

SERS Retirement Board Meeting Minutes

September 19, 2024

The nine hundredth and seventy-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, September 19, 2024.

Pledge of Allegiance

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

Roll Call

The roll call was as follows: Matthew King, Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, and Daniel Wilson. Absent: Jeffrey DeLeone and James Rossler. Also attending was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff attended in person while other 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 conferences and meetings be approved. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Consent Agenda

The consent agenda for **September 19, 2024**, included:

- Minutes of the **July 18, 2024**, and **September 11, 2024**, Retirement Board meetings
- Summary of Investment Transactions for the period of **June 1, 2024**, to **June 30, 2024**, and **July 1, 2024 to July 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, Disapproval of Appeal for Disability Benefits, Disapproval of Appeal of Termination, Approval of Appeal of Termination – Any Occupation, Disapproval of Appeal of Termination – Any Occupation

Catherine Moss moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, July 18, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Barbra Phillips, Aimee Russell, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone, James Rossler and Frank Weglarz. The motion carried.

Investment Report

BlackRock Presentation - Education Session under R.C. 171.50 and 3309.051

SERS Chief Investment Officer introduced Michael Bishopp and Elaine Moore from BlackRock, who provided an educational session/presentation on artificial intelligence and how it has evolved in the investment operations industry. BlackRock manages approximately \$516 million in assets for SERS in global equities, fixed income, and real estate.

Ms. Moore opened the presentation stating there is more data available today than ever before. BlackRock receives and analyzes more than 6,000 broker reports every day and uses artificial intelligence to scan and summarize the reports, often within minutes.

Ms. Moore continued, stating that the reports are then translated into several languages where AI can then analyze the data. AI is also efficiently gathering real-time data and using the data to create reports the

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government hasn't generated. BlackRock uses its own proprietary software to specifically address the needs of their investment clients.

Mr. Bishop reported that AI is a great resource for computing and analyzing data, AI does not perform logical deduction well and can not replace humans in this field of work. Humans are still needed to monitor and verify that the reports and data generated by AI are accurate.

After several questions and a robust discussion, the board thanked Mr. Bishopp and Ms. Moore for their presentation.

Board Member Proclamation

The Retirement Board of the School Employees Retirement System of Ohio adopted the following resolution on September 19, 2024, to honor Barbra M. Phillips.

Whereas, the School Employees Retirement System of Ohio provides pension, disability, and health care benefits to more than 240,000 active and retired nonteaching public school employees; and

Whereas, Ms. Barbra M. Phillips has served with dedication, devotion, and distinction for 19 years as a Trustee of the School Employees Retirement System; and

Whereas, Ms. Phillips was the catalyst in stabilizing and strengthening SERS' health care fund from a solvency of four years when she was first elected to a solvency of 39 years in 2023, with assets that have grown from \$260 million to \$707 million; and

Whereas, Ms. Phillips was supportive of health care plan design changes that included implementing the Medicare Advantage Plan, switching to mail order prescriptions to save SERS and retirees money, and implementing a Wraparound plan that incentivizes pre-Medicare retirees to find better coverage at lower prices on the health care exchange, all of which contributed to the financial improvement of the Health Care Fund; and

Whereas, Ms. Phillips was a champion for regular and continuous Board education on Board responsibilities, fiduciary duty, and investment philosophy, and held numerous certifications from the Wharton School and NCPERS after successfully completing governance courses; and

Whereas, through her personal travels abroad, Ms. Phillips brought unique perspective to investment and benefit discussions; and

Whereas, Ms. Phillips was a firm believer in the power of collaboration, who not only worked to build consensus among her Board peers, but was receptive to the opinions of members, retirees, and advocacy group representatives in decisions that affected them; and

Whereas, Ms. Phillips has demonstrated her genuine concern for the welfare of the members and retirees of SERS, as evidenced by her unwavering support of the Board's regular sustainability discussions intended to keep SERS financially sound; now, therefore,

Be it resolved that the Retirement Board of the School Employees Retirement System of Ohio applauds and recognizes Ms. Barbra M. Phillips for her long and exemplary stewardship, service, and resoluteness to the retirement security of Ohio's nonteaching public school employees.

The board thanked Ms. Phillips for her many years of hard work and dedication to the members of SERS. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The resolution was adopted.

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Investment Report (cont.)

Annual Overlay Program Review

Mr. Majeed continued with an annual overview of SERS' overlay program. The overlay program does not have a specific asset allocation but is run as an active long/short strategy with a low net asset exposure. Mr. Majeed stated its performance objective is to add 10 to 20 basis points to Total Fund performance over an extended period.

The overlay program consists of two sub-programs: active currency and tactical asset allocation (TAA). Both programs currently utilize one manager each and the active currency program aims to add value and reduce the currency risk of the Total Fund.

Mr. Majeed reported the cumulative gains of the Overlay Program are \$20.1 million as of July 2024. While the one-year performance has been -0.48%, the program has also reduced the risk to the total fund by -0.36% over the same period, improving portfolio efficiency and the Total Fund risk-adjusted return.

Below is a summary of the Overlay Program performance impact on Total Fund.

Total Fund Performance Impact (Net-of-Fees)	FYTD Return	1 Year Return	3 Year Return	5 Year Return
Tactical Asset Allocation	0.01	-0.60	-0.20	-0.08
Active Currency	0.00	0.12	0.18	0.06
Total Fund	0.01	-0.48	-0.02	-0.03

Quarterly Performance Report – Wilshire Associates

Joanna Bewick of Wilshire Associates introduced her new colleague, Chris Tessman, to the board. Ms. Bewick and Mr. Tessman provided an economic update on the SERS portfolio. Ms. Bewick reported that Wilshire is forecasting lower expectations for equity returns over the next few years with returns coming in lower than core bonds. Stock valuations are currently high which dampens future returns.

Ms. Bewick continued, reporting that the fed cut interest rates by 50 basis points, which was good news for the market. Employment and economic growth are now the focus of the fed. Ms. Bewick also noted that volatility is to be expected in the market along with sustained recovery; however, investment performance worldwide will continue to be turbulent.

Mr. Tessman reported SERS has a lower allocation to public equities so, in times when the U.S. stock market realizes big gains, SERS' returns will be good but less than other funds that have more equity exposure in times when the U.S. stock market realizes big gains. Mr. Tessman also stated that an area where SERS' portfolio leads Wilshire's universe is in risk/return. SERS' portfolio has higher returns per unit of risk than all other funds.

In closing, Mr. Tessman stated that with the exception of real estate and cash equivalents, all of SERS' portfolios registered net of fees gains for the quarter. Private equity and global private credit led the way. Global equities registered a solid return and the fixed income return was top quartile.

Following a few questions, the board thanked Ms. Bewick and Mr. Tessman for their report.

The board took a short break at 10:35 a.m.

The board reconvened in open session at 10:47 a.m.

Monthly Investment Report

SERS Chief Investment Officer, Farouki Majeed, provided a brief quarterly and monthly investment presentation. Mr. Majeed reported that the US economy continues to remain strong as inflation levels begin to

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stabilize. Mr. Majeed also stated that investment staff will begin reviewing the fund to find ways to grow in future years as past growth is not an indicator of future growth.

With no questions being asked, the board thanked Mr. Majeed for his report.

Executive Director's Report

COLA (Cost of Living Adjustment) Discussion

Following a brief discussion, it was moved by Catherine Moss and seconded by Frank Weglarz that following review by SERS' actuary, CavMac, eligible SERS allowances, pensions and benefits shall receive a 2.5% cost-of-living adjustment in calendar year 2025, which is the percentage increase as set forth in R.C. 3309.374(B). Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Actuarial Valuation Report – Allocation of Employer Contributions – Health Care Funding

Frank Weglarz moved and James Haller seconded that after discussion with SERS' actuary, CavMac, regarding the preliminary results of the annual basic benefits valuation (to be prepared as of June 30, 2024) at the September 2024 Board meeting, the Board elects to allocate 0% (zero percent) of the 14% employer contribution to the Health Care Fund for fiscal year 2025 in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Executive Session

Catherine Moss moved and Aimee Russell seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

The board convened in executive session at 11:19 a.m.

The board reconvened in open session at 11:49 a.m.

Actuarial Valuation Report – Health Care Plan & Trust

SERS Legal Counsel, Joe Marotta, provided an update on the restated healthcare plan and trust. The proposed restated SERS' Health Care Plan and Trust, which would be effective October 1, 2024, is based on the current Health Care Plan and Trust that was restated July 1, 2023.

The purpose of the proposed restated HC Plan is to add language to clarify the status of the Health Care Fund as an Internal Revenue Code 115 trust. (SERS has historically maintained the Health Care Fund consistent with the requirements of Internal Revenue Code sections 105(e) and 115.)

SERS Legal consulted with outside tax counsel at Ice Miller to develop a new section in the HC Plan (Section 4.3 Health Care Fund). Section 4.3 sets forth provisions normally included in a 115 trust that were not already in the current HC Plan.

Legal Counsel discussed with the Retirement Board the "SERS Health Care Plan and Trust" restated October 1, 2024. Catherine Moss moved and Frank Weglarz seconded the motion to adopt the "SERS Health Care Plan and Trust" restated October 1, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

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Ohio Retirement Study Council

SERS Executive Director, Richard Stensrud, began his report stating the ORSC cancelled its regular August meeting, however, they met in September. PTA/KMS was selected to perform SERS Actuarial Audit for the ORSC. Mr. Stensrud also reported that Gary Scherer, a former legislator, will be joining the council. Mr. Stensrud also stated that SERS leadership staff continue engage with stakeholders and leadership is working hard to differentiate SERS from other pension systems.

Advocacy Groups

Mr. Stensrud took a moment to recognize Valerie Rodgers, Executive Director of SERO, who attended the SERS board meeting. Ms. Rogers will be retiring soon and Jim Janosik, her replacement, also attended the meeting. The board welcomed Mr. Janosik and thanked Ms. Rodgers for her many years of service.

Federal Legislative Activities

Mr. Stensrud continued his report, stating that a government shutdown is looming again as federal appropriations are scheduled to end October. Speaker Johnson is suggesting a Continuing resolution through March of 2025 coupled with a proposal to require proof of citizenship for voting in federal elections. However, Democrats opposed the voting proposal since there are laws on the books already that restrict voting by non-citizens. SERS leadership will continue to monitor this situation.

WEP/GPO Discharge Petition

Members of Congress recently filed a discharge petition on a bill to repeal Social Security's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). Gaining more than a majority would require the House to hold a floor vote on the H.R. 82 bill, if the Ways and Means committee doesn't act sooner. The Senate is not likely to take up this issue even if H.R. 82 gets a floor vote. SERS leadership will continue to monitor this issue.

Operation Backpack

Mr. Stensrud continued, reporting that SERS staff participated in the annual Operation Backpack program that donates backpacks and school supplies to families in need. This year, staff collected 131 backpacks full of school and personal supplies. Mr. Stensrud thanked staff for their generosity.

Christo Rey Intern

Mr. Stensrud reported that SERS is hosting a Cristo Rey High School student who will work as an intern in the SERS print shop. Mr. Stensrud and the board welcomed the latest student worker to the SERS family.

Executive Session

James Haller moved and Aimee Russell seconded the motion that the Retirement Board convene in Executive Session pursuant to R.C. 121.22 (G)(2) to discuss the sale of property. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

The board convened in executive session at 12:08 p.m.

The board reconvened in open session at 12:47 p.m.

Temporary Transactional Authority

It was moved by Frank Weglarz and seconded by Catherine Moss to grant SERS' Executive Director authority to implement transactional measures with respect to SERS' Iran/Sudan Investment Policy in accordance with

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Board direction provided in the Executive Session held on September 19, 2024. The preceding authority is granted to the Executive Director until March 31, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

FY2024 Year End Budget-to-Actual Report

SERS Chief Financial Officer, Marni Hall, provided an update on SER administrative expenses for FY2024. Ms. Hall reported that the FY2024 expenses were finalized and missed the forecast budget by \$5000.

Review of Administrative Expenses

Ms. Hall continued her report stating that the current FY2025 expenses are on scheduled. After several questions, the board thanked Ms. Hall for her report.

Filing of Proposed Rescinded Administrative Rule

SERS General Legal Counsel Susan Russell introduced several administrative rules for consideration. Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed rescinded rule: 3309-1-02, Definition of compensation, which rescission shall have an effective date of July 1, 2025. Catherine Moss moved and Frank Weglarz seconded that proposed rescinded rule 3309-1-02 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Filing of Proposed New Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-02, Definition of compensation, which new rule shall have an effective date of July 1, 2025. Catherine Moss moved and Frank Weglarz seconded that proposed new rule 3309-1-02 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Filing of Proposed New Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-51, Recovery of overpayments. Catherine Moss moved and Aimee Russell seconded that proposed new rule 3309-1-51 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Filing of Proposed Amended Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-35 Health care. Frank Weglarz moved and James Haller seconded that proposed amended rule 3309-1-35 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

Filing of Proposed Amended Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-41 Appeals for denial and termination of disability benefits. Catherine Moss moved and Aimee Russell seconded that proposed amended rule 3309-1-41 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

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Final Filing of Proposed New Administrative Rule

Legal Counsel discussed with the Retirement Board the following proposed new administrative rule: 3309-1-68, Guardianship that has been reviewed by JCARR and is ready for final adoption by the Board. Frank Weglarz moved and James Haller seconded that proposed new rule 3309-1-68 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Haller, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Absent: Jeffrey DeLeone and James Rossler. The motion carried.

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

The board convened in executive session at 1:10 p.m.

The board reconvened in open session at 1:27 p.m.

Retirement Report

There was no executive session for the retirement report.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

There were no requests for additional information.

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

December 18, 2024 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

December 19, 2024 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

December 19, 2024 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.) **** Board Photo ****

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.**

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Adjournment

Board Chair, Matthew King, moved to adjourn to meet on Thursday, October 17, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 1:31 p.m.

Matthew King, Board Chair

Richard Stensrud, Secretary