



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

JULY 2021

Board Members Take Oath

Employee-members James Haller and Barbra M. Phillips, and retiree-member Frank Weglarz, took the oath of office at this month's Board meeting.

Haller, a custodian/maintenance worker for Lima City Schools, is beginning his second full term on the Board; Phillips, a school bus driver for Ashland City Schools, is beginning her fifth term on the Board; and Weglarz, a retiree from Cleveland Heights-University Heights City Schools, is beginning his third term on the Board.

All three terms run from July 1, 2021 to June 30, 2025.



Board Governance Evaluation

In 2017, SERS participated in a Fiduciary Audit Report required by the Ohio Retirement Study Council. One recommendation in the report was for SERS' Board to implement a self-evaluation process. To address this recommendation, the Board contracted with Mosaic Governance Advisors in March to evaluate the current governance and oversight practices of SERS' Board.

Amy McDuffee, founder of Mosaic, and Catherine Jackson, leader of the sustainable finance practice at Mosaic, addressed the Board to report the results of their one-on-one interviews with Board members in June, and recommend governance improvements.

McDuffee began the presentation by reminding the Board that good governance is correlated with good financial performance, and that self-evaluation is a proven way to maintain good governance as needs and Board member makeup change.

From the interviews, McDuffee and Jackson shared the following findings:

- Trustees rated Board performance as above average

RETIREMENT BOARD

BARBRA M. PHILLIPS
Chair, Employee-Member

JEFFREY T. DELEONE
Vice-Chair, Appointed Member

HUGH W. GARSIDE, JR.
Employee-Member

JAMES HALLER
Employee-Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

- The majority of Trustees were pleased with how the Board is currently functioning and there is no perceived need for significant changes
- Suggestions for improvement centered around preventing slippage from today’s good governance practices
- The three greatest strengths of the current Board are diversity, respect, and commitment

During the presentation, the Board engaged in discussions on defining Board-level work, diversity, and the line between the Board’s governance role and staff’s management role.

The Board expressed interest in the following:

- Scheduling more in-person investment presentations for education purposes
- Expanding Board input into strategic planning initiatives
- Improving the onboarding process for new Board members

Mosaic’s suggestions for improving SERS’ Board governance included:

- Reviewing the roles and responsibilities of Board members and making changes where needed
- Reviewing the rules of engagement for the Board and refining them as needed
- Appointing “lane keepers” to keep the Board focused on Board-level governance rather than management activities
- Developing a skills matrix for all Board members to ensure individual Board member expertise is documented so committee membership and Board work can be appropriately delegated

To conclude the presentation, McDuffee complimented the strong Board identity exhibited by the current Board, but cautioned that it can be detrimental if they stop accepting feedback.

The Board is committed to performing regular self-assessments in the future.

Total Fund Update

TOTAL FUND BALANCE		
April 30	May 31	Difference
\$17.35 billion	\$17.46 billion	▲ \$110 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 24.20%	▲ 7.19%	▲ 10.98%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 2.86%	▲ 0.73%	▲ 0.67%

Investment Committee Approves Two Investments

The SERS Investment Committee approved a \$200 million commitment to SSgA Russell 1000 Value Index, a Russell 1000 Value Index strategy within the U.S. equity portfolio, and a \$50 million commitment to GoldenTree Distressed IV, a distressed credit strategy within the opportunistic portfolio.

These investments will be funded from cash reserves.

Board Approves Filing of Amended Administrative Rule

The Board approved the filing of an amended administrative rule that provides the details of administering SERS’ health care program with the Joint Committee on Agency Rule Review (JCARR).

Under the amendment, an individual who fails to enroll in Medicare Part B during their Medicare initial or special

enrollment period will lose eligibility for SERS' health care coverage. If an individual enrolls in Medicare Part B coverage but then fails to maintain the coverage, the individual must re-enroll during Medicare's first available general enrollment period.

The rule provides a deadline for individuals not currently enrolled in Medicare Part B to take action in order to remain eligible for SERS' coverage. The following individuals must enroll/re-enroll in Medicare Part B during Medicare's 2022 general enrollment period (January 1, 2022 through March 31, 2022) to remain eligible for SERS' health care coverage:

- Individuals who did not enroll in Medicare during their initial or special enrollment period(s) between January 1, 2019 and December 31, 2021
- Individuals who lost Medicare Part B coverage between January 1, 2019 and December 31, 2021

Individuals who, prior to January 1, 2019, failed to enroll in Medicare Part B during their initial/special enrollment period or lost Medicare Part B coverage, will not lose eligibility for SERS' health care coverage for failure to enroll.

Executive Director's Update

Compensation and Classification Study

In accordance with the SERS Employee Compensation Policy, or as recommended by the executive director, every five years SERS is to use an independent source to determine the competitiveness and effectiveness of the employee compensation program.

To fulfill this obligation, the Board agreed to delegate the selection of a vendor to perform a compensation and classification study to the Compensation Committee.

In the coming months, the committee will select a vendor that will review position classifications and ensure compensation levels are competitive and equitable.

Ohio Retirement Systems Join Forces to Encourage WEP Reform

On June 29, four of Ohio's retirement systems, including SERS, submitted a letter to the House Ways and Means Subcommittee on Social Security urging Chair John Larson and Ranking Member Tom Reed to find an equitable solution to the Windfall Elimination Provision (WEP).

In the letter, the executive directors noted that no state has felt the impact of the WEP more acutely than Ohio, which has a higher percentage of non-covered public workers than any other state. This offset currently impacts more than 148,000 Ohioans, diminishing their retirement security and reducing their ability to provide for themselves and their families.

Monthly Retirement and Survivor Benefit Transactions

For July, the SERS Board approved 339 active members for service retirements, and 25 survivor benefits for spouses and/or dependents.

September Meeting Dates

There will not be a regular Board meeting in August. The next Board meeting will take place Thursday, September 16, and Friday, September 17 (if necessary), at 8:30 a.m.