



School Employees Retirement System of Ohio  
Serving the People Who Serve Our Schools®



# 2022

## Summary Annual Financial Report

For the Year Ended June 30, 2022

## Introduction

On behalf of the Board and staff of the School Employees Retirement System of Ohio (SERS), I am pleased to share with you this *Summary Annual Financial Report (SAFR)*.

This publication summarizes SERS' organizational accomplishments and financial highlights for the period of July 1, 2021 through June 30, 2022. For more detail on the information contained in this publication, please read our *FY2022 Annual Comprehensive Financial Report (ACFR)*, which is available on our website at [www.ohsers.org/about-sers/by-the-numbers/financial-reports/](http://www.ohsers.org/about-sers/by-the-numbers/financial-reports/).

With the pandemic largely in the rearview mirror and coming off a historically good investment return year in FY2021, SERS began FY2022 with hopes for another good year. However, after a good start to the fiscal year, inflation soared to a 40-year high fueled by Russia's unprovoked military incursion into sovereign Ukraine. To comply with state and federal economic sanctions levied against Russia, SERS acted swiftly to suspend its investment activity in Russian assets. While the goal was to completely divest from Russian assets, Russia immediately closed its markets to foreign investors, essentially reducing the value of those holdings to \$0. SERS remains hopeful that these assets will eventually become tradeable, and a fair value can be established.

In FY2022, SERS' Total Fund returned (0.5%), which was much better than the (9.0%) median return for U.S. pensions funds. SERS was able to outperform its benchmark by 3.1% mainly due to a 34.4% return in the private equity portfolio, a 24.5% return in the real assets portfolio, and a 9.3% return in the private credit portfolio.

Significant organizational achievements in FY2022 included:

- Completing a five-year technology roadmap that includes updating technologies that make it easier for members and employers to interact with SERS using mobile devices, expanding the use of e-delivery of documents and messaging based on user preferences, and improving virtual chat capabilities
- Improving operations and customer service in the Member Services department by implementing an Innovation Team to strengthen communication between member services staff and other departments, and implementing a shadowing program where employees from different sections of Member Services observe the daily work of their peers to find ways to work together more effectively
- Implementing Sound Bite Wednesdays in the Employer Services department as a way to discuss one employer relations topic for 20 minutes during lunch via Zoom
- Implementing a cloud-based data backup system that will improve SERS' resiliency in the event of a disaster situation
- Updating SERS' Emergency Response Plan to detail the responsibilities of each department in the event of a cyber incursion situation that causes a business disruption
- Preparing for the 2023 medical year by completing the search for a pharmacy benefit manager, enacting a rule change regarding Medicare Part B enrollment, and negotiating a new contract with Aetna that improves SERS' financial position and stabilizes administrative fees.

Finally, I would like to thank all of our members, retirees, employers, and stakeholders for your contributions to Ohio's schools and communities across the country. You inspire us in all that we do.



Richard Stensrud  
*Executive Director*

## MISSION - VISION - VALUES

**Mission** - To provide our membership with valuable lifetime pension benefit programs and services

**Vision** - Through the continuous pursuit of excellence and innovative solutions, we will partner with our stakeholders so that our membership will understand and achieve security in retirement

### Values

- Focus on Service
- Be Accountable
- Support Collaboration
- Respect Differences and Practice Inclusion
- Remain Resourceful and Embrace Change

# Summary Annual Financial Report

## Financials

SERS is a defined benefit public pension plan. This means that SERS provides a specific, lifetime pension benefit based on a member's age, amount of service credit, and average of the member's highest three years of salary. SERS works with an actuary to calculate the future costs of these benefits when the member retires. The actuary also calculates how much of the employer contributions must be dedicated to pension benefits before health care benefits are funded. In FY2022, the Board passed a resolution to devote all 14% of the employer contribution rate to cover the costs of pensions with none going to fund health care.

SERS has five main sources of income: employer contributions, member contributions, investment income, health care premiums, and Medicare subsidies. In FY2022, the largest addition to the fund came from contributions. Deductions from plan net assets refer to the expenses SERS covers each year. The main expenses are pension benefit payments, health care coverage, Medicare Part B reimbursements, refunds of employee contributions to members who leave SERS, and administrative expenses.

FY2022 financial highlights include:

- SERS' total assets at June 30, 2022 were \$17.9 billion, a decrease of \$0.9 billion, or 4.6%, compared to FY2021 assets. Cash and Short Term Investments were 18.3% lower than FY2021. Investments decreased by \$0.7 billion, or a 4.0% decrease.
- Deferred outflows from SERS' participation in Ohio Public Employees Retirement System (OPERS) increased from FY2021 to FY2022. Deferred outflows from Pensions increased \$1.4 million and deferred outflows from Other Post Employment Benefits (OPEB) decreased \$0.9 million.
- SERS' total liabilities at June 30, 2022 were \$300.3 million, an increase of \$1.8 million, or 0.6%, compared to FY2021 liabilities.
- Deferred inflows decreased from FY2021 to FY2022 from SERS' participation in OPERS and Governmental Accounting Standards Board Statement No. 87, *Leases*. Deferred inflows from Pensions increased by \$3.6 million and deferred inflows from OPEB decreased by \$2.3 million. Deferred inflows from tenant leases decreased by \$1.6 million due to lease amendments.
- Total additions to plan net position were \$705.1 million, comprised of contributions of \$954.1 million, \$97.4 million of other income and net investment loss of \$346.4 million. This was a decrease of \$4.4 billion in net investment income from FY2021 to FY2022. Member and employer contributions, excluding the health care surcharge, increased 8.3% in FY2022 from FY2021. Most schools returned to a full-year of in-classroom learning after two years of virtual and hybrid education. This resulted in higher payroll and contributions for our members.
- Total deductions from plan net position for FY2022 totaled \$1.6 billion, including benefits payments of \$1.5 billion and administrative expenses of \$24.6 million, an increase of 3.4% from FY2021 deductions. Included in administrative expenses are personnel, professional, communication, computer support, facility expenses, and depreciation.
- The net decrease in plan net position was \$866.3 million compared to a net increase of \$3.5 billion in FY2021. The majority of the variance is due to strong investment earnings in FY2021 and a volatile market in FY2022.

| CONDENSED SUMMARY OF TOTAL FIDUCIARY NET POSITION |                   |                   |                  |               |
|---|-------------------|-------------------|------------------|---------------|
| (\$ in millions)                                  |                   |                   |                  |               |
| ASSETS  | 2022              | 2021              | Change           |               |
|   |                   |                   | Amount           | Percent       |
| Cash  | \$959.4           | \$1,174.2         | (\$214.8)        | (18.3%)       |
| Receivables                                       | 217.8             | 163.4             | 54.4             | 33.3          |
| Investments                                       | 16,650.0          | 17,352.6          | (702.6)          | (4.0)         |
| Capital Assets, Net                               | 55.2              | 59.0              | (3.8)            | (6.4)         |
| Other Assets                                      | 4.8               | 3.3               | 1.5              | 45.5          |
| <b>Total Assets</b>                               | <b>17,887.2</b>   | <b>18,752.5</b>   | <b>(865.3)</b>   | <b>(4.6)</b>  |
| DEFERRED OUTFLOWS OF RESOURCES                    |                   |                   |                  |               |
| Deferred Outflows                                 | 2.5               | 2.0               | 0.5              | 25.0          |
| LIABILITIES                                       |                   |                   |                  |               |
| Benefits & Accounts Payable                       | 25.6              | 41.4              | (15.8)           | (38.2)        |
| Other Liabilities                                 | 274.7             | 257.1             | 17.6             | 6.8           |
| <b>Total Liabilities</b>                          | <b>300.3</b>      | <b>298.5</b>      | <b>1.8</b>       | <b>0.6</b>    |
| DEFERRED INFLOWS OF RESOURCES                     |                   |                   |                  |               |
| Deferred Inflows                                  | 15.1              | 15.4              | (0.3)            | (1.9)         |
| <b>Fiduciary Net Position</b>                     | <b>\$17,574.3</b> | <b>\$18,440.6</b> | <b>(\$866.3)</b> | <b>(4.7%)</b> |

| CONDENSED SUMMARY OF CHANGES IN TOTAL FIDUCIARY NET POSITION |                   |                   |                  |                |
|--|-------------------|-------------------|------------------|----------------|
| (\$ in millions)   |                   |                   |                  |                |
| ADDITIONS  | 2022              | 2021              | Change           |                |
|  |                   |                   | Amount           | Percent        |
| Contributions  | \$954.1           | \$884.5           | \$69.6           | 7.9%           |
| Other Income   | 97.4              | 84.1              | 13.3             | 15.8           |
| Net Investment Income (Loss)                                 | (346.4)           | 4,088.6           | (4,435.0)        | (108.5)        |
| <b>Total Additions</b>                                       | <b>705.1</b>      | <b>5,057.2</b>    | <b>(4,352.1)</b> | <b>(86.1)</b>  |
| DEDUCTIONS   |                   |                   |                  |                |
| Benefits   | 1,456.6           | 1,425.1           | 31.5             | 2.2            |
| Refunds & Transfers  | 90.2              | 77.8              | 12.4             | 15.9           |
| Admin. Expenses  | 24.6              | 16.1              | 8.5              | 52.8           |
| <b>Total Deductions</b>                                      | <b>1,571.4</b>    | <b>1,519.0</b>    | <b>52.4</b>      | <b>3.4</b>     |
| <b>Net Increase (Decrease)</b>                               | <b>(866.3)</b>    | <b>3,538.2</b>    | <b>(4,404.5)</b> | <b>(124.5)</b> |
| Balance, Beginning of Year                                   | 18,440.6          | 14,902.4          | 3,538.2          | 23.7           |
| <b>Balance, End of Year</b>                                  | <b>\$17,574.3</b> | <b>\$18,440.6</b> | <b>(\$866.3)</b> | <b>(4.7%)</b>  |

This table depicts a summary presentation of the assets and liabilities of SERS as of June 30, 2022 and 2021. The Fiduciary Net Position shown is available for future payments of benefits to retirees, beneficiaries, and members of SERS. These figures are presented in conformity with Generally Accepted Accounting Principles (GAAP).

## Investments

The main goal of SERS' Investment Department is to ensure that assets are invested wisely. This is necessary so that pension benefits required by law and other benefits authorized by the Board, such as health care, are properly funded. SERS' investment portfolio is diversified, meaning that money in the Fund is divided among many different investment types. This is important because different kinds of investments perform differently depending on the economic conditions. Diversification helps protect assets in bad economic conditions and increase assets during good economic conditions.

SERS' Total Fund generated a net of fees (NOF) return of negative 0.5% in FY2022, exceeding the policy benchmark by 3.1%, helped by strong returns in Private Equity at 34.4%, followed by Real Assets at 24.5%, and Private Credit at 9.3%. Though the return for FY2022 was marginally negative, SERS performed much better than the median return for pension funds which was negative 9%. The Total Fund net five-year return of 8.6% exceeded the policy benchmark by 1.2%, while the ten-year net return of 9.1% exceeded the benchmark by 1.0%. Implementation of the investment program added value to the fund over five- and ten-year periods relative to the Total Fund benchmark. Longer term returns exceeded the actuarial interest rate of 7.00%, thus improving the funded ratio to 75.5%. SERS' returns ranked in the top decile (10%) in the public fund peer universe on a gross of fee basis for the five- and ten-year periods.

## Strategies

SERS makes investments in seven different asset classes and strategies: Global Equity, Global Private Equity, Global Fixed Income, Global Private Credit, Global Real Assets, Opportunistic and Tactical Investments, and Cash Equivalents.

**Global Equities** - SERS invests in equity securities to earn a premium over government treasury bonds, which is compensation for assuming the relatively higher risk inherent in public equity securities. A sizeable allocation to Global Equities is necessary to meet the long-term return goal.

**Global Private Equity** - SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

**Global Fixed Income** - SERS invests in fixed income assets for the primary purpose of risk diversification and decreasing the overall risk of the investment plan. Fixed income assets may include sovereign debt securities, global corporates, securitized securities, private placements, convertibles, derivatives, and currency.

**Global Private Credit** - SERS invests in private credit to provide risk adjusted returns in excess of those offered by publicly traded fixed income securities and to generate a consistent stream of income.

**Global Real Assets** - The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

**Opportunistic and Tactical Investments** - SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg US Aggregate Bond Index + 2% for investments that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities. Such investments may involve capitalizing on short term market dislocations or other unique situations or innovative strategies including tactical allocation.

**Cash Equivalents** - SERS invests in cash equivalents for the purpose of earning market returns on cash held for benefits and expenses and to provide short-term cash needed to fund other asset classes. Cash Equivalents are fixed income assets with maturities of less than 270 days and may include US government, asset-backed, corporate and high quality money market-type securities.

## Diversification

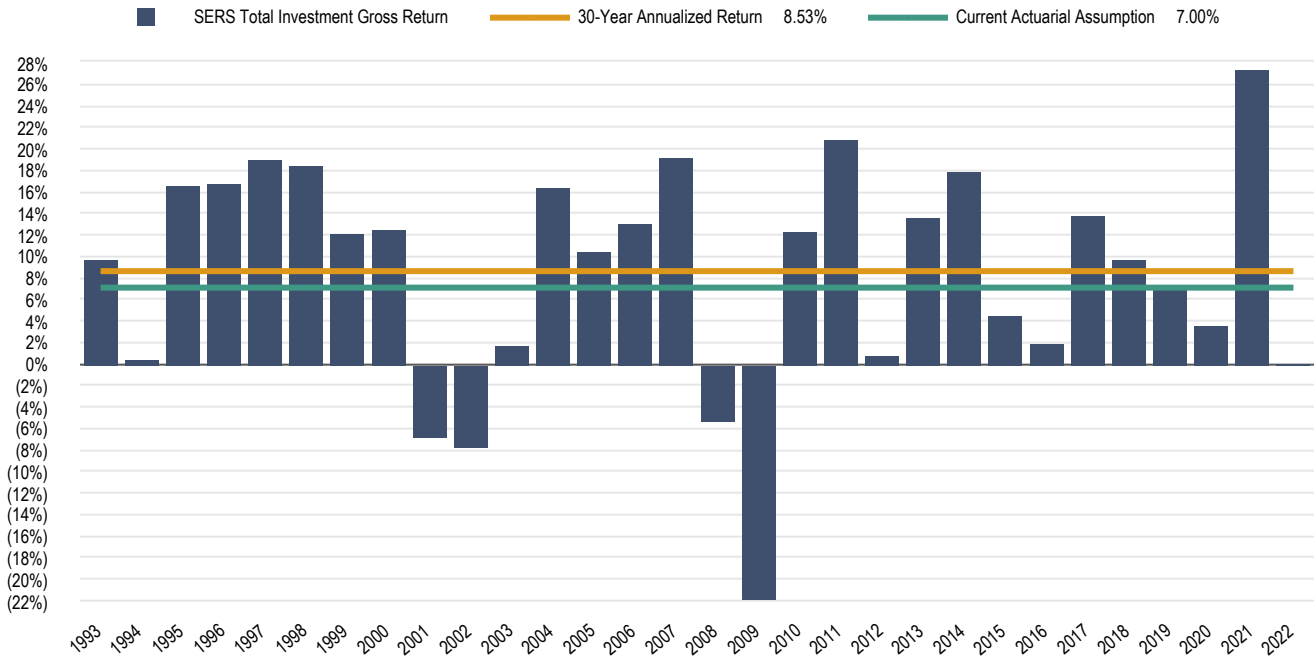
Broad diversification within an investment portfolio is used to control the level of risk and volatility within the portfolio over the long-term. SERS has adopted a broadly diversified asset allocation policy, and the strategies used within each asset class also have been diversified.

Besides the broad diversification of assets and strategies within SERS' portfolio, SERS also employs a diverse group of investment managers with the goal of outperforming the respective benchmark while managing relative risks.

Wilshire Associates, Inc., SERS' general investment consultant, assists the Board on matters of investment policy and asset allocation recommendations. Wilshire also reports to the Board on quarterly performance reviews of the Fund and each portfolio.

# Summary Annual Financial Report

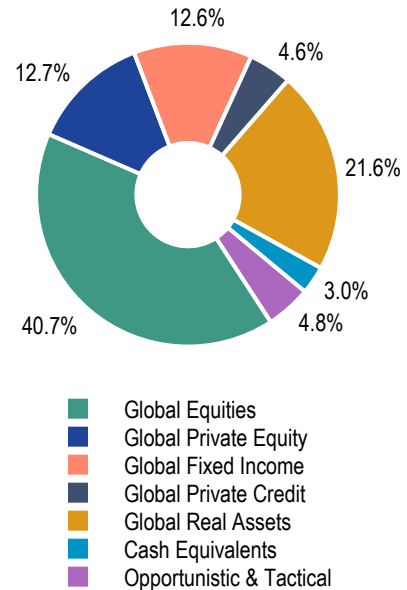
## SERS Total Investment Return (Gross of Fees)



### Investment Summary as of June 30, 2022

|                          | Fair Value              | % of Fair Value | Policy        | Range     |
|--------------------------|-------------------------|-----------------|---------------|-----------|
| Global Equities          | \$7,011,063,631         | 40.7%           | 45.0%         | 35% - 55% |
| Global Private Equity    | 2,192,037,620           | 12.7            | 12.0          | 8 - 16    |
| Global Fixed Income      | 2,162,433,665           | 12.6            | 19.0          | 12 - 26   |
| Global Private Credit    | 799,438,528             | 4.6             | 5.0           | 3 - 7     |
| Global Real Assets       | 3,715,169,652           | 21.6            | 17.0          | 14 - 20   |
| Cash Equivalents         | 521,669,099             | 3.0             | 2.0           | 0 - 5     |
| Opportunistic & Tactical | 825,935,018             | 4.8             | 0.0           | 0 - 5     |
| <b>Total Portfolio</b>   | <b>\$17,227,747,213</b> | <b>100.0%</b>   | <b>100.0%</b> |           |

### Asset Allocation



## Pension Funding

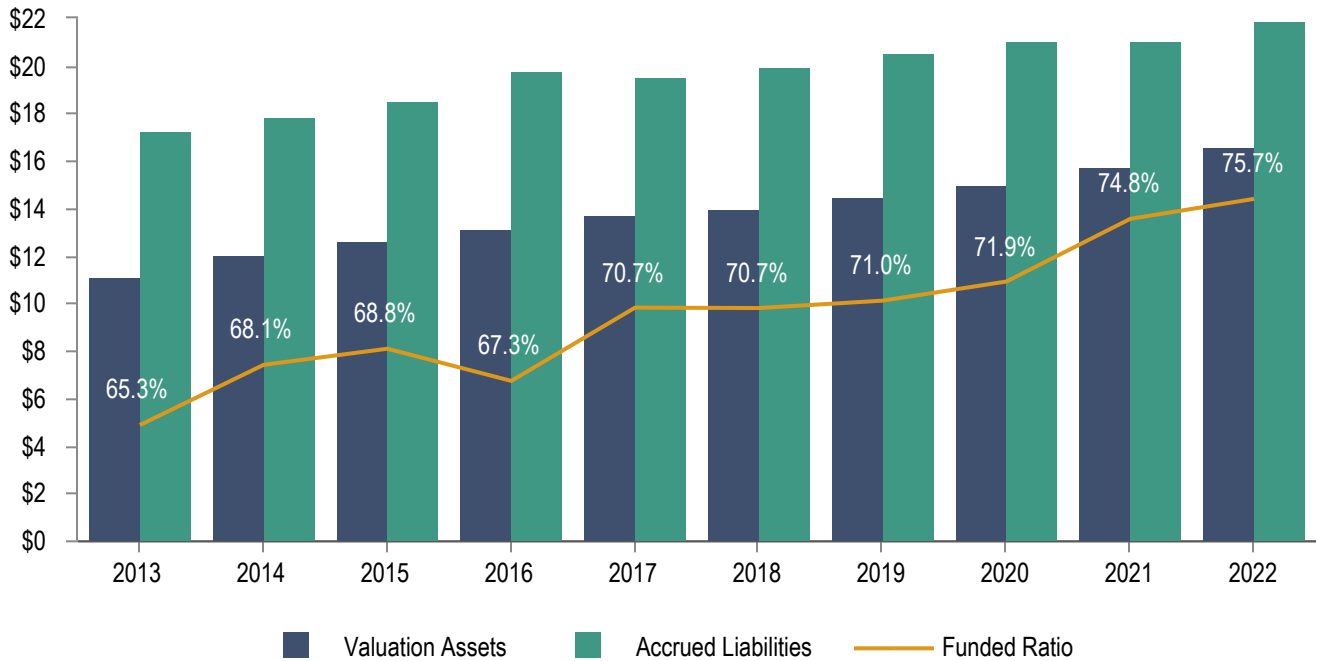
SERS' retirement benefits are funded with member contributions (10% of pay), employer contributions (14% of pay), and income earned from investment returns on those contributions.

The Pension Funding chart on the following page shows the available assets according to actuarial calculations to pay for accrued pension liabilities. The accrued pension liabilities are the estimated cost of providing all the benefits to current and future retirees. The percentages in the chart show SERS' funded status (ratio of assets to liabilities) in a given year. By Ohio law, SERS must be able to pay its liabilities within 30 years and was at 22 years as of June 30, 2022.

Through a history of reasonable benefit levels and prudent investments, SERS continues to be financially sound.

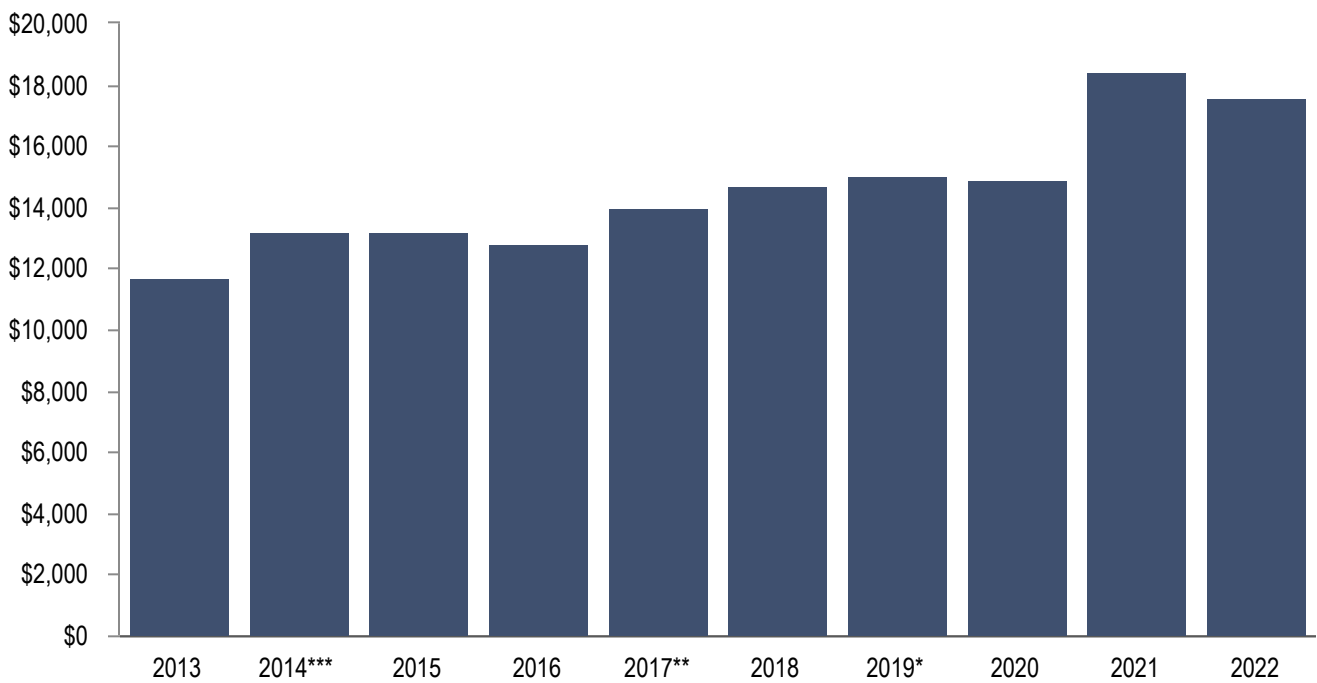
## Pension Funding (\$ in billions)

Last 10 fiscal years



## Total Fiduciary Net Position (\$ in millions)

Last 10 Fiscal Years



\* Fiduciary Net Position was restated due to the implementation of GASB 87 during FY2020.

\*\* Fiduciary Net Position was restated due to the implementation of GASB 75 during FY2018.

\*\*\* Fiduciary Net Position was restated due to the implementation of GASB 68 during FY2015.

# Summary Annual Financial Report

## Membership

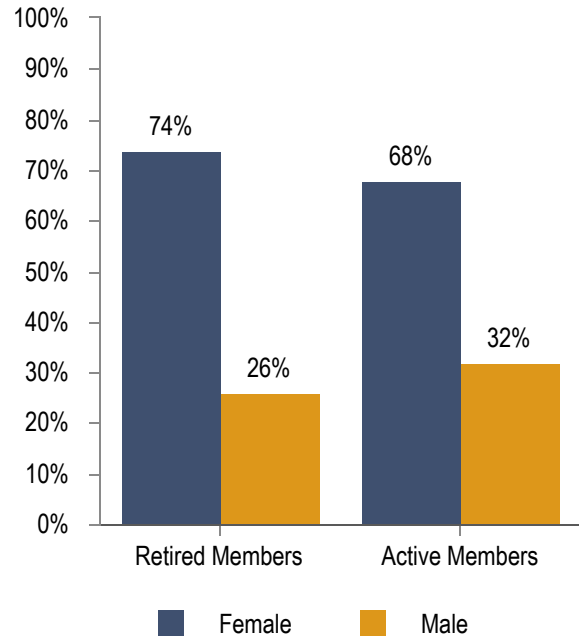
SERS' members include administrative personnel, bus drivers, food service workers, maintenance personnel, educational aides, business officials, and other non-certified school employees who are vital to the operation of Ohio's schools. Our demographics are quite different from those of the other Ohio public retirement systems. SERS' members are predominantly women who begin their public employment at a later age, retire at an older age, and receive modest wages while working. These membership demographics drive the decisions the Board makes regarding pension design, benefits, vesting, contributions, investments, health care, and fund policies.

| Retired Members by Type of Benefit |         |            |          |
|------------------------------------|---------|------------|----------|
|                                    | Service | Disability | Survivor |
| Average Monthly Benefit            | \$1,347 | \$1,530    | \$811    |
| Average Age                        | 75.2    | 67.0       | 72.5     |

| Average Active Employee Member Statistics |         |               |
|---|---------|---------------|
| Age                                       | Service | Annual Salary |
| 47.2                                      | 7.6     | \$25,762      |

| Employee Membership Data (as of June 30)                             |                |                |
|--|----------------|----------------|
|  | 2022           | 2021           |
| Retirees and beneficiaries currently receiving benefits              | 81,151         | 80,721         |
| Inactive employee members entitled to but not yet receiving benefits | 6,118          | 5,972          |
| Active employee members  | 155,063        | 146,646        |
| <b>Total Employee Members</b>  | <b>161,181</b> | <b>152,618</b> |

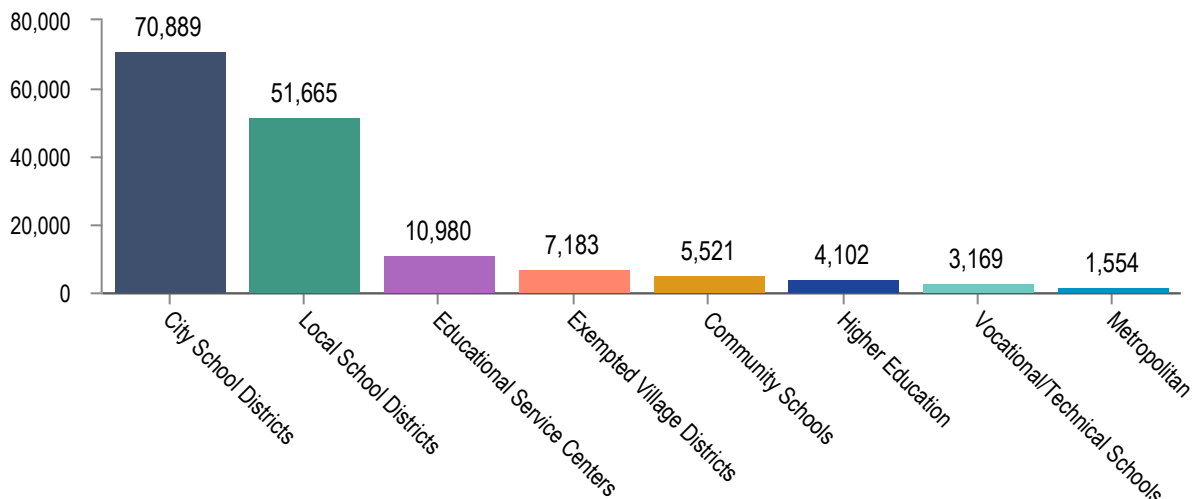
### Gender Distribution



## Employers

More than 1,000 public schools within the state's cities, villages, and counties, as well as local school districts, vocational and technical schools, community schools, community colleges, and the University of Akron, employ SERS' active members. Employers are responsible for creating member enrollments for all SERS employee members, reporting contribution detail for each employee member, submitting employee member contributions, and processing all contributions.

### Covered Employee Members



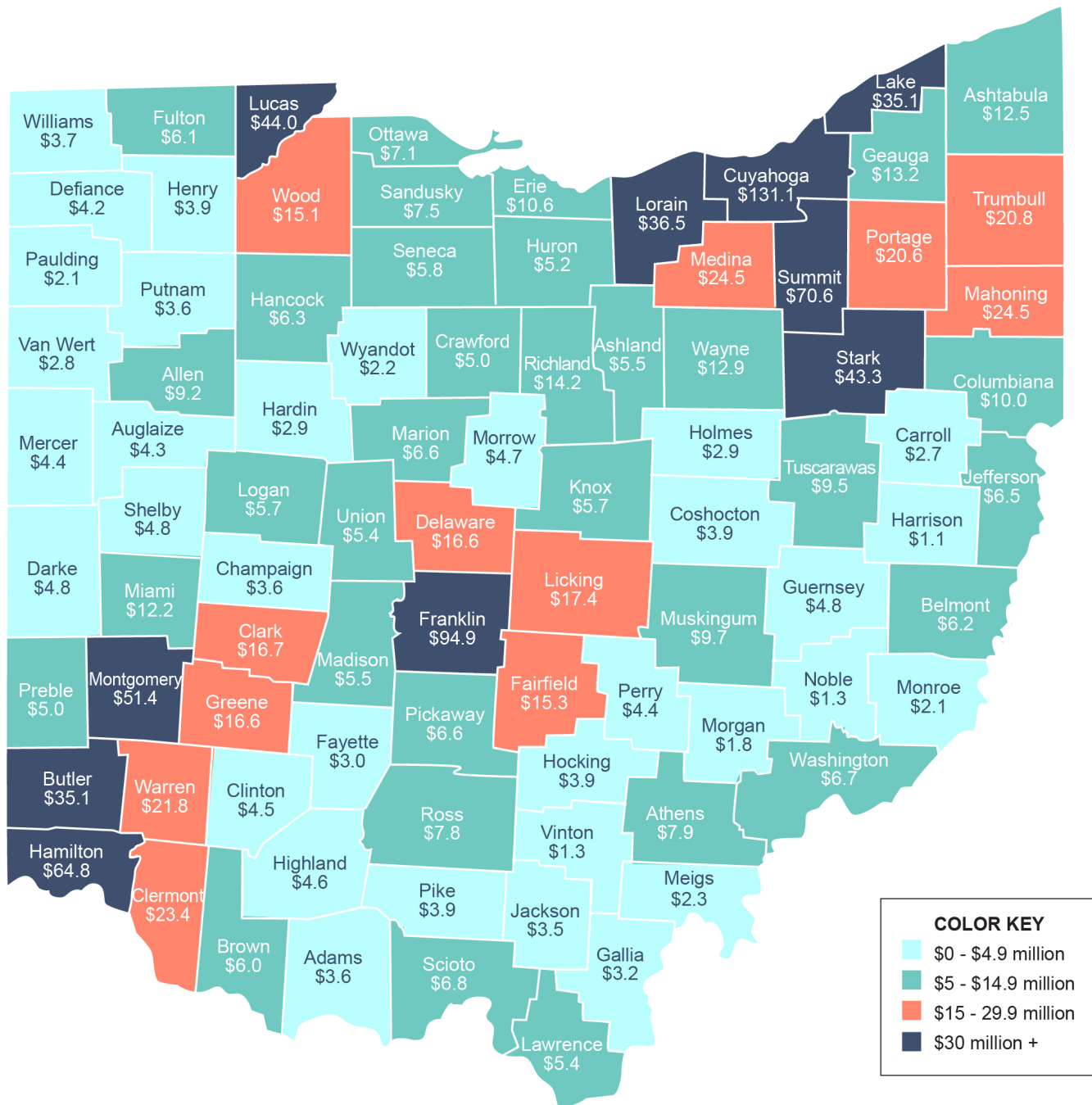
As of June 30, 2022, there were 155,063 covered employee members.

## Economic Impact

Public pensions positively impact Ohio's economy. Of the 81,151 individuals receiving pension benefits from SERS, nearly 91% live in Ohio.

In FY2022 alone, benefit payments of approximately \$1.4 billion were distributed among Ohio's 88 counties, positively impacting the state's economy. For every dollar in employer contributions invested in SERS' retirement benefits last year, \$2.61 was returned to local economies.

### Pension Benefits by County FY2022 (\$ in millions)





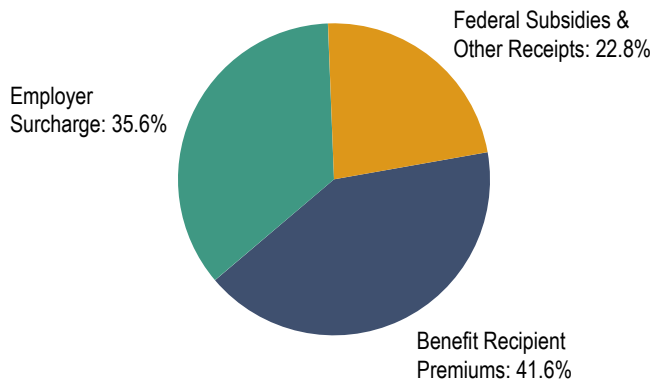
# Summary Annual Financial Report

## Health Care

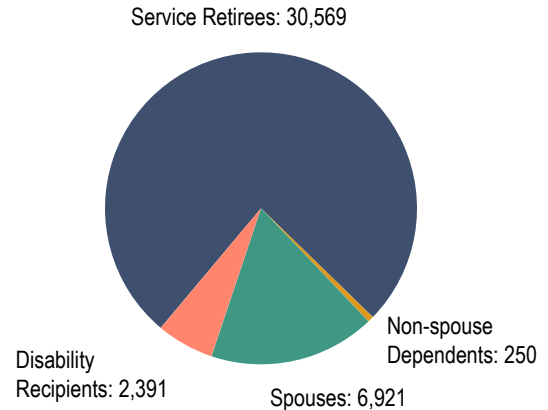
We know for many of our retirees that a secure retirement means more than a pension. Since 1974, SERS has worked to provide retirees access to group health care coverage.

The Health Care Fund balance was \$611.6 million at June 30, 2022. This was an increase of \$11.2 million from the prior year. SERS funds health care through a combination of investment income generated on the Health Care Fund, federal subsidies, premiums, employer contributions (when permitted by SERS' funding policy), and a separate employer-funded health care surcharge to compensate for low-wage salaries. If the health care surcharge, which is capped at 1.5% of statewide Employer payroll, is received and all other actuarial assumptions are met, the Health Care Fund is projected to remain solvent through 2060, or a 38-year solvency period, as of June 30, 2022.

**FY2022 Health Care Fund Income**



**FY2022 Health Care Participants**

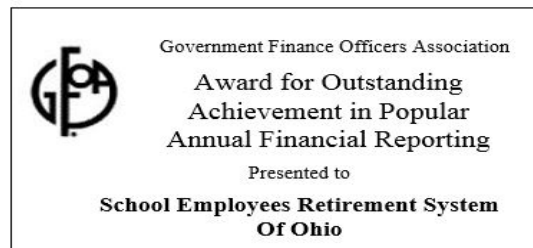


## About SERS

Established in 1937, SERS provides retirement security through defined benefit pensions and health care coverage for the people who serve Ohio schools. Protecting and growing the retirement contributions of our members and their employers is our priority. SERS is governed by a nine-member Retirement Board consisting of four elected employee members, two elected retiree members, and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and President of the Senate. They meet monthly, except January and August, to discuss and act on SERS business.

This *Summary Annual Financial Report* (SAFR) is produced with information contained in SERS' *Annual Comprehensive Financial Report* (ACFR). All financial information contained in the SAFR conforms with Generally Accepted Accounting Principles (GAAP). SERS' ACFR contains more extensive information and is available on our website at [www.ohsers.org](http://www.ohsers.org).

School Employees Retirement System of Ohio  
 300 E. Broad Street, Suite 100  
 Columbus, Ohio 43215-3746  
 614-222-5853



### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO - RETIREMENT BOARD

|  |   |   |   |
|--|---|---|---|
| Jeffrey T. DeLeone<br><i>Chair, Appointed Member</i> | Frank A. Weglarz<br><i>Vice-Chair, Retiree-Member</i> | Hugh W. Garside Jr.<br><i>Employee-Member</i> | James H. Haller<br><i>Employee-Member</i>       |
| Matthew King<br><i>Employee-Member</i>               | Catherine P. Moss<br><i>Retiree-Member</i>            | Barbra M. Phillips<br><i>Employee-Member</i>  | James A. Rossler Jr.<br><i>Appointed Member</i> |
|  |   |   | Daniel L. Wilson<br><i>Appointed Member</i>     |



**School Employees Retirement System of Ohio**  
*Serving the People Who Serve Our Schools®*  
300 E. Broad St., Suite 100, Columbus, Ohio 43215  
614-222-5853 || Toll-Free 800-878-5853 || [www.ohsers.org](http://www.ohsers.org)