

SERS Retirement Board Meeting Minutes

December 21, 2023

The nine hundredth and sixty-fifth 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, December 21, 2023.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:35 a.m. with the Pledge of Allegiance.

Roll Call

Following the Moment of Silence, the roll call was as follows: Frank Weglarz, Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Also attending was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff and the public attended in person. Several SERS staff members and members of the public attended virtually.

Consent Agenda

The consent agenda for **December 21, 2023**, included:

- Minutes of the November 16, 2023, Retirement Board meeting
- Summary of Investment Transactions for the period of October 1, 2023, to October 31, 2023
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Termination of Disability Benefits - Any Occupation

Catherine Moss moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, December 21, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

External Audit Report

SERS Chief Financial Officer, Marni Hall, introduced Kristin Hunt, Amanda Cronk, and Ashley Raden from Plante Moran, SERS new independent external auditor. They presented the FY2023 Independent Auditor's Report to the Board.

Plante Moran's audit produced an unmodified opinion, which is the highest rating possible. The rating means that SERS' financial statements are presented, in all material respects, in accordance with applicable financial reporting framework.

The auditors examined required communication with those charged with governance, including the management estimates included within the financial statements, and found no difficulties or disagreements with management in performing the audit and no corrected or uncorrected misstatements.

The auditors also examined a report on internal controls over financial reporting and identified a "significant deficiency" related to the bank reconciliation process. This finding means a control was missing but existing controls prevented a material misstatement.

SERS staff is addressing this finding by refocusing and verifying that existing manual internal controls are being utilized, as well as making technology enhancements to assist in general ledger activity and posting and identification of cash receipts.

SERS Retirement Board Meeting Minutes

December 21, 2023

2023 ACFR Highlights

SERS Chief Financial Officer, Marni Hall, provided an overview of the 2023 Annual Comprehensive Financial Report (ACFR). The SERS ACFR meets standards of Government Accounting Standard's Board (GASB), is audited, and contains 5 sections: Introductory, Financial (audited), Investment, Actuarial, and Statistical. The ACFR also contains a transmittal letter and supplemental schedules. After a brief overview, the board thanked Ms. Hall for her presentation.

Investment Report

Annual Portfolio Review – Opportunistic and Tactical

SERS Chief Investment Officer, Farouki Majeed, introduced Phil Sisson, and Investment staff member, who provided the Board with an overview of SERS' \$567 million opportunistic and tactical investment portfolio which comprises 3.3% of the Total Fund.

Mr. Sisson reported the portfolio was first implemented in 2013, giving the SERS investment staff the flexibility to invest in strategies that do not fit neatly into other asset classes.

The one-year return of the portfolio was 6.1% net of fees, and the three-year return was 9.8%. The portfolio exceeded the policy benchmark across all time periods and has provided 6.50% of added value to the Total Fund over 10 years. The investments contained in the opportunistic and tactical portfolio include distressed/stressed debt, diversified and tactical strategies, structured credit, and multi-asset strategy (MAS) funds.

Mr. Sisson continued, reporting that SERS has invested in distressed debt funds since 2014. Representing 28% of the portfolio, distressed debt investing is the process of investing in the debt of financially distressed companies. This includes companies undergoing operational challenges or those that operate in cyclical industries like energy, retail, and the media.

Diversified and tactical investments make up 27% of the portfolio and include strategies that can actively allocate between opportunities. These types of investments provide inflation protection, and SERS' exposure to commodities is included here.

The MAS strategy contains portfolios that invest in debt and equity investments. This strategy makes up 22% of the portfolio.

The remaining 23% of the portfolio consists of structured credit investments. These types of funds include investments in commercial real estate, mortgages, and other asset-backed securities. SERS values the certainty of income associated with structured credit investments. After several questions, the board thanked Mr. Sisson for his presentation.

Monthly Investment Report

Mr. Majeed provided the board with a brief overview of the monthly investment report. Mr. Majeed reported that the GDP numbers were strong in the 3rd quarter and there is no longer an expectation of a recession. Mr. Majeed provided the board with the latest investment numbers and advised the board that as of October 31, 2023, the fund was \$17.15B. Following a robust discussion, the board thanked Mr. Majeed for his presentation.

Asset Allocation Real Assets Segregation Discussion

Mr. Majeed continued with a discussion on Global Real Assets – Segregation of Real Estate and Infrastructure. Mr. Majeed reported in June 2013 the Board approved expansion of the Real Estate program to include infrastructure and an increase in the allocation from 10% to 12%. The combined program was renamed Real

SERS Retirement Board Meeting Minutes

December 21, 2023

Assets. The target allocation was increased to 15%, 17% and 20% in 2016, 2020, and 2023 respectively. The first commitment to an Infrastructure investment was made in Sept 2013 and capital in the amount of \$200 million was called in May 2015. Since then, the infrastructure program has steadily increased to \$1.14 billion in asset value as of Sept 2023, representing 32% of the Real Assets program and 6.5% of the total fund.

The NCREIF Property Index (NPI), which was initially used as the benchmark for Real Estate has continued as the benchmark for Real Estate, Infrastructure, and the combined Real Assets program through this transition. The NPI index consists entirely of private US commercial real estate properties and does not include Infrastructure properties.

The return characteristics experienced by SERS for Real Estate and Infrastructure show differences in magnitude and intra-period deviations as shown in table below:

As of Sept. 30, 2023				
	1 YR	3 YR	5 YR	10YR
Real Estate (core)	-8.21%	10.86%	8.70%	9.58%
NPI	-6.60%	6.79%	5.90%	7.82%
<i>Excess Return</i>	-1.61%	4.07%	2.80%	1.76%
Infrastructure	9.05%	10.15%	9.97%	
NPI	-6.60%	6.79%	5.90%	
<i>Excess Return</i>	15.65%	3.35%	4.07%	

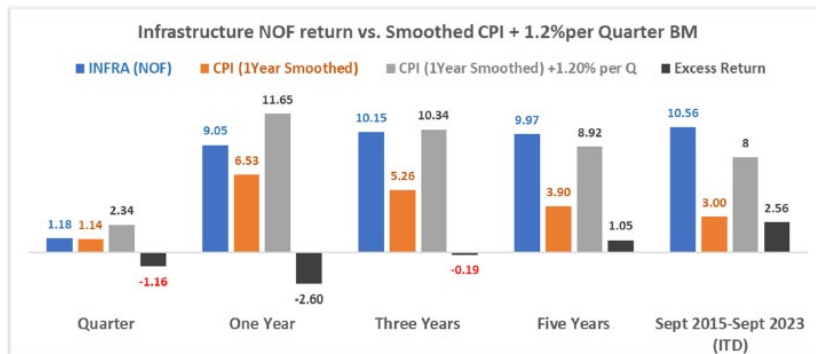
Mr. Majeed continued, stating that the return history indicates that infrastructure returns have been more stable over the period and not subject to the cyclical pattern of real estate returns particularly in the one-year period where Real Estate had a negative return while Infrastructure had a strong positive return.

Staff believes that due to the current size of the infrastructure program and the short-term performance deviations, it is appropriate to segregate Real Estate and Infrastructure within the current total fund policy allocation and to specify a compatible benchmark for Infrastructure.

In consultation with Wilshire, Staff reviewed three categories of benchmarks for Infrastructure:

- a) Listed market indices – high volatility.
- b) Peer based private Index such as the Burgiss database – not representative of SERS investments.
- c) Inflation based benchmark – more appropriate than a) and b).

SERS Investment Staff focused on the Inflation based benchmark since Infrastructure assets (core) tend to have long term contracts that are inflation indexed. The return of the SERS Infrastructure program relative to quarterly CPI (smoothed over four quarters) plus a premium of 1.20% per quarter (CPI + 5% annual) is shown below:



SERS Retirement Board Meeting Minutes

December 21, 2023

Statement of Investment Policy Amendment

SERS Investment Staff recommends the following changes to the Board approved Asset Allocation Policy and benchmark for Infrastructure effective January 1, 2024, as stipulated in the Resolution for the amended Statement of Investment Policy:

	TARGET	RANGE
Equity	54%	44% -- 64%
Global Equities	40%	35% - 45%
Global Private Equity	14%	11% - 17%
Income	26%	41% - 51%
Global Fixed Income	18%	13% - 23%
Global Private Credit	5%	3% - 7%
Cash Equivalents	3%	1% - 5%
Global Real Assets (Inflation)	20%	17% - 22%
<u>Global Real Estate</u>	<u>13%</u>	<u>10% -15%</u>
<u>Global Infrastructure</u>	<u>7%</u>	<u>5% - 10%</u>
STRATEGY		
Opportunistic and Tactical Investments	0%	0% - 5%
Total	100%	100%
Leverage	0%	0% - 10%
Total Notional Exposure (Including Leverage)	100%	100% - 110%

ASSET CLASS	BENCHMARK MEASURE
Global Equities	MSCI All Country World Net Total Return Index (USD)
Global Private Equity	Burgiss All Private Equity benchmark (BAPE) (one quarter in arrears)
Global Fixed Income	Bloomberg US Aggregate Bond Index
Global Private Credit	90 day Treasury bill rate+4.5% (one quarter in arrears)
Global Real <u>Estate Assets</u>	NCREIF Property Index (one quarter in arrears)
<u>Global Infrastructure</u>	<u>Quarterly (4 qtrs.) smoothed CPI +1.20% per quarter</u>
Cash Equivalents	FTSE 30 Day Treasury Bill
STRATEGY	BENCHMARK MEASURE
Opportunistic and Tactical Investments	Bloomberg US Aggregate Bond Index + 2%

As discussed during the December 21, 2023 Board meeting, James Rossler moved and James Haller seconded the motion to approve an amendment to the Statement of Investment Policy with the following changes to the Asset Allocation Policy and benchmark for Infrastructure. The amended Statement of Investment Policy will become effective January 1, 2024 and replaces the Statement of Investment Policy dated July 1, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

The board took a break at 10:08 a.m.

The board reconvened at 10:18 a.m.

RAMA Presentation – Strategic Plan Discussion

SERS Executive Director, Richard Stensrud, introduced the staff from RAMA, who will facilitate work being done on the SERS Strategic Plan. Mr. Stensrud advised the board that the process will be familiar to the board but this time, the desire is to have more board engagement and oversight. Mo Wright, President and CEO of

SERS Retirement Board Meeting Minutes

December 21, 2023

RAMA, introduced several of his staff members who will work as a team to facilitate this project with the SERS board and SERS leadership.

RAMA staff surveyed the board and asked about things they would like to focus on while working to update the strategic plan. SERS board members provided feedback and RAMA explained their timeline and next steps. Following a robust discussion, the board thanked RAMA for their presentation and advised that they are looking forward to working together.

Certification of Candidate – Employee Member Seat

James Haller moved and Catherine Moss seconded that having met the eligibility requirements of Chapter 3309 of the Ohio Revised Code, and having received sufficient and proper petitions to meet the requirements of Section 3309.07 of the Ohio Revised Code, Matthew A. King is certified as nominated to run for the employee member seat for the term July 1, 2024 to June 30, 2028. In accordance with Section 3309.071 of the Ohio Revised Code, since only one candidate has been nominated by petition for the open seat, no election is required. Matthew A. King shall take office as if elected for the term July 1, 2024 to June 30, 2028. In accordance with Section 3309-1-04 of the Ohio Administrative Code, the Secretary of State's Office has reviewed the certification that Matthew A. King is qualified to run for the employee member seat. Upon roll call, the vote was as follows: Yea: Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Abstain: Matthew King. The motion carried.

Certification of Candidate – Retiree Member Seat

James Rossler moved and Barbra Phillips seconded that having met the eligibility requirements of Chapter 3309 of the Ohio Revised Code, and having received sufficient and proper petitions to meet the requirements of Section 3309.07 of the Ohio Revised Code, Catherine Moss is certified as nominated to run for the retiree member seat for the term July 1, 2024 to June 30, 2028. In accordance with Section 3309.071 of the Ohio Revised Code, since only one candidate has been nominated by petition for the open seat, no election is required. Catherine Moss shall take office as if elected for the term July 1, 2024 to June 30, 2028. In accordance with Section 3309-1-04 of the Ohio Administrative Code, the Secretary of State's Office has reviewed the certification that Catherine Moss is qualified to run for the retiree member seat. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Abstain: Catherine Moss. The motion carried.

Five-Year Review and Filing of No Change Administrative Rules

Legal Counsel discussed with the Retirement Board filing with JCARR the following rules as no change rules: 3309-1-02 Definition of compensation; 3309-1-05 Policy on investment department incentive plan payouts; 3309-1-06 Ohio-qualified agents and investment managers; 3309-1-08 Payment of benefits and allowances; 3309-1-18 Payment of contributions; 3309-1-22 Disability retirement - effective date; 3309-1-25 Notice of meetings; 3309-1-27 Intersystem transfers with nonuniform systems; 3309-1-28 Purchase of service credit; military; 3309-1-32 Cost-of-living; base allowance change; 3309-1-33 Retirement and benefit effective dates; 3309-1-34 Combined disability benefits; 3309-1-35 Health care; 3309-1-42 Options; pop-up and election of new option; 3309-1-46 Retirement – option selection.

Barbra Phillips moved and Jeffrey DeLeone seconded that rules 3309-1-02, 3309-1-05, 3309-1-06, 3309-1-08, 3309-1-18, 3309-1-22, 3309-1-25, 3309-1-27, 3309-1-28, 3309-1-32, 3309-1-33, 3309-1-34, 3309-1-35, 3309-1-42 and 3309-1-46 be filed with the Joint Committee of Agency Rule Review (JCARR) as no change rules as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

SERS Retirement Board Meeting Minutes

December 21, 2023

Five-Year Review and Filing of Proposed Amended Administrative Rule (6)

Legal Counsel discussed with the Retirement Board filing with JCARR the following amended administrative rule: 3309-1-07 Application for payment upon termination of employment. Catherine Moss moved and Matthew King seconded that proposed amended rule 3309-1-07 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended administrative rule: 3309-1-11 Membership determinations. James Haller moved and Barbra Phillips seconded that proposed amended rule 3309-1-11 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended administrative rule: 3309-1-19 Member enrollment. Catherine Moss moved and Aimee Russell seconded that proposed amended rule 3309-1-19 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended administrative rule: 3309-1-26 Determination of beneficiary. Catherine Moss moved and Barbra Phillips seconded that proposed amended rule 3309-1-26 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended administrative rule: 3309-1-29 Purchase of service credit; out of state and other. Jeffrey DeLeone moved and Barbra Phillips seconded that proposed amended rule 3309-1-29 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended administrative rule: 3309-1-50 Re-employment restrictions. Barbra Phillips moved and Catherine Moss seconded that proposed amended rule 3309-1-50 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

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. Aimee Russell moved and James Haller seconded that proposed amended rule 3309-1-09 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Final Filing of Proposed Amended Administrative Rule

Legal Counsel discussed with the Retirement Board the following proposed amended rule: 3309-1-35 Health care, that has been reviewed by JCARR and is ready for final adoption by the Board. Barbra Phillips moved and Catherine Moss seconded that proposed amended rule 3309-1-35 be adopted. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

SERS Retirement Board Meeting Minutes

December 21, 2023

2024 Qualified Excess Benefit Plan Budget (QEBA)

SERS Chief Financial Officer, Marni Hall, reported that SERS established a separate plan, effective January 2003, to provide for the payment of a retiree's service retirement benefit that otherwise would have been payable by the System except for the limitations of Internal Revenue Code ("IRC") §415(b). This code section limits the amount of annual benefit that a defined benefit plan, such as SERS, can pay to a retiree. However, IRC §415(m) allows governmental plans to set up a qualified excess benefit arrangement (QEBA) to pay the excess amount. SERS' Qualified Excess Benefit Plan is funded on a calendar year basis from contributions from the retiree's last employer. Estimated expenses for administering the plan are included in the annual funding request.

Ms. Hall continued, stating each year a budget is prepared using the new IRS plan limits, calculating current QEBA recipients' projected benefits, adding new QEBA recipients and projecting the cash balance remaining in the QEBA account at year end. For the plan year 2024, we are requesting that \$175,000 of employer contributions be assigned to the QEBA Fund. After several questions, Matthew King moved and Barbara Phillips seconded the motion to assign \$ 175,000 of employer contributions from the last employer of retirees covered by the SERS Qualified Excess Benefit Plan to the QEBA Fund for calendar 2024. The QEBA Fund is authorized to pay benefits of approximately \$ 170,000 to qualified retirees; with the balance allocated to QEBA Fund operating expenses. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbara Phillips, James Rossler, Aimee Russell, and Frank Weglarz. Abstain: Daniel Wilson. The motion carried.

Annual Federal Report

Leigh Snell, Federal Relations Director for the National Council on Teacher Retirement (NCTR), provided a federal update for the board. Mr. Snell reported that it has been a quiet and unproductive year for congress, the least productive in several decades. Mr. Snell advised that areas of interest for SERS, such as WEP and Social Security reform gained little traction over the last calendar year but will need to be addressed soon. After several questions from the board, Mr. Snell was thanked for his presentation.

Executive Director's Report

ORSC

SERS Executive Director, Richard Stensrud, began his report stating the ORSC met on December 14. The ORSC heard valuation reports from OPERS, OP&F, and HPRS. It's expected that SERS will provide their valuation report at the next ORSC meeting. SERS will be sure to note that our actuary continues to attest the employer contribution rates sustain the fund and there are no efforts planned to increase contributions. RVK also presented an investment report and SERS continues to show well compared to other Ohio systems and systems across the country.

Mr. Stensrud also noted that HPRS requested a travel policy change that would exclude conference registration fees from the \$6,000 annual travel limit for board members. The request was endorsed by the Ohio ethics commission and the ORSC. SERS plans to present some amendments to the SERS travel policy that are like the ones being implemented by HPRS with the hopes that the changes will be effective soon.

Advocacy Groups

Mr. Stensrud asked the board to "save the date" of January 19, 2024. The SERS Annual Stakeholder Roundtable will take place at 10am and will take place in the O'Keefe conference center located at 300 E. Broad Street, Columbus Ohio 45215. There will also be a Zoom link provided for those who would prefer to attend virtually. SERS staff is looking forward to updating stakeholders and advocacy partners and will show what is coming in the next year. SERS staff also want to hear thoughts and ideas from stakeholders and advocacy groups. SERS staff will also introduce RAMA, who will be contacting stakeholders for input on the SERS strategic plan.

SERS Retirement Board Meeting Minutes

December 21, 2023

State Legislation Activity

Mr. Stensrud continued his report stating that the Ohio General Assembly finished up work for the year. The year primarily focused on non-pension related topics and not much was done regarding pension matters by the Ohio House Pensions Committee.

Mr. Stensrud also reported that the Reason Foundation, a public pension watch-dog group, presented to the ORSC and provided their opinions on the sustainability of several Ohio pension systems. It is SERS position that there is no desire or need for an employer rate increase.

Mr. Stensrud continued, stating HB257 passed by a vote of 74-3. This bill will authorize public bodies, such as the SERS retirement board, to meet virtually and allow members to participate remotely. The bill has been referred to the Senate Government Oversight Committee and is on its way to the senate for final approval.

Mr. Stensrud also reported that HCR6, which urges Congress to repeal the Windfall Elimination Provision (WEP) and Government Pension Offset, was passed by a vote of 85-0.

Federal Legislation Activity

Leigh Snell, Federal Relations Director for the National Council on Teacher Retirement (NCTR), provided a federal update for the board.

Mr. Stensrud also reported that a WEP/GPO Field Hearing was held in Louisiana in November. There has been no movement on this front, but SERS leadership and staff will continue to monitor the situation for updates.

Health Care Updates

Mr. Stensrud reported the open enrollment period for SERS members ended on November 15. Last year, 14% of enrollees selected the WRAP plan. This year, 33% are enrolled in the WRAP plan. The WRAP plan lowers costs for the participant and is beneficial for SERS because it's less expensive and allows SERS to offer subsidization to premiums. January 1 premium subsidies will encourage members under the age of 65 to join the WRAP program.

CBBC Implementation

Mr. Stensrud continued his report, stating that SERS staff is working hard to get the word out about CBBC (Contribution Based Benefit Cap) so members will have all the information they need to plan their retirement. A dedicated website has been created to further explain what CBBC is and how it works. The website provides step by step instructions to determine each individual members' CBBC rate and a self-service calculator can be used to generate each members' benefits estimate. The calculator has been adjusted to include a CBBC assessment. If a member uses the calculator and if the estimated benefit appears to be affected by CBBC, the member will get a message that says the benefit has been affected by CBBC and the member should contact SERS.

Mr. Stensrud stated that many things can change about a member's compensation and retirement dates and the calculator will take those specifics into account when creating an estimate.

Employee Holiday Charitable Initiatives

Angel Tree 2023

Mr. Stensrud reported that staff participated in an Angel Tree program that provided toys and gifts to the needy. Staff could purchase gifts from an online Amazon.com list or they could pick a tag from the Angel Tree located in the lunchroom & buy specific gifts for someone in need. Toys from the list will be delivered to the Salvation Army East Main location for distribution during their Christmas Cheer program.

SERS Retirement Board Meeting Minutes

December 21, 2023

IT Baked Goods Sale

Mr. Stensrud also reported that the IT staff had a baked goods sale and delivered donations to support the Toys for Tots program. A record \$981 in baked goods were sold this year.

Review of Administrative Expenses

SERS Chief Financial Officer, Marni Hall, provided an update on SERS Administrative Expenses to date. Ms. Hall reported the administrative expenses are running under budget so far this year. Ms. Hall also advised the board that budget season has kicked off and planning for the FY2025 budget year is under way. Ms. Hall noted that SERS uses the "Zero Budget Model" when creating budgets each year. The zero-based budgeting model is a budgeting approach that involves developing a new budget from scratch every time (i.e., starting from "zero"), versus starting with the previous period's budget and adjusting it as needed. November detailed monthly expenditures were also provided. After questions, the board thanked Ms. Hall for her report.

Amended Travel Policy

SERS General Counsel, Joe Marotta, reported that the Ohio Highway Patrol Retirement System updated their travel policy to exclude conference registration fees from the \$6000 annual travel limit. This change was endorsed by the ORSC and the Ohio Ethics Commission. SERS would like to follow this lead and request the same change to the SERS travel policy. SERS would also like to link the maximum meal reimbursement rate to be linked to GSA per diem rather than the current amount of \$60 as the rate for most cities would be over \$60. Larger cities would have higher rates and those rates would be used to process expenses.

After a robust discussion, Catherine Moss moved and James Haller seconded to approve amendments to the SERS Education, Travel and Expense Reimbursement Policy as discussed at the December 21, 2023 Board Meeting. The amended Policy will be effective following review by the Ohio Ethics Commission and Ohio Retirement Study Council. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. The motion carried.

Definition of Compensation Discussion

Joe Marotta continued by introducing Susan Russell, Associate General Counsel, who led the continuing discussion on the definition of compensation. At the last meeting, the board asked for an example of what a new rule would look like. Ms. Russell provided 2 versions of the rule; one expansive rule and another more restrictive rule.

Ms. Russell stated that both versions include the following changes from the current definition:

- Include new definitions for "salary", "wages" and "earnings".
 - The purpose of defining these three terms is to provide consistent structure for the consideration of what payments to include in SERS' definition of compensation.
 - "Salary" is defined to mean the base salary of an employee as identified in an individual employment contract, a collective bargaining agreement, or in a standard salary schedule.
 - "Wages" is defined to mean the base wages paid to employees whose rate of pay is based on time worked for the employee's regular full time schedule, but excluding overtime.
- "Earnings" refers to payments other than salary or wages.
- Expressly exclude four payments from the definition of compensation.
- Contain a more detailed discussion of backpay awards, which are treated as compensation under the present definition as well as the proposed amended definitions.
- Remove existing references to lump sum or one-time payments.
- Remove existing references to payments based on rate of pay.

SERS Retirement Board Meeting Minutes

December 21, 2023

Following a robust discussion, the board requested that this topic be discussed with stakeholders at the upcoming Advocacy Roundtable meeting to be held on January 19. Because the meeting has already been scheduled and has a limited amount of time, SERS staff will identify a date and time to discuss possible changes to the definition of compensation with stakeholders and advocacy groups. The board agreed to continue this discussion at a future meeting.

AUDIT COMMITTEE UPDATE

Audit Committee Report

Kristin Hunt, CPA with Plante Moran, SERS external auditor, provided a brief update on the results of the most recent external audit. The results of Plante Moran's audit produced an unmodified opinion, which means that SERS' financial statements are presented, in all material respects, in accordance with applicable financial reporting framework. This is the highest rating possible.

Jeffrey Davis, SERS Chief Audit Officer, provided an update on the status of several ongoing and a few completed internal audits. After both presentations, the board thanked Ms. Hunt and Mr. Davis for their reports.

COMPENSATION COMMITTEE UPDATE

Compensation Committee Report

Compensation Committee Chair, Daniel Wilson, provided an update on the work of the committee. Mr. Wilson reported that the committee met this morning and conducted a 2nd quarter review of the Executive Director's goals and progress. The committee recessed to reconvene after the SERS Technology Committee meeting for a presentation by CBIZ, SERS Compensation consultant. The entire board was invited to join the presentation scheduled to begin at 2:30 p.m.

Retirement Report

There was no executive session for the retirement report.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

The board requested that a meeting be scheduled with stakeholders to discuss changes to the definition of compensation and how that might affect employers.

Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2024.

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

AUDIT COMMITTEE MEETINGS

March 20, 2024 – 2:30 p.m. (Weds.)
June 20, 2024 – 2:30 p.m. **(Thurs.) ** New Date ****
September 18, 2024 - 2:30 p.m. (Weds.)
December 18, 2024 – 2:30 p.m. (Weds.)

SERS Retirement Board Meeting Minutes

December 21, 2023

COMPENSATION COMMITTEE MEETINGS

March 21, 2024 – 7:30 a.m. (Thurs.)
June 21, 2024 – 7:30 a.m. **(Fri.) ** New Date ****
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 – 1:30 p.m. **(Thurs.) ** New Time ****
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 21, 2024 - 8:30 a.m. **(Fri.) ** New Date ****
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, February 15, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:36 p.m.

Frank Weglarz, Board Chair

Richard Stensrud, Secretary