

# SERS Retirement Board Meeting Minutes

July 20, 2023

The nine hundredth and sixty-first 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, July 20, 2023.

## Pledge of Allegiance

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

## Oath of Office

Aimee Russel was sworn in as the newest SERS board member and took the following oath.

OATH OF OFFICE OF AIMEE RUSSELL  
MEMBER OF THE RETIREMENT BOARD OF THE  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

STATE OF OHIO    )  
                                  ) ss:  
COUNTY OF FRANKLIN)

I, AIMEE RUSSELL, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Ohio; that I will not knowingly violate or willfully permit to be violated any of the provisions of law applicable to this Retirement System, and that I will diligently and honestly administer the affairs of the said office and duties as a member of the Retirement Board of the School Employees Retirement System of Ohio during the period for which I was appointed.

## Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Frank Weglarz, Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Jeffrey DeLeone. 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.

## Approval of Out-Of-State Board Travel

Catherine Moss moved and James Haller seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conference and meeting be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
IFEBP 69th Annual Employee Benefits Conference & Pre-Conference	Aimee Russell	September 30 – October 4, 2023	Boston, MA	\$5362
IFEBP 69th Annual Employee Benefits Conference & Pre-Conference	Barbra Phillips	September 30 – October 4, 2023	Boston, MA	\$4207

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

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## **Consent Agenda**

The consent agenda for **July 20, 2023**, included:

- Minutes of the June 15, 2023, Retirement Board meeting
- Summary of Investment Transactions for the period of May 1, 2023, to May 31, 2023
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Personal Appearance, Approval of Appeal of Termination – Any Occupation, Approval of Appeal of Termination on Personal Appearance – Any Occupation

Catherine Moss moved and Barbra Phillips seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, July 20, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

## **Investment Report**

### **Monthly Investment Report**

Chief Investment Officer, Farouki Majeed, recapped the May 2023 U.S. economic conditions and SERS' investment results. During May, the U.S. economy continued its surprise resilience so much that the expectations of a severe recession earlier in 2023 have faded.

Mr. Majeed continued, stating it is possible that the economy is currently experiencing a “rolling recession” in certain sectors such as housing and real estate. The manufacturing industry is experiencing recessionary pressures, while other sectors of the economy remain unaffected.

Mr. Majeed also reported equity markets are still rising and emerging markets are looking favorable based valuations. SERS is currently rebalancing its equity and bond portfolios and is staying overweight in cash as short-term earnings have been between 4.5% and 5%.

After answering several questions and a robust discussion, the board thanked Mr. Majeed for his report.

### **Investment Committee Policy Discussion**

Mr. Majeed reported on changes made to the SERS Investment Committee Policy. One update states that in the future, voting participation will be limited to the CIO and Senior investment managers officers with sufficient experience as determined by the CIO. Analysts and investment officers will no longer have voting rights but they would participate the selection process.

A second change states that the CIO will now have the authority to execute necessary documents (i.e., non-disclosure agreements) with legal approval during the due diligence process and before the investment committee approval. This will help streamline the approval process for investments with a short window of opportunity. The investment committee will continue to approve or reject the investments at each committee meeting.

Finally, Mr. Majeed reported that the SERS Board will review the Investment Committee Policy annually.

With no questions, the board thanked Mr. Majeed for his update.

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## Executive Director's Report

### Ohio Retirement Study Council (ORSC)

SERS Executive Director, Richard Stensrud, opened his report stating that the July ORSC meeting was cancelled. The next meeting is scheduled for August 10, 2023, or at the call of the Chair.

### State Legislative Activity

Mr. Stensrud continued, reporting that the state operating budget bill (HB 33) that passed the General Assembly and was signed by Governor DeWine and included SERS' language to implement a Contribution Based Benefit Cap (CBBC) beginning in August of 2024. Leadership will work on an implementation plan to ensure everything is understood when it is rolled out. The board will be asked to decide on the factor used to apply the CBBC legislation. To assist in making that determination, SERS will conduct testing to see how different factor levels will affect retirement benefits. This testing will also determine how many people will be affected and what the effects are. SERS will create a communication campaign to make sure members and stakeholders understand how this affects benefits. SERS leadership will look to the board for a final decision.

The board and SERS leadership wants to express appreciation to the legislators working on the budget, House and Senate leaders, and legislative staff, as well as the members of ORSC, who were champions of the SERS' CBBC proposal. Leadership is also very thankful for the support received from stakeholders will continue to work with them as the CBBC legislation is implemented.

The Ohio General Assembly's next scheduled sessions are after Labor Day.

### Federal Legislative Activity

Mr. Stensrud continued his report, stating Congressman Richard Neal (D-MA) reintroduced his WEP reform legislation he has proposed for last several sessions (H.R. 4260). The legislation introduced was a reform not a repeal. Under the proposed bill, current WEP retirees would receive \$150 a month in relief payments. In addition, for future retirees, the legislation establishes a new, fairer formula that will pay Social Security benefits in proportion to the share of a worker's earnings that were covered for Social Security purposes. This provision is coupled with a benefit guarantee ensuring no benefit cuts relative to current law for all current and future retirees. Unfortunately, unlike last Congress, Rep. Neal is no longer chair of the Ways and Means committee, but is now in the minority. Plus, his partner on WEP reform proposals, Congressman Kevin Brady (R-TX) has retired. Therefore, chances of his reform approach gaining traction is very low. We will continue to advocate and support WEP repeal and reform.

### Stakeholders

Mr. Stensrud reported SERS recently had 2 in-person workshops with employers and one webinar to help them be more effective with their engagement with SERS.

Mr. Stensrud also advised of a technical change with Aetna's Medicare Advantage Plan. There will be no changes to the plan or benefits. Premiums and the network won't change either. Information will be added to the Aetna letter sent to members to let people know that no changes are coming to the plan and they always have the option to opt out.

### Next Actuarial Valuation

Mr. Stensrud reported that the next actuarial valuation will have new information regarding no default risk and there may be some confusion around what this is. The LDROM rate is low default risk obligation measure, and it requires the actuary to calculate and disclose liability of SERS investments. This new measure does not change how SERS funds the retirement plan and does not affect how we will fund the retirement plan going forward. This reporting requirement is not optional and actuaries must include this information in the actuarial

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valuation. Mr. Stensrud stated that the goal is to continue to be transparent and proactive about this topic so no one is confused.

## Operation Feed Update

Mr. Stensrud continued his report stating that from June 5 to June 16, SERS staff divided into three teams to compete in a donation drive to collect food and hygiene supplies in support of the Mid-Ohio Food Collective. Staff also had a competition while building their creative vision of a “bowling” lane using their donated items. Staff then donated a dollar to try bowling in each lane.

SERS started the campaign with a goal of 200 lbs. of food. Our three teams collected an amazing, 1,642 lbs. of food plus \$1,858 in monetary donations with Team #2 (Administrative Services, Finance, Health Care, Investments) collecting the most money from bowling.

## COLA Decision

Mr. Stensrud reported SERS usually makes a cost-of-living adjustment (COLA) decision annually in September. In June, the CPIW (Consumer Price index) used for COLA determinations, was 2.3% and an outline of considerations was provided when making the COLA determinations. CPIW is a simply a guideline, but the board can make its own decision.

The board took a break at 9:48 a.m.

The board reconvened at 10:00 a.m.

## Executive Session

Catherine Moss moved and James Haller seconded the motion that the board convene in Executive Session pursuant to R.C. 121.22 (G)(3) to discuss imminent court action. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

The board convened in executive session at 10:01 a.m.

The board reconvened in open session at 10:38 a.m.

## Approval of Legal Action

It was moved by Catherine Moss and seconded by Barbra Phillips to authorize special counsel to the Ohio Attorney General’s Office to commence litigation on behalf of the School Employees Retirement System of Ohio as discussed in the executive session of July 20, 2023 and to authorize the Executive Director to execute any documents necessary. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

## Assumed Rate of Return

Mr. Stensrud continued his report stating at the June 2023 Board Meeting the question was raised as to whether the current 7.0% assumed rate of return remains appropriate. Cavanaugh Macdonald provided a memo explaining the annual process to review the actuarial assumed rate of return as required by ASOP No. 27 – *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on this assessment, Cavanaugh Macdonald believes the current 7% return assumption continues to be a reasonable assumption for use in the upcoming actuarial valuation as of June 30, 2023. The board agreed that this is a reasonable assumption.

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## Review of Administrative Expenses

SERS Chief Financial Officer, Marni Hall, provided an update on the administrative expenses. Ms. Hall advised FY2023 expenses were finalized on Friday. Finance staff needed to process all FY23 expenses before closing the books. Ms. Hall also stated as part of the SERS budget policy, a budget to actual report will be presented in September. With no questions, the board thanked Ms. Hall for her presentation and hard work.

## Amended SERS Board Meeting Policy and Amended Board Member Election Policy

SERS General Counsel, Joe Marotta, proposed amendments to update two Board policies. The updates are intended to address changes in staff titles, responsibilities, and processes. Below are summaries of the proposed changes.

1. **SERS Board Meeting Policy** - This policy addresses development of the Board meeting agenda and the items of business to be discussed. Updates to the policy reflect the use of the Consent Agenda to consolidate business that was previously addressed separately. Additional changes clarify standing agenda items and specify other items of business that are included when necessary.
2. **Retirement Board Member Election Policy** - This policy establishes the detailed procedure used by SERS staff to conduct the election of employee and retiree Board members, in compliance with SERS statutes and administrative rules. Updates to the procedure clarify staff responsibilities, specify the items addressed in the Board election resolution, and include the use of electronic nominating petitions.

Mr. Marotta stated the majority of updates are non-substantive; they involve reordering content to follow the sequence of events.

After a brief discussion, James Rossler moved and Barbra Phillips seconded the motion to approve the amended board meeting policy effective July 20, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

Barbra Phillips moved and Aimee Russell seconded the motion to approve the amended board member election policy effective July 20, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

## Election of Employee Member

Catherine Moss moved and Barbra Phillips seconded that the following resolution be adopted:

BE IT RESOLVED by the Retirement Board of the School Employees Retirement System that the election of one employee member of the Retirement Board for the term beginning July 1, 2024, and ending June 30, 2028, shall be as provided herewith:

Any member of the Retirement System, other than a disability recipient, shall be eligible for election and the name of any member who is nominated by petitions, meeting the following requirements, shall be placed upon the ballot as a regular candidate. The petitions shall be signed by at least five hundred (500) members of the Retirement System of which there shall be not less than twenty (20) signers each from at least ten (10) counties wherein such members are employed; shall indicate the employer and county of employment of each signing member; shall include the member's SERS ID or last 4 digits of their social security number; shall be signed on or after August 8, 2023; original hard copy petitions, along with the originals of any other completed required forms, must be received in the office of the Retirement System no later than 4:30 p.m., EST, December 1, 2023. Electronic signatures on electronic petitions available on the SERS website must be completed by December 1, 2023, at 4:30 p.m., EST.

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All ballots, to be considered valid, must be received in the office of the Retirement System no later than 4:30 p.m. EST, March 4, 2024.

All ballots delivered to the office of the Retirement System shall be delivered unopened to judges appointed by the Retirement Board. The judges shall meet, make final determination of the validity of the ballots within the intent of this resolution, count the valid ballots on March 5, 2024, and announce the results of the election.

The election shall be conducted in accordance with the Retirement Board's election laws as well as its election rule, policy, and procedures.

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

## **Election of Retiree Member**

Matthew King moved and Barbra Phillips seconded that the following resolution be adopted:

BE IT RESOLVED by the Retirement Board of the School Employees Retirement System that the election of one retiree member of the Retirement Board for the term beginning July 1, 2024, and ending June 30, 2028, shall be as provided herewith:

Any service or disability retiree of the Retirement System who is a resident of Ohio shall be eligible for election and the name of any retiree who is nominated by petitions, meeting the following requirements, shall be placed upon the ballot as a regular candidate. The petitions shall be signed by at least one hundred fifty (150) service or disability retirees of the Retirement System, of which there shall be not less than ten (10) signers each from at least five (5) Ohio counties, wherein service or disability retirees under this system reside; shall indicate the home address and county of each signing retiree; shall include the retiree's SERS ID or last 4 digits of their social security number; shall be signed on or after August 8, 2023; original hard copy petitions, along with the originals of any other completed required forms, must be received in the office of the Retirement System no later than 4:30 p.m., EST, December 1, 2023. Electronic signatures on electronic petitions available on the SERS website must be completed by December 1, 2023, at 4:30 p.m., EST.

All ballots, to be considered valid, must be received in the office of the Retirement System no later than 4:30 p.m. EST, March 4, 2024.

All ballots delivered to the office of the Retirement System shall be delivered unopened to judges appointed by the Retirement Board. The judges shall meet, make final determination of the validity of the ballots within the intent of this resolution, count the valid ballots on March 5, 2024, and announce the results of the election.

The election shall be conducted in accordance with the Retirement Board's election laws as well as its election rule, policy, and procedures.

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

## **Definition of Compensation Discussion**

Legal staff Joe Marotta and Susan Russell reviewed in detail SERS' current compensation statute (R.C. 3309.01(V)) and rule (O.A.C. 3309-1-02). Mr. Marotta and Ms. Russell also discussed with the Board recent compensation scenarios raised by employers. Based upon feedback received from the Board, at a future Board meeting Legal staff will present different possibilities with respect to the definition of compensation, and potential pros and cons of those definitions.

The board had a robust discussion with an emphasis on other types of compensation and what should be included in an employee's final average salary. Board members agreed to consider a major overhaul of the

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definition of compensation as it relates to CBBC and legal staff looks forward to a thoughtful policy discussion at the next board meeting.

## **Compensation Committee Report**

Compensation Committee Chair Daniel Wilson provided an update on the work done at this morning's meeting. Mr. Wilson stated that the Executive Director's FY2024 goals were approved and that was the only agenda item of note.

## **Retirement Report**

There was no executive session for the retirement report.

## **Board Communication and Policy Issues**

### **Committee Appointments**

Board Chair Frank Weglarz appointed newly elected board member, Aimee Russell, to the Compensation Committee. Mr. Weglarz also stated that he prefer that all other committee members remain in their current position. The board agreed to maintain each committee roster as it stands.

### **Board Information Request & Follow Up Items**

The board expressed interest in increasing the travel budget for board members. Currently, the annual budget for board travel is \$6,000.00 for each board member. Mr. Stensrud advised that the limit is an ORSC policy and would need to be approved by the ORSC before any changes could be made. Board members agreed this increase should be explored further.

### **Calendar Dates for Future Board Meetings**

The board reviewed the meeting dates for 2023 and 2024.

## **CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2023**

### **AUDIT COMMITTEE MEETINGS**

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

### **COMPENSATION COMMITTEE MEETINGS**

September 21, 2023 – 7:30 a.m. (Thurs.)  
December 21, 2023 – 7:30 a.m. (Thurs.)

### **TECHNOLOGY COMMITTEE MEETINGS**

September 21, 2023 – 12:30 p.m. (Thurs.)  
December 21, 2023 – 12:30 p.m. (Thurs.)

### **BOARD MEETINGS**

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.)

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## CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 \*\*

### AUDIT COMMITTEE MEETINGS

March 20, 2024 – 2:30 p.m. (Weds.)  
June 19, 2024 – 2:30 p.m. (Weds.)  
September 18, 2024 - 2:30 p.m. (Weds.)  
December 18, 2024 – 2:30 p.m. (Weds.)

### COMPENSATION COMMITTEE MEETINGS

March 21, 2024 – 7:30 a.m. (Thurs.)  
June 20, 2024 – 7:30 a.m. (Thurs.)  
July 18, 2024 – 7:30 a.m. (Thurs.) \* *Special Meeting* \*  
September 19, 2024 – 7:30 a.m. (Thurs.)  
December 19, 2024 – 7:30 a.m. (Thurs.)

### TECHNOLOGY COMMITTEE MEETINGS

March 21, 2024 – 12:30 p.m. (Thurs.)  
June 20, 2024 – 12:30 p.m. (Thurs.)  
September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

### BOARD MEETINGS

February 15 - 16, 2024 - 8:30 a.m. (Thurs. and Fri.)  
March 21 - 22, 2024 – 8:30 a.m. (Thurs. and Fri.)  
April 18 – 19, 2024 - 8:30 a.m. (Thurs. and Fri.)  
May 16 – 17, 2024 – 8:30 a.m. (Thurs. and Fri.)  
June 20 - 21, 2024 - 8:30 a.m. (Thurs. and Fri.)  
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)  
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)  
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)  
November 21 – 22, 2024 – 8:30 a.m. (Thurs. and Fri.)  
December 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

### Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, September 21, 2023, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:47 p.m.

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Frank Weglarz, Board Chair

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Richard Stensrud, Secretary