

SERS Retirement Board Meeting Minutes

March 21, 2024

The nine hundredth and sixty-eighth 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, March 21, 2024.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:33 a.m. with the Pledge of Allegiance.

Roll Call

The roll call was as follows: Frank Weglarz, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Matthew King. 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 **March 21, 2024**, included:

- Minutes of the **February 15, 2024**, Retirement Board meeting
- Minutes of the **February 15, 2024**, Special Board Meeting
- Minutes of the **February 16, 2024**, Annual Board Retreat
- Summary of Investment Transactions for the period of **January 1, 2024**, to **January 31, 2024**
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation

Barbra Phillips moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, March 21, 2024. 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. Absent: Matthew King. The motion carried.

Investment Report

Annual Portfolio Review – Global Real Assets

SERS Chief Investment Officer, Farouki Majeed, introduced Paul Cheng and Michael Browning, Investment staff members, who provided the Board with an overview of SERS' real assets investment portfolio.

Mr. Cheng reported on Jan. 1, 2024, the real assets portfolio was separated into real estate and infrastructure for reporting purposes. At that time, the infrastructure portion of the portfolio began using the quarterly smoothed CPI + 1.20% per quarter benchmark, while the real estate portion continued using the NCREIF Property Index (NPI).

The real estate target allocation is 13% with a range of 10-15%, and the infrastructure target allocation is 7% with a range of 5-10%.

Mr. Cheng continued, stating staff has been able to reduce fees from 115 basis points in FY2018 to 81 basis points in FY2023. This represents about \$20 million in savings each year, which benefits the membership. Some additional fee savings may be realized as recent commitments mature and if more co-investments can be added.

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Mr. Cheng continued, reported that real estate currently comprises 66% of the Real Assets portfolio with a market value of \$2.35 billion. SERS' net return for real estate in FY2023 was -10.20%, which was below the benchmark. Challenges in the office and retail sectors were the main contributors to the loss.

Mr. Browning reported that infrastructure is 33% of the Real Assets portfolio and has a market value of \$1.18 billion. Transportation is 48.5% of the portfolio, energy is 23.7%, communication is 13.1%, renewable is 6.3%, social is 4.9%, and utilities is 3.5%.

Mr. Browning stated that most of SERS' investments are in North America (45%) and Western Europe (33%) with smaller exposure to Eastern Europe, Latin America, Middle East, Asia, and the Pacific rim.

The net return for infrastructure in FY2023 was 8.47%. Over the 3 and 5-year periods, the portfolio has returned 9.51% and 9.23% respectively. Mr. Browning closed, stating infrastructure has provided stability and resiliency to the entire Real Assets portfolio.

After several questions, the board thanked the investment staff for the update.

Quarterly Investment Report

SERS Chief Investment Officer, Farouki Majeed, followed up and provided an investment presentation. Mr. Majeed reported that the US GDP growth and 2024 forecasts continue to rise and there doesn't seem to be a slowdown coming anytime soon. Debt levels in the US continue to rise as well with the federal debt over 121%.

Mr. Majeed continued his presentation stating that the total fund performance is flat with a 10-year net fee return of 8.05, which has decreased slightly. The actuarial rate is 7% and SERS retirement fund continues to outperform benchmarks as global equities performance is highest this year. Mr. Majeed closed his report, stating that the fund is above the benchmark by .34 fiscal YTD.

Following several questions and a brief discussion, the board thanked Mr. Majeed and the investment staff for their presentations.

The board took break at 10:05 a.m.

The board reconvened in open session at 10:17 a.m.

Executive Director's Report

ORSC

SERS Executive Director, Richard Stensrud, began his report stating the March ORSC meeting was cancelled. The next scheduled meeting is scheduled for April 11, 2024, or at the pleasure of the chair.

Advocacy Groups

Mr. Stensrud continued his report stating that SES is scheduled to have the annual joint meeting with OASBO on Friday, May 3. One of the likely discussion topics will be pensionable compensation.

Mr. Stensrud continued stating that SERO's annual meeting is scheduled for May 7th at the Villa Milano. SERO will provide an opportunity for SERS to report on all business areas, but specifically healthcare.

Ohio General Assembly

Mr. Stensrud continued his report, stating that there currently isn't much activity at the state house. The Senate Oversight Committee met on February 28 and heard sponsor testimony on HB 257, which would provide authority for retirement systems to establish policies to allow board members to participate in meetings remotely. SERS staff is preparing proponent testimony as was done in the House. This capability has already

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provided to STRS. Boards will still need an in-person quorum and each board member must attend a certain number of meetings per year in person.

Mr. Stensrud continued his report stating HCR 6, urging Congress to repeal the WEP and GPO received proponent testimony. SERS submitted a written statement of support to the committee as did the other retirement systems.

Federal Advocacy

Mr. Stensrud continued, reporting that he and other staff leaders visited Washington DC last month for a conference. While in DC last month, SERS staff met with legislative aides from several Ohio congressional offices. SERS staff expressed appreciation for their co-sponsorship of WEP/GPO repeal legislation and educated them on our Wraparound program and the status of the pension system in general.

Mr. Stensrud also reported that the lead sponsors of HR 82, the WEP/GPO repeal legislation, have written to the leadership of the House Ways and Means committee to encourage them to hold hearings on the bill now that they have more than 300 co-sponsors.

NCTR/NASRA Winter Joint Meeting

Mr. Stensrud reported that he, along with Deputy Executive Director Karen Roggenkamp and Chris Collins, SERS Government Relations Officer, attended the NASRA/NCTR winter meeting in Washington, DC last month. There were presentations by veteran political advisors for Jimmy Carter, Bill Clinton, Ronald Reagan and George Bush. Mr. Stensrud stated their approach to working together was refreshing and quite different from the world today.

Member Engagement

Mr. Stensrud continued his report stating that SERS staff continues to engage with members and employers. SERS staff will host several events for employers and retirees in the coming months and will continue to engage with members on a regular and consistent basis.

Review of Administrative Expenses

SERS Chief Financial Officer, Marni Hall, provided a report of administrative expenses so far this fiscal year. Ms. Hall stated there were increased costs due to postage expenses and prescription costs. Other expenses are tracking as expected. With no questions, the board thanked Ms. Hall for her presentation.

FY2024 OSERS Broad Street Capital Budget Modification

Ms. Hall continued, reporting that OSERS recently experienced a critical main driver failure on passenger elevator #2. SERS' elevator vendor successfully replaced the driver and all associated parts. Fortunately, because there are four passenger elevators, the failure did not cause a disruption to passenger elevator services in the building. However, the failure revealed the associated risk to the service elevator.

Upon further review, SERS elevator vendor recommended that OSERS replace the driver and all associated parts in the service elevator. Unlike the passenger elevators, there is no backup to the service elevator in the event of a disruption. For example, if the driver in the service elevator fails, SERS staff will be forced to use the passenger elevators for all service-related tasks. This is not preferred considering the risks of inconvenience and damage to the passenger elevators.

For these reasons, OSERS Broad Street is requesting a transfer of \$28,000 from the OSERS Operations Budget earmarked for tenant remodeling expenses to OSERS Capital Budget to replace the driver on the service elevator. The transfer will produce a net zero impact on the budget. If approved, OSERS will greatly reduce the risk of being without a service elevator and avoid potential damage to the passenger elevators.

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Jeffrey DeLeone moved and Barbra Phillips seconded that the FY2024 OSERS Capital Budget be modified as presented today effective March 21, 2024. The modification reallocates \$28,000 within the OSERS Operations Budget earmarked for tenant remodeling expenses to OSERS Capital Budget to replace the driver on the service elevator.

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. Absent: Matthew King. The motion carried.

Final Filing of Proposed Amended Administrative Rules

Susan Russell, SERS Legal Counsel, discussed with the Retirement Board filing with JCARR the following proposed amended rules: 3309-1-07 Application for payment upon termination of employment; 3309-1-09 Federal taxation; 3309-1-11 Membership determinations; 3309-1-19 Member enrollment; 3309-1-26 Beneficiaries; 3309-1-29 Purchase of service credit; out-of-state and other; 3309-1-50 Re-employment restrictions; that have been reviewed by JCARR and are ready for final adoption by the Board.

Jeffrey DeLeone moved and Catherine Moss seconded that proposed amended rule 3309-1-07, 3309-1-09, 3309-1-11, 3309-1-19, 3309-1-26, 3309-1-29, 3309-1-50 be filed with JCARR as discussed.

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. Absent: Matthew King. The motion carried.

Discussion of Salary Growth Information for Preliminary FY2025 Budget

Mr. Stensrud continued, reporting that SERS will need to increase compensation to bring staff up to the proper compensation levels, based on feedback from CBIZ, SERS' compensation consultant. CBIZ recommended in February that compensation amounts be adjusted. CBIZ recommends allocating a merit of 1.2% over the structure to allow staff to move through their respective pay ranges.

Mr. Stensrud provided the board with three compensation and merit scenarios to compare. Mr. Stensrud provided clarity on the scenarios and suggested scenario number three is close to the CBIZ recommendation but allows SERS to remain prudent when adjusting compensation. After a robust discussion, the board agreed to move forward with scenario number three.

Pensionable Compensation Discussion

Mr. Stensrud solicited feedback from the board on the topic of pensionable compensation following a meeting with stakeholders last month. Board members expressed a desire to modernize the definition of pensionable compensation. It was suggested that the definition of pensionable compensation be revised and presented to stakeholders for further consideration. The board agreed that this is not an effort to move away from final average salary calculations for retirement benefits, but rather an effort to clarify what compensation counts towards retirement benefits.

Executive Session

Catherine Moss moved and Barbra Phillips 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: Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Matthew King. The motion carried.

The board convened in executive session at 11:05 a.m.

The board returned to open session at 11:29 a.m.

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Retirement Report

There was no executive session for the retirement report.

Audit Committee Update

Audit Committee Report

Chief Audit Officer, Jeff Davis, provided a brief update on the work of the Audit Committee. The Audit Committee met yesterday afternoon and discussed the corrective actions taken around banking reconciliation after an issue was discovered in the most recent external audit. There were no financial errors to report regarding the audit finding. Mr. Davis also gave an update on the ongoing internal audits, FY2025 audit planning, and the most recently completed audits. The board thanked Mr. Davis for his update.

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 to discuss the executive director's third quarter goals, compensation, and hiring policies at SERS. There will be more discussion at the special Compensation Committee meeting planned for April. The board thanked Mr. Wilson for his report.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

There were no additional requests. James Rossler and Frank Weglarz both provided the board with brief summaries of the conferences they attended last month.

Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2024 and noted that Frank Weglarz will not be attending the May board meeting and Barbra Phillips will miss the June board meeting.

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

AUDIT COMMITTEE MEETINGS

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.)

COMPENSATION COMMITTEE MEETINGS

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

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.)

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BOARD MEETINGS

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.**

Recess

The board recessed for lunch at 11:52 a.m.

The board reconvened in open session at 1:01 p.m.

Executive Director's Report (cont.)

FY2025 Strategic Planning Discussion – RAMA Consultants

Mr. Stensrud introduced RAMA consultants, who provided a presentation on the status of the FY2025 SERS strategic planning process. RAMA consultants introduced key themes that were consistent with SERS leadership and the board such as sustainability and customer service. RAMA consultants identified six key areas of focus and wanted input from the board to ensure everyone agrees on the focus areas.

Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, March 21, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:42 p.m.

Frank Weglarz, Board Chair

Richard Stensrud, Secretary