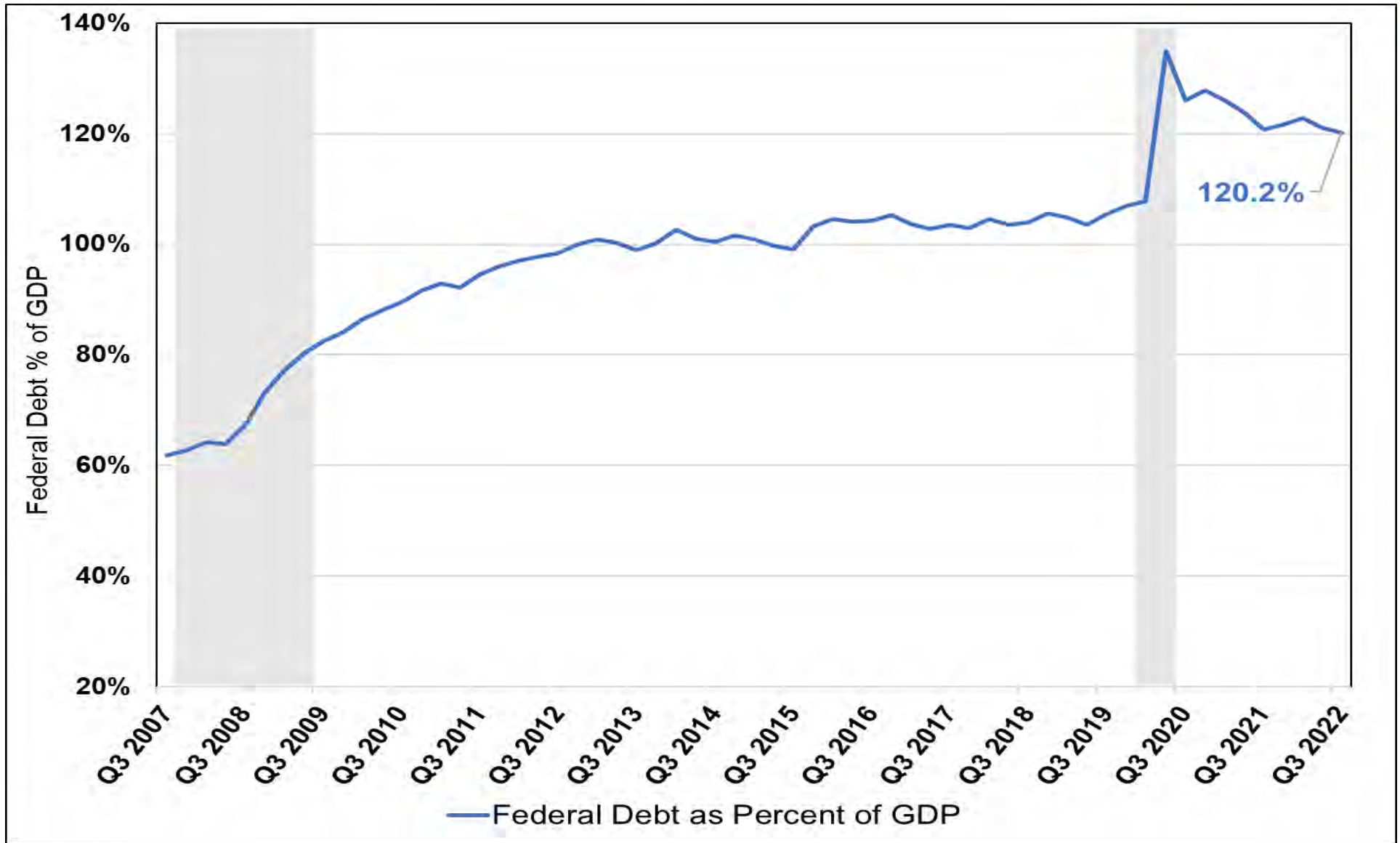
Date	Annual Personal Savings Rate
Jun-19	8.5%
Jun-20	20.1%
Jun-21	9.3%
Jun-22	2.7%
Jan-23	4.7%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-19	3.0%
Jun-20	5.7%
Jun-21	17.1%
Jun-22	8.9%
Jan-23	3.9%



**ECONOMY**

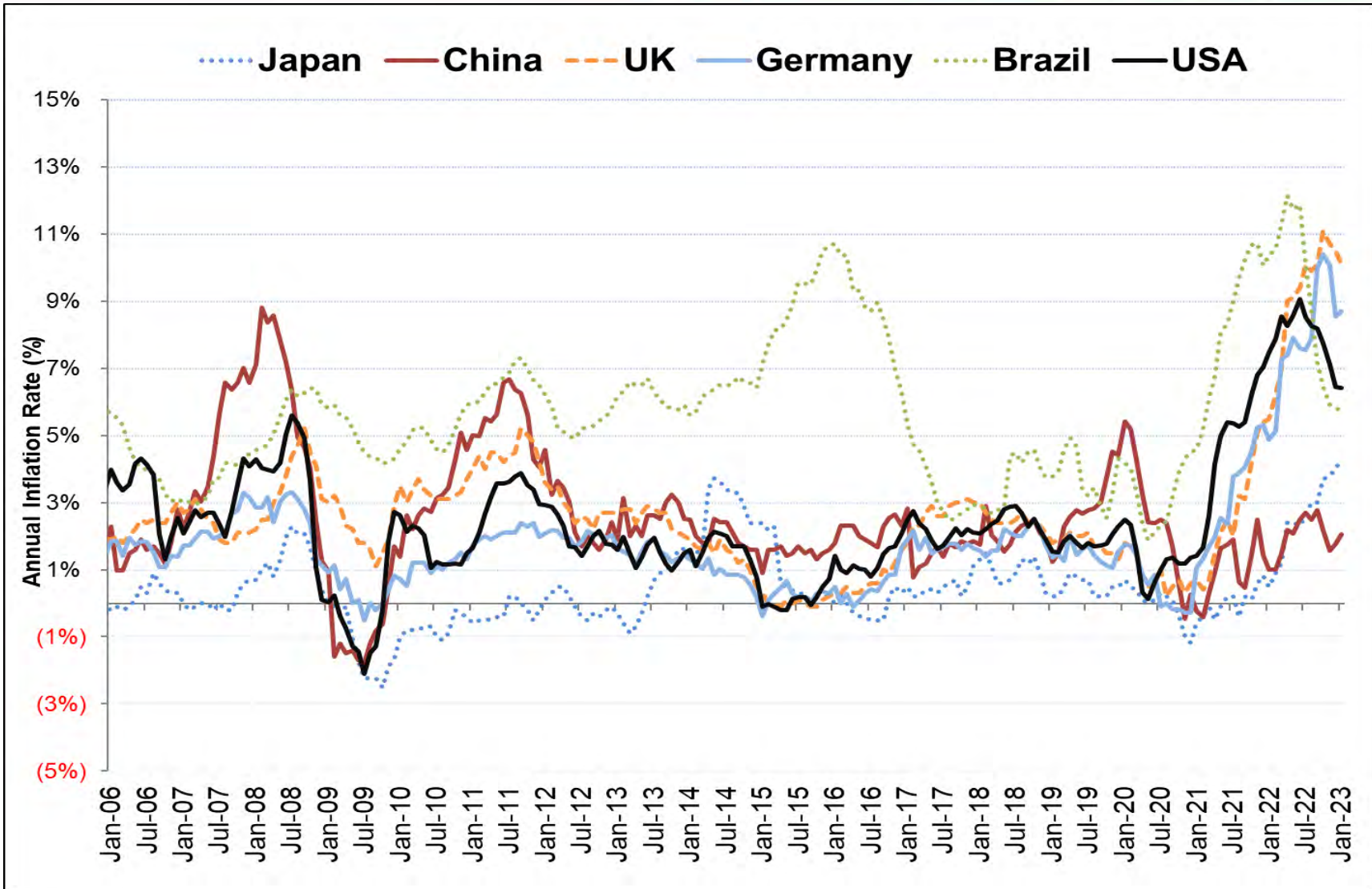
**Federal Debt as Percent of GDP**





**ECONOMY**

**Headline Inflation**



	Japan	China	UK	Germany	Brazil	USA
Jan-23	4.3	2.1	10.1	8.7	5.8	6.4

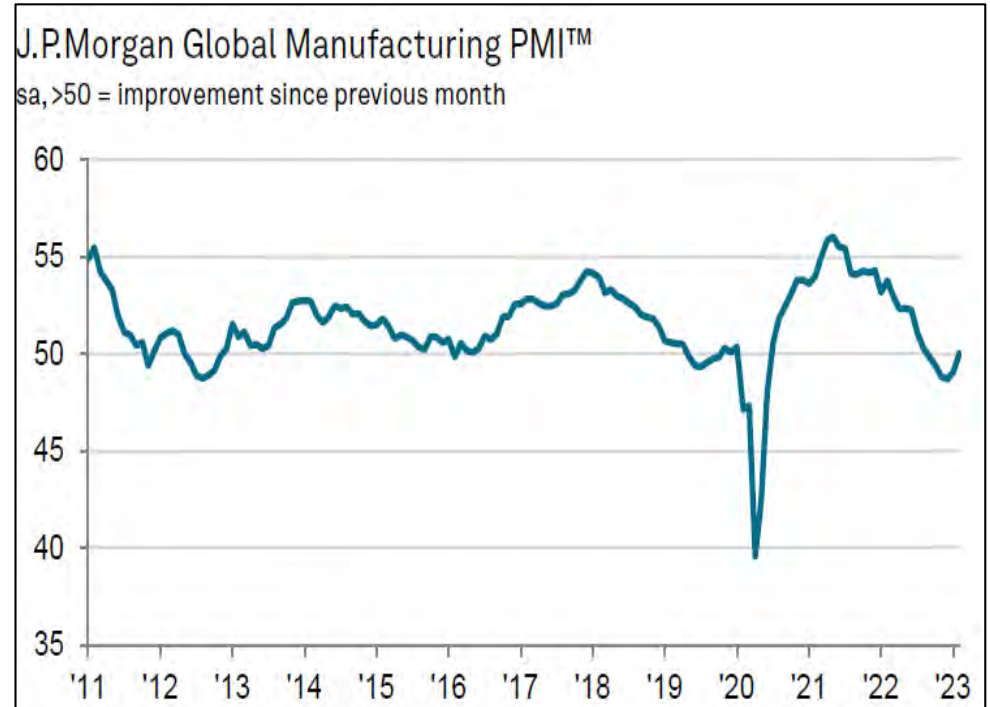
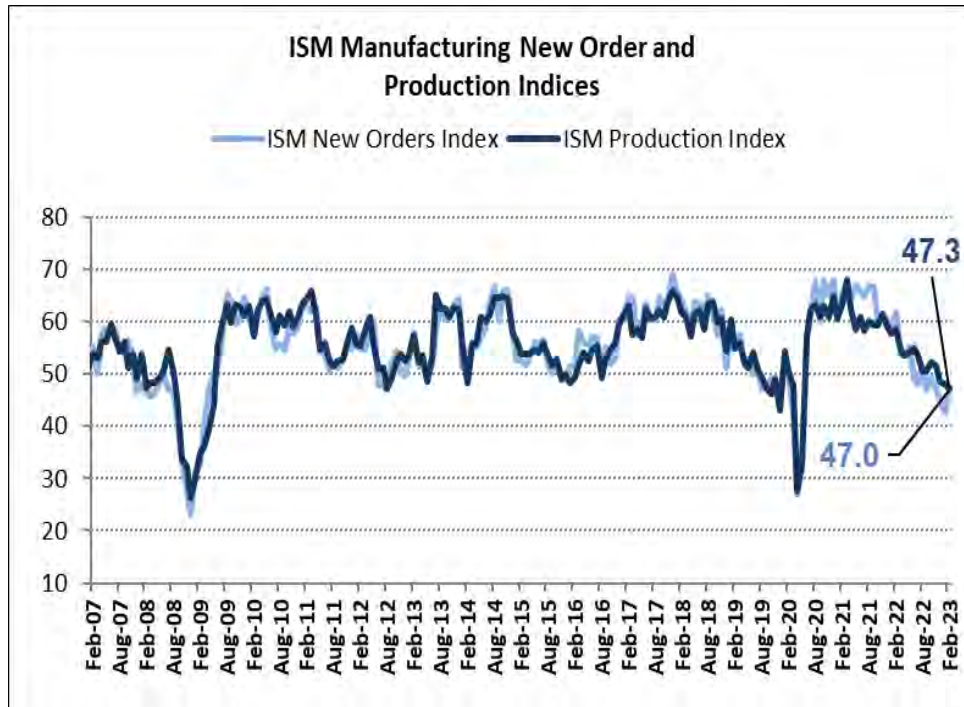
Sources: www.ons.gov.uk, www.oecd.org, www.inflation.eu, and www.tradingeconomics.com





**ECONOMY**

**US & Global Manufacturing Activities**

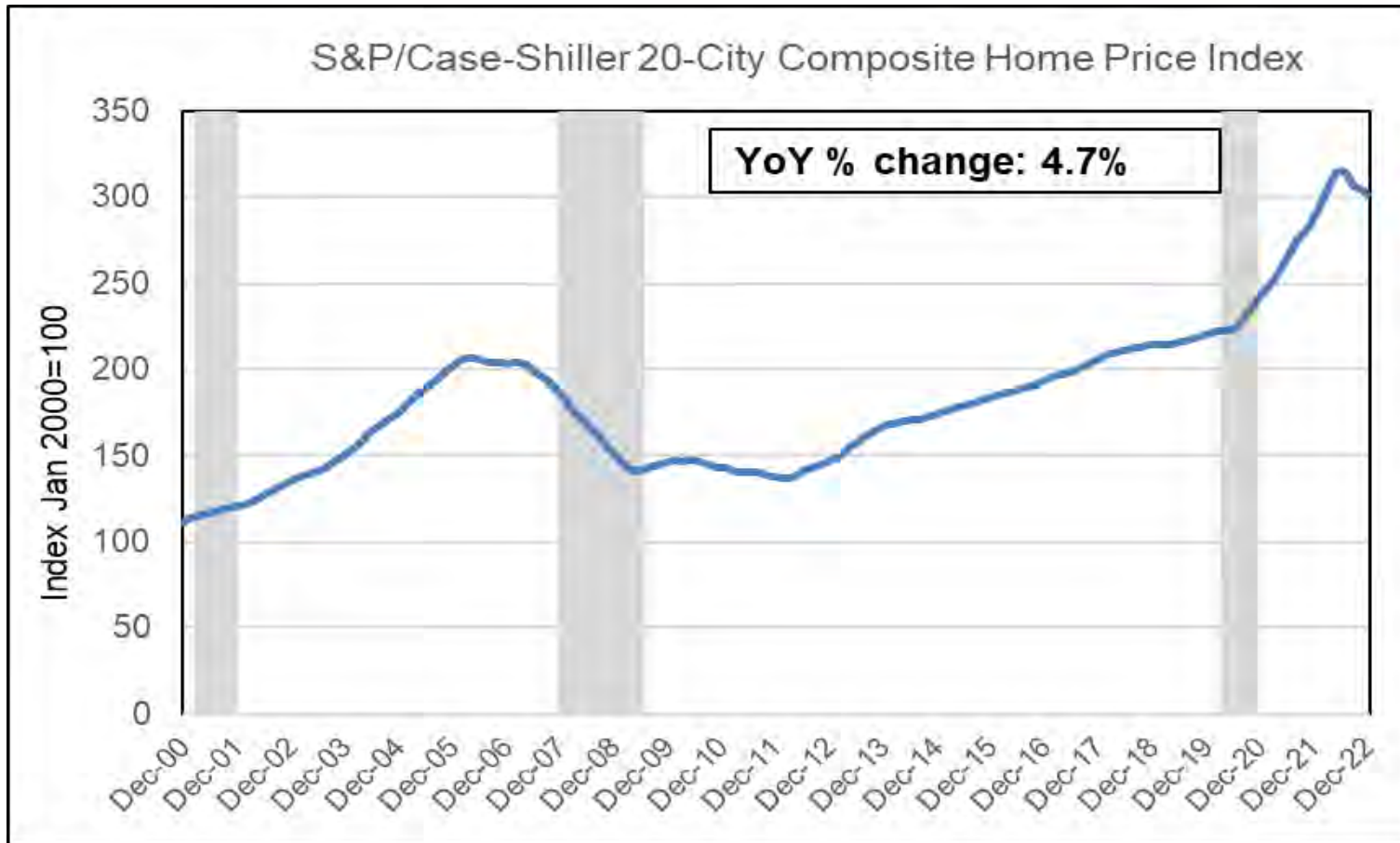


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™  
Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



**ECONOMY**

**US Housing Market**

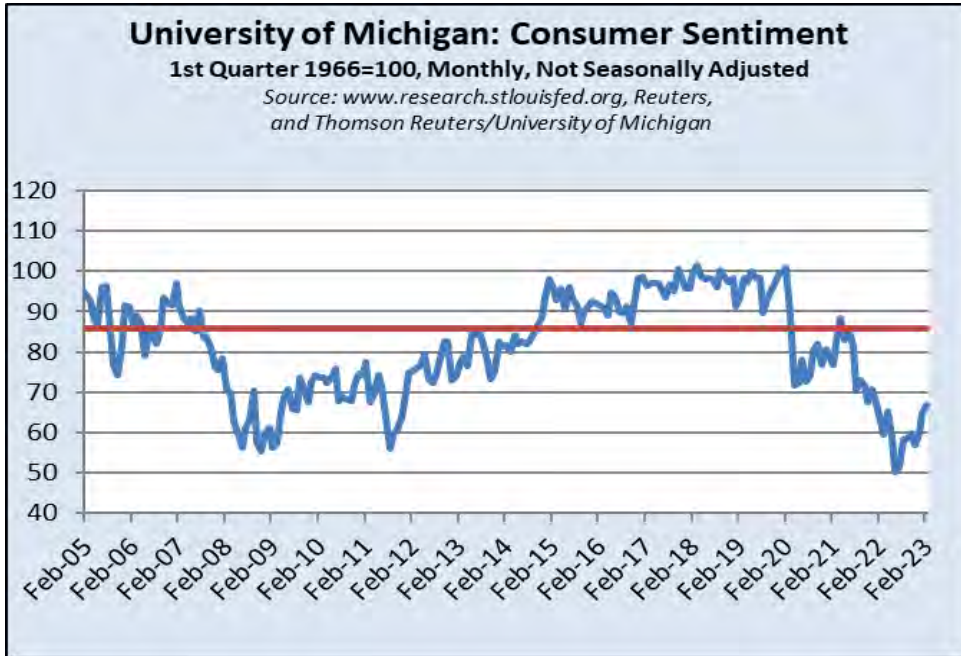


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-19	216.09
Jul-20	225.33
Jul-21	270.41
Jul-22	313.60
Dec-22	301.54

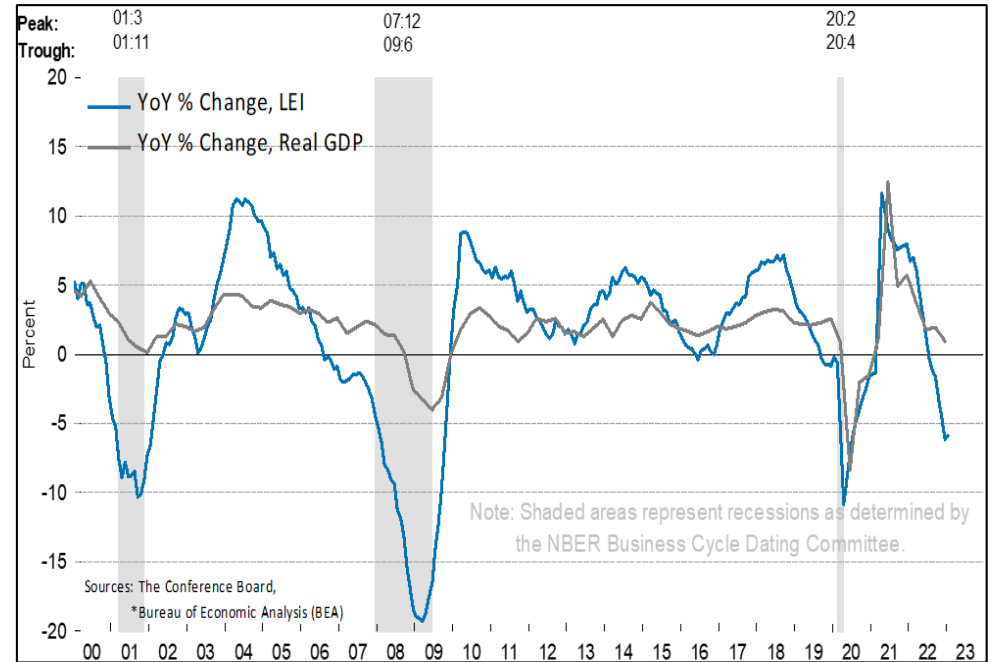


# ECONOMY

## Consumer Sentiment



## Leading Economic Index (LEI) for the United States



Shaded areas represent US recessions

Index of Consumer Sentiment				
Jan-23	Feb-23	Feb-22	M-M Change	Y-Y Change
64.9	67.0	62.8	3.2%	6.7%

Index	Dec-22	Jan-23	Month -Month Percent Change	6-Month Percent Change (July-Jan)
LEI	110.6 r	110.3 p	-0.3	-3.6

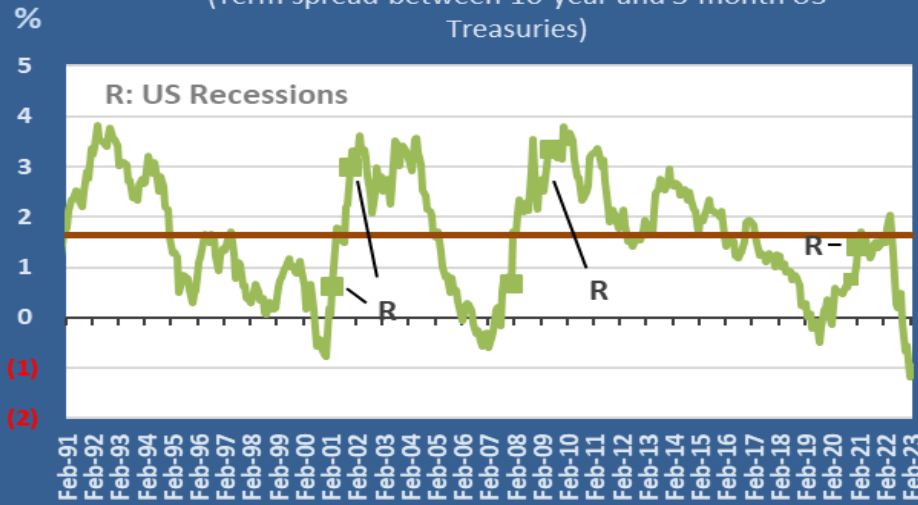
p Preliminary; r Revised; Indexes equal 100 in 2016



# ECONOMY

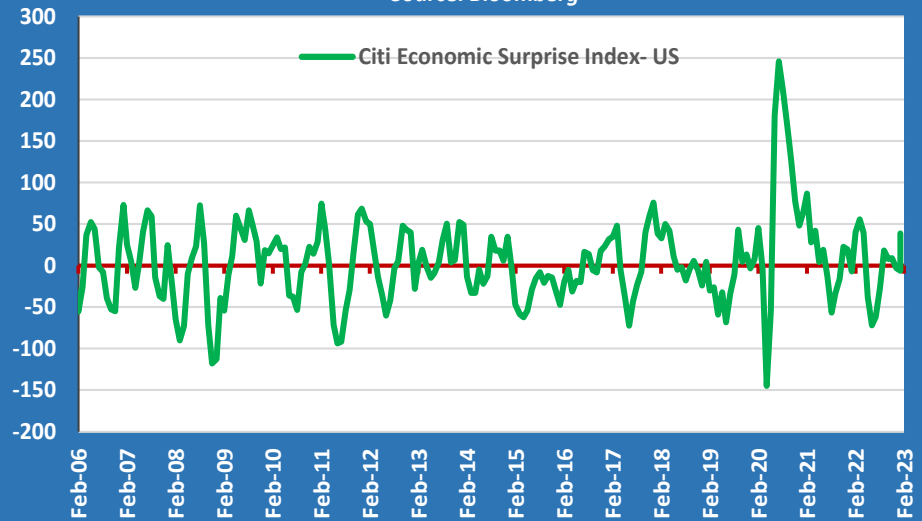
## US Yield Curve's Slope

(Term spread between 10-year and 3-month US Treasuries)



## US Growth Surprise

Source: Bloomberg



## Global Growth Surprise

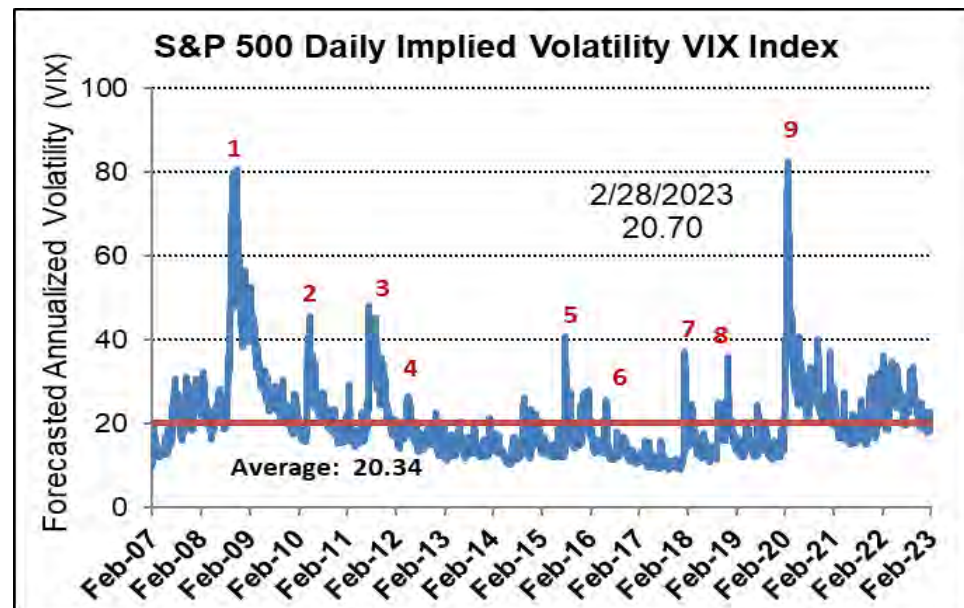
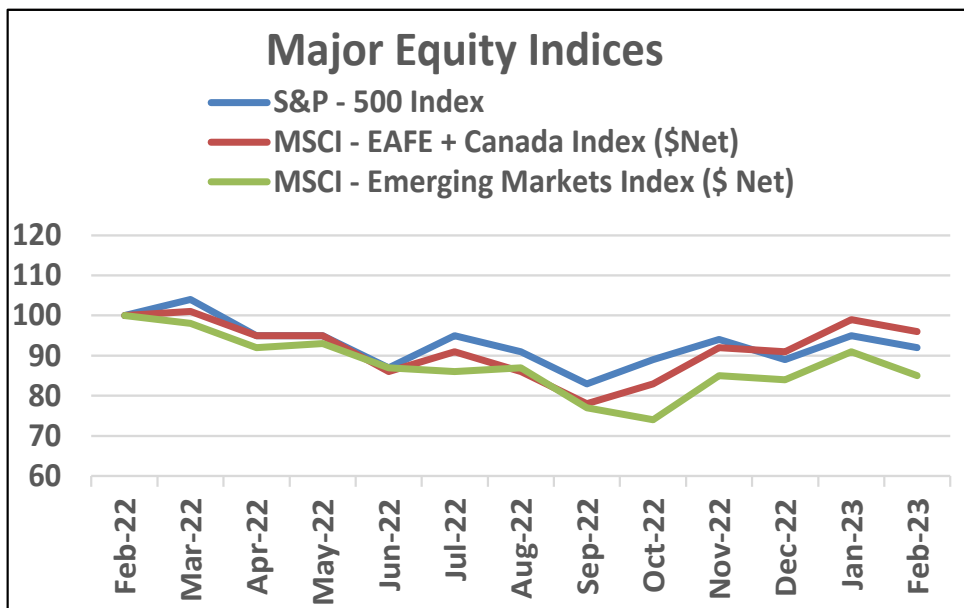
Source: Bloomberg





**MARKETS**

**Equity**

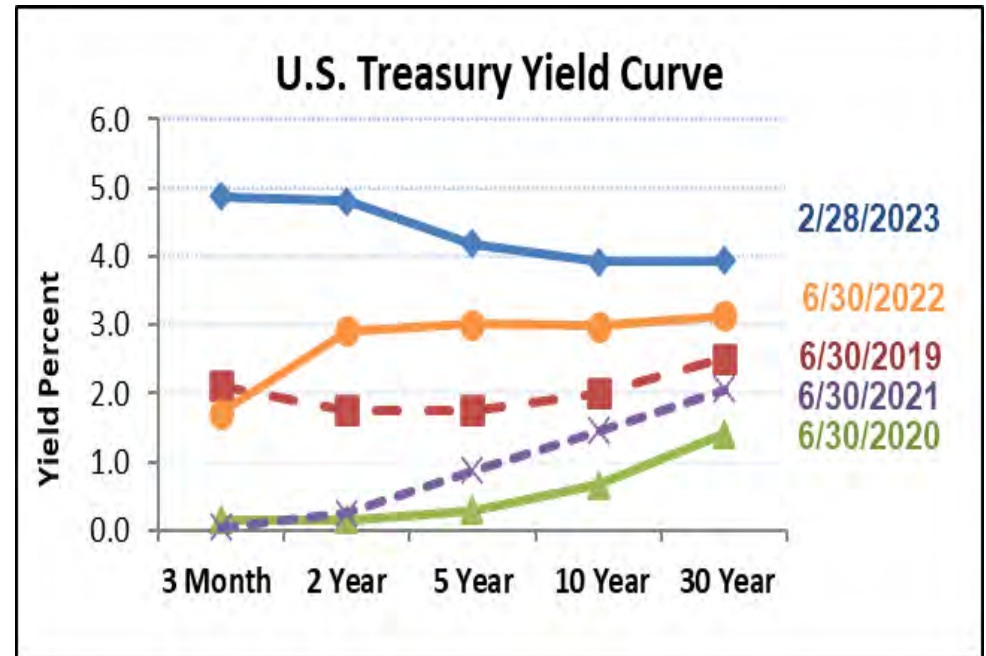


	Return as of 2/28/2023	
	1 Year	FYTD
S&P 500	(7.69)	6.08
MSCI - EAFE + Canada Index (\$Net)	(3.75)	11.48
MSCI - Emerging Markets Index (\$Net)	(15.29)	(2.12)

- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%

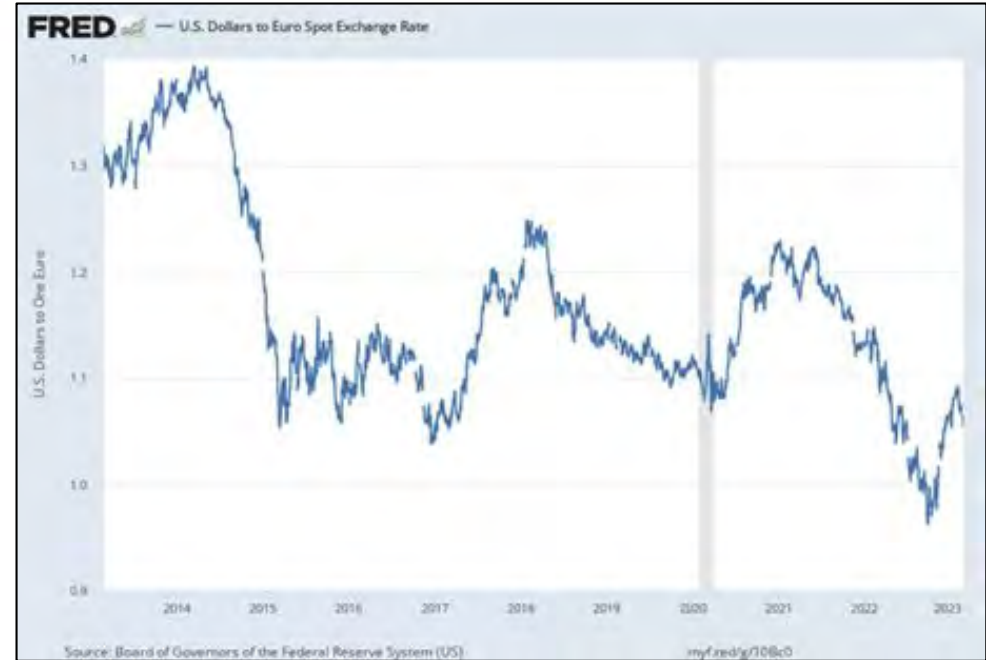
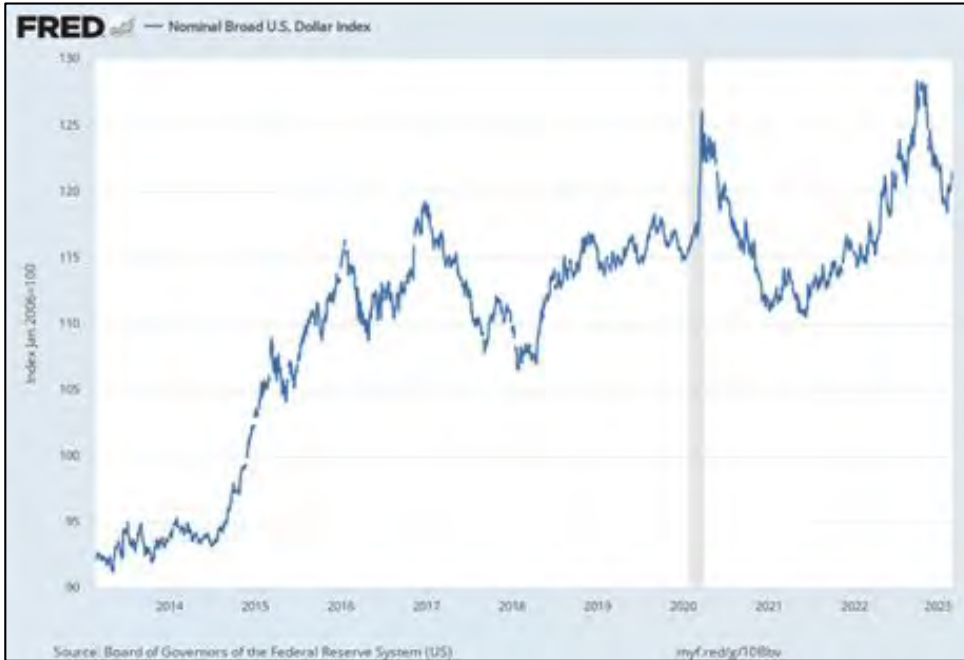


**MARKETS** Fixed Income





# MARKETS Foreign Exchange



Date	Nominal Broad U.S. Dollar Index January 2006=100
June-19	114.56
June-20	120.86
June-21	112.85
June-22	121.05
February 24, 2023	121.63

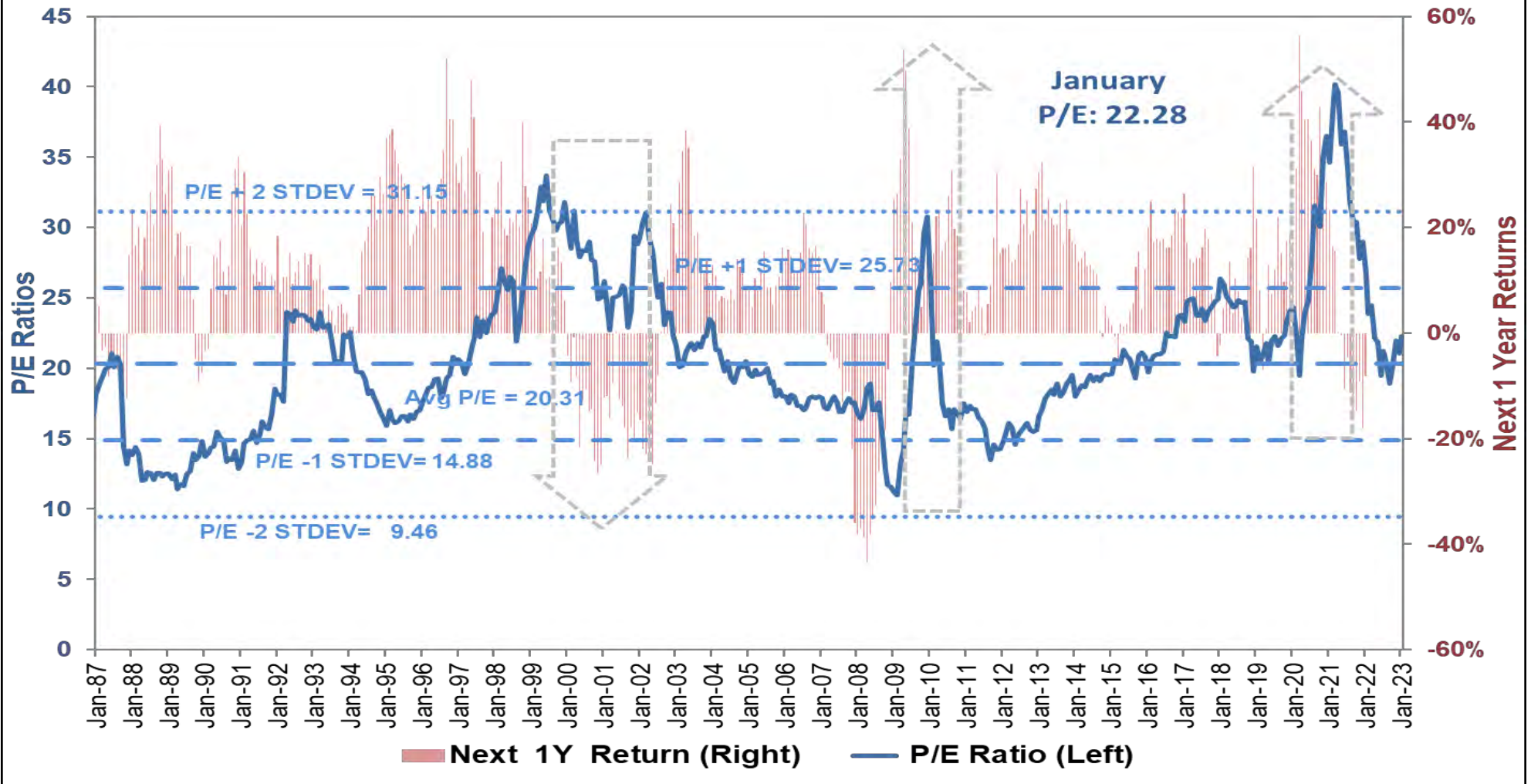
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-19	1.14
June-20	1.12
June-21	1.18
June-22	1.05
February 24, 2023	1.07



**VALUATION**

**US Equity**

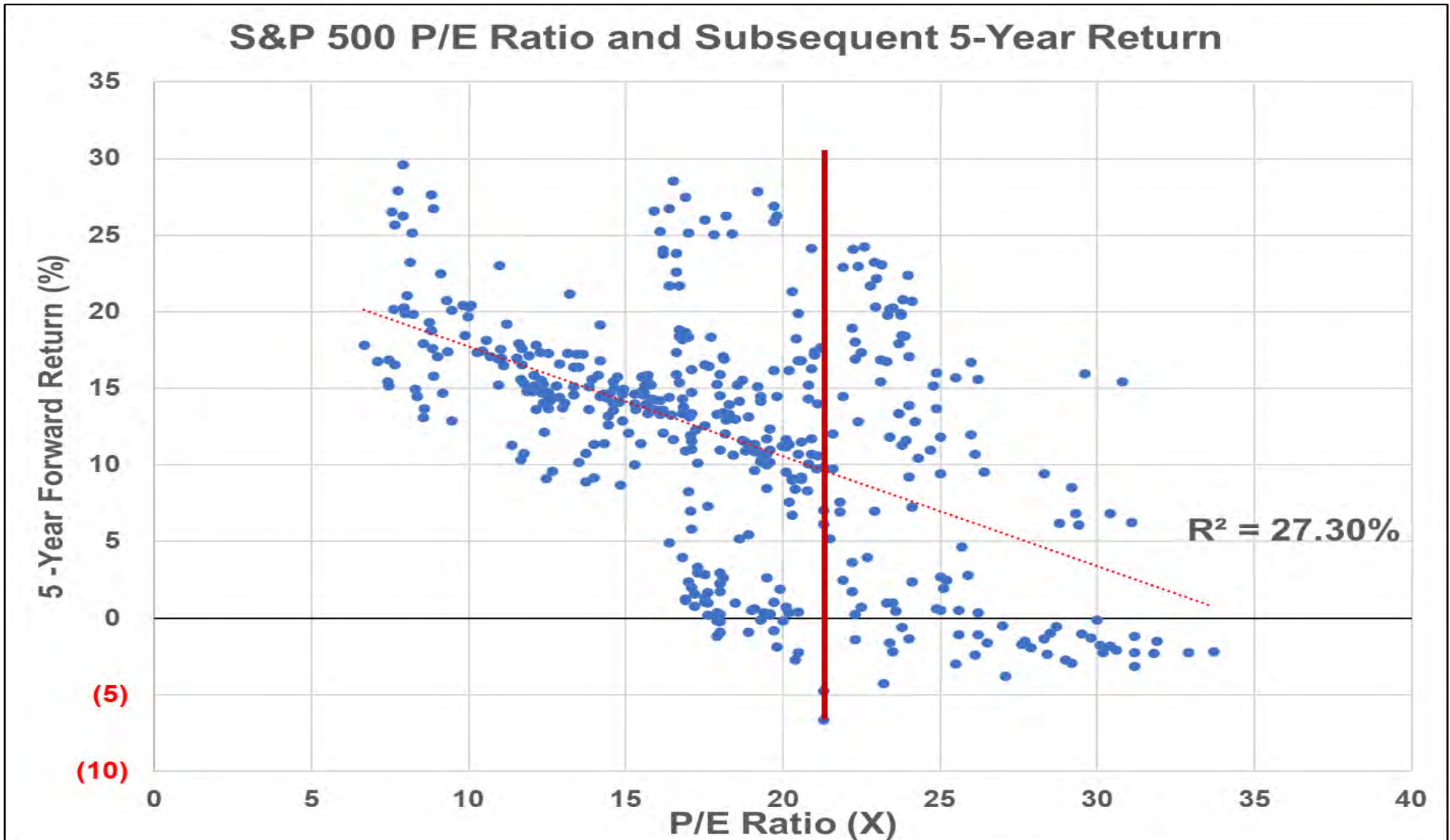
**S&P 500 P/E Ratios and Next 1 Year Returns**







**VALUATION** **US Equity**

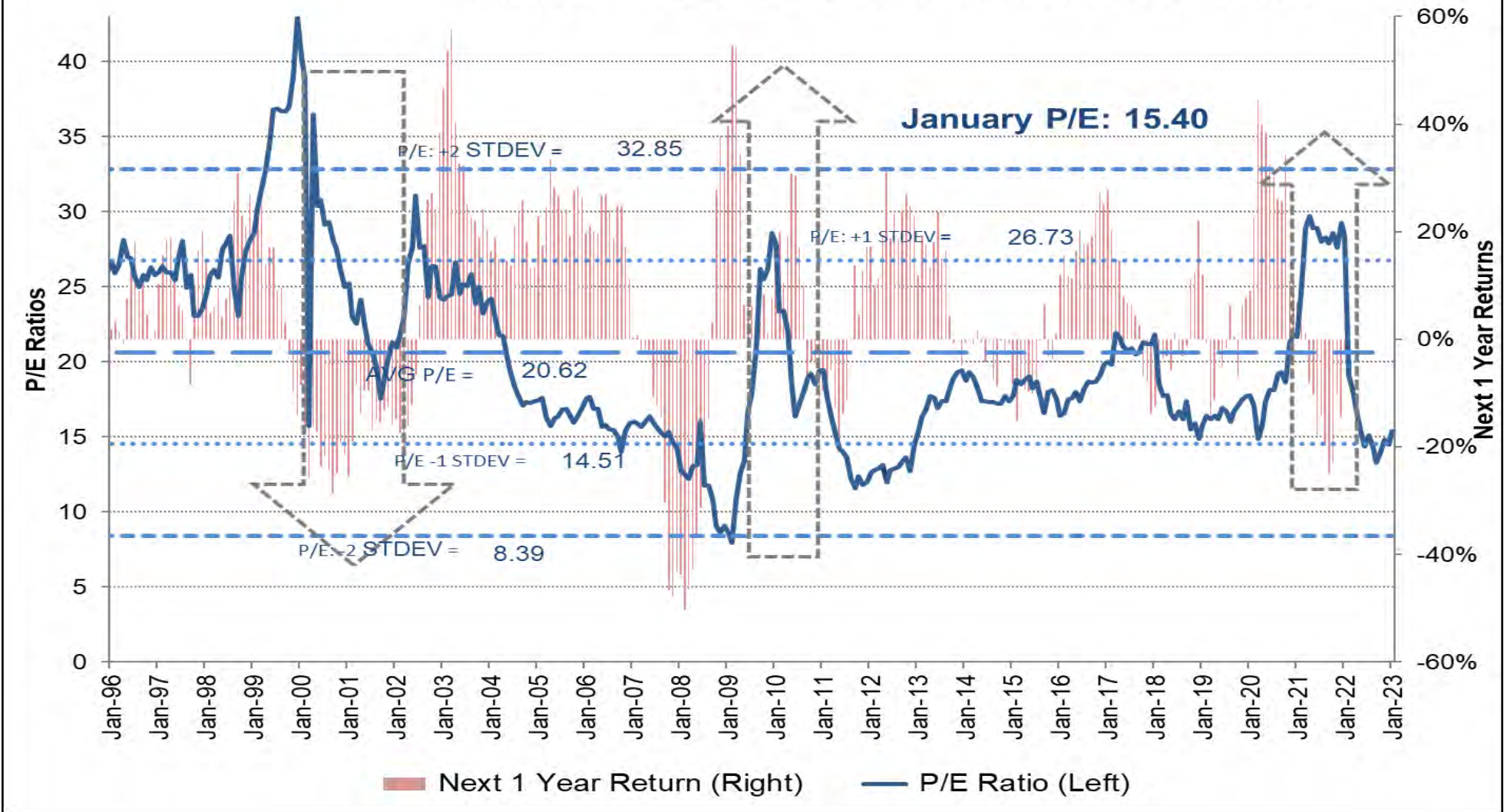




**VALUATION**

**Non US Developed Market Equity**

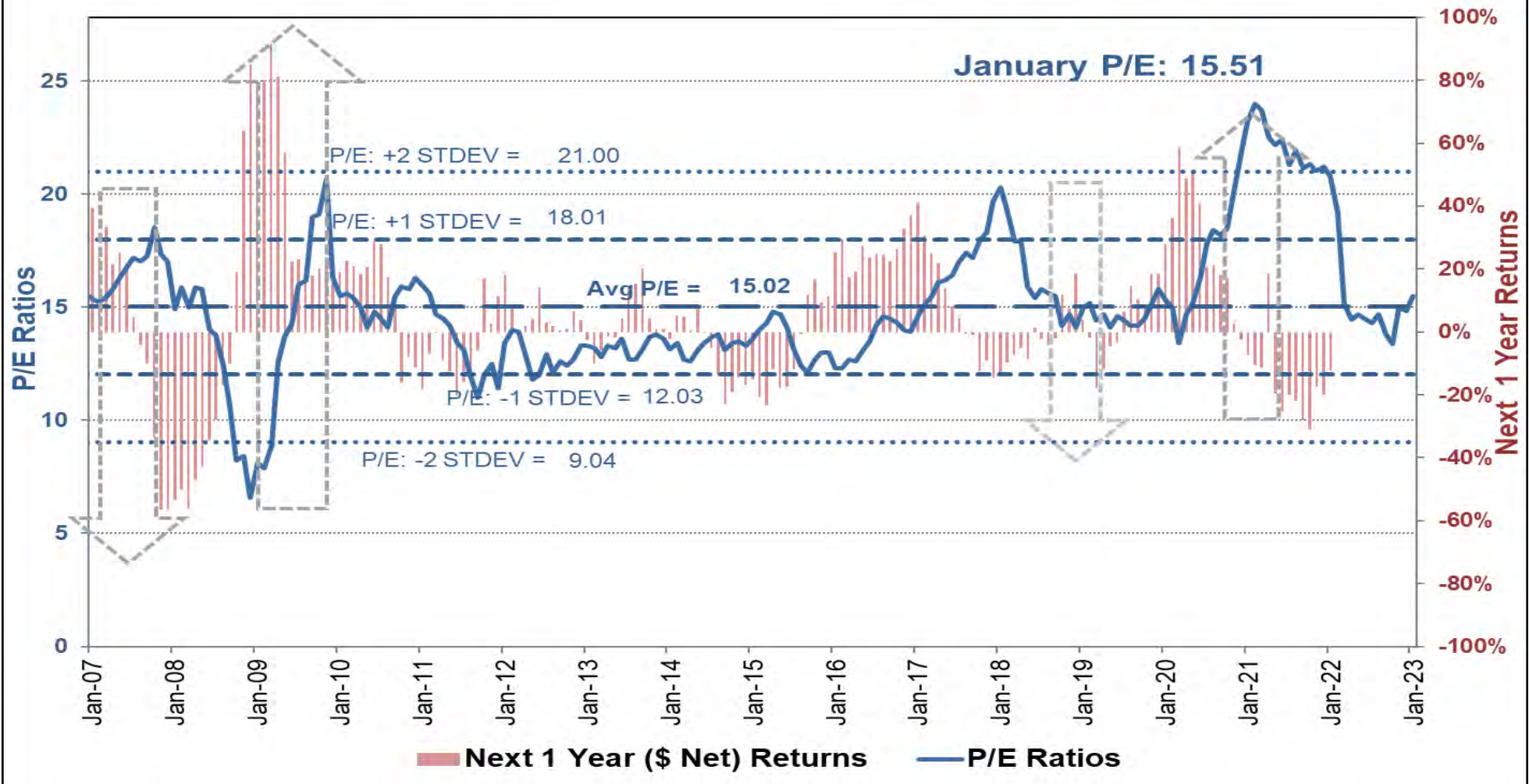
**MSCI EAFE (\$ Net) P/E Ratios and Next 1 Year Returns**





**VALUATION** Emerging Market Equity

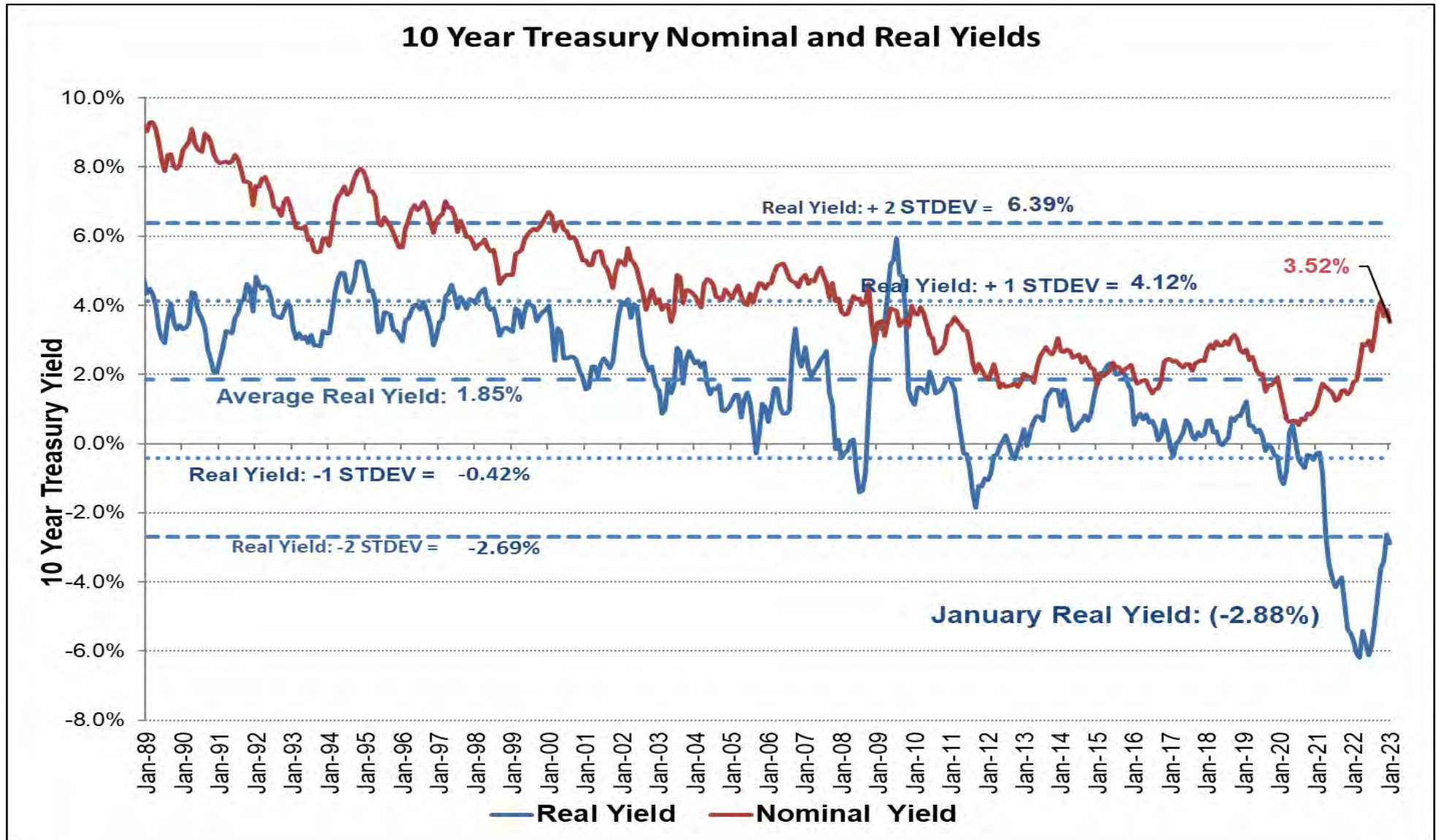
**MSCI EM P/E Ratios and Next 1 Year (\$ Net) Returns**





**VALUATION**

**US Treasury Bonds**





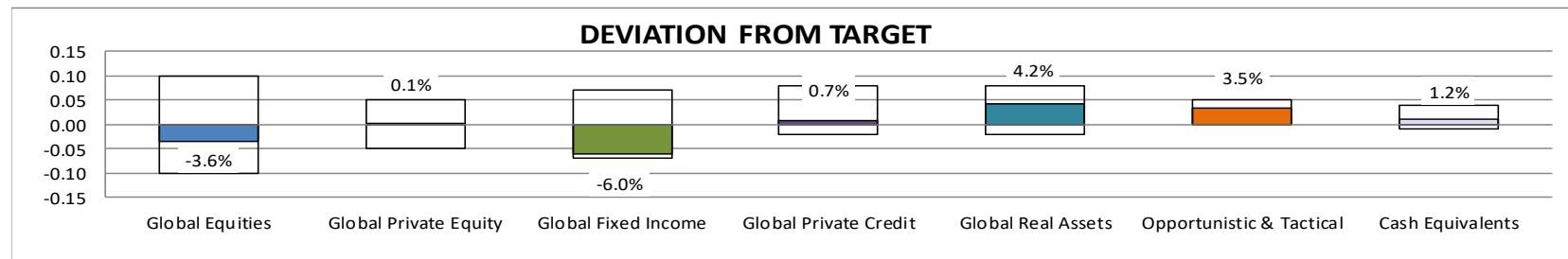
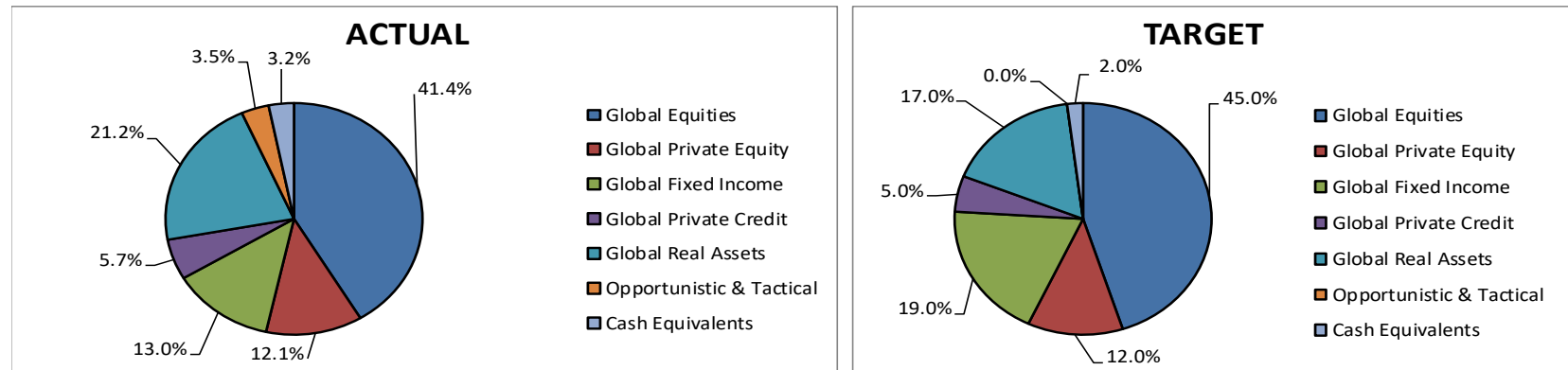
# **SERS' Investment Portfolios Review**



# Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
<b>Global Equities</b>	<b>7,298,419,522</b>	<b>41.4%</b>	<b>45.0%</b>	35% - 55%
<b>Global Private Equity</b>	<b>2,141,454,293</b>	<b>12.1%</b>	<b>12.0%</b>	8% - 16%
<b>Global Fixed Income</b>	<b>2,285,637,191</b>	<b>13.0%</b>	<b>19.0%</b>	12% - 26%
<b>Global Private Credit</b>	<b>998,507,809</b>	<b>5.7%</b>	<b>5.0%</b>	3% - 7%
<b>Global Real Assets</b>	<b>3,747,414,844</b>	<b>21.2%</b>	<b>17.0%</b>	14% - 22%
<b>Opportunistic &amp; Tactical</b>	<b>612,195,176</b>	<b>3.5%</b>	<b>0.0%</b>	0% - 7%
<b>Cash Equivalents</b>	<b>560,562,700</b>	<b>3.2%</b>	<b>2.0%</b>	0% - 5%
Short-Term	539,861,896	3.1%	2.0%	
Russell EA Overlay	0	0.0%	0.0%	
Aegis - Alpha Overlay	7,148,098	0.0%	0.0%	
Direct Rebalance Overlay	0	0.0%	0.0%	
Transition / Operational Account	1,431,052	0.0%	0.0%	
Currency Overlay	12,121,654	0.1%	0.0%	
<b>Total Fund</b>	<b>17,644,191,534</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS

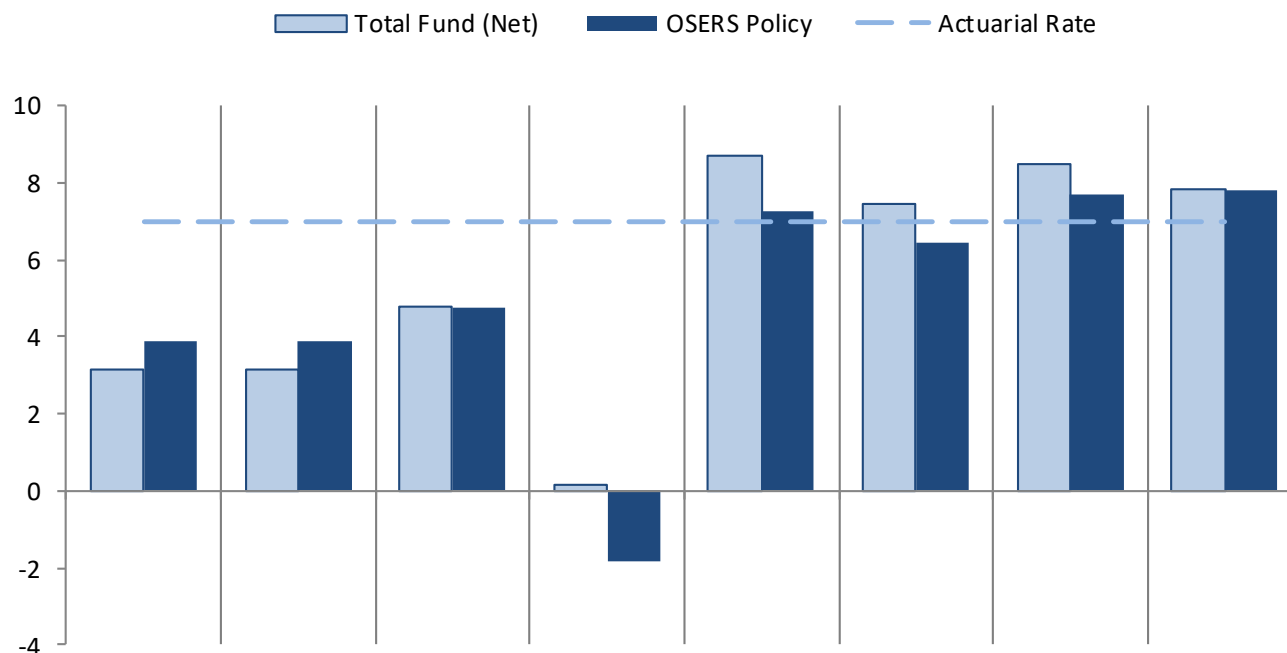




# Total Fund Performance

## Current Benchmark:

- 45% MSCI ACWI (Net Dividends)
- 12.00% Burgiss All Private Equity benchmark (1q lag) (BAPE)
- 19.00% Bloomberg Aggregate Bond
- 17.00% NCREIF Property (1q lag)
- 5.00% 90 Day T-Bill + 4.5%
- 2.00% Citigroup 30 Day US T-Bill



### Actuarial Rate

(7.0% effective 7/1/21, adopted 4/15/21)

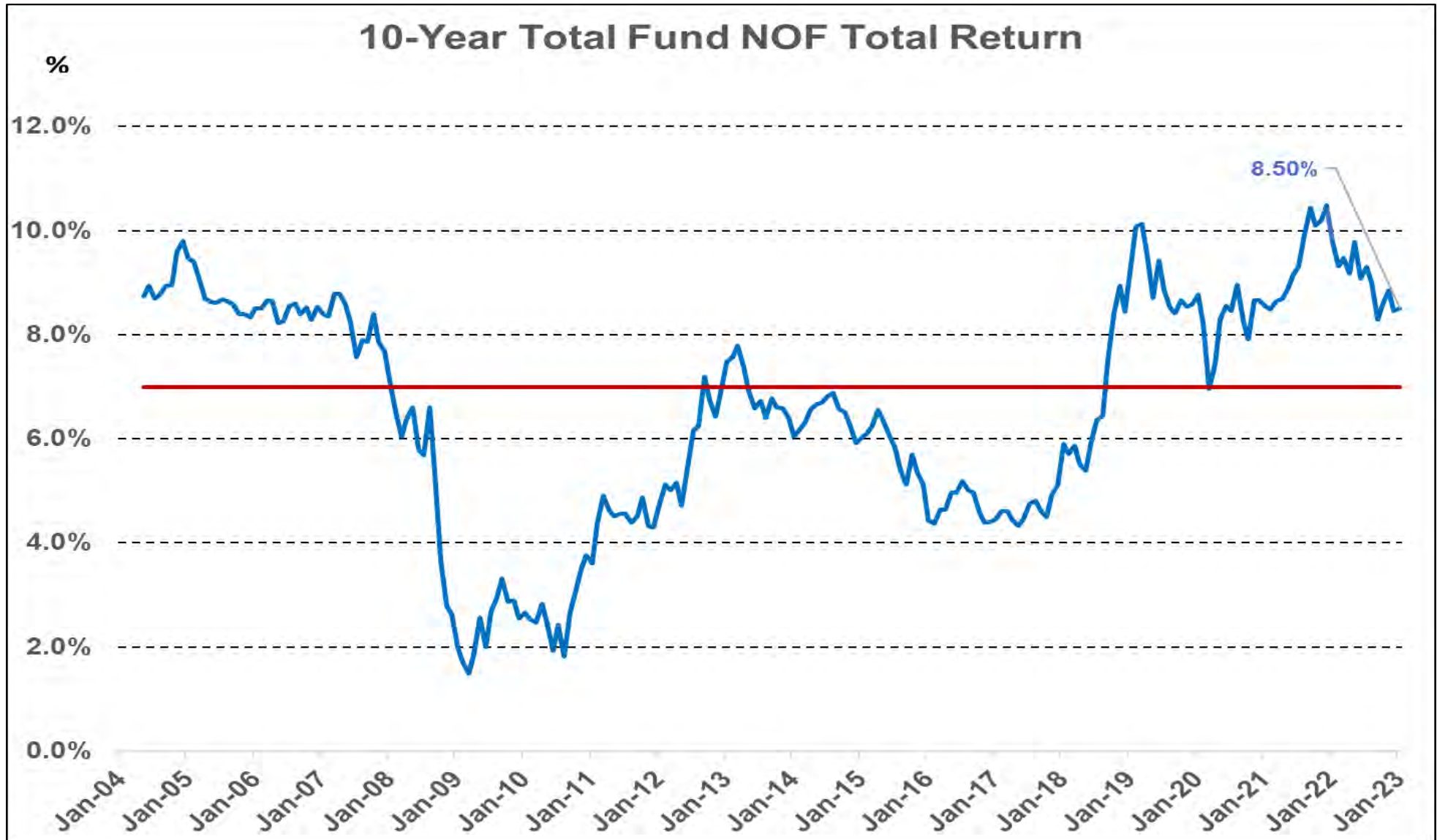
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	3.17	3.17	5.20	0.91	9.38	8.12	9.19	8.37
Total Fund (Net)	3.16	3.16	4.78	0.17	8.71	7.44	8.50	7.84
OSERS Policy	3.85	3.85	4.77	(1.84)	7.26	6.46	7.70	7.81
Value Added (Net of Fee)	(0.69)	(0.69)	0.00	2.01	1.45	0.98	0.79	0.03

Source: BNY Mellon GRS

\*ITD is Inception date 10/1/1994 (28 years and 4 months)



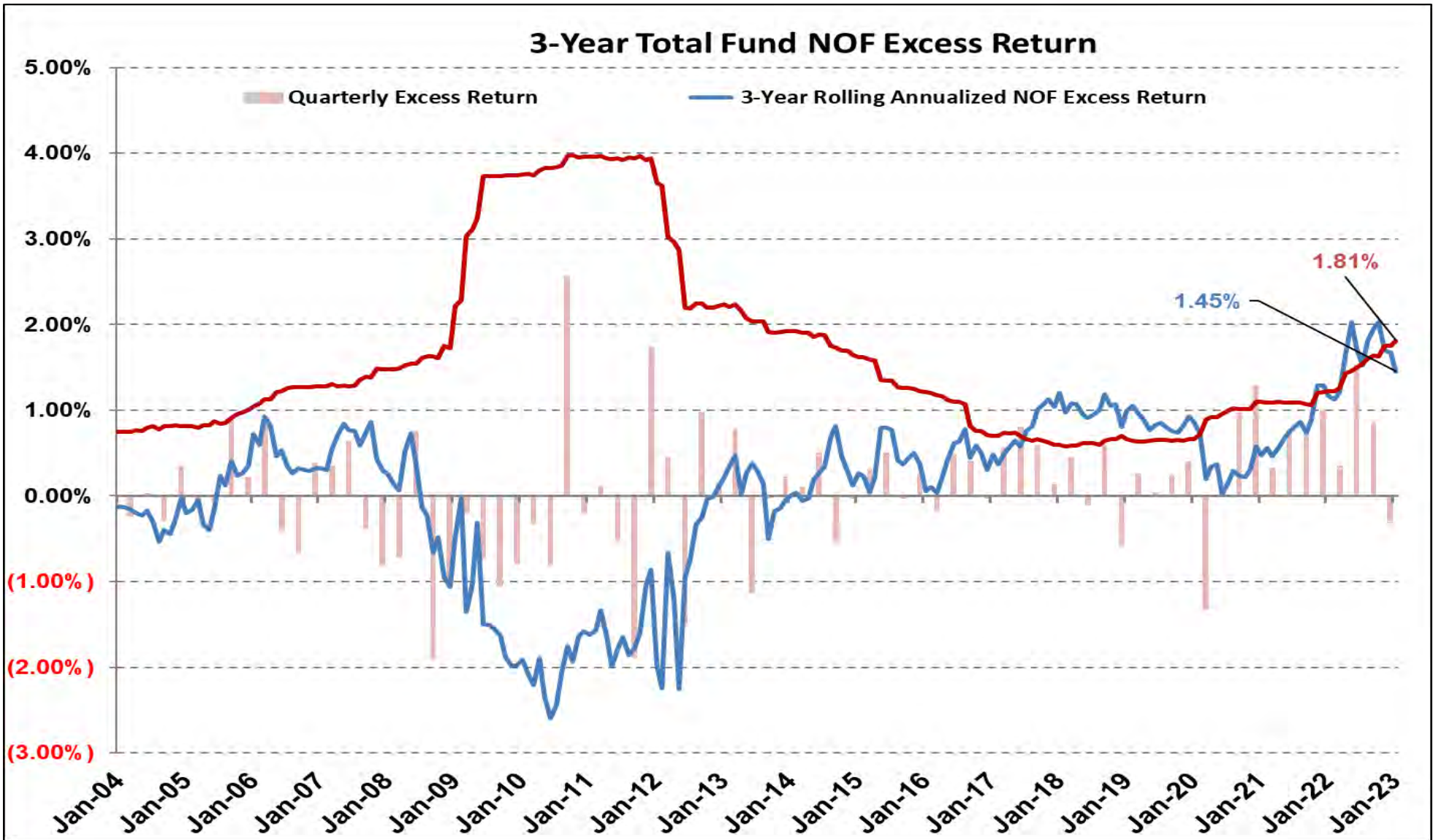
# Total Fund Performance





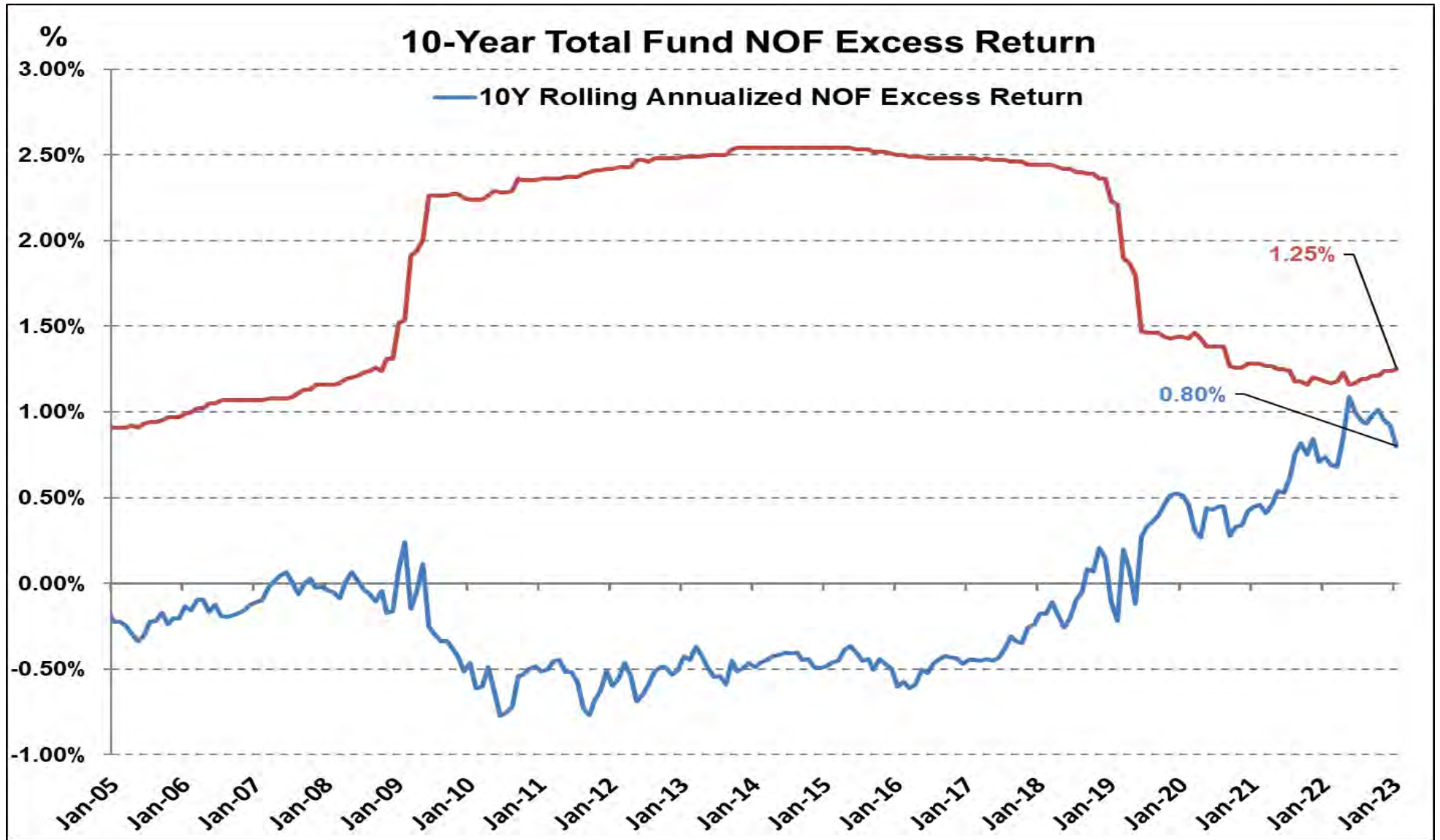


# Total Fund Performance



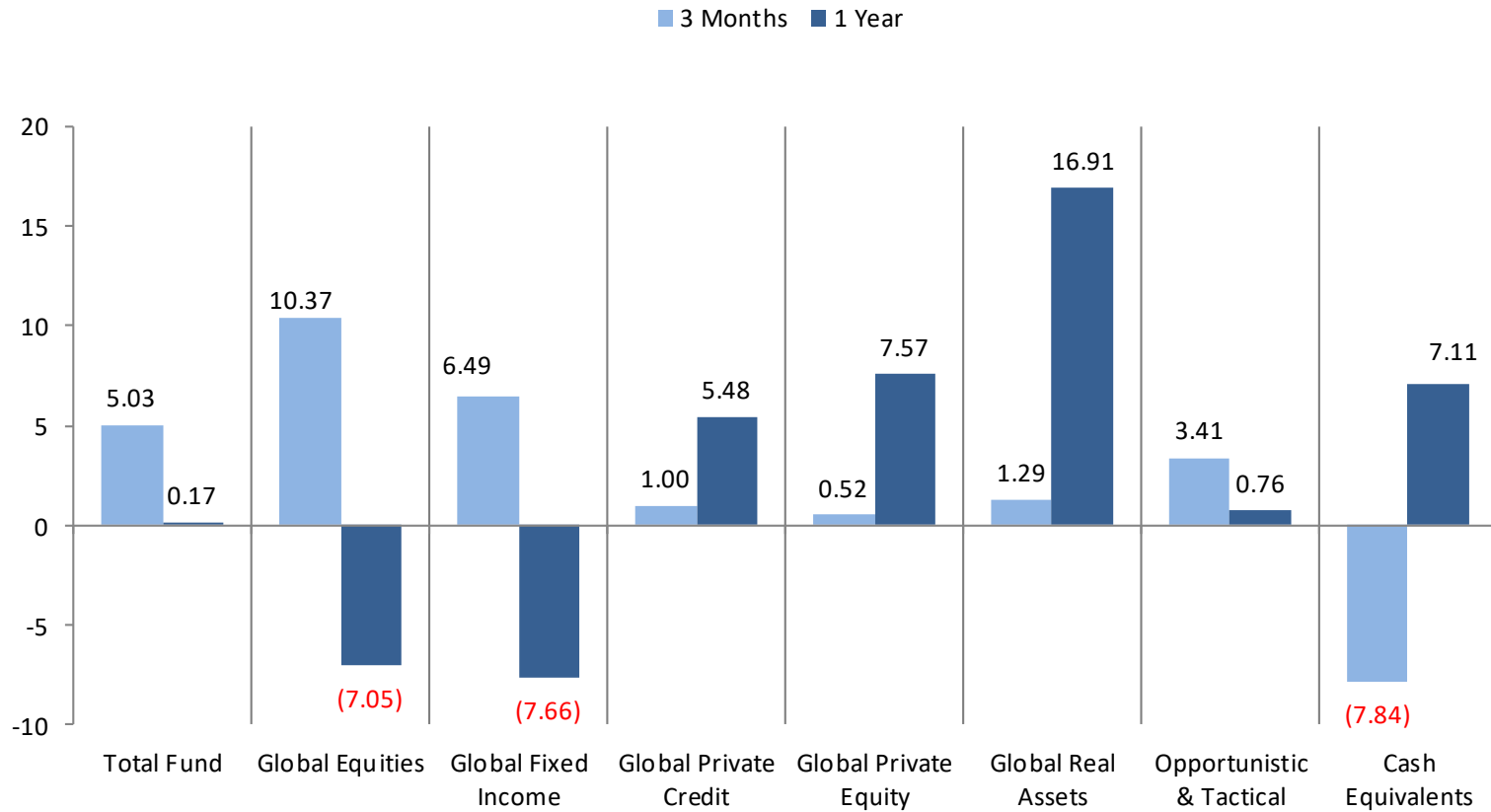


# Total Fund Performance





# Total Fund and Asset Class Performance (Net)

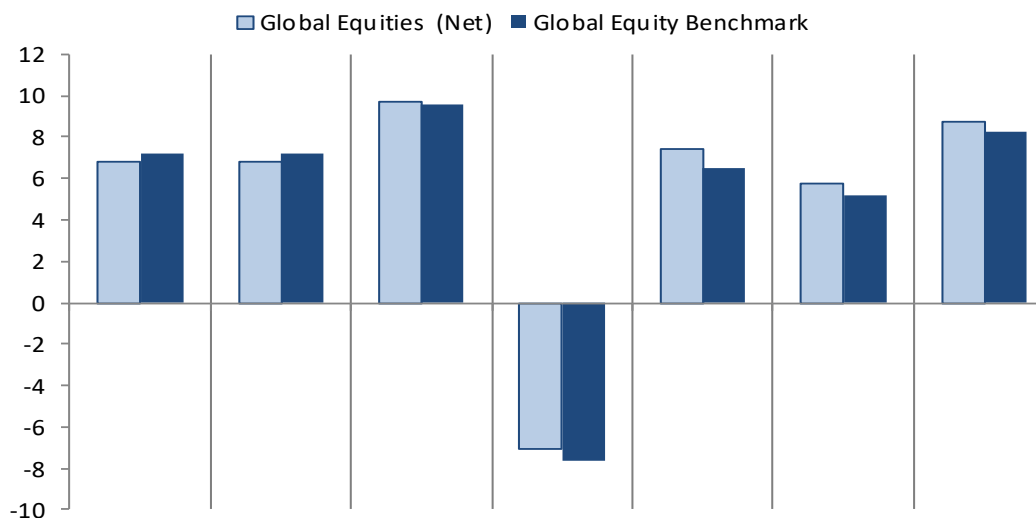


Source: BNY Mellon GRS



# Global Equities Performance

**Current Benchmark:**  
MSCI ACWI (Net Dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	6.84	6.84	9.84	(6.76)	7.76	6.09	9.06
Global Equities (Net)	6.82	6.82	9.71	(7.05)	7.45	5.78	8.72
Global Equity Benchmark	7.17	7.17	9.61	(7.68)	6.52	5.20	8.29
Value Added (Net of Fee)	(0.34)	(0.34)	0.10	0.63	0.93	0.58	0.43
Regional US Equity	6.38	6.38	9.30	(7.67)	9.35	8.82	11.95
Russell 3000 Index	6.89	6.89	9.45	(8.24)	9.51	9.12	12.28
Value Added (Net of Fee)	(0.51)	(0.51)	(0.15)	0.57	(0.16)	(0.30)	(0.33)
Regional Non-US Equity	8.35	8.35	10.96	(5.63)	5.51	2.73	5.52
Custom Non-US Equity BM	8.11	8.11	11.32	(5.75)	3.55	1.31	4.31
Value Added (Net of Fee)	0.24	0.24	(0.35)	0.12	1.96	1.42	1.21

Source: BNY Mellon GRS

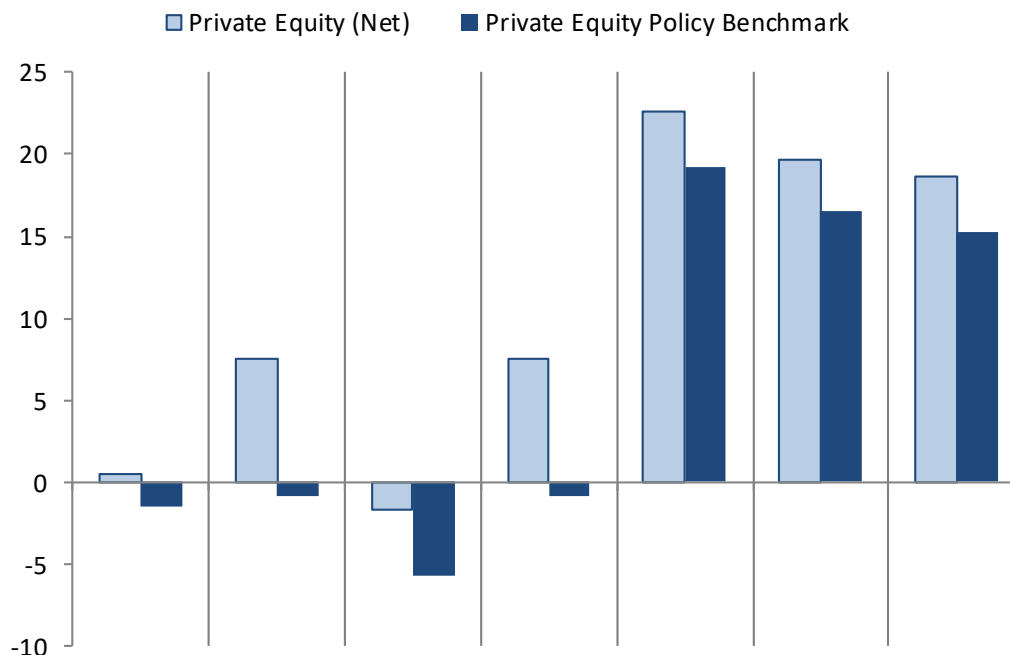


# Global Private Equity Performance

Results as of: 12/31/2022

## Current Benchmark:

Burgiss All Private Equity Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	0.97	9.26	(0.84)	9.26	24.47	21.48	20.31
Private Equity (Net)	0.52	7.57	(1.75)	7.57	22.62	19.72	18.60
Private Equity Policy Benchmark	(1.56)	(0.81)	(5.71)	(0.81)	19.26	16.52	15.28
Value Added (Net of Fee)	2.08	8.38	3.97	8.38	3.37	3.20	3.32

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

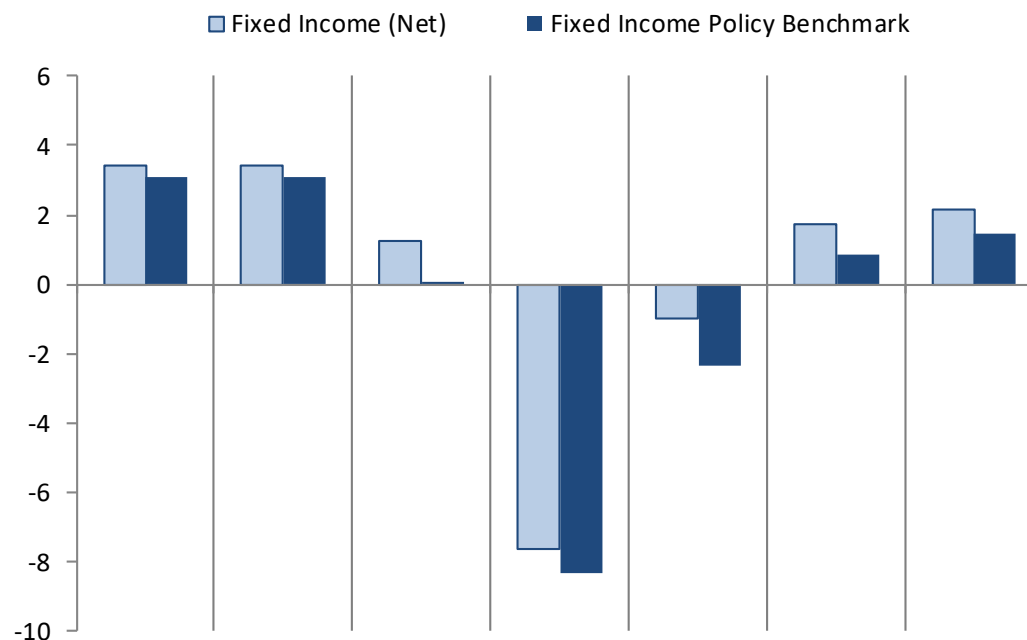
Global Private Equity performance is reported one quarter in arrears.



# Global Fixed Income Performance

## Current Benchmark:

*Bloomberg Aggregate Bond Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	3.44	3.44	1.39	(7.42)	(0.71)	1.95	2.39
Fixed Income (Net)	3.42	3.42	1.25	(7.66)	(0.97)	1.70	2.15
Fixed Income Policy Benchmark	3.08	3.08	0.02	(8.36)	(2.35)	0.86	1.43
Value Added (Net of Fee)	0.35	0.35	1.23	0.69	1.38	0.84	0.72

Source: BNY Mellon GRS

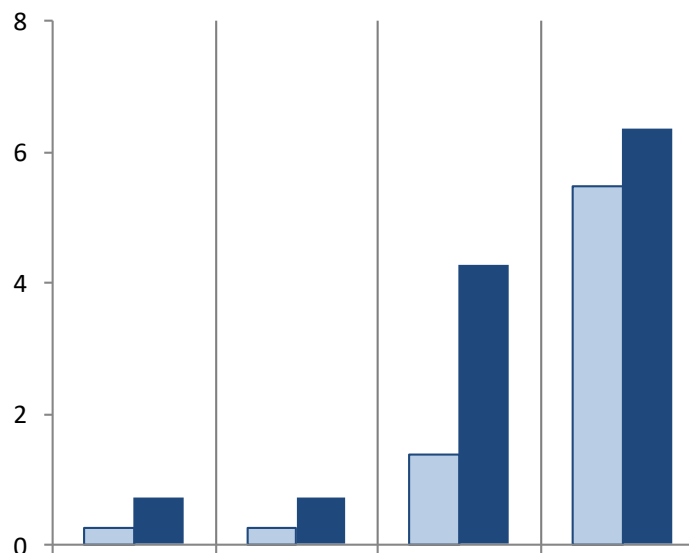


# Global Private Credit Performance

**Current Benchmark:**

90 Day T-Bill + 4.5%

■ Global Private Credit (Net)  
 ■ Global Private Credit Policy Benchmark



	1 Month	CYTD	FYTD	1 Year
Global Private Credit (Gross)	0.24	0.24	2.10	6.75
Global Private Credit (Net)	0.24	0.24	1.38	5.48
Global Private Credit Policy Benchmark	0.72	0.72	4.27	6.37
Value Added (Net of Fee)	(0.47)	(0.47)	(2.88)	(0.90)

Source: BNY Mellon GRS

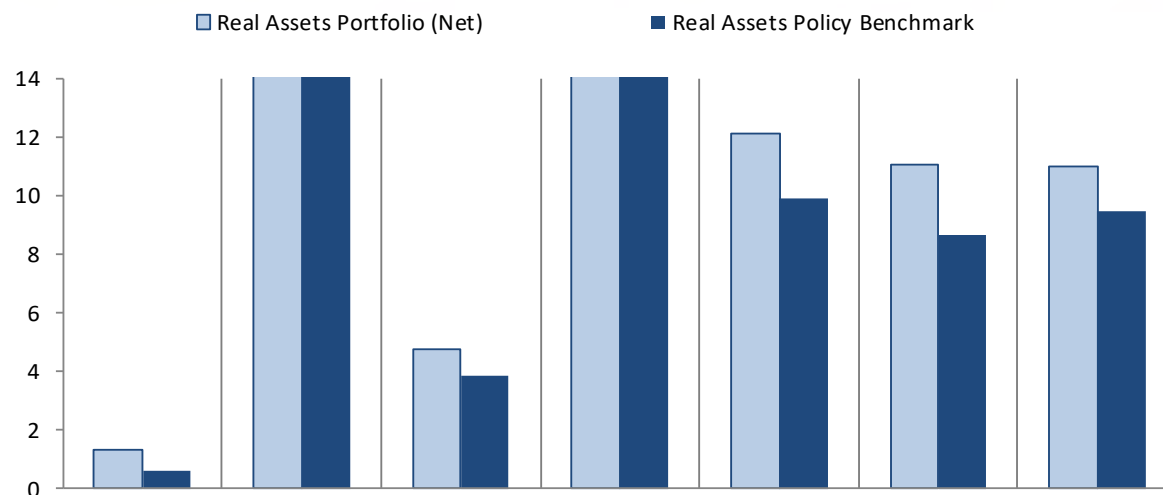
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



# Global Real Assets Performance

Results as of: 12/31/2022

**Current Benchmark:**  
NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	1.52	17.90	5.19	17.90	13.00	12.04	12.07
Real Assets Portfolio (Net)	1.29	16.91	4.74	16.91	12.09	11.03	11.01
Real Assets Policy Benchmark	0.57	16.08	3.82	16.08	9.91	8.62	9.48
Real Assets Value Added (NOF)	0.72	0.83	0.91	0.83	2.18	2.42	1.53
Real Assets Core (Net)	1.24	26.54	7.22	26.54	15.90	13.18	12.43
Real Assets Policy Benchmark	0.57	16.08	3.82	16.08	9.91	8.62	9.48
Real Assets Core Value Added (NOF)	0.67	10.46	3.40	10.46	5.99	4.56	2.95
Real Assets Non-Core (Net)	(1.97)	6.06	(2.62)	6.06	6.25	7.61	10.03
Real Assets Policy Benchmark	0.57	16.08	3.82	16.08	9.91	8.62	9.48
Real Assets Non-Core Value Added (NOF)	(2.54)	(10.02)	(6.44)	(10.02)	(3.66)	(1.01)	0.55
Real Assets Infrastructure (Net)	2.29	6.81	2.85	6.81	8.85	11.07	10.03
Real Assets Policy Benchmark	0.57	16.08	3.82	16.08	9.91	8.62	n/a
Real Assets Infrastructure Value Added (NOF)	1.72	(9.27)	(0.97)	(9.27)	(1.06)	2.45	n/a

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

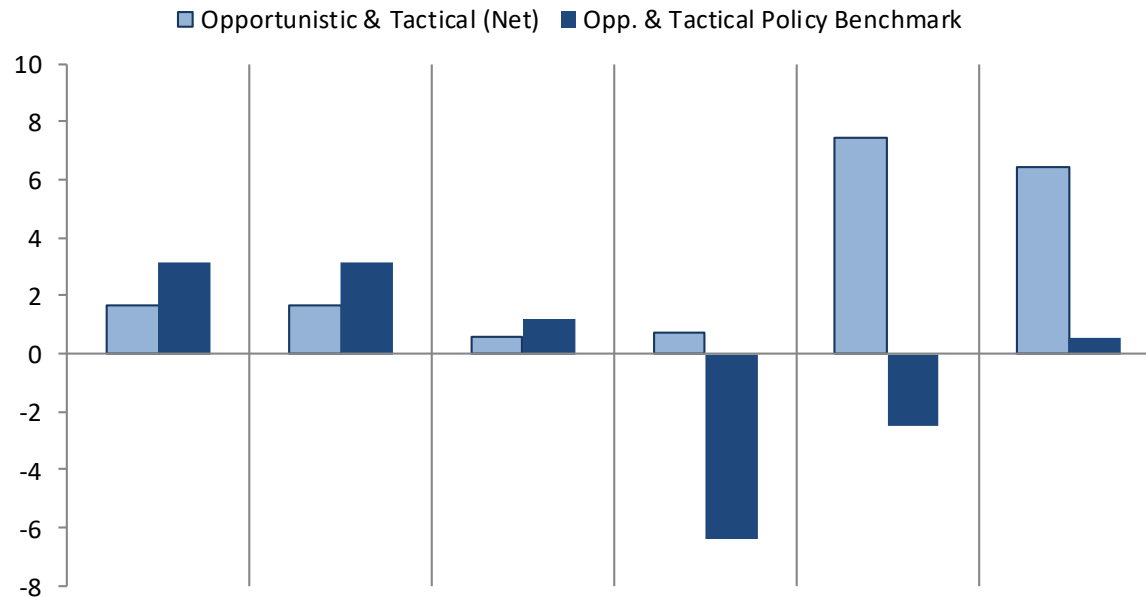
Global Real Assets performance is reported one quarter in arrears.





# Opportunistic & Tactical Performance

**Current Benchmark:**  
 Bloomberg Aggregate  
 Bond Index + 2%



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Opportunistic & Tactical (Gross)	1.65	1.65	1.10	1.83	8.78	7.85
Opportunistic & Tactical (Net)	1.64	1.64	0.55	0.76	7.48	6.41
Opp. & Tactical Policy Benchmark	3.17	3.17	1.18	(6.36)	(2.46)	0.56
	(1.52)	(1.52)	(0.63)	7.12	9.94	5.85

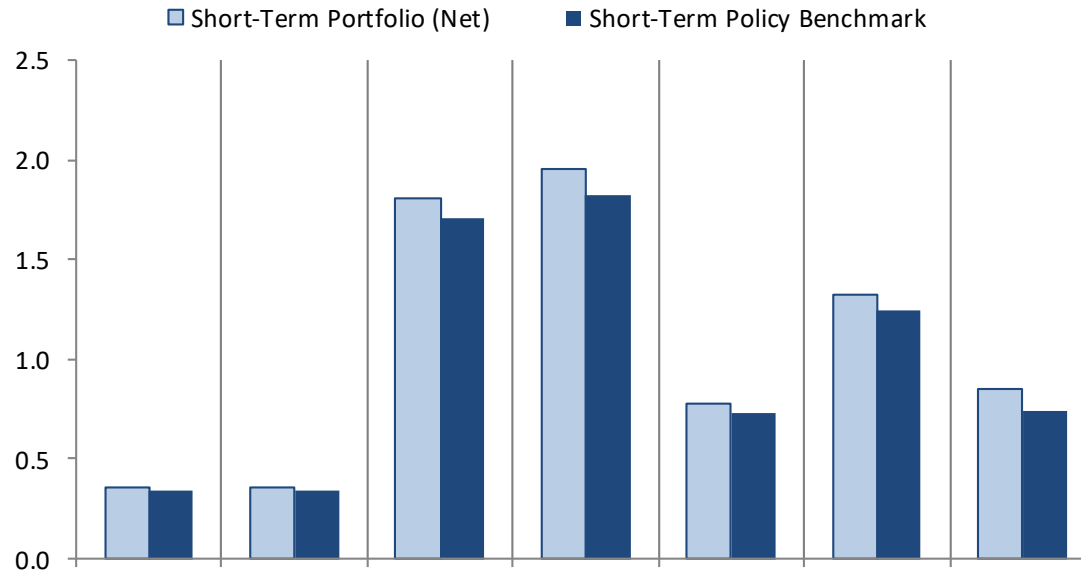
Source: BNY Mellon GRS



# Short-Term Performance

**Current Benchmark:**

*Citigroup 30 Day Treasury Bill Index*

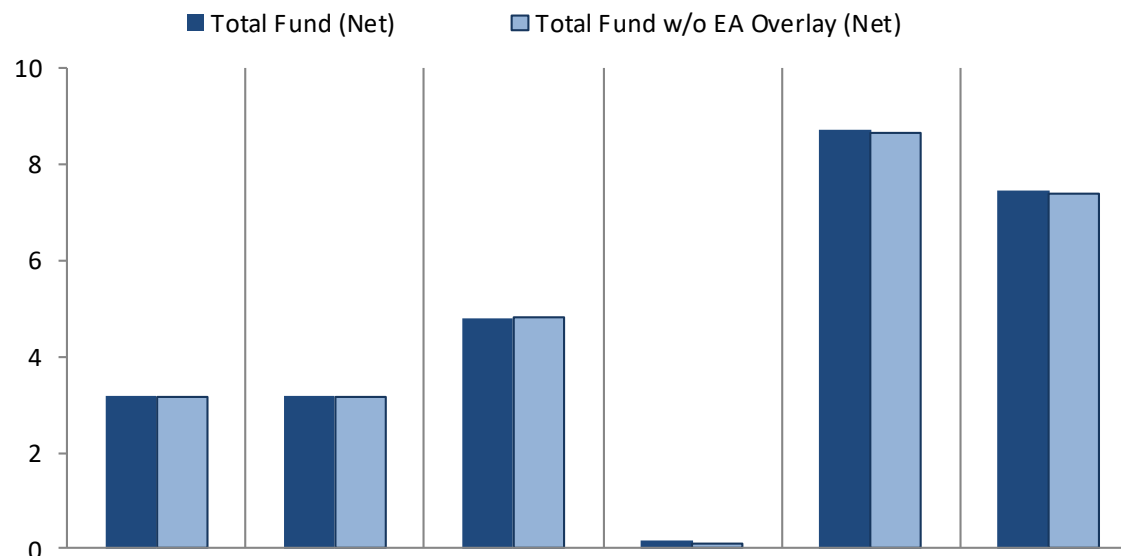


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.36	0.36	1.81	1.95	0.78	1.32	0.85
Short-Term Portfolio (Net)	0.36	0.36	1.81	1.95	0.78	1.32	0.85
Short-Term Policy Benchmark	0.35	0.35	1.71	1.83	0.73	1.24	0.74
Value Added (Net of Fee)	0.02	0.02	0.10	0.13	0.05	0.08	0.12

Source: BNY Mellon GRS



# Enhanced Asset Overlay Performance

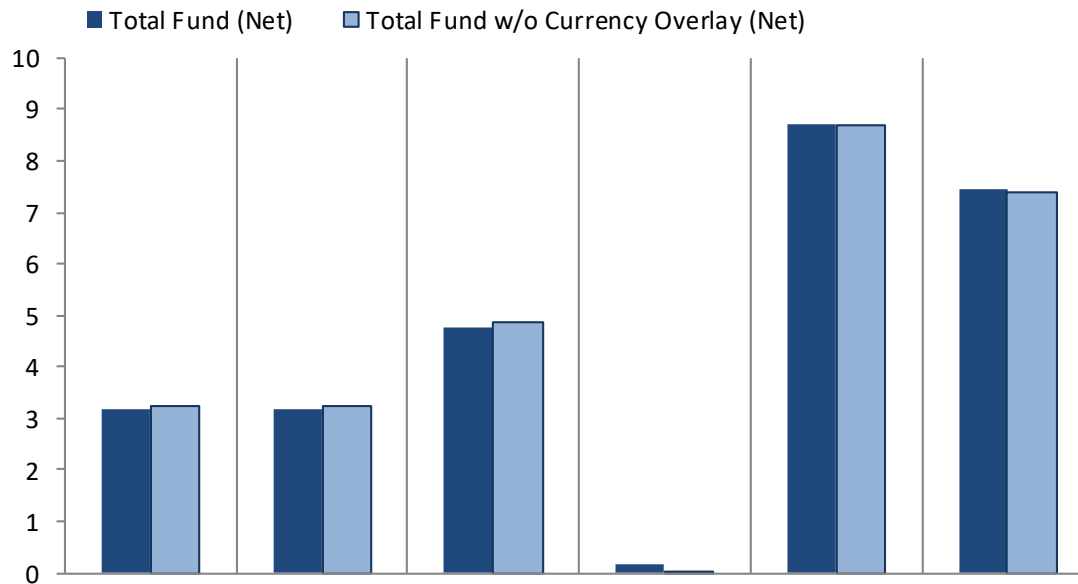


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	3.17	3.17	5.20	0.91	9.38	8.12
Total Fund w/o EA Overlay (Gross)	3.17	3.17	5.22	0.85	9.30	8.05
Total Fund (Net)	3.16	3.16	4.78	0.17	8.71	7.44
Total Fund w/o EA Overlay (Net)	3.16	3.16	4.80	0.12	8.64	7.38
EA Overlay Impact (Net of Fee)	0.00	0.00	(0.02)	0.05	0.07	0.06

Source: BNY Mellon GRS



# Currency Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	3.17	3.17	5.20	0.91	9.38	8.12
Total Fund w/o Currency Overlay (Gross)	3.23	3.23	5.22	0.68	9.32	8.05
Total Fund (Net)	3.16	3.16	4.78	0.17	8.71	7.44
Total Fund w/o Currency Overlay (Net)	3.22	3.22	4.86	0.02	8.68	7.40
Currency Overlay Impact (Net of Fee)	(0.06)	(0.06)	(0.08)	0.15	0.03	0.04

Source: BNY Mellon GRS



## Proposed Investment Agenda – Next Meeting

Annual Portfolio Review – Private Credit  
Monthly Investment Report (February 28, 2023)  
Asset Allocation Discussion – possible vote

# Historical Policy Asset Allocation



	2012	2013	2016	2020
US Equities	22.5%	22.5%	22.5%	22.5%
Non-US Equities	22.5%	22.5%	22.5%	22.5%
Private Equity	10.0%	10.0%	10.0%	12.0%
Fixed Income	19.0%	19.0%	19.0%	19.0%
Real Assets	10.0%	12.0%	15.0%	17.0%
Hedge Funds	15.0%	13.0%	10.0%	0.0%
Private Credit	n/a	n/a	n/a	5.0%
Cash	1.0%	1.0%	1.0%	2.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Ten-Year Capital Market Assumption Comparison



	Wilshire	NEPC	Meketa	Callan	JPM	GSAM	CliffWarter	BNY Mellon	BlackRock	Average	Risk (Wilshire/JPM)
<b>Cash</b>	4.0	3.9	3.1	2.4	2.4	n/a	n/a	n/a	3.3	<b>3.0</b>	0.8
<b>US Equity</b>	6.5	6.1	7.8	7.0	8.0	8.2	7.3	6.5	8.8	<b>7.2</b>	17.0
<b>Non-US Equity</b>											
Non-US Developed Equity	7.3	6.6	10.1	6.5	9.8	7.5	7.3	6.9	11.0	<b>7.9</b>	18.0
Non-US Emerging Equity	7.5	10.3	10.3	6.9	10.1	9.5	7.3	9.3	11.8	<b>8.9</b>	26.0
<b>Private Equity</b>	9.9	9.8	9.4	8.0	9.9	13.0	9.3	8.2	11.2	<b>9.8</b>	29.0
<b>Core Fixed Income</b>	5.2	4.9	4.5	3.9	4.6	4.3	3.9	4.1	4.2	<b>4.3</b>	4.6
<b>Private Credit</b>	8.5	8.6	8.5	5.5	7.8	n/a	7.1	n/a	n/a	<b>7.5</b>	13.8
<b>Private Real Estate</b>	6.0	4.5	5.9	5.8	5.7	9.2	8.0	6.0	0.7	<b>6.1</b>	13.6
<b>Private Infrastructure</b>	n/a	7.2	6.9	6.1	6.3	n/a	7.3	n/a	9.8	<b>7.5</b>	10.8
<b>Non-Core Fixed Income</b>											
High Yield	6.7	7.5	8.0	n/a	6.8	6.0	6.9	6.2	7.5	<b>6.9</b>	8.5
Emerging Market Debts	n/a	8.5	6.4	n/a	7.1	6.2	6.8	4.0	7.6	<b>6.7</b>	10.0
<b>Liquid Real Assets</b>											
US REITs	5.7	n/a	6.4	n/a	6.8	9.2	6.5	n/a	n/a	<b>6.9</b>	17.5
Commodities	6.3	n/a	6.3	n/a	3.1	6.2	2.5	n/a	n/a	<b>4.9</b>	16.0

**Wilshire**

Prepared for



# Asset Allocation Review

March 2023



## Contents

- Background & Overview
- Asset Allocation Approach
- Asset Allocation Inputs
- Observations
- Appendix

# Background & Overview

## Background and Overview

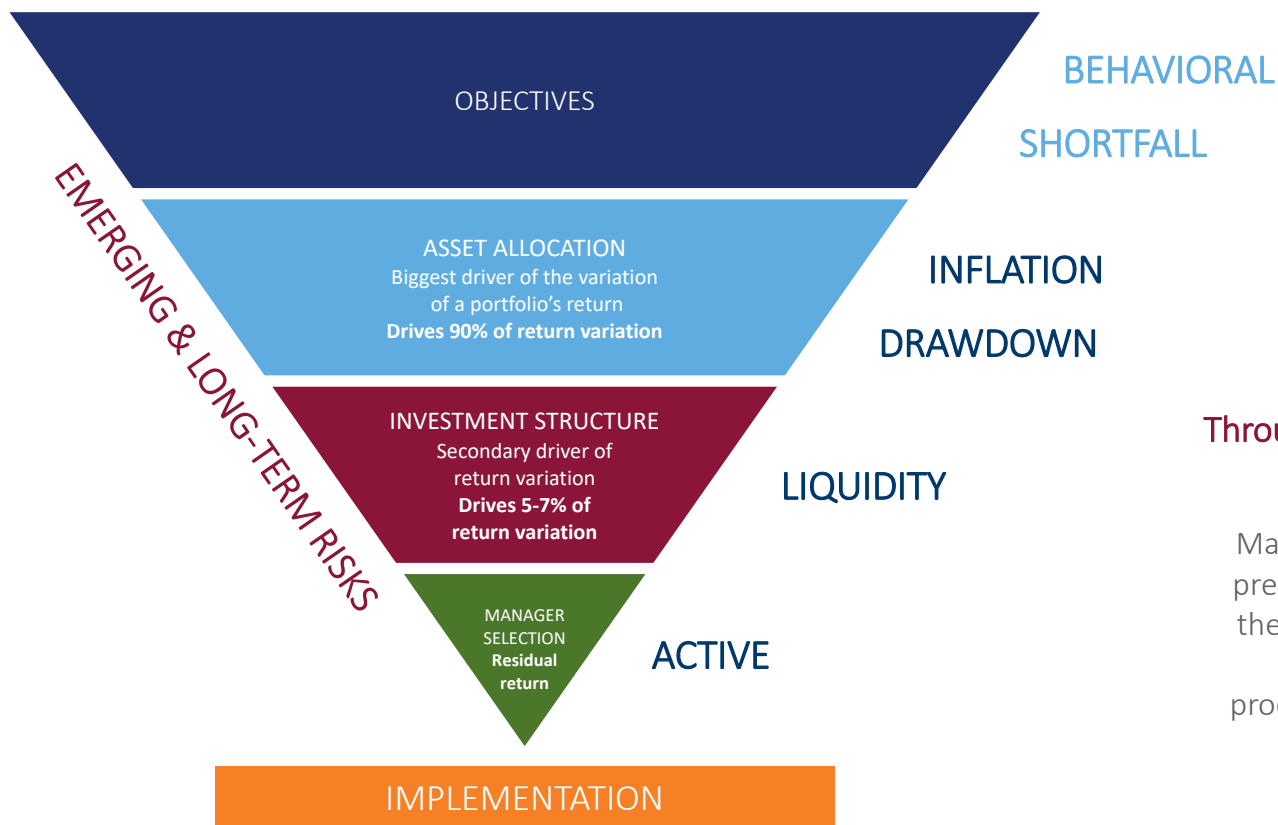
- The asset allocation decision is the most important decision an investor can make
  - The asset allocation decision drives 90% of return variability among portfolios
- Wilshire recommends revisiting the asset allocation decision every three to five years, or sooner, as market conditions warrant
  - Ohio School Employees Retirement System (“SERS”) last reviewed asset allocation in February 2020
- The 2022/2023 review of asset allocation will occur over several phases
  - December 2022 and January 2023 – OH SERS team and Wilshire map the project and complete foundational work
  - February 2023 – Review asset class expected return and risk assumptions with the Board
  - March 2023 – Review asset-only optimization
    - Asset-only optimization serves as a useful tool in comparing risk/return trade-off among various alternative policy portfolios
  - April 2023 – Introduce SERS’ liability information to the modeling process and finalize a recommendation to Board

## Considerations

- Board has allowed the asset allocation decision to be very long-term focused
  - Diversification and illiquidity premium are expected to benefit the portfolio over the long-term
  - Changes to asset allocation have been incremental but impactful over the long-term
    - Phased out the multi asset strategies allocation
    - Increased the real asset allocation
    - Added private credit
- Focus of the 2023 asset allocation review
  - Continue to remain long-term focused
  - Preserve liquidity and maintain and income focus
  - A new interest rate regime improves the risk/reward profile of fixed income
  - Real Assets: Identify real estate as a specific line item
  - Model 10% leverage

# Asset Allocation Approach

## Focus on Decisions That Matter



### Address Key Risks Throughout the Investment Process

Many of the six key risks are present at multiple points in the investment process, but each distinct step in the process is focused on one or two primary risks.

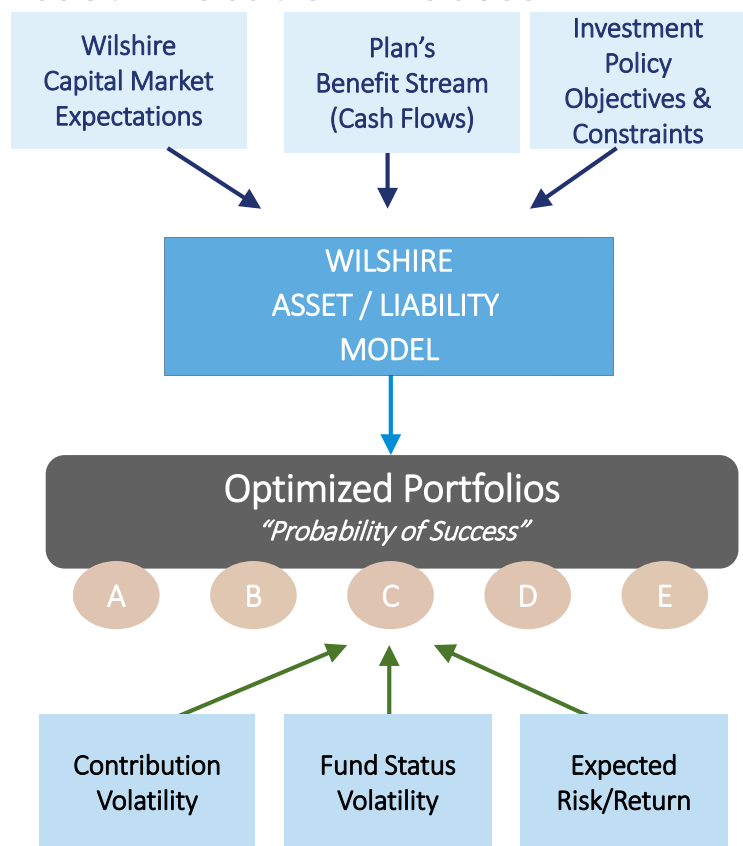
## Risk Assessment Framework

Wilshire’s multi-dimensional view of risk integrates organizational and investment considerations into a comprehensive framework for evaluating strategic decisions.

- **Shortfall:** Support distributions and long-term growth
- **Behavioral:** Instill strong governance
- **Drawdown:** Limit portfolio losses
- **Inflation:** Preserve long-term purchasing power
- **Liquidity:** Balance near-term needs, long-term opportunities
- **Active:** Ensure unique exposures
- **Emerging & Long-Term:** Environmental, Social & Governance risks, such as externalities, intangibles and reputation may be linked to various risk lenses



## Asset Allocation Process



- Wilshire believes the mission of a defined benefit plan is to fund benefits promised to participants
- The role of asset allocation is to manage risk in order to fulfill that core mission
  - **Maximize safety** of promised benefits
  - **Minimize cost** of funding these benefits
- Wilshire’s Asset Liability Model provides methodology for selecting a target portfolio that considers both goals
- Rigorously developed capital market assumptions for risk and return (see appendix)
- Given that short-term volatility is also important, we identify the impact of the asset allocation decision on funded ratios, annual contribution requirements, and other metrics
- Strategic asset allocation is not a guide to outperforming in every market ... but it should provide a roadmap for success over a market cycle



# Asset Allocation Inputs

## December 2022 Assumptions

- Wilshire’s asset class return, risk and correlation assumptions are developed using 10-year forward looking expected rates of return and historical risk and correlation, adjusted to incorporate recent trends.
- Return expectations for public market asset classes represent a passive investment in the asset class (beta). They do not reflect value added from active management (alpha).

	Global Equities	Global Private Equity	Global Private Credit	Global Low Vol	Global Fixed Income	Cash Equivalents	Global Real Assets	Real Estate	Private Real Assets
10-Yr Expected Return (%)	7.05	9.90	8.85	7.10	5.20	4.00	6.30	6.00	6.10
Expected Risk (%)	17.10	29.00	12.75	13.80	4.60	0.75	12.05	13.55	13.80
<i>Correlations</i>									
Global Equities	1.00								
Global Private Equity	0.73	1.00							
Global Private Credit	0.68	0.44	1.00						
Global Low Vol	0.97	0.75	0.67	1.00					
Global Fixed Income	0.35	0.37	0.44	0.34	1.00				
Cash Equivalents	-0.06	0.00	0.00	-0.04	0.13	1.00			
Global Real Assets	0.60	0.53	0.67	0.70	0.35	-0.06	1.00		
Real Estate	0.54	0.50	0.63	0.65	0.34	-0.05	0.98	1.00	
Private Real Assets	0.69	0.55	0.62	0.69	0.27	-0.06	0.63	0.49	1.00

Asset classes illustrated on this page are a selected group relevant to Ohio SERS’ asset allocation modeling. Detailed assumptions matrix can be found in the Appendix.

Explanatory Footnotes:

Global Fixed Income is reflective of the Bloomberg US Universal Index. Approximate composition as of 12-30-2022: 85% Agg, 10% HY, 5% EMD.

Global Real Assets is a custom basket for SERS that includes 20% Timber/Infrastructure, and 80% Real Estate.

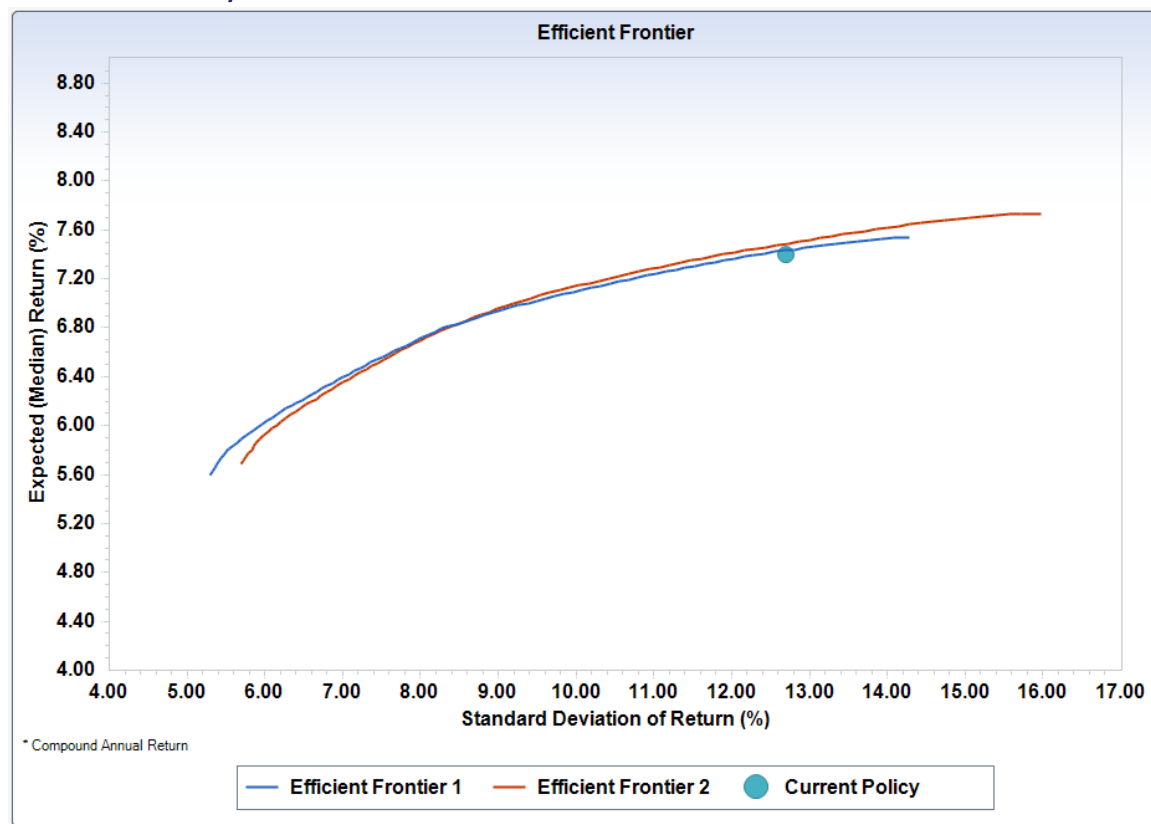
Real Estate assumption is a mix of 75% Core Real Estate, 25% Value-Add and Opportunistic Real Estate

Private Real Assets is 75% Infrastructure, 25% Timber (inclusive of Agriculture).

## Modeling Decisions

- Wilshire modeled two efficient frontiers in the asset-only optimization
  - Efficient Frontier 1
    - Used Wilshire's December 2022 Capital Market assumptions and applied constraints
  - Efficient Frontier 2
    - Same as Efficient Frontier 1 and also allowed for 10% leverage
  - SERS Staff proposed additional portfolios that built on output from the Efficient Frontier and accommodated unique preferences for liquidity and income generation
- Constraints
  - Allow private equity to increase to 14% from 12%
  - Disaggregate real assets into real estate and private real assets (primarily infrastructure)
  - Constrain private assets to 38%

## Asset Only Efficient Frontier



- Efficient Frontier 1 (EF1): Asset Class Weight Constrained
- Efficient Frontier 2 (EF2): EF1 + 10% Leverage

## Portfolios Modeled – Efficient Frontier 1 (EF 1)

Asset Class	Current Policy	EF 1 Optimization Constraints	EF1: Same Return	EF1: Same Risk	SERS1	SERS2
Global Equities	45.0%	15-100%	40.0%	42.0%	40.0%	40.0%
Global Private Equity	12.0%	0-14%	14.0%	14.0%	14.0%	14.0%
<b>Total Growth Assets</b>	<b>57.0%</b>		<b>54.0%</b>	<b>56.0%</b>	<b>54.0%</b>	<b>54.0%</b>
Global Private Credit	5.0%	0-5%	5.0%	5.0%	5.0%	5.0%
<b>Total Defensive Growth Assets</b>	<b>5.0%</b>		<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
Global Fixed Income	19.0%	19-100%	23.0%	21.0%	19.0%	20.0%
Cash Equivalents	2.0%	2.0%	2.0%	2.0%	2.0%	3.0%
<b>Total Defensive Assets</b>	<b>21.0%</b>		<b>25.0%</b>	<b>23.0%</b>	<b>21.0%</b>	<b>23.0%</b>
Global Real Assets	17.0%	N/A	N/A	N/A	N/A	N/A
Real Estate	0.0%	0-17%	13.0%	13.0%	13.0%	11.0%
Private Real Assets	0.0%	0-7%	3.0%	3.0%	7.0%	7.0%
<b>Total Inflation Sensitive Assets</b>	<b>17.0%</b>		<b>16.0%</b>	<b>16.0%</b>	<b>20.0%</b>	<b>18.0%</b>
<b>Leverage</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total Assets</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Illiquid/Private</b>	<b>34.0%</b>	Max 38%	<b>35.0%</b>	<b>35.0%</b>	<b>39.0%</b>	<b>37.0%</b>
<b>Expected Return - 10 Years (%)</b>	<b>7.39</b>		<b>7.39</b>	<b>7.43</b>	<b>7.43</b>	<b>7.40</b>
<b>Standard Deviation of Return (%)</b>	<b>12.70</b>		<b>12.28</b>	<b>12.67</b>	<b>12.63</b>	<b>12.47</b>
<b>Contribution to Asset Volatility (%):</b>						
<b>Growth</b>	<b>81.0</b>		<b>74.0</b>	<b>76.0</b>	<b>73.0</b>	<b>79.0</b>
<b>Defensive Growth</b>	<b>4.0</b>		<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>4.0</b>
<b>Defensive</b>	<b>3.0</b>		<b>4.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Inflation Sensitive</b>	<b>12.0</b>		<b>12.0</b>	<b>12.0</b>	<b>15.0</b>	<b>14.0</b>
<b>Cash Yield (%)</b>	<b>2.81</b>		<b>2.98</b>	<b>2.84</b>	<b>2.83</b>	<b>2.88</b>
<b>Sharpe Ratio</b>	<b>0.27</b>		<b>0.28</b>	<b>0.27</b>	<b>0.27</b>	<b>0.27</b>
<b>Growth Factor</b>	<b>6.09</b>		<b>5.79</b>	<b>6.12</b>	<b>6.04</b>	<b>5.97</b>
<b>Inflation Factor</b>	<b>-1.22</b>		<b>-1.31</b>	<b>-1.28</b>	<b>-1.06</b>	<b>-1.10</b>
<b>Liquidity (%)</b>						
<b>Market</b>	<b>0.58</b>		<b>0.56</b>	<b>0.57</b>	<b>0.53</b>	<b>0.55</b>
<b>Stressed</b>	<b>0.02</b>		<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.03</b>

Wilshire's Asset Allocation Committee (WAAC) maintains standard asset allocation parameters which reflect generally observed market practices for institutional asset owners (a table of these ranges is provided in the Appendix). While we expect most client portfolios will fall within these asset allocation ranges. Wilshire recognizes and occasionally recommends portfolio allocations that may diverge from these general ranges based on a client's particular circumstances, goals or needs.

## Portfolios Modeled – Efficient Frontier 1 (EF 1)

Asset Class	Current Policy	EF 1 Optimization Constraints	EF1: Same Return	EF1: Same Risk	SERS1	SERS2
<b>Total Growth Assets</b>	57.0%	0.0%  Max 38%	54.0%	56.0%	54.0%	54.0%
<b>Total Defensive Growth Assets</b>	5.0%		5.0%	5.0%	5.0%	5.0%
<b>Total Defensive Assets</b>	21.0%		25.0%	23.0%	21.0%	23.0%
<b>Total Inflation Sensitive Assets</b>	17.0%		16.0%	16.0%	20.0%	18.0%
<b>Leverage</b>	0.0%		0.0%	0.0%	0.0%	0.0%
<b>Total Assets</b>	100.0%		100.0%	100.0%	100.0%	100.0%
<b>Total Illiquid/Private</b>	34.0%		35.0%	35.0%	39.0%	37.0%
<b>Expected Return - 10 Years (%)</b>	7.39		7.39	7.43	7.43	7.40
<b>Standard Deviation of Return (%)</b>	12.70		12.28	12.67	12.63	12.47
<b>Contribution to Asset Volatility (%):</b>						
<b>Growth</b>	81.0		74.0	76.0	73.0	79.0
<b>Defensive Growth</b>	4.0		9.0	9.0	9.0	4.0
<b>Defensive</b>	3.0		4.0	3.0	3.0	3.0
<b>Inflation Sensitive</b>	12.0		12.0	12.0	15.0	14.0
<b>Cash Yield (%)</b>	2.81		2.98	2.84	2.83	2.88
<b>Sharpe Ratio</b>	0.27		0.28	0.27	0.27	0.27
<b>Growth Factor</b>	6.09		5.79	6.12	6.04	5.97
<b>Inflation Factor</b>	-1.22		-1.31	-1.28	-1.06	-1.10
<b>Liquidity (%)</b>						
<b>Market</b>	0.58	0.56	0.57	0.53	0.55	
<b>Stressed</b>	0.02	0.02	0.02	0.02	0.03	

## Portfolios Modeled – Efficient Frontier 2 with 10% Leverage (EF 2)

Asset Class	Current Policy	EF 2 Optimization Constraints	EF2: Same Return	EF2: Same Risk
Global Equities	45.0%	15-100%	35.0%	40.0%
Global Private Equity	12.0%	0-14%	14.0%	14.0%
<b>Total Growth Assets</b>	<b>57.0%</b>		<b>49.0%</b>	<b>54.0%</b>
Global Private Credit	5.0%	0-5%	5.0%	5.0%
<b>Total Defensive Growth Assets</b>	<b>5.0%</b>		<b>5.0%</b>	<b>5.0%</b>
Global Fixed Income	19.0%	19-100%	38.0%	31.0%
Cash Equivalents	2.0%	2.0%	2.0%	2.0%
<b>Total Defensive Assets</b>	<b>21.0%</b>		<b>40.0%</b>	<b>33.0%</b>
Global Real Assets	17.0%	N/A	N/A	N/A
Real Estate	0.0%	0-17%	11.0%	13.0%
Private Real Assets	0.0%	0-7%	5.0%	5.0%
<b>Total Inflation Sensitive Assets</b>	<b>17.0%</b>		<b>16.0%</b>	<b>18.0%</b>
<b>Leverage</b>	<b>0.0%</b>	<b>-10.0%</b>	<b>-10.0%</b>	<b>-10.0%</b>
<b>Total Assets</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>
<b>Total Illiquid/Private</b>	<b>34.0%</b>	Max 38%	<b>35.0%</b>	<b>37.0%</b>
<b>Expected Return - 10 Years (%)</b>	<b>7.39</b>		<b>7.39</b>	<b>7.49</b>
<b>Standard Deviation of Return (%)</b>	<b>12.70</b>		<b>11.89</b>	<b>12.72</b>
<b>Contribution to Asset Volatility (%):</b>				
<b>Growth</b>	<b>81.0</b>		<b>70.0</b>	<b>72.0</b>
<b>Defensive Growth</b>	<b>4.0</b>		<b>9.0</b>	<b>9.0</b>
<b>Defensive</b>	<b>3.0</b>		<b>8.0</b>	<b>6.0</b>
<b>Inflation Sensitive</b>	<b>12.0</b>		<b>13.0</b>	<b>13.0</b>
<b>Cash Yield (%)</b>	<b>2.81</b>		<b>3.27</b>	<b>3.03</b>
<b>Sharpe Ratio</b>	<b>0.27</b>		<b>0.29</b>	<b>0.27</b>
<b>Growth Factor</b>	<b>6.09</b>		<b>5.43</b>	<b>5.93</b>
<b>Inflation Factor</b>	<b>-1.22</b>		<b>-1.49</b>	<b>-1.39</b>
<b>Liquidity (%)</b>				
<b>Market</b>	<b>0.58</b>		<b>0.54</b>	<b>0.53</b>
<b>Stressed</b>	<b>0.02</b>		<b>-0.08</b>	<b>-0.08</b>

Wilshire's Asset Allocation Committee (WAAC) maintains standard asset allocation parameters which reflect generally observed market practices for institutional asset owners (a table of these ranges is provided in the Appendix). While we expect most client portfolios will fall within these asset allocation ranges, Wilshire recognizes and occasionally recommends portfolio allocations that may diverge from these general ranges based on a client's particular circumstances, goals or needs.

\*Global Equities included 5% allocation to Global Low Volatility

\*\*Global Real Assets = Global Real Assets is a custom basket for SERS that includes 20% Timber/Infrastructure, and 80% Real Estate.

\*\*\*Real Estate assumption is a mix of 75% Core Real Estate, 25% Value-Add and Opportunistic Real Estate

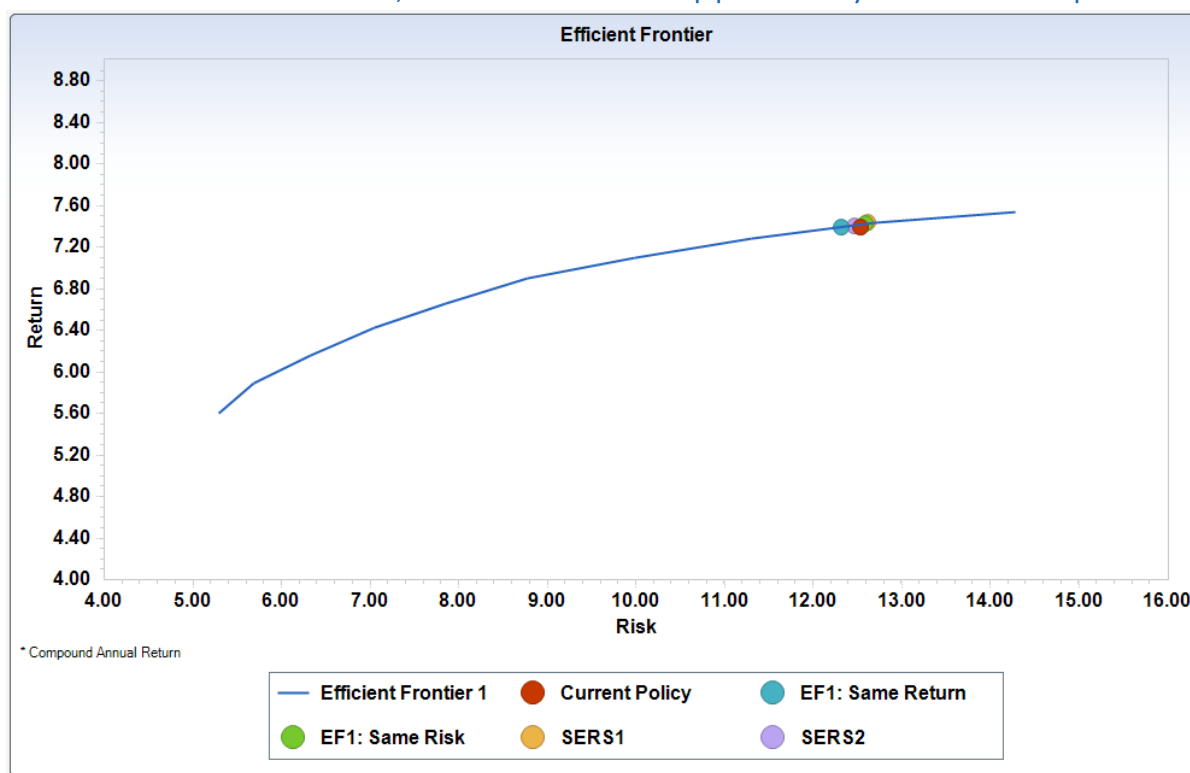
## Portfolios Modeled – Efficient Frontier 2 with 10% Leverage (EF 2)

Asset Class	Current Policy	EF 2 Optimization Constraints	EF2: Same Return	EF2: Same Risk
<b>Total Growth Assets</b>	57.0%	-10.0%  Max 38%	49.0%	54.0%
<b>Total Defensive Growth Assets</b>	5.0%		5.0%	5.0%
<b>Total Defensive Assets</b>	21.0%		40.0%	33.0%
<b>Total Inflation Sensitive Assets</b>	17.0%		16.0%	18.0%
<b>Leverage</b>	0.0%		-10.0%	-10.0%
<b>Total Assets</b>	100.0%		100.0%	100.0%
<b>Total Illiquid/Private</b>	34.0%		35.0%	37.0%
<b>Expected Return - 10 Years (%)</b>	7.39		7.39	7.49
<b>Standard Deviation of Return (%)</b>	12.70		11.89	12.72
<b>Contribution to Asset Volatility (%):</b>				
<b>Growth</b>	81.0		70.0	72.0
<b>Defensive Growth</b>	4.0		9.0	9.0
<b>Defensive</b>	3.0		8.0	6.0
<b>Inflation Sensitive</b>	12.0		13.0	13.0
<b>Cash Yield (%)</b>	2.81		3.27	3.03
<b>Sharpe Ratio</b>	0.27		0.29	0.27
<b>Growth Factor</b>	6.09		5.43	5.93
<b>Inflation Factor</b>	-1.22	-1.49	-1.39	
<b>Liquidity (%)</b>				
<b>Market</b>	0.58	0.54	0.53	
<b>Stressed</b>	0.02	-0.08	-0.08	



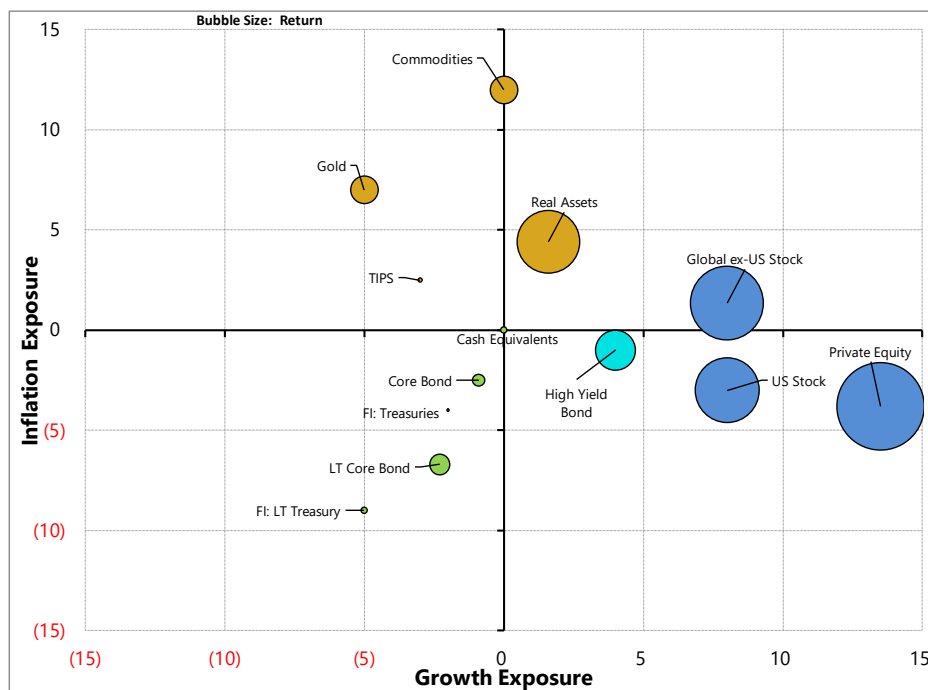
## Asset Only Efficient Frontier

- Given the asset classes and constraints, there is limited opportunity to enhance portfolio efficiency.



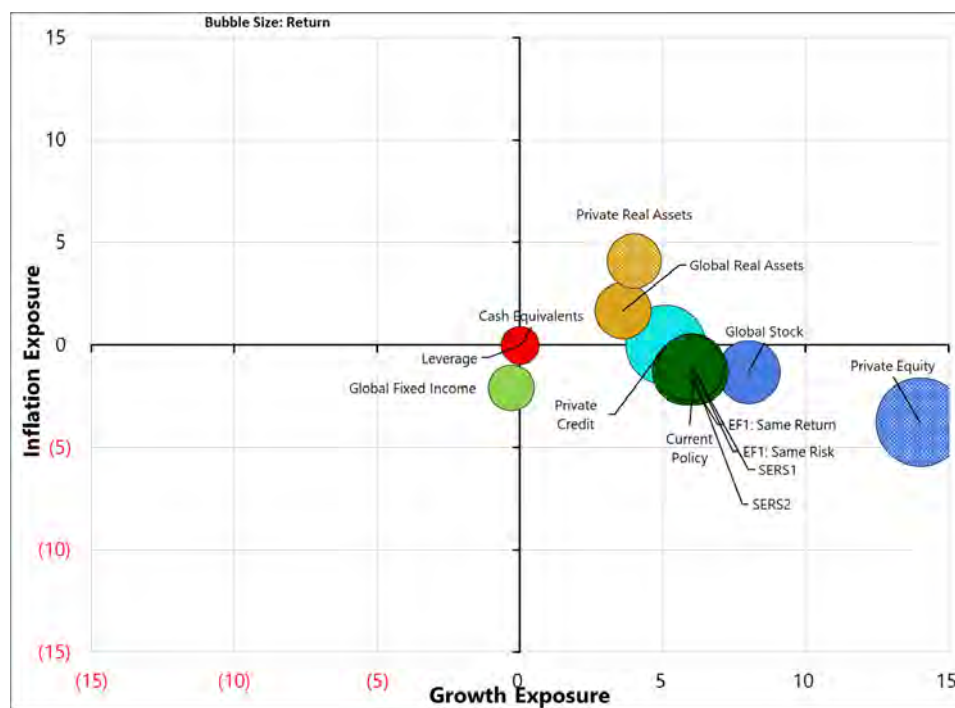
## Wilshire's Approach

- Employ a 2-factor regression model (growth and inflation) to formulate factor assumptions
- Growth proxy is enhanced by high yield bond spreads to better capture shifts in growth forecasts

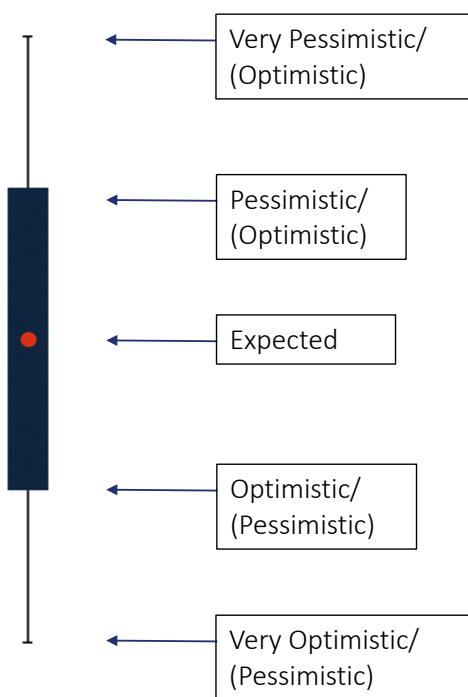


## Economic Factor Exposures of OH SERS' Portfolio

- Concentrated factor tilts can represent portfolio vulnerability
- To the extent possible, portfolios with factor neutrality are desirable



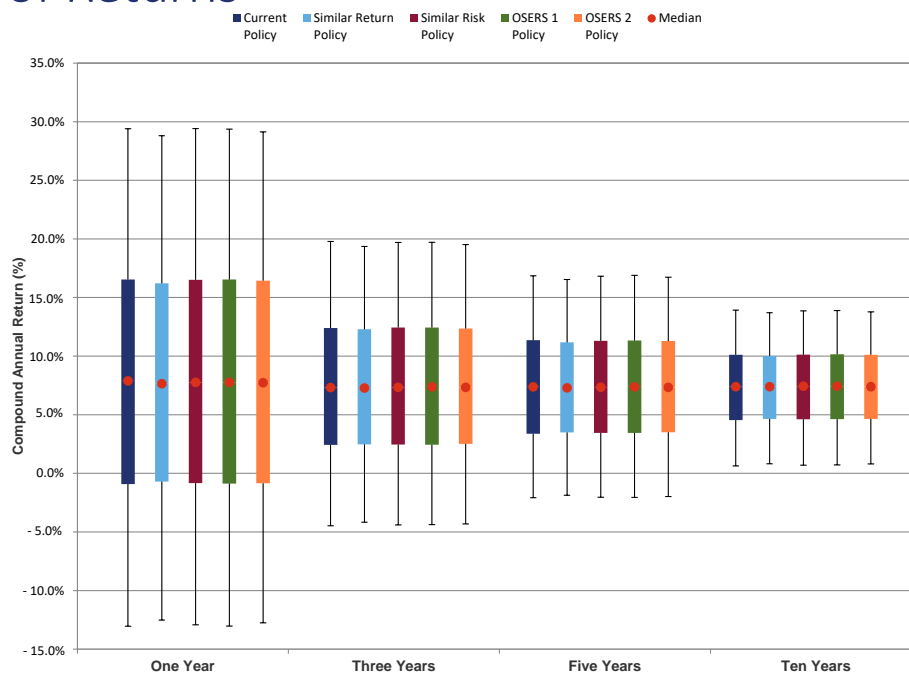
## Box and Whisker Graphs



In each year of the simulation, there are 5,000 independent economic trial results. We summarize these trial results by percentiles and use the following labeling (return and funded ratio labeling in parentheses):

- Very Pessimistic (Optimistic): 95th percentile
- Pessimistic (Optimistic): 75th percentile
- Expected: 50th percentile
- Optimistic (Pessimistic): 25th percentile
- Very Optimistic (Pessimistic): 5th percentile

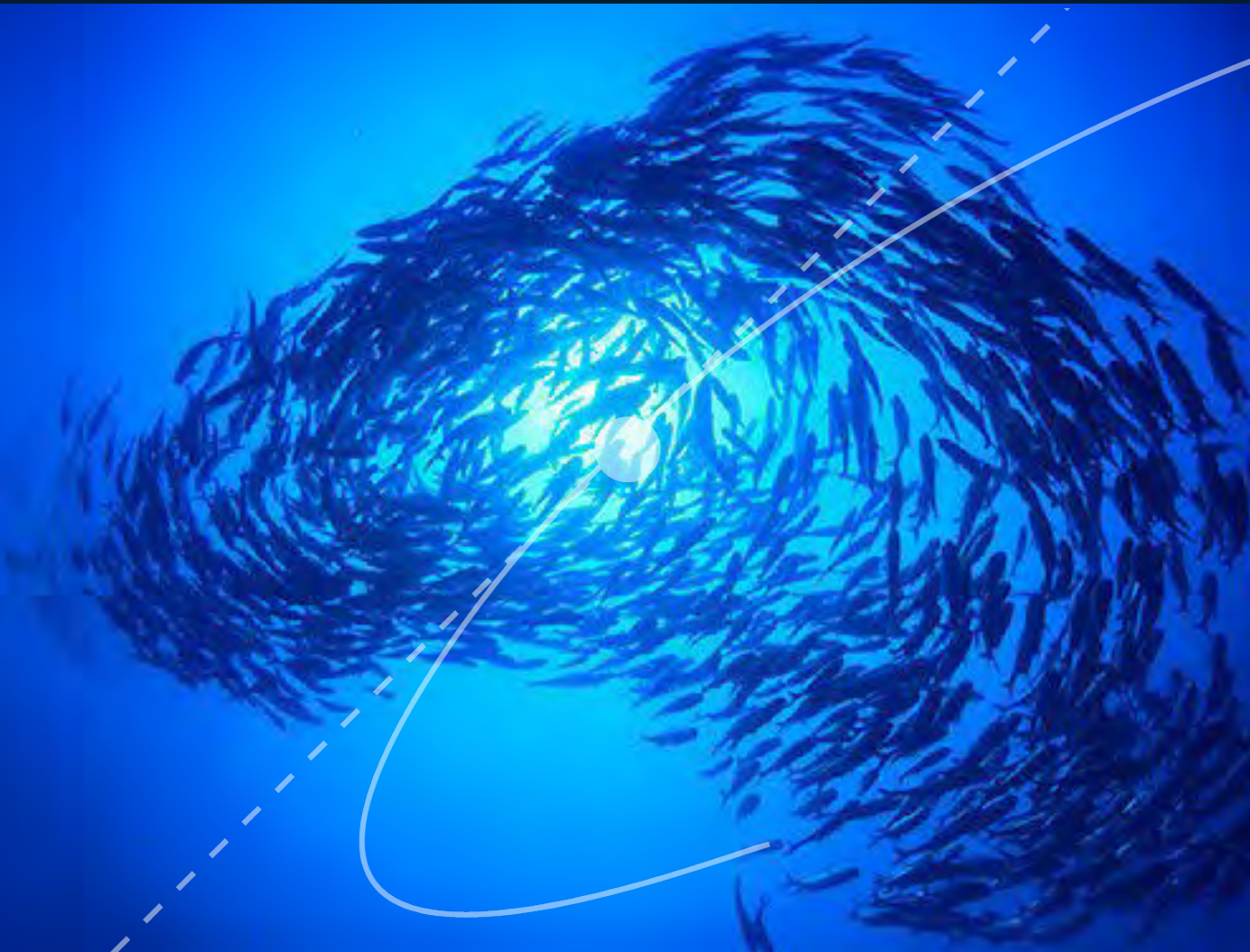
# Distribution of Returns\*



(%)	One Year					Three Years					Five Years					Ten Years				
	Current Policy	Similar Return Policy	Similar Risk Policy	OSERS 1 Policy	OSERS 2 Policy	Current Policy	Similar Return Policy	Similar Risk Policy	OSERS 1 Policy	OSERS 2 Policy	Current Policy	Similar Return Policy	Similar Risk Policy	OSERS 1 Policy	OSERS 2 Policy	Current Policy	Similar Return Policy	Similar Risk Policy	OSERS 1 Policy	OSERS 2 Policy
Very Optimistic	29.39	28.80	29.41	29.38	29.13	19.79	19.36	19.69	19.71	19.51	16.85	16.53	16.82	16.89	16.74	13.93	13.70	13.85	13.89	13.78
Optimistic	16.54	16.21	16.51	16.54	16.43	12.40	12.30	12.44	12.43	12.36	11.36	11.18	11.31	11.33	11.29	10.12	10.01	10.13	10.15	10.11
<b>Median (Expected)</b>	<b>7.88</b>	<b>7.65</b>	<b>7.76</b>	<b>7.76</b>	<b>7.73</b>	<b>7.32</b>	<b>7.28</b>	<b>7.34</b>	<b>7.37</b>	<b>7.33</b>	<b>7.38</b>	<b>7.30</b>	<b>7.35</b>	<b>7.38</b>	<b>7.34</b>	<b>7.39</b>	<b>7.39</b>	<b>7.43</b>	<b>7.43</b>	<b>7.40</b>
Pessimistic	-0.92	-0.71	-0.84	-0.87	-0.85	2.43	2.47	2.46	2.44	2.51	3.38	3.49	3.45	3.46	3.50	4.54	4.65	4.61	4.63	4.64
Very Pessimistic	-13.03	-12.52	-12.93	-13.02	-12.76	-4.47	-4.16	-4.41	-4.38	-4.31	-2.08	-1.87	-2.04	-2.05	-1.98	0.63	0.81	0.70	0.71	0.79

\*For periods longer than one year, returns are compound annual.

# Observations



## Observations

The current portfolio is very near the efficient frontier. As such, the analysis is focused on portfolios of similar risk and/or return

- The equity risk premium is compressed which causes the optimizer to seek out asset classes with better risk/reward trade-offs such as fixed income and private equity.
- Real estate is expected to offer less return per unit of risk on a go-forward basis, as such it is less attractive to the optimizer. However, the income feature of real estate lends itself to a qualitative override of the quantitative model and also boosts the inflation factor exposure.
- As benefit demands continue, a modestly larger cash allocation may be preferable.

## Next Steps

- Further develop the asset-only analysis by introducing the liability dimension
- In April 2023, present the full asset-liability analysis to the Board and select the target asset allocation.

# Appendix – Correlation Matrix



# 4Q2022 Correlation Matrix

	EQUITY						FIXED INCOME / CREDIT						REAL ASSETS						
	Dev			Global			LT						Dev ex-	Real Estate					
	US Stock	ex-US Stock	Emg Stock	ex-US Stock	Global Stock	Private Equity	Cash	Core Bond	Core Bond	TIPS	High Yield	Private Credit	US Bond (Hdg)	US RES	Global RES	Private RE	Cmdty	Real Assets	US CPI
<b>Compound Retrun (%)</b>	6.50	7.25	7.50	7.60	7.05	9.90	4.00	4.90	4.90	3.95	6.55	8.85	3.05	5.65	5.80	6.20	6.25	6.65	2.25
<b>Arithmetic Return (%)</b>	7.80	8.70	10.45	9.25	8.35	13.45	4.00	5.00	5.35	4.10	7.00	9.60	3.15	7.05	7.05	7.10	7.40	7.35	2.25
<b>Risk (%)</b>	17.00	18.00	26.00	19.10	17.10	29.00	0.75	4.70	9.80	6.00	10.00	12.75	4.00	17.50	16.45	14.00	16.00	12.35	1.75
<b>Cash Yield (%)</b>	1.75	3.25	2.80	3.10	2.25	0.00	4.00	5.10	5.25	4.40	9.65	5.10	3.75	3.95	3.95	2.25	4.00	3.15	0.00
<b>Growth Factor Exposure</b>	8.00	8.00	8.00	8.00	8.00	14.00	0.00	-0.95	-2.40	-3.00	4.00	5.10	-1.00	6.00	6.00	3.50	0.00	2.70	0.00
<b>Inflation Factor Exposure</b>	-3.00	0.00	5.00	1.45	-1.30	-3.75	0.00	-2.50	-6.80	2.50	-1.00	-1.50	-3.00	1.00	1.80	1.00	12.00	5.25	1.00
<b>CORRELATIONS</b>																			
<b>US Stock</b>	1.00																		
<b>Dev ex-US Stock (USD)</b>	0.81	1.00																	
<b>Emerging Mkt Stock</b>	0.74	0.74	1.00																
<b>Global ex-US Stock</b>	0.84	0.95	0.89	1.00															
<b>Global Stock</b>	0.95	0.91	0.84	0.94	1.00														
<b>Private Equity</b>	0.72	0.63	0.61	0.67	0.73	1.00													
<b>Cash Equivalents</b>	-0.05	-0.09	-0.05	-0.08	-0.06	0.00	1.00												
<b>Core Bond</b>	0.28	0.13	0.00	0.08	0.20	0.30	0.18	1.00											
<b>LT Core Bond</b>	0.31	0.15	0.01	0.11	0.24	0.31	0.11	0.94	1.00										
<b>TIPS</b>	-0.05	0.00	0.15	0.06	-0.01	-0.03	0.20	0.60	0.48	1.00									
<b>High Yield Bond</b>	0.54	0.39	0.49	0.46	0.53	0.31	-0.10	0.24	0.32	0.05	1.00								
<b>Private Credit</b>	0.68	0.55	0.58	0.60	0.68	0.44	0.00	0.24	0.30	0.00	0.76	1.00							
<b>Dev ex-US Bond (Hdg)</b>	0.16	0.25	-0.01	0.16	0.17	0.26	0.10	0.68	0.66	0.39	0.26	0.22	1.00						
<b>US RE Securities</b>	0.58	0.47	0.44	0.49	0.57	0.49	-0.05	0.17	0.22	0.10	0.56	0.62	0.05	1.00					
<b>Global RE Securities</b>	0.64	0.57	0.54	0.60	0.65	0.55	-0.05	0.17	0.21	0.11	0.61	0.68	0.04	0.96	1.00				
<b>Private Real Estate</b>	0.55	0.45	0.45	0.49	0.54	0.50	-0.05	0.19	0.25	0.09	0.58	0.63	0.05	0.79	0.78	1.00			
<b>Commodities</b>	0.25	0.34	0.39	0.38	0.32	0.28	0.00	-0.03	-0.03	0.25	0.29	0.29	-0.10	0.25	0.28	0.25	1.00		
<b>Real Assets</b>	0.62	0.63	0.65	0.69	0.67	0.57	-0.03	0.22	0.24	0.30	0.64	0.69	0.04	0.78	0.84	0.76	0.64	1.00	
<b>Inflation (CPI)</b>	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	0.00	-0.08	0.05	0.04	0.05	0.44	0.22	1.00

# Appendix – Asset Allocation Ranges

## Allowable Asset Allocation Ranges

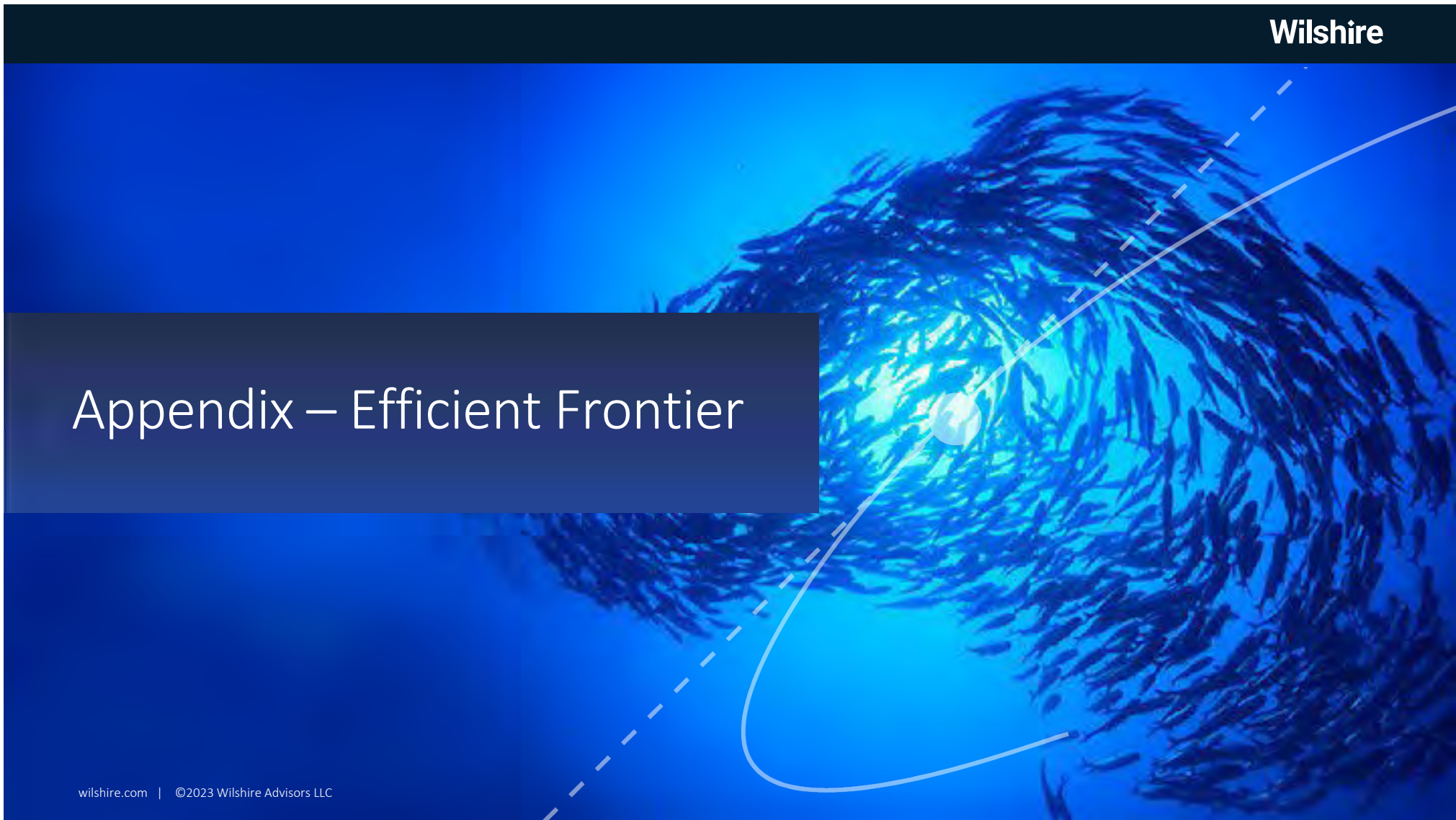
Wilshire’s Asset Allocation Committee (WAAC) maintains standard asset allocation parameters which reflect generally observed market practices for institutional asset owners. While Wilshire expects most client portfolios will fall within these asset allocation ranges. Wilshire recognizes and occasionally recommends portfolio allocations that may diverge from these general ranges based on a client’s particular circumstances, goals or needs.

Asset Segment	Corporate DB	Public DB	E&F
Total Equity (Public+Private)	0% - 80%		
Private Equity (Aggregate)	0% - 15%	0% - 20%	0% - 30%
Fixed Income (Core/High-quality - Liquid IG)	10% - 100%	10% - 50%	
Other Fixed Income/Credit (Aggregate)	0% - 25%		
Private/Illiquid Credit (Aggregate)	0% - 15%		
High Yield	0% - 10%		
Other: EMD, Loans, Convertibles	0% - 7.5%		
Total Real Assets (Public + Private)	0% - 25%		
Total Real Estate (Public + Private)	0% - 25%		
RA Other: Commodities, Gold, Infra, GLI, MLPs, O&G, Timber	0% - 5%		
Marketable Alternatives (Aggregate)	0% - 12.5%	0% - 20%	
Cash	0% - 5%		
Leverage	0% - 20%		
Total Private/Illiquid	0% - 25%	0% - 35%	0% - 50%

These thresholds were informed by allocation information from Greenwich Associates, and Wilshire Advisors, LLC, universe data and will be reviewed for reasonableness from time to time.

*\*Last Updated 12/2021*

# Appendix – Efficient Frontier



## Efficient Frontier 1 Portfolios

Asset Class	Current Policy	Optimization Constraints	Minimum Risk Policy	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 8	Same Return Portfolio	Portfolio 9/ Same Risk	Maximum Risk Policy
Global Equities*	45%	15-100%	15%	15%	15%	15%	15%	20%	25%	34%	40%	42%	60%
Global Private Equity	12%	0-14%	0%	1%	5%	8%	12%	14%	14%	14%	14%	14%	14%
<b>Total Growth Assets</b>	<b>57%</b>		<b>15%</b>	<b>16%</b>	<b>20%</b>	<b>23%</b>	<b>27%</b>	<b>34%</b>	<b>39%</b>	<b>48%</b>	<b>54%</b>	<b>56%</b>	<b>74%</b>
Global Private Credit	5%	0-5%	0%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
<b>Total Defensive Growth Assets</b>	<b>5%</b>		<b>0%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
Global Fixed Income	19%	19-100%	83%	77%	73%	70%	66%	58%	42%	31%	23%	21%	19%
Cash Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total Defensive Assets</b>	<b>21%</b>		<b>85%</b>	<b>79%</b>	<b>75%</b>	<b>72%</b>	<b>68%</b>	<b>60%</b>	<b>44%</b>	<b>33%</b>	<b>25%</b>	<b>23%</b>	<b>21%</b>
Global Real Assets	17%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Real Estate	0%	0-17%	0%	0%	0%	0%	0%	1%	8%	11%	13%	13%	0%
Private Real Assets	0%	0-7%	0%	0%	0%	0%	0%	0%	4%	3%	3%	3%	0%
<b>Total Inflation-Sensitive Assets</b>	<b>17%</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>	<b>12%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>0%</b>
<b>Leverage</b>	<b>0%</b>	0%	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Total Assets</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Expected Return - 10 Years (%)</b>	7.39		5.60	5.86	6.14	6.40	6.65	6.89	7.09	7.27	7.39	7.43	7.54
<b>Standard Deviation of Return (%)</b>	12.70		5.29	5.64	6.27	7.00	7.81	8.74	9.95	11.28	12.28	12.67	14.29
<b>+ / (-) in Expected Return - 10 Years (%)</b>			-1.79	-1.53	-1.25	-0.99	-0.74	-0.50	-0.30	-0.12	0.00	0.04	0.15
<b>+ / (-) in SD of Return (bps)</b>			-7.41	-7.06	-6.43	-5.70	-4.89	-3.96	-2.75	-1.42	-0.42	-0.03	1.59
<b>Sharpe Ratio</b>	0.27		0.30	0.33	0.34	0.34	0.34	0.33	0.31	0.29	0.28	0.27	0.25
<b>Illiquid/Private</b>	34%	Max 38%	0%	6%	10%	13%	17%	20%	31%	33%	35%	35%	19%

\* Includes Global Low Volatility Equity

Explanatory Footnotes:

Global Fixed Income is reflective of the Bloomberg US Universal Index. Approximate composition CYE-2022: 85% Agg, 10% HY, 5% EMD.

Global Real Assets is a custom basket for SERS that includes 20% Timber/Infrastructure, and 80% Real Estate.

Real Estate assumption is a mix of 75% Core Real Estate, 25% Value-Add and Opportunistic Real Estate

Private Real Assets is 75% Infrastructure, 25% Timber (inclusive of Agriculture).

## Efficient Frontier 2 with 10% Leverage Portfolios

Asset Class	Current Policy	Optimization Constraints	Minimum Risk Policy	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Same Return Portfolio	Portfolio 8	Same Risk Portfolio	Portfolio 9	Maximum Risk Policy
Global Equities *	45%	15-100%	15%	15%	15%	15%	15%	20%	30%	35%	40%	40%	50%	70%
Global Private Equity	12%	0-14%	0%	1%	5%	10%	14%	14%	14%	14%	14%	14%	14%	14%
<b>Total Growth Assets</b>	<b>57%</b>		<b>15%</b>	<b>16%</b>	<b>20%</b>	<b>25%</b>	<b>29%</b>	<b>34%</b>	<b>44%</b>	<b>49%</b>	<b>54%</b>	<b>54%</b>	<b>64%</b>	<b>84%</b>
Global Private Credit	5%	0-5%	0%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
<b>Total Defensive Growth Assets</b>	<b>5%</b>		<b>0%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
Global Fixed Income	19%	19-100%	93%	87%	83%	78%	74%	57%	44%	38%	32%	31%	20%	19%
Cash Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total Defensive Assets</b>	<b>21%</b>		<b>95%</b>	<b>89%</b>	<b>85%</b>	<b>80%</b>	<b>76%</b>	<b>59%</b>	<b>46%</b>	<b>40%</b>	<b>34%</b>	<b>33%</b>	<b>22%</b>	<b>21%</b>
Global Real Assets	17%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Real Estate	0%	0-17%	0%	0%	0%	0%	0%	7%	10%	11%	12%	13%	15%	0%
Private Real Assets	0%	0-7%	0%	0%	0%	0%	0%	5%	5%	5%	0%	5%	4%	0%
<b>Total Inflation-Sensitive Assets</b>	<b>17%</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>15%</b>	<b>16%</b>	<b>17%</b>	<b>18%</b>	<b>19%</b>	<b>0%</b>
<b>Leverage</b>	<b>0%</b>	10%	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
<b>Total Assets</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Expected Return - 10 Years (%)</b>	7.39		5.68	5.97	6.27	6.56	6.83	7.08	7.29	7.39	7.47	7.49	7.63	7.73
<b>Standard Deviation of Return (%)</b>	12.70		5.69	6.09	6.79	7.60	8.49	9.66	11.08	11.89	12.58	12.72	14.14	15.97
<b>+ / (-) in Expected Return - 10 Years (%)</b>			-1.71	-1.42	-1.12	-0.83	-0.56	-0.31	-0.10	0.00	0.08	0.10	0.24	0.34
<b>+ / (-) in SD of Return (bps)</b>			-7.01	-6.61	-5.91	-5.10	-4.21	-3.04	-1.62	-0.81	-0.12	0.02	1.44	3.27
<b>Sharpe Ratio</b>	0.27		0.30	0.32	0.33	0.34	0.33	0.32	0.30	0.29	0.28	0.27	0.26	0.23
<b>Illiquid/Private</b>	34%	Max 38%	0%	6%	10%	15%	19%	31%	34%	35%	31%	37%	38%	19%

\* Includes Global Low Volatility Equity

Explanatory Footnotes:

Global Fixed Income is reflective of the Bloomberg US Universal Index. Approximate composition CYE-2022: 85% Agg, 10% HY, 5% EMD.

Global Real Assets is a custom basket for SERS that includes 20% Timber/Infrastructure, and 80% Real Estate.

Real Estate assumption is a mix of 75% Core Real Estate, 25% Value-Add and Opportunistic Real Estate

Private Real Assets is 75% Infrastructure, 25% Timber (inclusive of Agriculture).

# Appendix – Economic Factor Exposures

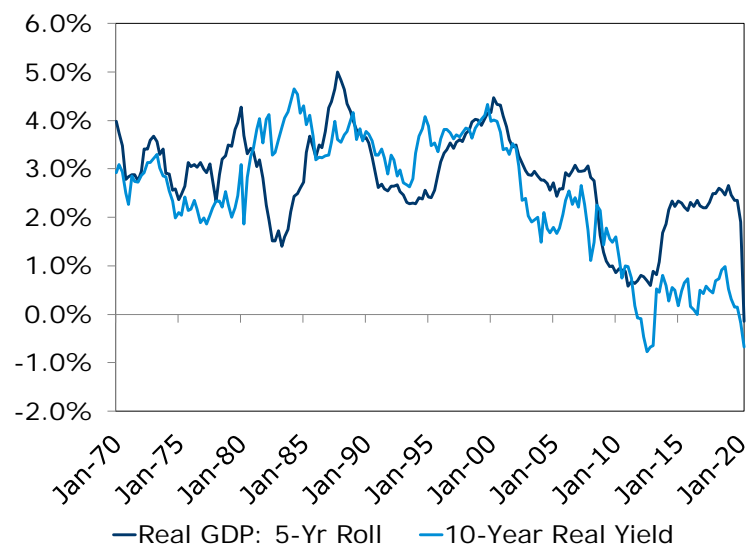
## Why Introduce Factors?

- **Risk Assessment:** Including factors within the asset allocation process provides an opportunity to measure asset class (and portfolio) exposures to key economic factors
- **Economic Efficiency:** If the underlying economic activity that drives asset performance can be identified, perhaps it can be used to assist in building economically-efficient portfolios
- **Portfolio Stability:** Macroeconomic risk factors – when separated from the valuation component inherent in investment pricing – may exhibit more stable correlations and, therefore, can better inform the allocation process



## Growth Proxy

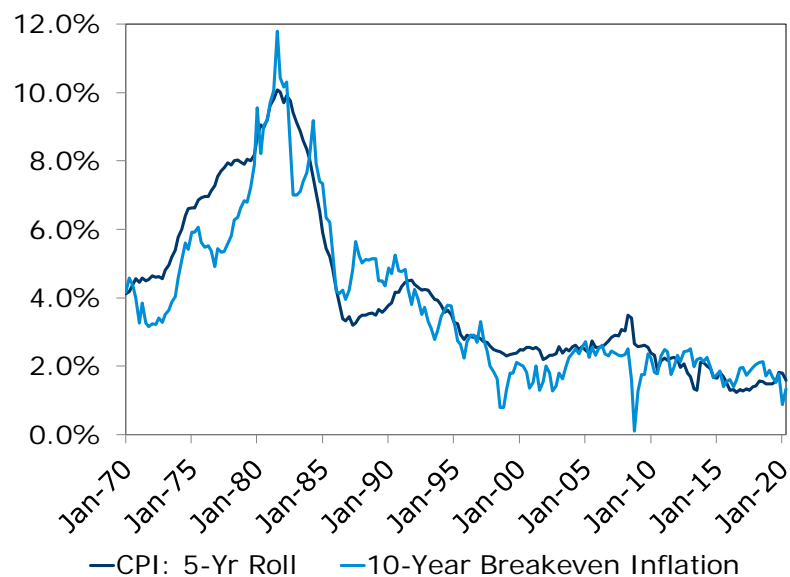
- Interest rates contain information and can reflect economic factors
- Nominal yields aggregate two important and distinct sources of economic information – real yields and expected inflation
- Disaggregating these factors should prove beneficial in developing a set of factors with improved explanatory power



Data Source: Federal Reserve, Bridgewater

## Inflation Proxy

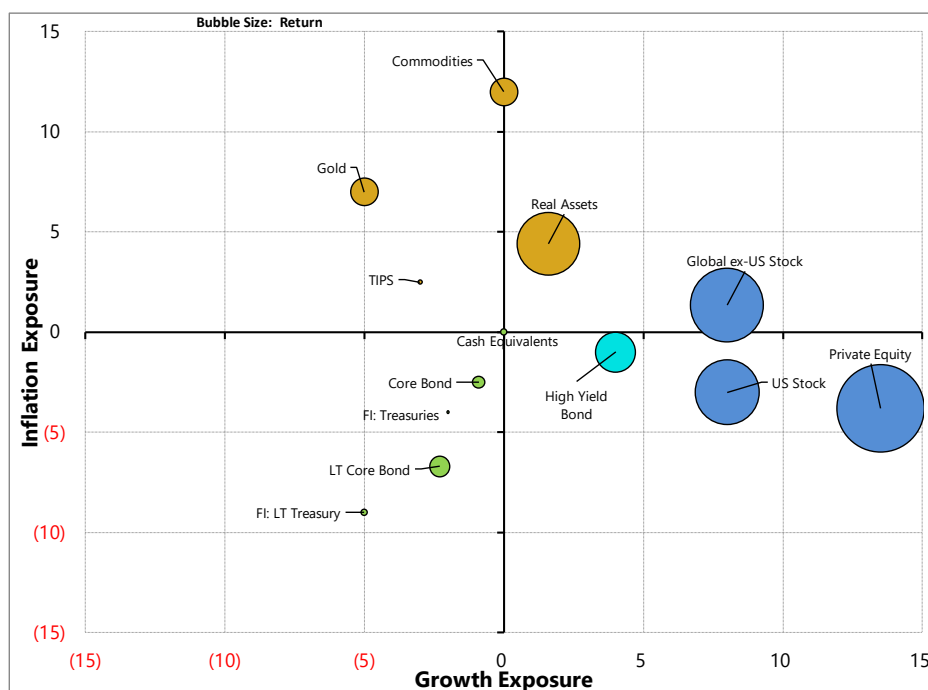
- Breakeven inflation is the market’s expectation for inflation
- Tends to follow closely with actual, recent inflation and can act as a timely signal of trends in consumer prices



Data Source: Federal Reserve, Bridgewater

## Wilshire's Approach

- Employ a 2-factor regression model (growth and inflation) to formulate factor assumptions
- Growth proxy is enhanced by high yield bond spreads to better capture shifts in growth forecasts



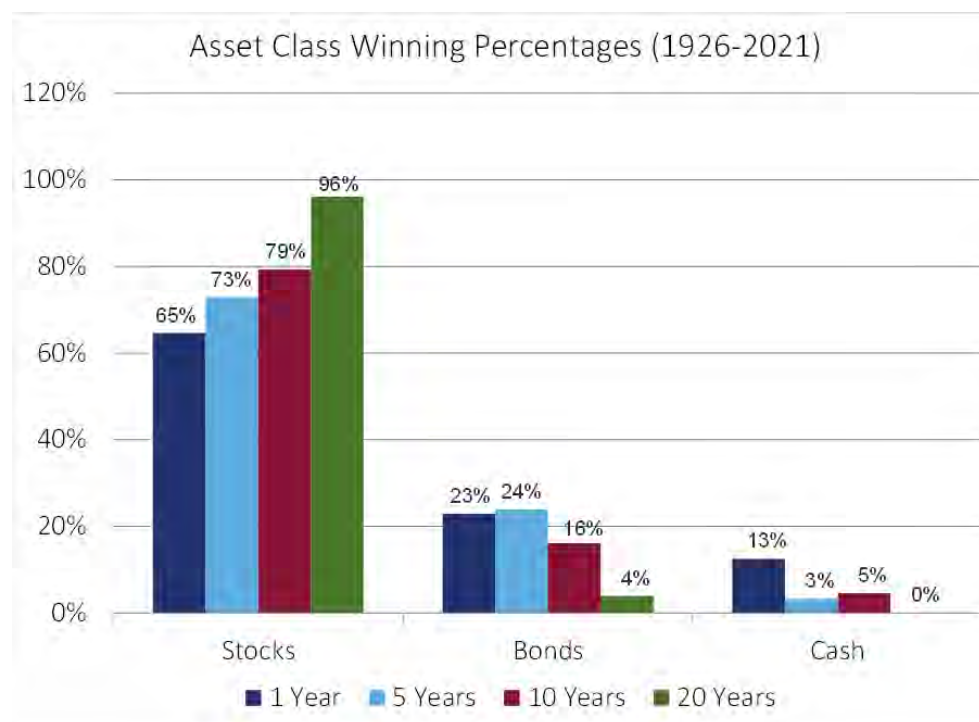
# Appendix – Liquidity

## Liquidity Risk: What Are The Consequences?

Default/Insolvency is the most severe outcome from having insufficient liquidity, but...

There are many other, more likely, disruptive impacts that a lack of liquidity can impose on an investment portfolio

- Liquidity breaches can rob an investor of their biggest advantage: a long-term investment horizon
- The timing and price of such sales dictated by liquidity needs rather than by explicit investment rationale
- Can destroy portfolio value and effectively strip a portfolio from its ability to recover from market sell-offs



## Wilshire Liquidity Metric

Wilshire's Liquidity Metric framework has two levels:

- **Market Level of Liquidity**
- **Overall Level of Liquidity**

### Market Level of Liquidity

- Quantified on scale from 0% (low liquidity) to 100% (high liquidity)
- Designed to capture general notion of marketable versus private/off-market transactions
  - Marketable asset classes typically reflect a 90% or 100%
  - Private asset classes reflect 0%
- Goal is to reflect the tradability of assets, which is helpful in connecting these values back to our definitional framework (i.e., to quantify the differences between Convertible Liquidity and Delayed Liquidity)

## Wilshire Liquidity Metric

Wilshire's Liquidity Metric framework has two levels:

- **Market Level of Liquidity**
- **Overall Level of Liquidity**

### Overall Liquidity Metric

Includes a penalty process to reflect the loss in practical liquidity due to asset class volatility and sensitivity to particular economic environments

Penalty components:

1. **Growth Penalty:**
  - Impacts asset classes with vulnerability to slowing growth
  - Recognizes the hit to liquidity that can occur during growth related bear markets
2. **Inflation Penalty:**
  - Impacts asset classes with vulnerability to rising inflation
  - Recognizes the hit to liquidity that can occur during inflation driven bear markets
3. **Volatility Penalty:**
  - Impacts higher volatility asset classes
  - Recognizes the hit to liquidity that can occur from any form of volatility

## Wilshire Stressed Liquidity Metric

### Stressed Level of Liquidity Metric

Asset Class	Market Liquidity	Liquidity Penalty Components			Applied Penalty	Stressed Liquidity
		Growth	Inflation	Volatility		
US Equity	100	50		24	50	0
Dev ex-US Equity	100	50		26	50	0
EM Equity	90	50		40	50	0
Private Equity	0	50		40	0	0
Cash Equivalents	100				0	100
Core Bonds	100		8		8	86
High Yield Bonds	80	40		10	40	0
US Real Estate Securities	90	50		24	50	0
Private Real Estate	0	50		18	0	0
Commodities	90			20	20	55

Applied Penalty =  $\text{Min}(\text{Max}(\text{Growth} + \text{Inflation}, \text{Volatility}), \text{Market Liquidity})$

Stressed Liquidity \* =  $\text{Market Liquidity} - (1.75 \times \text{Applied Penalty})$

\* If less than 20, Stressed Liquidity is assumed to be 0



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# Memo

**To:** Retirement Board  
**From:** Chris Collins  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** March 3, 2023  
**Re:** **Federal Legislative Report**

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## OVERVIEW

### State of the Union

President Biden's State of the Union speech on February 7<sup>th</sup> focused primarily on the economy, jobs and health care. The president attempted to appeal to the divided Congress for a bipartisan working relationship to accomplish joint goals for the American people. His mantra of "Let's finish the job," applied across all issue areas.

Occasional Republican heckling, some drawing hushes from Speaker Kevin McCarthy, reflected the newly empowered GOP that is seeking to undo many of Biden's achievements and vowing to pursue a multitude of investigations.

Though he pledged bipartisanship where possible, Biden also underscored the sharp tensions that exist. The President indicated that some Republicans want Medicare and Social Security to sunset. I am not saying it's a majority," Biden said. As GOP lawmakers in the audience pushed back, Biden responded: "We're not going to be moved into being threatened to default on the debt if we don't respond."

While hopes for large-scale bipartisanship are slim, Biden reissued his 2022 appeal for Congress to get behind his "unity agenda" of actions to address the opioid epidemic, mental health, veterans' health and cancer.

The speech came days after Biden ordered the military to shoot down a suspected Chinese spy balloon that flew across the country, serving as a reminder of tense relations between the two global powers.

### Ukraine

Last year's address occurred just days after Russia launched its invasion of Ukraine and as many in the West doubted Kyiv's ability to withstand the onslaught. Over the past year, the U.S. and other allies have sent tens of billions of dollars in military and economic assistance to bolster Ukraine's defenses. Now, Biden must make the case — both at home and abroad — for sustaining that coalition as the war drags on.

President Biden traveled to Kyiv, Ukraine in February to meet with President Zelenskyy and pledge the continued support of the United States for the country in its defense against Russia's illegal invasion.

#### Federal Response to Ohio Train Derailment

Secretary Peter Buttigieg of the U.S. Department of Transportation recently visited East Palestine, Ohio to survey the site of the train derailment that occurred on February 3<sup>rd</sup> and the impact the toxic chemicals released as a result are having on the community.

A Senate bill that would establish new safety requirements for trains carrying hazardous materials was introduced last week by Ohio Senators Sherrod Brown and J.D. Vance. The bill was notable for its bipartisan support. In addition to Brown and Vance, additional co-sponsors included Democrats Bob Casey and John Fetterman of Pennsylvania, and Republicans Marco Rubio of Florida and Josh Hawley of Missouri.

Buttigieg also welcomed the legislation, saying in a tweet that he "applauds the swift bipartisan action" to "advance common-sense measures." Buttigieg had called on Congress to take action on rail safety regulations as part of his response plan to the derailment.

EPA Administrator Michael S. Regan made his third visit to the East Palestine accident site in the month to reassure residents that the agency will continue to hold the railroad accountable, promising to make it pay "triple the cost" if it fails to perform cleanup actions according to EPA procedures.

Regan announced that Norfolk Southern will submit a work plan outlining how it will clean up the chemicals, although he reiterated that the EPA's air and water testing "has not yielded any adverse health impacts at this time" and that the agency is testing for "all toxic chemicals."

EPA has authority to deny Norfolk Southern's work plan if it finds it insufficient, Regan said, and he expects it to include a high level of detail.

#### Debt ceiling

The government will run out of cash to pay its bills by "summer or early fall" unless Congress lifts the statutory debt limit, the Bipartisan Policy Center estimates.

The report by the independent think tank, a respected monitor of Treasury debt, marks at least the third assessment calling on a divided Congress to reach a deal to increase, or at least suspend, the debt limit before adjourning for the annual August recess.

"I am optimistic that today's projection provides Congress and President Biden with a window of opportunity to come together and work out a deal," Shai Akabas, the center's director of economic policy, said in a statement. "They owe it to every hardworking American and small business owner to avoid the costs and risks associated with dragging this out to the 11th hour."

Akabas said the relatively wide range of the so-called x date for when the government's borrowing capacity will be exhausted underscores "the considerable uncertainty in our nation's current economic outlook."

The forecast "will depend heavily on 2022 tax collections in a fragile post-pandemic economy with low unemployment, persistent inflation, and recession fears," the center said in statement. And if tax season revenue falls short of expectations, the center raised the possibility of a "'too close for comfort' situation prior to quarterly tax receipts due on June 15."

Treasury Secretary Janet L. Yellen last month began deploying “extraordinary measures,” such as suspending investments in certain federal trust funds, to keep from exceeding the \$31.4 trillion statutory borrowing cap. Yellen estimated at the time that those accounting tools may not last beyond early June. The agency’s current crop of extraordinary measures is set to end June 5.

### **RETIREMENT SECURITY**

One argument for raising the debt limit: Without increased borrowing authority, Social Security checks would stop flowing.

“Addressing the debt limit is about meeting obligations the government has already made, ensuring vital payments to Social Security recipients are uninterrupted and continuing to support our veterans,” Senate Majority Leader Charles E. Schumer (D-NY), and House Minority Leader Hakeem Jeffries (D-NY), said in a February 13<sup>th</sup> joint statement.

While veterans’ benefits would in fact be at risk, it appears that Social Security checks could still be issued, with some difficulty.

A 1996 law provides an escape clause from the debt limit that allows the Treasury Department to pay Social Security benefits, along with Medicare payments, even if there is a delay in raising the debt ceiling. It allows for the Social Security and Medicare trust funds to be drawn down to keep those benefits flowing until the debt limit is raised, while prohibiting those funds from being used to pay for any other government programs. But using that law today to keep those benefits flowing without a debt limit increase wouldn’t be easy.

Since 1997, under an administrative policy change, the Social Security Administration no longer pays out all benefits at the beginning of each month. Instead, they are paid out based on each beneficiary’s date of birth.

As a result, even if the Treasury draws down Social Security trust funds to free up cash to make those benefit payments, the staggered benefit payment schedule throughout each month and an inability to prioritize payments mean some of the benefits might not end up getting paid. Last month, Congressional Budget Office Director Phillip L. Swagel told reporters that while “challenging” for the Treasury Department to pull off, it would be “technically feasible” to prioritize certain government payments over others in the event the agency ran out of borrowing room.

### **WINDFALL ELIMINATION PROVISION (WEP) AND GOVERNMENT PENSION OFFSET (GPO)**

The reintroduced House version of a full repeal of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) continues to gain co-sponsors. Latest numbers indicate H.R. 82 is now over 175 co-sponsors including six Ohioans.

However past versions of WEP and GPO repeal have gained significant co-sponsorship without leading to an affirmative vote. There is no indication that this current effort is likely to have a different result.

The alternative approach to WEP in the last Congress involved legislation to reform the WEP reduction formula to make it more fair to future benefit recipients and to provide a monthly rebate to current retirees. However slight differences between the versions introduced by then House Ways and Means chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) involving the length of grandfathering protection and the size of the rebate could not be overcome by the end of the congressional session and the effort died without resolution.

With the retirement of Congressman Brady and the change of leadership in the House there hasn’t been any indication of similar WEP reform efforts being revived in the new Congress.

It is possible that WEP and GPO reform will have to wait until Social Security reform as a whole is addressed by Congress.

Under their intermediate assumptions and under current law, the Social Security trustees project that the Federal Old-Age and Survivors Insurance (OASI) trust fund will become depleted in 2034 and the Disability Insurance trust fund will not become depleted in the 75-year projection period. Although the two funds are legally separate, they are often considered in combination. The trustees project that the combined Social Security trust funds will become depleted in 2035. At that point, the combined trust funds would become insolvent, because incoming tax revenue would be sufficient to pay only about 80% of scheduled benefits.

It is expected that reform of the system will need to be tackled by Congress before reaching that point, but the timing of that effort is unclear. Of additional concern is that beyond the opportunity to finally address WEP and GPO is that mandatory coverage of public employees in non-covered states like Ohio is often discussed as part of Social Security reform.

SERS staff continue to advocate in Washington for solutions to the WEP and GPO issues as well as educate congressional staff about the consequences of mandatory coverage for Ohio's public employees. We are pleased that members of the Ohio delegation remain universally supportive of fixing the WEP and GPO problem and understand why mandatory coverage proposals would be detrimental to Ohio's public employee retirement systems.

## **HEALTH CARE**

Alisa Bennett, President of Cavanaugh Macdonald Consulting and a member of the Public Sector Health Care Roundtable's Corporate Advisory Committee, discussed the impact of the Inflation Reduction Act (IRA) on public sector retiree health plans at the Winter Meeting of the National Association of State Retirement Administrators (NASRA). Her remarks highlighted a White Paper which takes a closer look at how provisions of the IRA will impact public plans.

She indicated that changes to drug price negotiation, Medicare Part D design and the extension of the enhanced subsidies on the ACA exchanges included in the IRA have the potential to affect retiree health plans and possibly active employee health plans.

The extension of the enhanced subsidies on the ACA exchanges make more pre-65 retirees eligible for the government subsidies and could make an employer wrap-around HRA, like the one offered by SERS, a more attractive plan option.

For Medicare eligible retirees, one could argue that since standard Medicare Part D will be more valuable to the participant with the coverage gap (donut hole) closed and a \$2,000 out of pocket maximum, accessing the individual market with a flat dollar HRA or similar arrangement may be beneficial. On the other hand, EGWPs appear to be protected with assumed higher direct subsidies and allowing costs paid by the EWGP that would have been participant under standard Part D to count toward the \$2,000 out of pocket maximum, ensuring that the EGWP can continue to provide a superior plan for an affordable cost. This provision was something SERS advocated for and were pleased was included in the final version of the IRA.

She admits many details of the IRA are yet to be determined, as are the cost implications and the subsequent behavior of the drug manufacturers and their reaction to the price negotiations for Medicare recipients and Medicare Part D cost sharing. The potential impact to both the commercial market affecting active employees and pre-65 retirees as well as Medicare eligible retirees will be watched closely as the various pieces of the law start to take effect.

**FEDERAL LEGISLATION BOARD REPORT**  
**118<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of March 3, 2023)**

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**H.R.82**

SPONSOR: Rep. Graves, Garret (R-LA)

LAST ACTIONS: House - 01/09/2023 Referred to the House Committee on Ways and Means

CAPTION: Social Security Fairness Act of 2023

COMMENT: Repeals the GPO and WEP. 177 co-sponsors; six Ohioans

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**STATE LEGISLATION BOARD REPORT**  
**(Prepared by Chris Collins as of March 3, 2023)**

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**135<sup>th</sup> General Assembly**

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**SB6** ESG POLICIES-STATE ENTITIES (Schuring, K) - Regarding environmental, social, and corporate governance policies with respect to the state retirement systems, Bureau of Workers' Compensation, and state institutions of higher education.

Current Status: 02/21/2023 Senate Finance, (First Hearing)

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**HB4** LEGISLATIVE INTENT-ECONOMIC BOYCOTTS (Young, T., King, A.) To declare the General Assembly's intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.

Current Status: 02/16/2023 Referred to Financial Institutions Committee

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**HB33** FY24-25 OPERATING BUDGET (Edwards, J.) To make operating appropriations for the biennium beginning July 1, 2023, and ending June 30, 2025, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 02/28/2023 House Finance Health and Human Services Subcommittee, (Sixth Hearing)

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# Finance Headline News



- Budget Administration
  - FY24 budget preparation continues
  - FY23 forecasting underway
  - SERS administrative expenses are expected to finish FY23 under budget
- The following detailed reports are attached for further analysis:
  - Administrative expense reports
    - OSERS Broad Street Year-to-Date Budget Analysis as of 12/31/22. Marketing efforts continue to lease vacant space.
    - Administrative expense summary for February 2023
    - Administrative expense detail for February 2023
    - Parameters report for February 2023
  - Financial highlights
    - As of January 2023



## OSERS Broad Street Financials (For the six months ending December 31, 2022)

	FY2022 Actuals	FY2023 FY Budget	FYTD2023 Budget	FYTD2023 Actuals*	Notes
<b>OPERATING INCOME</b>					
Suite & Related Income	824,869	498,527	283,408	266,924	1
Parking Income	181,276	161,515	84,580	110,195	
	1,006,145	660,042	367,988	377,119	
<b>OPERATING EXPENSES</b>					
Property Management & Labor	305,000	305,000	152,500	152,500	
Administrative Services	15,111	6,700	750	488	
Building Maintenance	999,440	1,065,599	577,257	449,191	2
Utilities	367,701	401,380	192,190	160,424	3
Building & Equipment Insurance	84,975	110,000	110,000	71,396	4
Real Estate Taxes	286,835	288,000	136,500	15,519	5
	2,059,062	2,176,679	1,169,197	849,518	
<b>NON-OPERATING EXPENSES</b>					
Lease Commission Fees	-	54,500	26,000	-	
Special Counsel Fees	2,475	5,000	5,000	594	
Public Relations Fees	24,565	-	-	-	
Building Remodeling	25,110	267,000	102,000	2,950	6
	52,150	326,500	133,000	3,544	
<b>CAPITAL</b>					
Furniture & Equipment >\$5,000	-	-	-	-	
Leasehold Improvements	-	275,000	250,000	12,477	7
<b>TOTAL NET EXPENSE</b>	<b>\$1,105,067</b>	<b>\$2,118,137</b>	<b>\$1,184,209</b>	<b>\$488,420</b>	

\*41% of FYTD2023 Budget

**Note 1 – Suite income** decreased due to the unexpected lease termination by ERA.

**Note 2 – Building maintenance** variance is mainly due to the timing of invoicing as compared to when the services were budgeted.

**Note 3 –** Actual electricity expenses are trending lower than expected year to date.

**Note 4 –** A new vendor was selected for insurance who offered lower rates.

**Note 5 – Real estate taxes** were paid in January 2023, but they were budgeted in December 2022.

**Note 6 – Building remodeling** was budgeted at a reduced amount from prior years. The budget was necessary to have dollars available if needed to retain existing tenants or build out space if there was an interest for a smaller space. Actual expenses include drawing plans for Genesis. Building remodeling is expected to finish the year under budget.

**Note 7 –** Security hardware & software replacement is currently underway, and it is expected to be completed in the 3<sup>rd</sup> quarter of FY23. The \$25K lighting project is being performed in-house, and it is halfway completed.

300  
EAST BROAD

22,681 SF CLASS A OFFICE SPACE  
AVAILABLE FOR LEASE



CBRE

# CLASSIC ADDRESS. SAVVY STYLE.

This stunning, Class A high-rise office building boasts classic style and an unmistakable personality – all founded on architectural excellence. Masterful attention to every detail in 300 East Broad points to the extraordinary quality afforded to tenants of this prominent downtown Columbus, Ohio location.



**22,681 RSF**  
AVAILABLE FOR  
IMMEDIATE OCCUPANCY



**\$19.75 FSG**  
LEASE RATE



**24/7 SECURITY**  
365 DAYS/YEAR



**FIBER OPTICS**  
AVAILABLE ON ALL  
FLOORS



**METICULOUSLY  
CRAFTED AND  
WELL-APPOINTED  
LOBBY**



**ATTACHED PARKING  
GARAGE WITH HIGHEST  
PARKING RATIO  
FOR TENANTS IN  
DOWNTOWN COLUMBUS  
(3.3/1,000 SF)**



**RAISED FLOORING FOR  
DATA COMMUNICATIONS  
AND POWER ON ALL  
FLOORS**



**BEAUTIFUL TWO-  
STORY CARNELIAN  
GRANITE AND CHERRY  
ATRIUM**



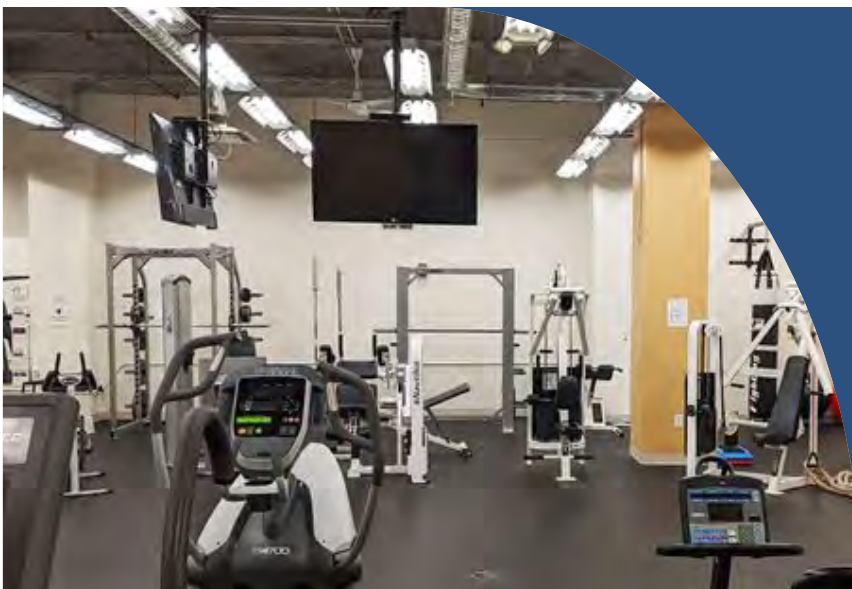
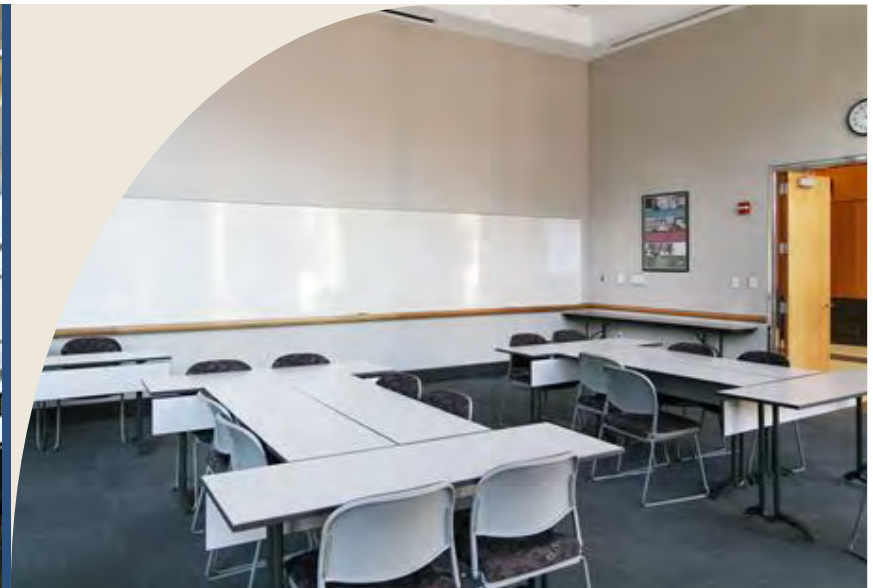
**FREE VISITOR PARKING**

# FIRST-CLASS AMENITIES

State-of-the-art conference center created especially for tenants' meeting needs (up to 125 people) ▲

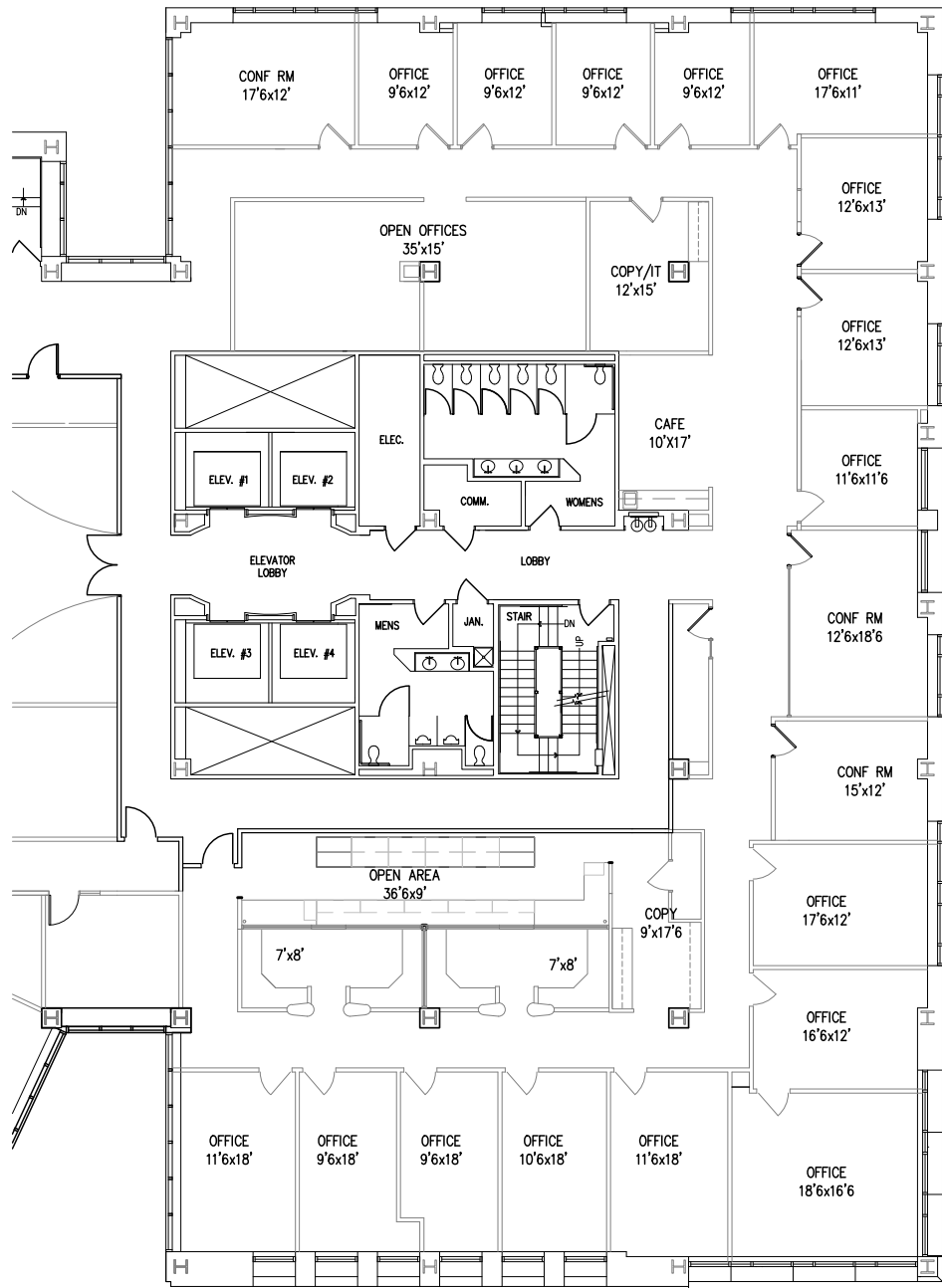
Training room with superior video conferencing capability open to all tenants (up to 25 people) ▲

Newly renovated fitness center ▲



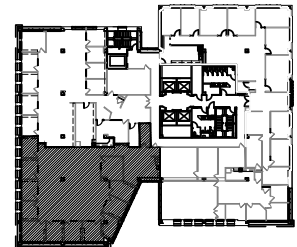
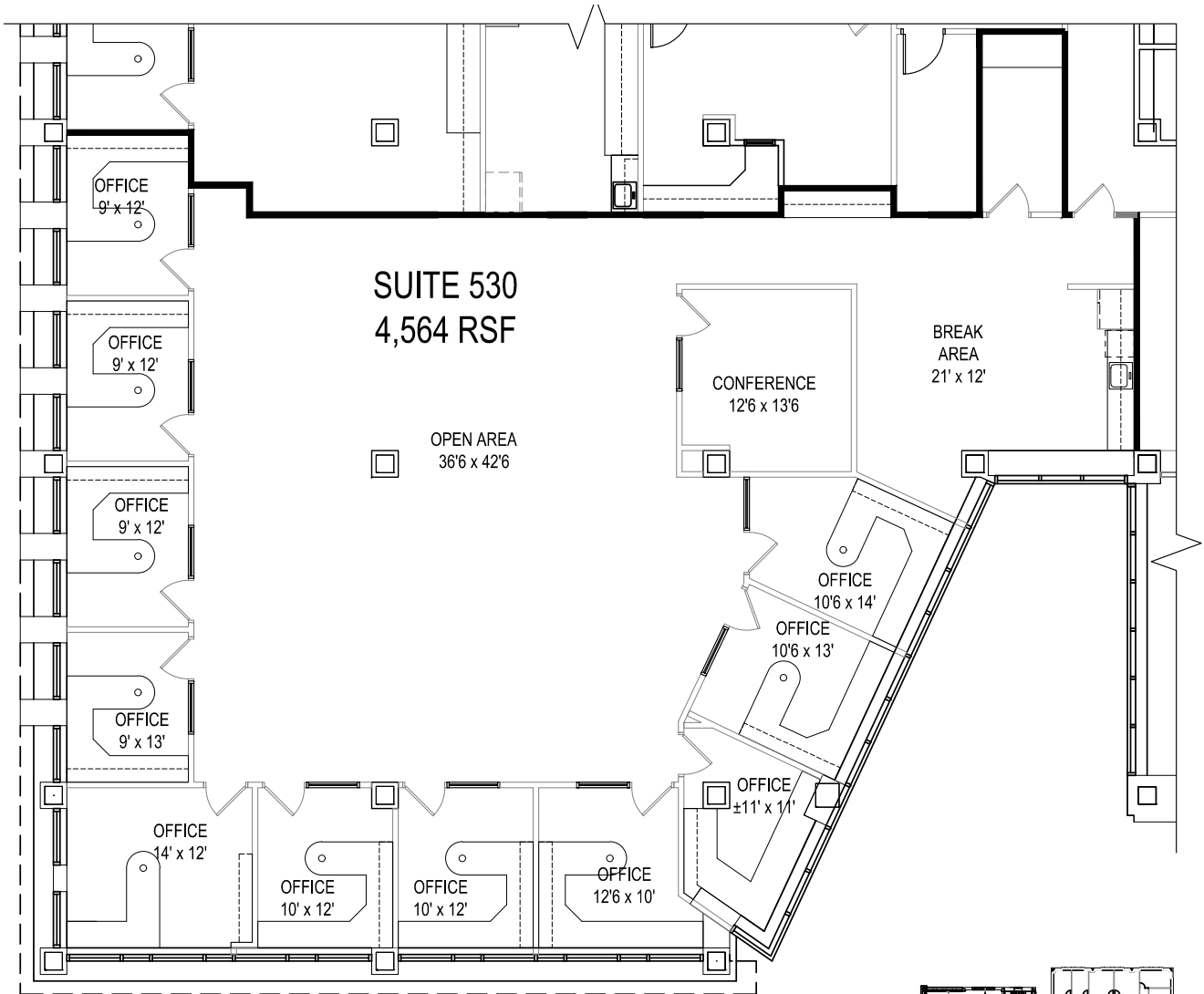
# SUITE 300

9,965 RSF available immediately



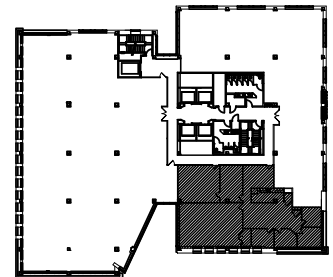
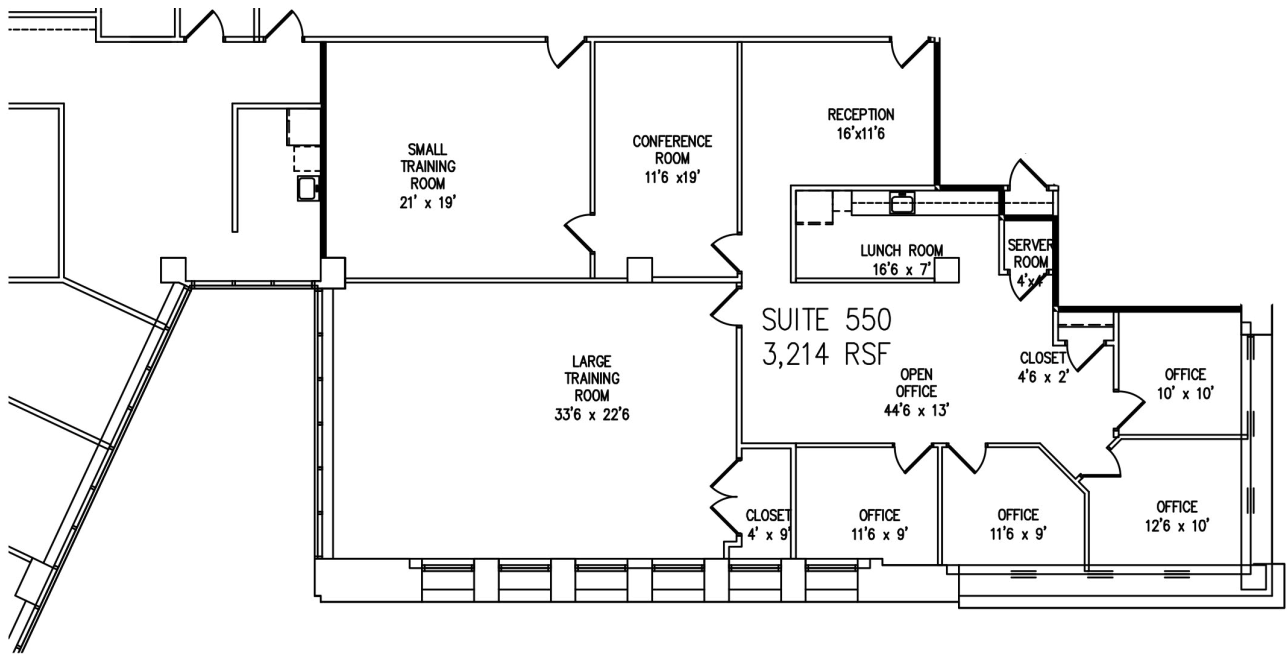
# SUITE 530

4,564 RSF available immediately



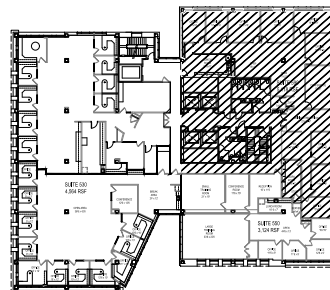
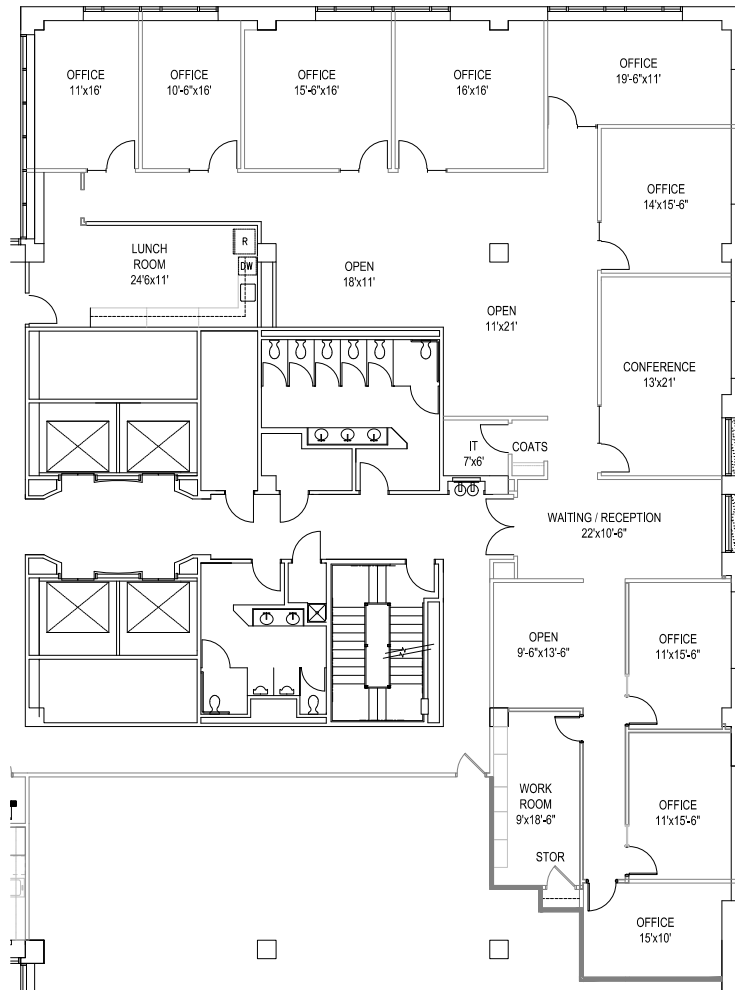
# SUITE 550

3,215 RSF available immediately



# SUITE 590

5,118 RSF available immediately

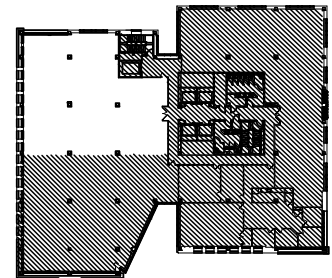
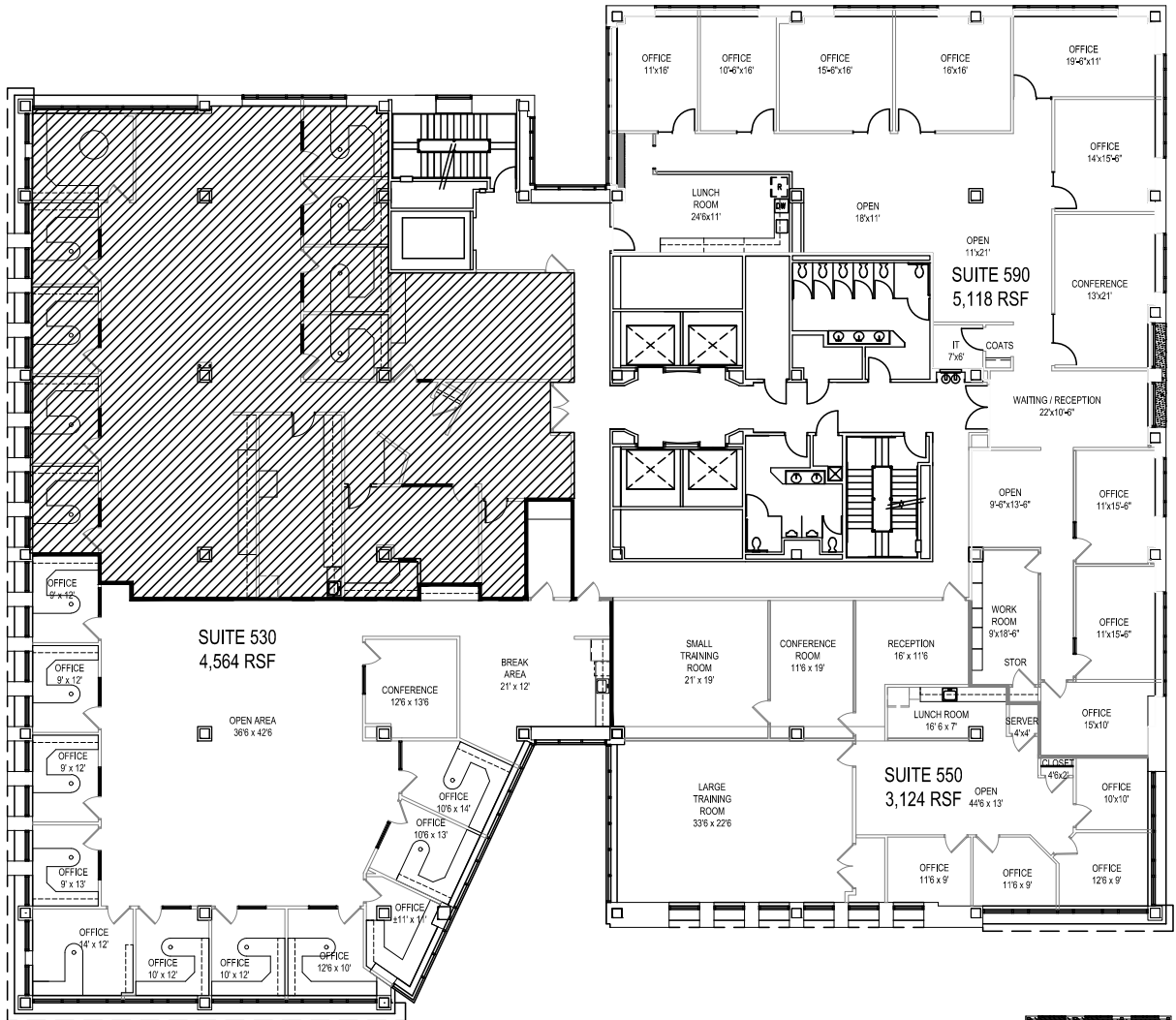




# FIFTH FLOOR

Suites 530, 550 and 590 are contiguous and can be combined to achieve 12,806 RSF

*Available immediately*



# PRESTIGIOUS LOCATION. EASY ACCESS.

Easily accessible to and from the freeways and Port Columbus International Airport, 300 East Broad Street presides within a strategically significant location in Ohio's Capital.



## FAST FOOD

- 1 McDonald's
- 2 Subway
- 3 Subway
- 4 Jimmy John's
- 5 Domino's Pizza

## CAFE / COFFEE SHOP

- 1 Brioso Roastery & Coffee Bar
- 2 The Roosevelt Coffeehouse
- 3 Freedom a la Cart Cafe + Bakery
- 4 Cafe De Nook
- 5 Tim Hortons
- 6 Starbucks

## FAST CASUAL

- 1 Zoup!
- 2 Potbelly Sandwich Works
- 3 Dirty Frank's Hot Dog Palace

## GROCERY

- 1 The Hills Market

## HOTEL

- 1 Holiday Inn
- 2 Double Tree Suites by Hilton
- 3 Sheraton
- 4 Renaissance Columbus
- 5 Hotel LeVeque
- 6 Residence Inn by Marriot
- 7 Courtyard by Marriot

## BANK & CREDIT UNIONS

- 1 Park National Bank
- 2 Heartland Bank
- 3 Fifth Third Bank
- 4 US Bank
- 5 KeyBank
- 6 Huntington National Bank
- 7 Chase

## RESTAURANT

- 1 Pat & Gracie's
- 2 Pierogi Mountain
- 3 Slammers
- 4 Lasalle's Southern Kitchen and Bar
- 5 Market 65 Local Eatery
- 6 Condado Tacos
- 7 Milestone 229
- 8 The Goat RiverSouth
- 9 Hadley's Bar + Kitchen
- 10 The Keep
- 11 Cafe Illyria
- 12 4th & State
- 13 BurgerIM
- 14 The Walrus
- 15 Hadley's Bar + Kitchen
- 16 Burger Theory Columbus

300  
EAST BROAD



## CONTACT US

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**School Employees Retirement System of Ohio**

Summary of administrative operation expenses during the period **February 1, 2023-February 28, 2023.**

Actuals  
Feb-2023

<b>Account</b>	<b>Amount</b>
Salaries & Wages	1,156,087.18
Salaries & Wages- Overtime	5,692.75
Vacation Leave Expense	100,548.98
Sick Leave Expense	67,203.13
Employer Contributions- PERS	170,535.28
Group Life	9,409.86
Long Term Disability	3,292.71
Short Term Disability	2,556.53
Group Health Claims	121,533.76
Prescription Claims	7,982.76
Vision Claims	2,628.52
Vision Admin Fees	121.68
Group Health- Employee Cost	(32,781.07)
Group Health- Wellness Incentive	3,680.00
Group Health- Tobacco Premiums	(680.00)
Medicare Premium- Employer	17,156.46
Deferred Compensation Match	4,740.00
Actuarial Services	12,000.00
Audit	510.00
Custodial Fees	85,992.09
Custodial Banking	(116.44)
Master Recordkeeper Fees	80,000.00
Investment Advisory Fees	43,253.42
Performance/ Analytics Fee	37,401.66
Bloomberg Terminal Rentals	20,250.00

<b>Account</b>	<b>Amount</b>
Medical Consultant	3,750.00
Special Counsel	14,832.50
Technical	93,285.49
Other Professional Services	13,559.39
Postage	1,138.22
Telecommunications Services	12,297.14
Member/Employer Education	115.54
Communications & Publications	5,777.32
Hardware Maintenance	(182.86)
Software Maintenance	35,632.10
Software Subscriptions	61,060.94
Hardware < \$5,000	3,454.70
Software < \$25,000	2,241.00
Equipment Repairs & Maintenance	3,338.94
Office Supplies & Expenses	388.39
Miscellaneous Office Supplies	148.35
Furniture & Equipment < \$5,000	723.60
Records Storage	1,619.00
Seminars & Conferences	3,950.00
Travel & Transportation	10,748.84
Subscriptions	5,101.95
Memberships	6,811.75
Operations Maintenance	2,192.48
Interior Landscaping	1,366.37
Staff Support	9,405.46
Recruiting Expense	1,553.56
Reimbursement of Leased Svcs.	(25,416.67)
<b>Total Administrative Expenses</b>	<b>2,187,892.76</b>

School Employees Retirement System of Ohio  
 REVIEW OF ADMINISTRATIVE EXPENSES  
 23-Feb

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,156,087.18
		Subtotal 1,156,087.18
53110 - Salaries & Wages - Overtime	ADP, LLC	5,692.75
		Subtotal 5,692.75
53111 - Vacation Leave Expense	ADP, LLC	100,548.98
		Subtotal 100,548.98
53112 - Sick Leave Expense	ADP, LLC	67,203.13
		Subtotal 67,203.13
53200 - Employer Contributions - PERS	ADP, LLC	170,535.28
		Subtotal 170,535.28
53300 - Group Life	American United Life Insurance Company	9,409.86
		Subtotal 9,409.86
53310 - Long Term Disability	American United Life Insurance Company	3,292.71
		Subtotal 3,292.71
53315 - Short Term Disability	American United Life Insurance Company	2,556.53
		Subtotal 2,556.53
53320 - Group Health Claims	Aetna Daily Wires - ESERS	121,533.76
		Subtotal 121,533.76
53322 - Prescription Claims	Express Scripts Rebate Express Scripts - ESERS SaveonSP, LLC	(62,910.00) 66,673.88 4,218.88
		Subtotal 7,982.76
53326 - Vision Claims	VSP - (OH)	2,628.52
		Subtotal 2,628.52
53327 - Vision Admin Fees	VSP - (OH)	121.68
		Subtotal 121.68
53330 - Group Health - Employee Cost	Employee Premiums	(32,781.07)
		Subtotal (32,781.07)
53331 - Group Health - Wellness Incentive	ADP, LLC	3,680.00
		Subtotal 3,680.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(680.00)
		Subtotal (680.00)
53340 - Medicare Premium - Employer	ADP, LLC ADP, LLC	17,156.43 0.03
		Subtotal 17,156.46
53380 - Deferred Compensation Match	ADP, LLC	4,740.00
		Subtotal 4,740.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
		Subtotal 12,000.00
54200 - Audit	Treasurer of State of Ohio	510.00
		Subtotal 510.00
54310 - Custodial Fees	BNY Mellon Asset Servicing	85,992.09
		Subtotal 85,992.09
54320 - Custodial Banking	Treasurer of State - Warrants Associated Insurance Agencies Inc- credit for overpayment of bond insurance	70.56 (187.00)
		Subtotal (116.44)
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing	80,000.00
		Subtotal 80,000.00
54420 - Investment Advisory Fees	Wilshire/Aksia	43,253.42
		Subtotal 43,253.42
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing Wilshire Advisors, LLC	34,401.66 3,000.00
		Subtotal 37,401.66
54460 - Bloomberg Terminal Rentals	Bloomberg Finance LP	20,250.00
		Subtotal 20,250.00
54520 - Medical Consultant	Borchers, M.D., Glen G.	3,750.00
		Subtotal 3,750.00
54610 - Special Counsel	Seyfarth Shaw LLP Calfee Halter & Griswold LLP	13,685.00 1,147.50
		Subtotal 14,832.50

Expense Account	Vendor	Amount
54620 - Technical	Sagitec Solutions, LLC	37,999.50
	LexisNexis Risk Data Management, Inc	1,295.43
	ComResource	5,405.00
	Velosio	245.00
	ForeFront Web	165.00
	Crowe LLP	23,800.00
	Vaco, LLC	7,550.40
	Improving	5,600.00
	Datatak Telecom	11,225.16
	Subtotal	93,285.49
54630 - Other Professional Services	Wickert, Kimberly	486.00
	Government Finance Officers Association	1,515.00
	Vorys Advisors LLC	3,333.33
	Contoural, Inc.	277.00
	Sage Policy Group	7,948.06
Subtotal	13,559.39	
55100 - Postage	Pitney Bowes Inc.	905.72
	Columbus Courier & Freight LLC	135.45
	Unishippers Association	97.05
Subtotal	1,138.22	
55200 - Telecommunications Services	Verizon Wireless	425.94
	XO Communications	1,815.37
	Nextel Communications	55.51
	AT&T	40.10
	LUMEN	4,322.63
	Spectrum	2,021.46
	Spectrum AWS	2,240.13
Everstream Solutions LLC	1,376.00	
Subtotal	12,297.14	
55300 - Member/Employer Education	Holman, Carlisa	115.54
Subtotal	115.54	
55420 - Communications & Publications	Tension Envelope Corporation	2,397.32
	Bindery and Specialties, Inc.	3,380.00
Subtotal	5,777.32	
56020 - Hardware Maintenance	Park Place Technologies- service maintenance contract credit	(182.86)
Subtotal	(182.86)	
56030 - Software Maintenance	Sagitec Solutions, LLC	35,000.00
	Roundmunk	632.10
Subtotal	35,632.10	
56035 - Software Subscriptions	Shi International Corp.	6,603.75
	Workiva Inc.	44,692.76
	ADP, LLC	5,893.34
	Liquid Web Inc	321.59
	Zoho Corporation	2,175.00
	WordFence	127.93
	Zoom	556.81
	Wellable LLC	468.00
	Amazon Web Services	221.76
Subtotal	61,060.94	
56040 - Hardware < \$5,000	Amazon.com	851.05
	Dell Marketing LP	2,603.65
Subtotal	3,454.70	
56050 - Software < \$25,000	Dell Marketing LP	2,241.00
Subtotal	2,241.00	
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc	786.73
	Canon Financial Services, Inc	2,191.27
	LD Products Inc.	360.94
Subtotal	3,338.94	
56130 - Office Supplies & Expenses	Staples Business Advantage	388.39
	Subtotal	388.39
56140 - Miscellaneous Office Supplies	AICPA Order Department	148.35
Subtotal	148.35	
56150 - Furniture & Equipment < \$5,000	Continental Office Environments	723.60
Subtotal	723.60	
56160 - Records Storage	Vital Records Holdings, LLC	1,619.00
Subtotal	1,619.00	
56210 - Seminars & Conferences	NASRA	2,400.00
	Ohio State University	900.00
	National Association of Public Pension Attorneys	650.00
	Subtotal	3,950.00

Expense Account	Vendor	Amount
56310 - Travel & Transportation	Rossler, James	417.76
	Haller, James	365.00
	Phillips, Barbra	23.90
	Giant Eagle	9.98
	Le, Hai Yen	1,269.78
	Majeed, Farouki	2,542.60
	Moss, Catherine	476.33
	Wilson, Daniel L.	445.48
	King, Matt	394.00
	Weglarz, Frank	523.08
	Messerschmitt, Adam	1,499.99
	Viggiano, Dawn	508.45
	Cheng, Paul	2,272.49
	Subtotal	10,748.84
56410 - Subscriptions	Wall Street Journal	155.96
	Constant Contact	225.00
	Shutterstock, Inc.	29.00
	Gongwer News Service, Inc	3,200.00
	Modern Healthcare	229.00
	Toledo Blade	12.99
	Currency Research Associates LLC	1,250.00
Subtotal	5,101.95	
56420 - Memberships	Public Pension Financial Forum	400.00
	Institutional Limited Partners Association	4,000.00
	International Foundation of Employee Benefit Plans	1,600.00
	Clerk of the Supreme Court	331.75
	Institutional Society of Risk Professionals	300.00
	Information Systems Audit and Control Association	180.00
Subtotal	6,811.75	
56610 - Operations Maintenance	Amtrec, LLC	1,666.00
	South Central Power Company	105.00
	Northeast Ohio Natural Gas Corp.	421.48
Subtotal	2,192.48	
56630 - Interior Landscaping	Ambius Inc. (05)	1,366.37
Subtotal	1,366.37	
56620 - Staff Support	Cintas Corporation	476.06
	Franklin Services	860.88
	ADP, LLC	3,451.00
	Mount Carmel Occupational Health	2,166.00
	Kroger	28.75
	Premier ProduceOne	322.00
	Amazon.com	308.45
	Pepe, Marieke Christi	144.00
	PayFlex Systems USA, Inc.	350.00
	Culligan Bottled Water of Columbus	59.93
	Life Insurance Company of North America	580.00
	Walmart	109.35
	Meijer	45.54
	Aetna Behavioral Health, LLC	282.60
Condado Tacos	220.90	
Subtotal	9,405.46	
56621 - Recruiting Expense	ADP Screening & Selection Services	153.18
	Indeed	1,400.38
Subtotal	1,553.56	
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)
Subtotal	(25,416.67)	
	Total SERS Administrative Expense	2,187,892.76



FY2023 Administrative Budget  
Board Expense to Budget Reporting  
Year-to-Date Through February 28, 2023

Major Category/Sub-Major Category	Line Item	Vendor	FY2023 Budget	Year to Date Expense	Budgeted Y/N?	Additional Information
<b>PROFESSIONAL SERVICES</b>						
<b>ACTUARIAL ADVISORS</b>						
	Actuarial	Cavanaugh Macdonald	\$ 272,508.00	\$ 166,509.00	Y	Actuarial Consultant
<b>AUDITING</b>						
	Auditing	RSM	\$ 184,000.00	\$ 152,444.00	Y	External Auditor
<b>BANKING FEES</b>						
	Custodial Banking		1,073,544.00	653,701.79		
		Huntington/Fifth Third	302,004.00	192,619.74	Y	Domestic Custodian
		BNYM	765,000.00	461,082.05	Y	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	194,922.00	94,846.23	Y	Banking Services
<b>INVESTMENT RELATED</b>						
	Master Recordkeeper		1,116,000.00	669,210.89	Y	
	Investment Consulting & Advisory Services		650,000.00	360,393.83		
		Aksia	200,000.00	60,393.83	Y	Investment Consulting
		Wilshire	450,000.00	300,000.00	Y	Investment Consulting
	Performance Analytics Services		690,263.00	494,417.11		
		Barra-One Risk Mgmt Sys	238,445.00	178,833.75	Y	Investment Risk Analytics
		BNY Mellon GRS	412,800.00	276,713.28	Y	Investment Performance Analytics
<b>TECHNICAL</b>						
	Special Counsel		235,020.00	54,956.00	Y	
	Technical		1,202,316.00	542,539.07		
		Merative US L.P.	118,000.00	59,000.00	Y	Data Warehouse
		Sagitec	550,000.00	299,491.50	Y	SMART Development Resources
	Other Professional Services		422,451.00	262,076.73		
<b>OTHER OPERATING EXPENSE</b>						
<b>COMPUTER SUPPORT SERVICES</b>						
	Software Maintenance		1,004,851.00	679,673.91		
		Hyland	110,529.00	114,482.38	Y	ImageNow
		Dell	240,000.00	236,639.52	Y	Microsoft Enterprise Agreement
		Sagitec	420,000.00	245,000.00	Y	SMART Silver Support
	Software Subscriptions		1,183,234.00	643,066.89	Y	
		DRaaS	158,000.00	73,132.68	Y	Expedient
		Dynamo	128,000.00	128,800.00	Y	Dynamo Software, INC
		Carahsoft	124,688.00	109,855.20	Y	ServiceNow System
<b>PROPERTY MANAGEMENT LIABILITY INSURANCE</b>						
	Management Liability Insurance		518,000.00	519,591.00		
		Cyber Liability Insurance	118,000.00	105,264.25	Y	ARC Excess & Surplus, LLC
		Crime Fiduciary D&O Insurance	400,000.00	414,326.75	Y	ARC Excess & Surplus, LLC

**PROJECT ITEMS**

Major Category/Sub-Major Category	Line Item	Project	FY2023 Budget	YTD Expense	Budgeted Y/N?	Additional Information
<b>PROFESSIONAL SERVICES</b>						
<b>TECHNICAL</b>						
		CBBC Programming	150,000.00	39,382.20	Y	CBBC programming

**SERS**

**UNBUDGETED PROJECT ITEMS**

Major Category/Sub-Major Category	Line Item	Project	FY2023 Budget	YTD Expense	Budgeted Y/N?	Expense Reallocation
Technical	Technical	Agile Coaching- Improving	\$ -	\$ 5,600.00	N	Technical

**OSERS BROAD STREET, LLC**

**UNBUDGETED PROJECT ITEMS**

Major Category	Line Item	Project	FY2023 Budget	YTD Expense	Budgeted Y/N?
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# SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

## FINANCIAL HIGHLIGHTS

As of January 31, 2023 and 2022

(unaudited)

<b>SERS (All Funds)</b>	1/31/23 YTD	1/31/22 YTD	Comparative Difference	% Difference
<b><u>ADDITIONS</u></b>				
Employer Contributions	\$347,678,138	\$326,592,780	\$21,085,358	6%
Member Contributions	226,854,668	213,429,583	13,425,085	6
Health Care Premiums, Subsidies & Other Income	106,094,902	62,603,024	43,491,878	69
Total Investment Income, Net	695,593,241	337,872,228	357,721,013	106
<b>TOTAL ADDITIONS</b>	<b>1,376,220,949</b>	<b>940,497,615</b>	<b>435,723,334</b>	<b>46</b>
<b><u>DEDUCTIONS</u></b>				
Retirement, Disability, Survivor & Death Benefits	795,079,356	771,503,399	23,575,957	3
Health Care Expenses	123,954,503	107,613,428	16,341,075	15
Refunds & Transfers	56,482,418	48,961,907	7,520,511	15
Administrative Expenses (excluding Investments)	18,065,855	17,376,464	689,391	4
<b>TOTAL DEDUCTIONS</b>	<b>993,582,132</b>	<b>945,455,198</b>	<b>48,126,934</b>	<b>5</b>
Changes in Net Position	382,638,817	(4,957,583)	387,596,400	7,818
Net Position - Beginning	17,574,319,449	18,440,611,356	(866,291,907)	(5)
<b>SERS Net Position - Ending</b>	<b>\$17,956,958,266</b>	<b>\$18,435,653,773</b>	<b>(\$478,695,507)</b>	<b>(3%)</b>

### HEALTH CARE FUND

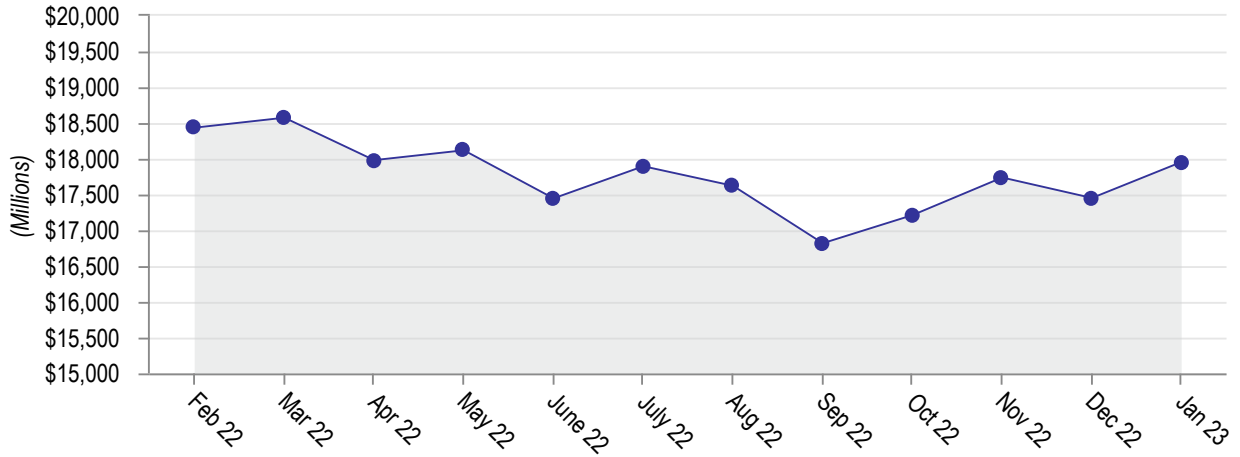
#### HEALTH CARE ADDITIONS

Employer Contributions	\$30,808,248	\$28,700,000	\$2,108,248	7%
Health Care Premiums	35,728,176	36,876,480	(1,148,304)	(3)
Medicare Subsidies & Other Receipts	70,366,726	25,726,544	44,640,182	174
Total Investment Income, Net	20,827,221	9,695,825	11,131,396	115
<b>TOTAL HEALTH CARE ADDITIONS</b>	<b>157,730,371</b>	<b>100,998,849</b>	<b>56,731,522</b>	<b>56</b>
<b>TOTAL HEALTH CARE DEDUCTIONS</b>	<b>125,465,434</b>	<b>109,446,814</b>	<b>16,018,620</b>	<b>15</b>
Changes in Net Position	32,264,937	(8,447,965)	40,712,902	(482)
Net Position - Beginning	611,574,409	600,330,188	11,244,221	2
<b>SERS Health Care Fund Net Position - Ending</b>	<b>\$643,839,346</b>	<b>\$591,882,223</b>	<b>\$51,957,123</b>	<b>9%</b>

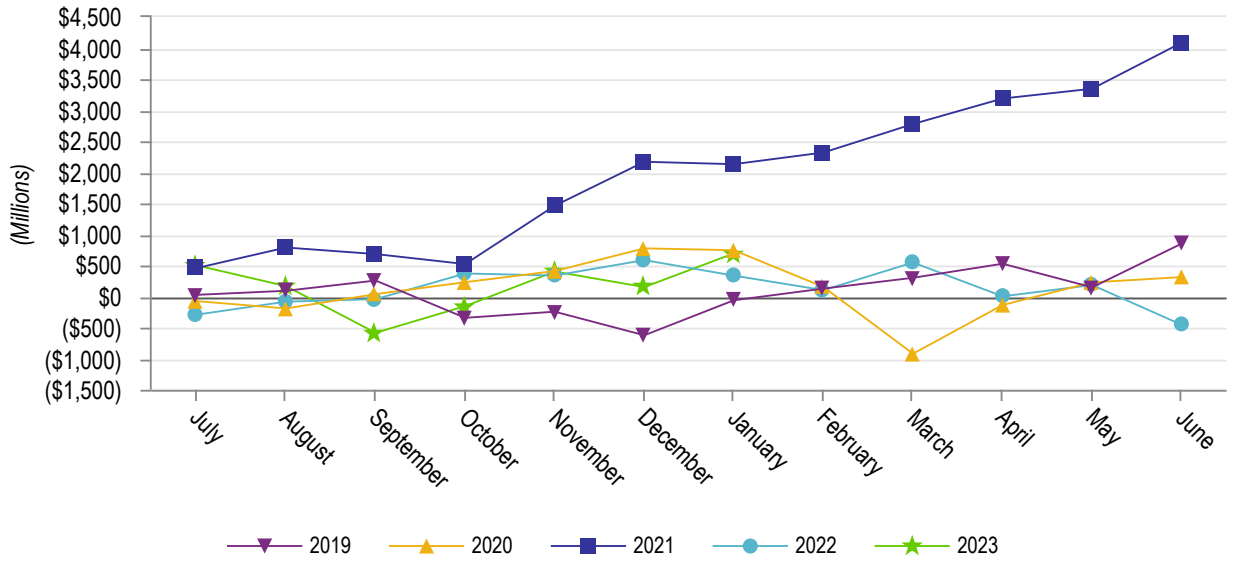
#### ADMINISTRATIVE EXPENSES

	1/31/23 YTD	Fiscal Year Annual Budget	% of Annual Budget
Personnel	\$14,714,600	\$24,392,195	60%
Professional Services	3,329,138	6,502,883	51
Communications	606,706	1,011,873	60
Other Operating Expenses	2,178,717	3,607,379	60
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$20,829,161</b>	<b>\$35,514,330</b>	<b>59%</b>

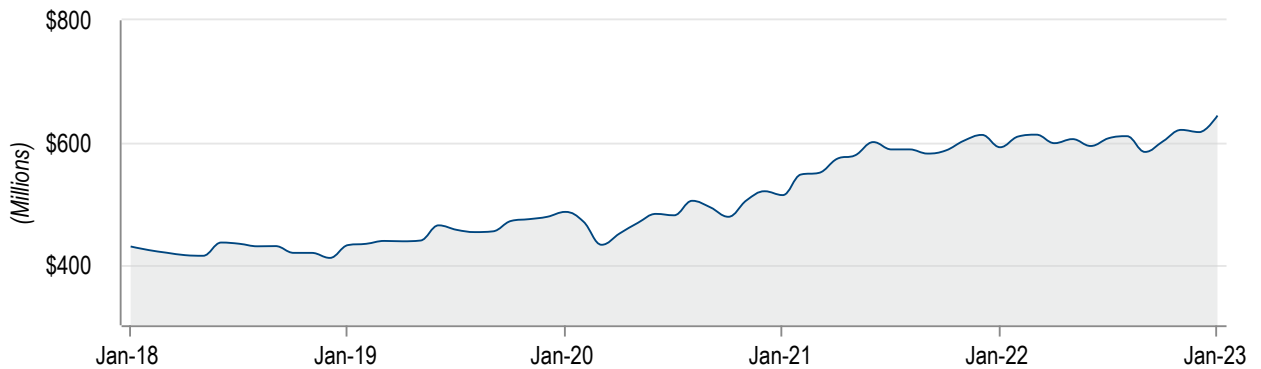
**Total SERS Fund Balance for Previous 12 Months**



**Investment Income (includes realized and unrealized gains & losses)**



**Health Care Fund Balance Trend**



# Memo

To: Retirement Board  
From: SERS Legal Department  
CC: Richard Stensrud  
Date: March 3, 2023  
Re: Administrative Rules

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Two categories of resolutions on Administrative Rules are on the March Board Agenda.

**I. Approval to withdraw the following five year no change rule:**

- **3309-1-09 Federal taxation**

After this rule was presented as a No Change Rule at the December 2022 Retirement Board meeting, Congress passed the SECURE 2.0 Act, whose provisions include increasing the age at which Required Minimum Distributions (RMD) must begin. To comply with this change in RMD law, 3309-1-09 now needs to be amended.

**II. Approval to file with JCARR the following proposed amended rules:**

- **3309-1-09 Federal taxation**

The amendments to this rule are in response to the SECURE 2.0 Act, which was enacted on Dec. 29, 2022. Section 107 of SECURE 2.0 increases the age for required minimum distributions and applies to distributions required to be made after December 31, 2022, with respect to individuals who attain age 72 after December 31, 2022.

3309-1-09 documents SERS' compliance with various Internal Revenue Code requirements. Paragraphs (B)(2) and (B)(4) have been amended to change the required minimum distribution age from 72 to 73.

- **3309-1-35 Health care**

The proposed amendments to this rule reflect the Board's desire to require new retirees and disability benefit recipients who are not eligible for Medicare to receive Marketplace counseling before enrolling in SERS' health care coverage. Counseling will be provided by SERS' vendor, HealthSCOPE Benefits, whose staff is licensed to enroll individuals in federal Marketplace plans. The requirement will apply to individuals with a benefit effective date beginning June 1, 2023 and to those who have previously waived SERS coverage but wish to enroll on or after that date due to a qualifying event.

Please call Susan Russell at 614-222-5809 or Dawn Viggiano at 614-222-5924 if you have any questions before the meeting.

## **FIVE YEAR REVIEW AND WITHDRAWAL OF NO CHANGE ADMINISTRATIVE RULE**

Legal Counsel discussed with the Retirement Board removing from JCARR's consideration the following no change rule: 3309-1-09 Federal taxation.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that rule 3309-1-09 be withdrawn as discussed.

### **3309-1-09 Federal taxation.**

- (A) For purposes of this rule, "benefit" refers to a payment from the accumulated contributions of the member or the employer, or both, under Chapter 3309. of the Revised Code and includes an account refund, pension, annuity, disability benefit, or survivor benefit.
- (B) Notwithstanding any provision in rules of school employees retirement system ("SERS") or Chapter 3309. of the Revised Code to the contrary, distributions to members and beneficiaries shall be made in accordance with section 401(a)(9) of the Internal Revenue Code of 1986, 26 U.S.C. 401(a)(9), and the following:
  - (1) The entire interest of a member shall be distributed to the member:
    - (a) Not later than the required beginning date; or
    - (b) Beginning not later than the required beginning date over the life of the member and a designated beneficiary within the meaning of section 401(a)(9) of the Internal Revenue Code.
  - (2) The required beginning date means April first of the calendar year following the later of:
    - (a) The calendar year in which the member attains seventy-two years of age; or
    - (b) The calendar year in which the member retires.
  - (3) If distribution of a member's benefit has begun in accordance with section 401(a)(9) of the Internal Revenue Code, and the member dies, any survivor benefits will be distributed at least as rapidly as under the plan of payment selected and effective as of the date of the member's death.
  - (4) If a member dies before the distribution of the member's interest has begun in accordance with section 401(a)(9) of the Internal Revenue Code, the entire interest of the member will be distributed within five years after the death of such member. However, if a benefit is payable to or for the benefit of a designated beneficiary within the meaning of section 401(a)(9) of the Internal Revenue Code, the benefit may be distributed, in accordance with applicable regulations, over the life of such beneficiary, or over a period not extending beyond the life expectancy of the beneficiary, provided that such distributions begin not later than one year after the date of the member's death. If the beneficiary is the surviving spouse of the member, distributions shall not be required to begin, pursuant to that section, until

the end of the calendar year in which the member would have attained age seventy-two. When the beneficiary is the surviving spouse and the surviving spouse dies before distributions commence, then the surviving spouse shall be treated as the member for purposes of this rule.

- (5) Any death benefit amount payable under Chapter 3309. of the Revised Code must comply with the incidental death benefit requirements of section 401(a)(9)(G) of the Internal Revenue Code.
- (C) When the retirement system is required to make a distribution in accordance with section 401(a)(9) of the Internal Revenue Code, and a member or retirant does not respond after notification of such event, the following shall apply notwithstanding any provision in SERS rules or Chapter 3309. of the Revised Code to the contrary.
- (1) If the member is not eligible for a retirement allowance pursuant to section 3309.34 or 3309.35 of the Revised Code, the retirement system shall refund the member's account as authorized in section 3309.42 of the Revised Code.
  - (2) If the member is eligible for a retirement allowance pursuant to section 3309.34 or 3309.35 of the Revised Code, the retirement system shall calculate and pay a benefit as authorized in section 3309.36 or 3309.343 of the Revised Code, as a plan B, effective on the required beginning date as provided in paragraph (B)(2) of this rule.
    - (a) The member cannot purchase or receive any service credit after the effective date of the retirement allowance.
    - (b) A member who commences receipt of a retirement allowance under this rule, and who is married, may, not later than one year after the payment commenced, elect a plan of payment under division (B)(1), (B)(3)(b), or (B)(3)(c) of section 3309.46 of the Revised Code provided the spouse is named as the beneficiary. The election shall be made on a form provided by the retirement system and shall be effective on the later of the effective date of the retirement allowance or the marriage. Any overpayment may be recovered as provided in section 3309.70 of the Revised Code.
    - (c) If the member also was eligible for health care coverage pursuant to SERS rules and Chapter 3309. of the Revised Code, the member may, not later than sixty days after the commencement of payment of the retirement allowance, enroll for such health care coverage on a form provided by the retirement system. The effective date shall be no earlier than the first of the month after the retirement system receives the member's enrollment form.
  - (3) If the retirant is eligible for a benefit pursuant to section 3309.344 of the Revised Code, the retirement system shall calculate and pay a single lump sum benefit as authorized in section 3309.344 of the Revised Code. If such retirant also is eligible for an annuity, the retirant may return the lump sum payment within sixty days of the receipt of the payment and request an annuity on a form provided by the retirement system.
  - (4) If the benefit payment of a deceased member's spouse is subject to section 401(a)(9) of the Internal Revenue Code, then the retirement system shall treat the spouse as

if the spouse was the member for the purposes of this rule.

(D)

(1) Effective for the limitation year beginning on January 1, 2012, the final regulations promulgated April 5, 2007 with respect to section 415 of the Internal Revenue Code, 26 U.S.C. 415 are incorporated herein by reference. The 5.5 per cent interest rate assumption established by the Pension Funding Equity Act of 2004, which is applicable to any actuarial adjustments required because the member or retirant elects a form of payment to which section 415(b)(2)(E) of the Internal Revenue Code and section 417(e)(3) of the Internal Revenue Code, 26 U.S.C. 417(e)(3) apply based on the form of benefit and not the status of the plan, shall be effective as of that same date.

(2) "Limitation year" is the year used in determining whether the limits set forth in section 415 of the Internal Revenue Code have been exceeded with respect to a member or retirant in the plan describe in sections 3309.18 to 3309.70 of the Revised Code. The limitation year for the plan is the calendar year.

(E) Effective January 1, 2007, to the extent required by section 401(a)(37) of the Internal Revenue Code, 26 U.S.C. 401(a)(37) and notwithstanding any provision in Chapter 3309. of the Revised Code to the contrary, the survivor of a member on a leave of absence to perform military service with reemployment rights described in section 414(u) of the Internal Revenue Code, 26 U.S.C. 414(u), where the member cannot return to employment on account of his or her death, shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) that would be provided under Chapter 3309. of the Revised Code had the member resumed employment and then terminated employment on account of death.

(F) If there is a termination of the plan described in Chapter 3309. of the Revised Code or a complete discontinuance of contributions to the plan, the rights of each affected member, retirant, and beneficiary to the pension, annuity, or benefits accrued at the date of termination or discontinuance of contributions, to the extent then funded, are non-forfeitable.

History: 6/5/20, 5/1/18, 4/10/14, 4/1/13, 9/26/10, 4/3/09, 1/6/09 (Emer.)  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.03, 3309.34, 3309.344, 3309.36, 3309.44, 3309.45, 3309.46, 3309.50  
Review Date: 2/1/2028

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____



Daniel Wilson  
Jeffrey DeLeone

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## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-09 Federal taxation.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed amended rule 3309-1-09 be filed with JCARR as discussed.

### **3309-1-09 Federal taxation.**

- (A) For purposes of this rule, "benefit" refers to a payment from the accumulated contributions of the member or the employer, or both, under Chapter 3309. of the Revised Code and includes an account refund, pension, annuity, disability benefit, or survivor benefit.
- (B) Notwithstanding any provision in rules of school employees retirement system ("SERS") or Chapter 3309. of the Revised Code to the contrary, distributions to members and beneficiaries shall be made in accordance with section 401(a)(9) of the Internal Revenue Code of 1986, 26 U.S.C. 401(a)(9), and the following:
- (1) The entire interest of a member shall be distributed to the member:
    - (a) Not later than the required beginning date; or
    - (b) Beginning not later than the required beginning date over the life of the member and a designated beneficiary within the meaning of section 401(a)(9) of the Internal Revenue Code.
  - (2) The required beginning date means April first of the calendar year following the later of:
    - (a)
      - (i) The calendar year in which the member attains seventy-two years of age, for members who attain seventy-two years of age before January 1, 2023; or
      - (ii) The calendar year in which the member attains seventy-three years of age, for members who attain seventy-two years of age after December 31, 2022; or-
    - (b) The calendar year in which the member retires.
  - (3) If distribution of a member's benefit has begun in accordance with section 401(a)(9) of the Internal Revenue Code, and the member dies, any survivor benefits will be distributed at least as rapidly as under the plan of payment selected and effective as of the date of the member's death.
  - (4) If a member dies before the distribution of the member's interest has begun in accordance with section 401(a)(9) of the Internal Revenue Code, the entire

interest of the member will be distributed within five years after the death of such member. However, if a benefit is payable to or for the benefit of a designated beneficiary within the meaning of section 401(a)(9) of the Internal Revenue Code, the benefit may be distributed, in accordance with applicable regulations, over the life of such beneficiary, or over a period not extending beyond the life expectancy of the beneficiary, provided that such distributions begin not later than one year after the date of the member's death. If the beneficiary is the surviving spouse of the member, distributions shall not be required to begin, pursuant to that section, until the end of the calendar year in which the member would have attained age seventy-two, in the case of a member who would have attained age seventy-two before January 1, 2023, or age seventy-three, in the case of a member who would have attained age seventy-two after December 31, 2022. When the beneficiary is the surviving spouse and the surviving spouse dies before distributions commence, then the surviving spouse shall be treated as the member for purposes of this rule.

- (5) Any death benefit amount payable under Chapter 3309. of the Revised Code must comply with the incidental death benefit requirements of section 401(a)(9)(G) of the Internal Revenue Code.
- (C) When the retirement system is required to make a distribution in accordance with section 401(a)(9) of the Internal Revenue Code, and a member or retirant does not respond after notification of such event, the following shall apply notwithstanding any provision in SERS rules or Chapter 3309. of the Revised Code to the contrary.
- (1) If the member is not eligible for a retirement allowance pursuant to section 3309.34 or 3309.35 of the Revised Code, the retirement system shall refund the member's account as authorized in section 3309.42 of the Revised Code.
  - (2) If the member is eligible for a retirement allowance pursuant to section 3309.34 or 3309.35 of the Revised Code, the retirement system shall calculate and pay a benefit as authorized in section 3309.36 or 3309.343 of the Revised Code, as a plan B, effective on the required beginning date as provided in paragraph (B)(2) of this rule.
    - (a) The member cannot purchase or receive any service credit after the effective date of the retirement allowance.
    - (b) A member who commences receipt of a retirement allowance under this rule, and who is married, may, not later than one year after the payment commenced, elect a plan of payment under division (B)(1), (B)(3)(b), or (B)(3)(c) of section 3309.46 of the Revised Code provided the spouse is named as the beneficiary. The election shall be made on a form provided by the retirement system and shall be effective on the later of the effective date of the retirement allowance or the marriage. Any

overpayment may be recovered as provided in section 3309.70 of the Revised Code.

(c) If the member also was eligible for health care coverage pursuant to SERS rules and Chapter 3309. of the Revised Code, the member may, not later than sixty days after the commencement of payment of the retirement allowance, enroll for such health care coverage on a form provided by the retirement system. The effective date shall be no earlier than the first of the month after the retirement system receives the member's enrollment form.

(3) If the retirant is eligible for a benefit pursuant to section 3309.344 of the Revised Code, the retirement system shall calculate and pay a single lump sum benefit as authorized in section 3309.344 of the Revised Code. If such retirant also is eligible for an annuity, the retirant may return the lump sum payment within sixty days of the receipt of the payment and request an annuity on a form provided by the retirement system.

(4) If the benefit payment of a deceased member's spouse is subject to section 401(a)(9) of the Internal Revenue Code, then the retirement system shall treat the spouse as if the spouse was the member for the purposes of this rule.

(D)

(1) Effective for the limitation year beginning on January 1, 2012, the final regulations promulgated April 5, 2007 with respect to section 415 of the Internal Revenue Code, 26 U.S.C. 415 are incorporated herein by reference. The 5.5 per cent interest rate assumption established by the Pension Funding Equity Act of 2004, which is applicable to any actuarial adjustments required because the member or retirant elects a form of payment to which section 415(b)(2)(E) of the Internal Revenue Code and section 417(e)(3) of the Internal Revenue Code, 26 U.S.C. 417(e)(3) apply based on the form of benefit and not the status of the plan, shall be effective as of that same date.

(2) "Limitation year" is the year used in determining whether the limits set forth in section 415 of the Internal Revenue Code have been exceeded with respect to a member or retirant in the plan describe in sections 3309.18 to 3309.70 of the Revised Code. The limitation year for the plan is the calendar year.

(E) Effective January 1, 2007, to the extent required by section 401(a)(37) of the Internal Revenue Code, 26 U.S.C. 401(a)(37) and notwithstanding any provision in Chapter 3309. of the Revised Code to the contrary, the survivor of a member on a leave of absence to perform military service with reemployment rights described in section 414(u) of the Internal Revenue Code, 26 U.S.C. 414(u), where the member cannot return to employment on account of his or her death, shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) that would be provided under Chapter

3309. of the Revised Code had the member resumed employment and then terminated employment on account of death.

(F) If there is a termination of the plan described in Chapter 3309. of the Revised Code or a complete discontinuance of contributions to the plan, the rights of each affected member, retirant, and beneficiary to the pension, annuity, or benefits accrued at the date of termination or discontinuance of contributions, to the extent then funded, are non-forfeitable.

History: 6/5/20, 5/1/18, 4/10/14, 4/1/13, 9/26/10, 4/3/09, 1/6/09 (Emer.)

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.03, 3309.34, 3309.344, 3309.36, 3309.44,  
3309.45,3309.46, 3309.50  
Review Date: 2/1/23

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

## FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-35 Health care.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed amended rule 3309-1-35 be filed with JCARR as discussed.

### **3309-1-35 Health care.**

#### (A) Definitions

As used in this rule:

- (1) "Benefit recipient" means an age and service retirant, disability benefit recipient, or a beneficiary as defined in section 3309.01 of the Revised Code, who is receiving monthly benefits due to the death of a member, age and service retirant or disability benefit recipient.
- (2) "Member" has the same meaning as in section 3309.01 of the Revised Code.
- (3) "Age and service retirant" means a former member who is receiving a retirement allowance pursuant to section 3309.34, 3309.35, 3309.36 or 3309.381 of the Revised Code. A former member with an effective retirement date after June 13, 1986 must have accrued ten years of service credit, exclusive of credit obtained after January 29, 1981 pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code.
- (4) "Disability benefit recipient" means a member who is receiving a benefit or allowance pursuant to section 3309.35, 3309.39, 3309.40 or 3309.401 of the Revised Code.
- (5) "Dependent" means an individual who is either of the following:
  - (a) A spouse of an age and service retirant, disability benefit recipient, or member,
  - (b) A biological, adopted or step-child of an age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member or other child in a parent-child relationship in which the age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member has or had custody of the child, so long as the child:
    - (i) Is under age twenty-six, or
    - (ii) Regardless of age is permanently and totally disabled, provided that the disability existed prior to the age and service retirant's, disability benefit recipient's, or member's death and prior to the child reaching age twenty-six. For purposes of this paragraph "permanently and totally disabled" means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.

- (6) "Health care coverage" means any of the following group plans offered by the system:
- (a) A medical and prescription drug plan;
  - (b) Limited wraparound coverage, which provides limited benefits that wrap around an individual health insurance plan; or
  - (c) An excepted benefit health reimbursement arrangement, which provides reimbursement of medical expenses incurred under an individual health insurance plan.
- (7) "Premium" means a monthly amount that may be required to be paid by a benefit recipient to continue enrollment for health care coverage for the recipient or the recipient's eligible dependents.
- (8) "Employer" and "public employer" have the same meaning as in section 3309.01 of the Revised Code.
- (9) "Marketplace counselor" means an individual licensed to determine eligibility for, and enroll individuals in, a Marketplace plan.
- (10) "Marketplace plan" means an individual health plan available through either a state or federal health insurance marketplace.

(B) Eligibility

- (1) A person is eligible for health care coverage under the school employees retirement system's health care plan so long as the person qualifies as one of the following:
- (a) An age and service retiree or the retiree's dependent,
  - (b) A disability benefit recipient or the recipient's dependent,
  - (c) The dependent of a deceased member, deceased age and service retiree, or deceased disability benefit recipient, if the dependent is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code,
  - (d) The dependent child of a deceased member, deceased disability benefit recipient, or deceased age and service retiree if the spouse is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code and the spouse elects to be covered.
- (2) Eligibility for SERS health care coverage shall terminate when the person ceases to qualify as one of the persons listed in paragraph (B)(1) of this rule, except that a dependent described in paragraph (A)(5)(b)(i) of this rule shall cease to qualify on the first day of the calendar year following the dependent's twenty-sixth birthday.
- (3) Except for a dependent described in paragraph (A)(5)(b) of this rule, eligibility for SERS health care coverage shall terminate when the person is not enrolled in Medicare part B and on or after January 1, 2016 commences employment that provides access to a medical plan with prescription coverage through the employer, or if employees of that employer in comparable positions have access to a medical plan available through the employer, provided the medical plan with prescription

drug coverage available through the employer is equivalent to the medical plan with prescription coverage at the cost available to fulltime employees as defined by the employer. For purposes of this paragraph, employer means a public or private employer.

- (4) On or after January 1, 2021, eligibility for SERS health care coverage shall terminate when a person listed in paragraph (B)(1) of this rule becomes eligible for medicaid and is ineligible for medicare. For purposes of this rule, a benefit recipient and their dependent(s) shall be presumed to be eligible for medicaid if their gross monthly SERS benefit is less than the percentage of the federal poverty level used by the Ohio department of medicaid to determine medicaid eligibility under agency 5160 and division 5160:1 of the Administrative Code. Upon request, a benefit recipient presumed to be eligible for medicaid must provide SERS with satisfactory proof of ineligibility for medicaid in their state of residence within ninety days from the date of SERS' request.
- (5) Eligibility for SERS health care coverage shall terminate when a person eligible for medicare part B fails to:
- (a) Enroll in medicare part B during the person's initial enrollment period or special enrollment period under 42 U.S.C. 1395p that includes a date on or after January 1, 2019. If the failure to enroll occurred on or after January 1, 2019 and prior to January 1, 2022, the person must enroll in medicare part B during the general enrollment period ending March 31, 2022; or
- (b) Enroll in medicare part B during the general enrollment period available under 42 U.S.C. 1395p immediately following a loss of medicare part B coverage that began on or after January 1, 2019. If the loss of medicare part B coverage began on or after January 1, 2019 and prior to January 1, 2022, the person must enroll in medicare part B during the general enrollment period ending March 31, 2022.

(6) Eligibility for SERS health care coverage shall terminate when a benefit recipient who is not eligible for medicare, and whose benefit effective date or reinstatement to SERS health care coverage under paragraph (I) of this rule is effective on or after June 1, 2023, fails to complete counseling with a SERS approved Marketplace counselor to review Marketplace plan options.

(a) The benefit recipient shall provide the Marketplace counselor with all information required to determine the cost of available Marketplace plans. The Marketplace counselor shall notify SERS when such counseling has been completed.

(b) A benefit recipient who fails to complete counseling before the sixtieth day after their benefit effective date or Marketplace qualifying event shall be deemed to have waived SERS health care coverage until the individual becomes eligible for reinstatement as permitted under paragraph (I)(1)(a) of this rule.

(c) Counseling shall not be required if the Marketplace counselor is unable to determine available Marketplace plans based on the benefit recipient's address or other demographic information. The Marketplace counselor will notify SERS when a Marketplace plan cannot be determined based on the circumstances.



(C) Enrollment

- (1) Except as otherwise provided in this rule, an eligible benefit recipient may enroll in school employees retirement system's health care coverage only at the time the benefit recipient applies for an age and service retirement, disability benefit, or monthly benefits pursuant to section 3309.45 of the Revised Code.
- (2) An eligible spouse of an age and service retiree or disability benefit recipient may only be enrolled in the system's health care coverage at the following times:
  - (a) At the time the retiree or disability benefit recipient enrolls in school employees retirement system's health care coverage.
  - (b) Within thirty-one days of the eligible spouse's:
    - (i) Marriage to the retiree or disability benefit recipient; or
    - (ii) Involuntary termination of health care coverage under another plan, including a medicare advantage plan, or medicare part D plan.
  - (c) Within ninety days of becoming eligible for medicare.
- (3) An eligible dependent child of an age and service retiree, disability benefit recipient, or deceased member may be enrolled in the system's health care coverage at the following times:
  - (a) At the time the retiree, disability benefit recipient, or surviving spouse enrolls in school employees retirement system's health care coverage.
  - (b) Within thirty-one days of the eligible dependent child's:
    - (i) Birth, adoption, or custody order; or
    - (ii) Involuntary termination of health care coverage under another plan, including a medicare advantage plan, or medicare part D plan.
  - (c) Within ninety days of becoming eligible for medicare.

(D) Cancellation of health care coverage

- (1) Health care coverage of a person shall be cancelled when:
  - (a) The person's eligibility terminates as provided in paragraph (B)(2) of this rule;
  - (b) The person's eligibility terminates as provided in paragraph (B)(3) of this rule;
  - (c) The person's eligibility terminates as provided in paragraph (B)(4) of this rule;
  - (d) The person's eligibility terminates as provided in paragraph (B)(5) of this rule;
  - (e) The person's health care coverage is cancelled for default as provided in paragraph (F) of this rule;
  - (f) The person's health care coverage is waived as provided in paragraph (G) of this rule;

- (g) The person's health care coverage is cancelled due to the person's enrollment in a medicare advantage plan or medicare part D plan as provided in paragraph (H) of this rule;
- (h) The health care coverage of a dependent is cancelled when the health care coverage of a benefit recipient is cancelled; or
- (i) The person's benefit payments are suspended for failure to submit documentation required to establish continued benefit eligibility under division (B)(2)(b)(i) of section 3309.45 of the Revised Code, division (F) of section 3309.39 of the Revised Code, division (D) of section 3309.41 of the Revised Code, or division (D) of section 3309.392 of the Revised Code.

(E) Effective date of coverage

- (1) Except as provided in paragraph (E)(2) of this rule, the effective date of health care coverage for persons eligible for health care coverage as set forth in paragraph (B) of this rule shall be as follows:
  - (a) For a disability benefit recipient or dependent of a disability benefit recipient, health care coverage shall be effective on the first of the month following the determination and recommendation of disability to the retirement board or on the benefit effective date, whichever is later.
  - (b) For an age and service retirant or dependent of an age and service retirant, health care coverage shall be effective on the first of the month following the date that the retirement application is filed with the retirement system or on the benefit effective date, whichever is later.
  - (c) For an eligible dependent of a deceased member, deceased disability benefit recipient, or deceased age and service retirant, health care coverage shall be effective on the effective date of the benefit if the appropriate application is received within three months of the date of the member's or retirant's death, or the first of the month following the date that the appropriate application is received if not received within three months of the date of the member's or retirant's death.

(2) The effective date of coverage for a person described in paragraph (B)(6) of this rule shall be the first available effective date of the Marketplace plan or the date provided under paragraph (E)(1) of this rule, whichever is later.

(F) Premiums

- (1) Payment of premiums for health care coverage shall be by deduction from the benefit recipient's monthly benefit. If the full amount of the monthly premium cannot be deducted from the benefit recipient's monthly benefit, the benefit recipient shall be billed for the portion of the monthly premium due after any deduction from the monthly benefit.
- (2) Premium payments billed to a benefit recipient shall be deemed in default after the unpaid premiums for coverage under this rule and supplemental health care coverage under rule 3309-1-64 of the Administrative Code reach a total cumulative amount of at least three months of billed premiums. The retirement system shall

send written notice to the benefit recipient that payments are in default and that coverage will be cancelled on the first day of the month after the date of the notice unless payment for the total amount in default is received prior to the date specified in the notice. If coverage is cancelled due to a recipient's failure to pay premium amounts in default, the recipient shall remain liable for such amounts due for the period prior to cancellation of coverage.

- (3) After cancellation for default, health care coverage can be reinstated as provided in paragraph (1) of this rule, or upon submission of an application for reinstatement supported by medical evidence acceptable to SERS that demonstrates that the default was caused by the benefit recipient's physical or mental incapacity. "Medical evidence" means documentation provided by a licensed physician of the existence of the mental or physical incapacity causing the default. Health care coverage reinstated after termination for default shall be effective on the first of the month following the date that the application for reinstatement is approved and payment for the total amount in default is received.
- (4) A person enrolled in SERS' health care plan cannot receive a premium subsidy unless that person is:
  - (a) A dependent child.
  - (b) An age and service retiree:
    - (i) An age and service retiree with an effective retirement date before August 1, 1989; or
    - (ii) An age and service retiree with an effective retirement date on or after August 1, 1989 and before August 1, 2008 who had earned fifteen years of service credit; or
    - (iii) An age and service retiree with an effective retirement date on or after August 1, 2008 who had earned twenty years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
      - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
      - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.
  - (c) A disability benefit recipient:
    - (i) A disability benefit recipient with an effective benefit date before August 1, 2008; or
    - (ii) A disability benefit recipient with an effective benefit date on or after August 1, 2008 who:
      - (a) Was eligible to participate in the health care plan of his or her employer at the time of separation from SERS service; or

(b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding separation from SERS service.

(d) A spouse:

- (i) A spouse or surviving spouse of an age and service retirant or disability benefit recipient with an effective retirement date or benefit date before August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code;
- (ii) A spouse or surviving spouse of an age and service retirant or disability benefit recipient with an effective retirement date or benefit date on or after August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:

(a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or

(b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.

(iii) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date before August 1, 2008; or

(iv) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date on or after August 1, 2008, and the member;

(a) Was eligible to participate in the health care plan of his or her employer at the time of death or separation from SERS service; or

(b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding the member's death or separation from SERS service.

(e) For purposes of determining eligibility for a subsidy under paragraph (F)(4) of this rule, when the last contributing service of an age and service retirant, disability benefit recipient, or member was as an employee as defined by division (B)(2) of section 3309.01 of the Revised Code, the health care plan participation requirement shall be if the individual would have been eligible for the public employer's health care plan if the individual were an employee as defined by division (B)(1) of section 3309.01 of the Revised Code.

(f) Any other individual covered under a SERS health care plan shall be eligible for a premium subsidy under the standard set forth for spouses.

- (g) In all cases of doubt, the retirement board shall determine whether a person enrolled in a SERS health care plan is eligible for a premium subsidy, and its decision shall be final.

(G) Waiver

- (1) A benefit recipient may waive health care coverage by completing and submitting a SERS waiver form to SERS.
- (2) The health care coverage of a benefit recipient's dependent may be waived as follows:
  - (a) For non-medicare eligible dependents, the benefit recipient may waive their coverage by completing and submitting a signed written request to SERS on their behalf.
  - (b) For medicare eligible dependents, the dependent may waive their coverage by completing and submitting a signed written request to SERS.

(H) Medicare advantage or medicare part D

SERS shall cancel the health care coverage of a benefit recipient or dependent who enrolls in a medicare advantage or medicare part D plan that is not offered by the system.

(I) Reinstatement to SERS health care coverage

- (1) An eligible benefit recipient, or dependent of a benefit recipient with health care coverage, whose coverage has been previously waived or cancelled may be reinstated to SERS health care coverage by filing a health care enrollment application as follows:
  - (a) The application is received no later than ninety days after becoming eligible for medicare. Health care coverage shall be effective the later of the first day of the month after becoming medicare eligible or receipt of the enrollment application by the system;
  - (b) The application is received no later than thirty-one days after involuntary termination of coverage under medicaid. Health care coverage shall be effective the later of the first day of the month after termination of coverage or receipt of proof of termination and the enrollment application by the system; or
  - (c) The application is received no later than thirty-one days after involuntary termination of coverage under another plan, medicare advantage plan, or medicare part D plan with proof of such termination. Health care coverage shall be effective the later of the first day of the month after termination of the other plan or receipt of proof of termination and the enrollment application by the system.
- (2) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(i) of this rule shall be reinstated to SERS health care plan when benefit payments are reinstated.
- (3) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(b) of

this rule may be reinstated to SERS health care plan when they no longer have access to the medical plan of an employer by filing a health care enrollment application within thirty-one days of the employment ending.

- (4) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled and who is enrolled in medicare parts A and B or medicare part B only on December 31, 2007 may be reinstated to SERS health care coverage by filing a healthcare enrollment application during the period of time beginning October 1, 2007 and ending November 30, 2007. Health care coverage shall be effective January 1, 2008.
- (5) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled pursuant to paragraph (H) of this rule and who is enrolled in medicare parts A and B or medicare part B only on June 30, 2009 may be reinstated to SERS health care coverage by filing a health care enrollment application during the period of time beginning May 21, 2009 and ending July 15, 2009.
- (6) An eligible benefit recipient who had an effective retirement or benefit date on or after August 1, 2008, who qualifies for a premium subsidy under paragraph (F)(4) of this rule, and whose coverage has previously been waived as provided in paragraph (G) of this rule, may be reinstated to school employees retirement system health care coverage by submitting a complete health care enrollment application on or before December 14, 2012. Health care coverage shall be effective January 1, 2013.
- (7) An eligible benefit recipient for whom SERS is transferring funds to another Ohio retirement system in accordance with paragraph (G) of rule 3309-1-55 of the Administrative Code may be reinstated to SERS health care coverage by submitting a health care enrollment application during open enrollment periods for health care coverage starting January 1, 2015 or January 1, 2016.

(J) Medicare part B

- (1) A person who is enrolled in SERS' health care shall enroll in medicare part B at the person's first eligibility date for medicare part B. A person who fails to enroll in or maintain medicare part B coverage shall be ineligible for SERS health care coverage in accordance with paragraph (B)(5) of this rule.
- (2)
  - (a) The board shall determine the monthly amount paid to reimburse an eligible benefit recipient for medicare part B coverage. The amount paid shall be no less than forty-five dollars and fifty cents, except that the board shall make no payment that exceeds the amount paid by the recipient for the coverage.
  - (b) As used in paragraph (J) of this rule, an "eligible benefit recipient" means:
    - (i) An eligible person who was a benefit recipient and was eligible for medicare part B coverage before January 7, 2013, or
    - (ii) An eligible person who is a benefit recipient, is eligible for medicare part B coverage, and is enrolled in SERS' health care.

- (3) The effective date of the medicare part B reimbursement to be paid by the board shall be as follows:
- (a) For eligible benefit recipients who were a benefit recipient and were eligible for medicare B coverage before January 7, 2013 the later of:
    - (i) January 1, 1977; or
    - (ii) The first of the month following the date that the school employees retirement system received satisfactory proof of coverage.
  - (b) For eligible benefit recipients not covered under paragraph (J)(3)(a) of this rule, the later of:
    - (i) The first month following the date that the school employees retirement system received satisfactory proof of coverage, or
    - (ii) The effective date of SERS health care.
- (4) The board shall not:
- (a) Pay more than one monthly medicare part B reimbursement when a benefit recipient is receiving more than one monthly benefit from this system; nor
  - (b) Pay a medicare part B reimbursement to a benefit recipient who is eligible for reimbursement from any other source.

History: 9/30/21, 6/5/20, 1/2/20, 5/3/19, 10/13/16, 8/13/15, 12/4/14, 7/12/14, 1/1/14, 3/8/13, 1/7/13 (Emer.), 9/30/12, 8/14/11, 9/26/10, 7/1/10 (Emer.), 6/11/10, 8/10/09, 5/22/09 (Emer.), 1/8/09, 8/8/08, 12/24/07, 9/28/07 (Emer.), 3/1/07, 1/2/04, 6/13/03, 11/9/98, 8/10/98, 1/2/93, 7/20/89, 3/20/80, 1/1/77

Promulgated Under: 111.15  
 Statutory Authority: 3309.04  
 Rule Amplifies: 3309.69  
 Review Date: 2/1/24

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

# Memo

To: Retirement Board  
From: Richard Stensrud  
CC: Karen Roggenkamp, Michelle Miller, Joe Marotta  
Date: March 12, 2023  
Re: Cost Impact of Compensation Recommendations

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At the February Board meeting CBiZ provided the Board with guidance on two compensation-related matters. Both matters are addressed annually as part of the development of the next year's budget, and are important for maintaining the compensation structure and objectives established in the compensation study last year.

First, pursuant to the Compensation Policy, each year the salary structure (i.e., all of the salary ranges for all employees) is reviewed and adjusted as necessary based on the changes to the labor market salary data for the markets against which SERS' positions are benchmarked (public sector or private sector depending on the position). This is important because it is the mechanism by which SERS' salary ranges are kept aligned with the salaries for comparable positions, and in so doing, it helps assure that the salary ranges allow SERS to attract and retain the quality of employees that will enable SERS to continue to be successful at our mission. The annual salary range adjustment is the same for and applied to all positions. Any change to the salary range for individual positions is typically done as part of a compensation study.

Changes to salary ranges does not mean that all employees receive a salary increase in the amount of the change. In most cases, it is simply the salary range that is changed, not the salary. In some cases, however, an employee's salary may fall below the new salary range minimum, and in such a case the salary is raised to the new salary range minimum. Typically, this is a small salary adjustment.

The second compensation matter is the total base salary growth, including the merit increase, for FY 23-24. Total base salary growth includes the merit, planned promotions, equity adjustments, and bringing people up to the new minimum of their salary range. The merit is the largest component of salary growth.

As you will recall, merit increases are determined based on an employee's performance relative to established performance goals. Strong performance results in a higher merit increase than performance that is not as strong. The merit level approved by the Board is



used to establish an overall merit budget and the actual merit increase will be within a range based on the approved level and overall merit budget.

Annual merit increases are the primary source of salary growth for most SERS employees. Salary growth can also come via a promotion, be based on expanded job duties, or for an equity adjustment to keep the employee appropriately placed in her/his salary range. As noted above, in some cases it can come because the employee is below the minimum of her/his salary range. SERS employees do not receive automatic step increases or cost of living adjustments.

Maintaining an appropriate level of individual salary growth is essential to enabling SERS to be able to attract and retain high quality employees. It is also important that salary levels continue to remain aligned with the salary ranges to avoid having to make substantial salary increases in subsequent compensation studies.

#### Discussion:

In February, CBiZ made the following recommendations:

- A 5.1% increase to the salary structure (the increase in the salary range for all positions).
- A 6.3% to 8% increase in the total salary budget (the amount needed to address merit, planned promotions, equity adjustments, and bringing people up to the new minimum of their salary range).

CBiZ further recommended that the merit (salary growth) be greater than the structure adjustment (range increase) so that people continue to advance within their salary range and not simply remain clustered in the lower part of the range. Specifically, CBiZ recommended that the merit growth be 1.2% more than the structure adjustment.

Finally, CBiZ stated that SERS could go below or above the recommended adjustments, but it would need to be understood that it might be necessary to 'course-correct' next year and/or in future years.

With those premises in mind, we modeled the following scenarios to illustrate how the various components (structure, merit and total salary increase) would turn out under different combinations. The calculations are built off of a projected base salary total for the end of FY 23 of \$16,100,996. Please note that all of the scenarios include the addition of a new Investment FTE.

- Scenario 1 assumes a 4.0% merit as a starting point. Per the discussion above, that would mean a 2.8% salary structure adjustment. This would result in a 5.2% increase in total salary – an increase of \$843,921 over the FY 23 year-end total.
- Scenario 2 assumes a 4.5% merit as a starting point. This would result in a 3.3% structure adjustment. It would result in a 5.7% increase in total salary – an increase of \$924,426 over the FY 23 year-end total.
- Scenario 3 assumes the 6.3% CBiZ salary growth recommendation as a starting point. With the planned promotions, equity adjustments, etc., the merit component

would be 5.1%. The salary structure increase would be 3.9%. The increase in the total base salary amount would be \$1,014,363.

- Scenario 4 assumes the 5.1% CBIZ structure adjustment recommendation as the starting point. In order to be consistent with the CBIZ recommendation that the merit be 1.2% greater than the structure adjustment, the merit would be 6.3%. The total salary growth increase would be 7.5%, which would be \$1,214,244 greater than FY 23 year-end.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Merit Assumption	4.0%	4.5%	5.1%	6.3%
Salary Structure Update	2.8%	3.3%	3.9%	5.1%
Total Base Salary Growth	5.2%	5.7%	6.3%	7.5%
Total Personnel Budget Growth	4.2%	4.6%	5.1%	6.1%

Based On Projected Actual	*New FTE Included		
Projected Base Salary Ending FY23	\$ 16,100,996.53		
Total Projected Increases for FY24	\$ 843,921.10		
Budgeted promotions and Adjustments	\$ 89,881.24	0.6%	0.6%
Investment New FTE Salary	\$ 110,000.00	0.7%	0.7%
Merit Budget	\$ 644,039.86	4.0%	4.0%
	\$ 16,944,917.63	5.2%	5.2%

Based On Projected Actual	*New FTE Included		
Projected Base Salary Ending FY23	\$ 16,100,996.53		
Total Projected Increases for FY24	\$ 924,426.08		
Budgeted promotions and Adjustments	\$ 89,881.24	0.6%	0.6%
Investment New FTE Salary	\$ 110,000.00	0.7%	0.7%
Merit Budget	\$ 724,544.84	4.5%	4.5%
	\$ 17,025,422.61	5.7%	5.7%

Based On Projected Actual	*New FTE Included		
Projected Base Salary Ending FY23	\$ 16,100,996.53		
Total Projected Increases for FY24	\$ 1,014,362.78		
Budgeted promotions and Adjustments	\$ 89,881.24	0.6%	0.6%
Investment New FTE Salary	\$ 110,000.00	0.7%	0.7%
Merit Budget	\$ 814,481.54	5.1%	5.1%
	\$ 17,115,359.31	6.3%	6.3%

Based On Projected Actual	*New FTE Included		
Projected Base Salary Ending FY23	\$ 16,100,996.53		
Total Projected Increases for FY24	\$ 1,214,244.02		
Budgeted promotions and Adjustments	\$ 89,881.24	0.6%	0.6%
Investment New FTE Salary	\$ 110,000.00	0.7%	0.7%
Merit Budget	\$ 1,014,362.78	6.3%	6.3%
	\$ 17,315,240.55	7.5%	7.5%

\*Projections as of 2/27/2023

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

# Memo

To: Retirement Board

From: Christi Pepe, Health Care Director

CC: Richard Stensrud, Executive Director  
Karen Roggenkamp, Deputy Executive Director  
Joe Marotta, General Counsel

Date: March 8, 2023

Re: Non-Medicare Disability Health Care Subsidy Change

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During recent November, December and February meetings focused on Health Care Sustainability, the SERS Board reviewed potential changes designed to improve members' awareness and selection of the SERS Marketplace Wraparound HRA. Federal Marketplace plan subsidies have been expanded such that for most SERS enrollees, the overall costs of a Marketplace plan with SERS' HRA reimbursement are lower than SERS traditional group plan costs. SERS' disability health care enrollee average annual costs are more than twice that of a service retiree, yet this group has paid less than service retirees in premium.

In February, the Board requested a resolution to change the non-Medicare disability health care subsidy amounts to equal that of service retirees by years of service, effective January 1, 2024. This change is predicted to increase the number of disability benefit recipients who select the SERS Marketplace Wraparound Plan and will achieve an estimated sustainability impact of \$3.2 million annually.

In addition to the resolution, a change to the Ohio Administrative Code rule 3309-1-35 will be developed and introduced to the Board for review and approval in a future meeting.

**NON-MEDICARE HEALTH CARE PREMIUM SUBSIDY RATES**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded to approve the following health care subsidy changes originally discussed with SERS staff at the February 2023 Board meeting, and effective for January 1, 2024:

**Member Share of Base Premiums by Years of Service  
for SERS Non-Medicare Plans**

<b>Service Retirees</b>			
<b>Service Years</b>	<b>Retirement on or before July 1, 1989</b>	<b>Aug. 1, 1989 through July 1, 2008</b>	<b>Retirement on or after Aug. 1, 2008*</b>
5 to 9.999	50%	Not Eligible	Not Eligible
10 to 14.999	17.50%	100%	100%
15 to 19.999	17.50%	50%	100%
20 to 24.999	17.50%	25%	50%
25 to 29.999	17.50%	17.50%	30%
30 to 34.999	17.50%	17.50%	20%
35 or more	17.50%	17.50%	15%

<b>Disability Recipients</b>			
<b>Service Years</b>	<b>Benefit effective on or before July 1, 1989</b>	<b>Aug. 1, 1989 through July 1, 2008</b>	<b>Benefit effective on or after Aug. 1, 2008*</b>
5 to 9.999	50%	100%	100%
10 to 14.999	17.50%	100%	100%
15 to 19.999	17.50%	50%	100%
20 to 24.999	17.50%	25%	50%
25 to 29.999	17.50%	17.50%	30%
30 to 34.999	17.50%	17.50%	20%
35 or more	17.50%	17.50%	15%

<b>Spouse premium**</b>	<b>Child(ren)</b>		
24.999 or less	100%		
25 to 29.999	90%		70%
30 or more years	80%		

\* Service retirees effective on or after 8/1/08 and disability recipients receive an additional 1% premium reduction for each YOS over 35.

\*\* Spouse premium is based on the service retiree, disability recipient, or member's service credit.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____



# Open Enrollment

March 2023

**Christi Pepe**

Director Health Care Services



**School Employees Retirement System**  
*Serving the People Who Serve Our Schools®*



# Open Enrollment

- SERS' Open Enrollment was biennial until 2011 when substantial benefit and premium changes were made
- Since 2011, SERS has reduced the number of plan options
- Only non-Medicare enrollees have an alternative plan selection
- Open Enrollment annual cost estimate: \$120,000



# 2023 Open Enrollment

## Enrollments

- 35 plan changes
  - 26 Marketplace Wraparound HRA
  - 8 Aetna Choice POS II
  - 1 AultCare PPO
- 1,424 vision (3.2% increase)
- 1,546 dental (4.4% increase)

## Cancellations

- 615 vision (1.8% decrease)
- 714 dental (1.7% decrease)



# Proposed Changes for 2024

- Allow medical plan changes annually for the 10% who have a plan choice (non-Medicare)
- Allow dental and vision open enrollment changes every two years beginning January 1, 2024
  - VSP Vision single premium would remain \$6.17 for 2024-2025
  - Delta Dental single premium would be a hybrid of 2024 and 2025 premiums
  - Continue to allow dental and vision enrollments at eligibility
- To accommodate biennial 2026-2027, Delta Dental and VSP contracts would need to be extended by one year



# 2024-2025 Dental and Vision Rates

## VSP Vision

\$6.17 per person through 2025 (no increase)

## Delta Dental

### One-Year Renewal Rates (2024)

Rate Type	Current Rate	New Rate	Increase
Benefit recipient only	\$28.25	\$29.66	\$1.41
Benefit recipient and one dependent	\$56.50	\$59.32	\$2.82
Benefit recipient and two or more dependents	\$84.98	\$89.23	\$4.25

### Two-Year Renewal Rates (2024-2025)

Rate Type	Current Rate	New Rate	Increase
Benefit recipient only	\$28.25	\$30.37	\$2.12
Benefit recipient and one dependent	\$56.50	\$60.74	\$4.24
Benefit recipient and two or more dependents	\$84.98	\$91.35	\$6.37



# Potential Process Changes

- Amend Open Enrollment information for 2024 to inform that dental and vision enrollment will be through December 31, 2025, at the two-year monthly rate
- Amend SERS publications and enrollment forms to specify the two-year enrollment
- Benefit recipients who have a medical plan choice will have a medical-only opportunity to change plans for 2025
- Medicare plan benefit and premium changes will be communicated by the e-Focus (emailed in October) and Focus mailed in January)
- Aetna and Express Scripts send Medicare-required benefit mailings every fall



**Thank You**



**School Employees Retirement System of Ohio**  
*Serving the People Who Serve Ours Schools®*

**Only If Needed**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ 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.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M. / P.M.**

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Frank Weglarz	_____	_____	_____
Hugh Garside	_____	_____	_____
James Haller	_____	_____	_____
Matthew King	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Daniel Wilson	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____

**RETURNED TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**SERS AUDIT  
COMMITTEE  
REPORT**



**SERS  
COMPENSATION  
COMMITTEE  
REPORT**

## CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2023 \*\*

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### AUDIT COMMITTEE MEETINGS

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

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

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

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.)

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

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**

**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

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**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the SERS Retirement board adjourn to meet on for their next regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ a.m./p.m.

\_\_\_\_\_  
Jeffrey DeLeone - Chair

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