



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**  
**BOARD MEETING HIGHLIGHTS**  
**JULY 2023**

**Board Member Takes Oath**

Employee-member Aimee Russell took her oath of office at this month’s Board meeting.

Russell, a library secretary for Ashland City Schools, is beginning her first full term on the Board.

Russell’s term runs from July 1, 2023, through June 30, 2027.



**Employee and Retiree Member Board Seats Up for Election**

One employee-member seat and one retiree-member seat are up for election with the terms beginning July 1, 2024, and ending June 30, 2028. Any member of SERS, other than a disability benefit recipient, is eligible to run for an employee-member seat, and any SERS disability or service retiree is eligible to run for a retiree-member seat.

To be considered for election, the following requirements must be met:

**Employee-Member seat**

- Obtain signatures of 500 SERS members on a paper or electronic nominating petition provided by SERS with not less than 20 signatures of members from each of at least 10 counties where those members are employed
- Make sure that each member signing the nominating petition, whether paper or electronic, indicates his or her employer, county of employment, and last four digits of his or her Social Security number or full SERS member ID number

**Retiree-Member seat**

- Obtain signatures of 150 SERS retirees on a nominating petition provided by SERS with not less than 10 signatures of retirees from each of at least five counties where those retirees reside
- Make sure that each retiree signing the nominating petition, whether paper or electronic, indicates his or her county of residence and last four digits of his or her Social Security number or full SERS member ID number

**All seats**

- Begin gathering signatures on or after August 8, 2023
- Deliver paper petitions with original signatures and a completed original Certification Form to the SERS office no later than 4:30 p.m., EDT, December 1, 2023; electronic signature collection also will end at this time

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RETIREMENT BOARD

FRANK A. WEGLARZ  
*Chair, Retiree-Member*

MATTHEW KING  
*Vice-Chair, Employee-Member*

JEFFREY T. DELEONE  
*Appointed Member*

JAMES HALLER  
*Employee-Member*

CATHERINE P. MOSS  
*Retiree-Member*

BARBRA M. PHILLIPS  
*Employee-Member*

JAMES A. ROSSLER, JR.  
*Appointed Member*

AIMEE RUSSELL  
*Employee-Member*

DANIEL L. WILSON  
*Appointed Member*

For this election, the nomination process includes the ability for active and retired members to sign an electronic petition form on SERS' website to nominate a candidate. The electronic form is secure and requires the same information as the paper form. Members provide only one signature either on paper or electronically. Multiple submissions from one person for the same candidate are not counted.

Anyone interested in running for one of the open Board seats must contact Tim Barbour (tbarbour@ohsers.org) to have an electronic form on the SERS website created with their name.

Certification forms can be downloaded from the SERS website at [www.ohsers.org/about-sers/board-of-trustees/board-election](http://www.ohsers.org/about-sers/board-of-trustees/board-election). Nominating Petition forms will be available at the above website address on August 8, 2023.

General information about the responsibilities of being a SERS Board member can be found in our [Board Member Responsibilities and Election Guide](#).

If you have questions regarding these elections, please contact Tim Barbour, External Communications Senior Manager, by phone at 614-222-5901 or by email at tbarbour@ohsers.org.

### **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 in early to mid-2023 faded. Consumer spending continued to be positive and jobs were still being added at a brisk pace. Economists pushed back the chance of a recession into late 2023 or early 2024 but even then, they hinted that it could be mild.

It is possible that the economy is currently experiencing a "rolling recession" in that certain sectors like housing, real estate, and manufacturing are experiencing recessionary pressures, while other sectors remain unaffected. This may be the reason the U.S. economy has avoided a significant contraction.

Inflation continued to cool down in May and even further in June led by decreases in energy and food prices.

Majeed said equity markets are still rising and that emerging markets are looking favorable based on 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%.

The preliminary, unaudited report for the FY2023 return is 7.39%, slightly above the Total Fund benchmark of 6.9% and above the System's assumed actuarial rate of 7%.

### **Investment Committee Policy Changes**

Majeed also informed the Board of some changes to the Investment Committee Policy.

In the future, voting participation will be limited to the CIO and Senior investment officers with sufficient experience as determined by the CIO. Analysts and associate investment officers will no longer have voting rights but will participate in the selection process.

In addition, 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 still have the ability to approve or reject the investment at the next meeting.

Finally, the SERS Board will now review the Investment Committee Policy annually.

### Investment Committee Approves Three Investments

The SERS Staff Investment Committee approved a \$75 million commitment to Arrowstreet Emerging Markets, an emerging markets strategy within the non-US equity portfolio.

In addition, the committee approved a \$50 million commitment to Green Equity Investors IX and a \$50 million commitment to Jade Equity Investors II, both buyout strategies within the private equity portfolio.

These investments will be funded from cash reserves.

### Total Fund Update

TOTAL FUND BALANCE		
April 30	May 31	Difference
\$17.55 billion	\$17.41 billion	▼\$140 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲4.52%	▲2.91%	▲9.87%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▼0.05%	▼0.77%	▲1.70%

### Executive Director's Update

#### ORSC Update

The Ohio Retirement Study Council (ORSC) meeting scheduled for July was cancelled.

The next meeting will be held August 10 at the discretion of the ORSC chair. SERS submitted its final FY2024 budget to the committee in July.

#### CBBC Update

When HB33, Ohio's budget bill, was passed and signed by the governor, it authorized SERS to implement a Contribution Based Benefit Cap (CBBC) beginning August 1, 2024.

Staff is working on an implementation plan and preparing data on last fiscal year's retirement class that will aid the board in setting the CBBC factor. The CBBC factor is a number that reflects the Board's determination of how much greater a member's formula benefit (the benefit calculated pursuant to statute) can be from a single life annuity that is the actuarial equivalent of the employee's contributions. The lower of the two calculations will be used.

**Anyone who has retired before August 1, 2024, will not be impacted by the CBBC.**

**WEP Update**

Rep. Richard Neal (D-MA) reintroduced a WEP reform bill that contained a fairer formula for calculating WEP impact.

It is unlikely that this bill will receive any attention in the House because of its Republican majority and the fact that his previous co-sponsor, Rep. Kevin Brady (R-TX), retired from public service last year.

**Employer Services Outreach Continues**

Employer Services continued its outreach to employers with two in-person Employer 101 sessions and one webinar.

**Health Care Update**

Because of a change in its contract with the Centers for Medicare & Medicaid Services (CMS), Aetna is required to send letters to members enrolled in SERS' Medicare Advantage health care plan explaining the change.

This change will NOT affect SERS health care enrollees at all and based on the SERS Board's June benefits decision, 2024 benefits will be improved. SERS will include a letter that accompanies the Aetna letter to avoid concern or confusion by retirees enrolled in the Aetna Medicare Advantage health care plan.

**Implementation of New Actuarial Standard ASOP4**

In the FY2023 Actuarial Reports, SERS' actuary, Cavanaugh Macdonald, will add a new calculation called the Low Default Risk Obligation Measure (LDROM) as part of its required disclosures.

The LDROM calculates an organization's unfunded liabilities based on the high-quality bond rate as if the entire portfolio were invested in those assets. This assessment is not a true measurement of public pension liabilities, funding, or health of the plan. When comparing the LDROM calculation with the traditional calculation based on the System's assumed rate of return, the difference will show the added value of investing assets in a well-diversified portfolio.

**COLA Discussion in September**

Staff provided the Board with information about the factors they should consider in setting the Cost-of-Living Adjustment (COLA) for 2024. The June 2022-to-June 2023 CPI-W comparison showed an increase of 2.3%.

With input from SERS independent actuary, the Board will determine the COLA increase at the September Board meeting.

**Board Continues Discussions on Compensation**

Staff presented a list of compensation types that employers regularly inquire about in order to determine if any statutes or rules need to be updated to better fit current compensatory practices in school districts.

From the discussion that followed, staff will provide proposed definitions for Compensation and Pensionable Compensation to the Board, which agreed to set aside dedicated time at future meetings to come to consensus on what types of compensation should be subject to member and employer contributions.

### **Board Approves Changes to Board Meeting and Election Policies**

The SERS Board unanimously approved changes to the Board Meeting Policy and the Board Election Policy.

Changes to the Board Meeting Policy include recognition that the Board now uses a Consent Agenda and clarifications on standing agenda items and other items of business that are included when necessary.

Changes to the Board Election Policy were largely superficial in that the order by which the events take place were placed in chronological order, which will help staff more easily follow the procedure. One addition was made to recognize the authority for SERS members and retirees to use electronic petition gathering during the nominating process.

### **Monthly Retirement and Survivor Benefit Transactions**

For July, the SERS Board approved 131 active members for service retirements, and 14 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 21, and Friday, September 22, at 8:30 a.m. (if necessary).