



FAST FACTS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

- Statewide public pension fund for nonteaching public school employees such as bus drivers, custodians, administrators, administrative assistants, food service providers, and educational aides
- Provides pension benefits and access to post-retirement health care



- 61st largest public pension fund in the country
- 160th largest retirement fund in the country, including both public and private funds



\$21.4 BILLION

Total Assets as of 6/30/25



In FY2025:

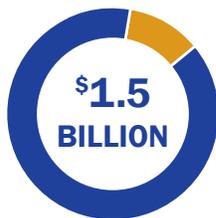
- 79.00% funded for pensions over a 19-year period
- 248,607 active and retired members (165,280 active and 83,327 retired)

Paid out over **\$1.5 billion in benefits** in FY2025

\$111 million:
• Health Care

\$1.4 billion:

- Pension
- Med B
- Disability
- Survivor
- Death Benefits



Average New Retiree in FY2025:



65.7
Years Old



\$41,600
Final Average Salary



24.9
Years of Service



\$1,725
Monthly Pension

In FY2025, Women Were:



of Active Members



of Retired Members and Beneficiaries

SERS members are the lowest paid of all five retirement systems. In 2025, based on all 165,280 members, SERS' average member was:



46.6
Years Old



6.9
Years of Service Credit



\$28,647
Average Salary



LIVE IN OHIO

91% of benefit recipients live in Ohio, as of FY2025

In 2025, based on all 83,327 retirees, beneficiaries, disability recipients, and survivors, the average SERS benefit recipient was:



75.2
Years Old



Receiving **\$17,282/year or \$1,440/month**, which was **10% higher than the federal poverty level** of \$15,650/year or \$1,304/month for a household of one



PUBLIC PENSIONS BENEFIT OHIO

Public Pensions are Good for Ohio Taxpayers

- For every dollar in employer contributions invested in SERS' pensions last year, \$2.40 was returned to local economies.
- Funding public pensions is less expensive than maintaining individual 401(k) accounts; public pension fund investment returns are consistently greater than 401(k)s, and public pension plans offer disability and survivor benefits.
- In the absence of pension income, public assistance costs would rise 19% nationally.*

Public Pensions Positively Impact Ohio's Economy

- SERS paid out over \$1.5 billion through pension payments and health care spending in FY2025.
- With 91% of SERS' benefit recipients living in Ohio, approximately \$1.35 billion is reinvested back into the state's economy each year.
- In Ohio, public pensions are taxed as income, unlike Social Security.

Public Pensions are Good for Ohio Employees and Employers

- Public employees pay at least 10% of their earnings to help fund their own pensions.
- Public pensions under SERS provide the peace of mind of a dependable income stream upon retirement.

*Examining the Nest Egg, National Institute on Retirement Security, January 2020.

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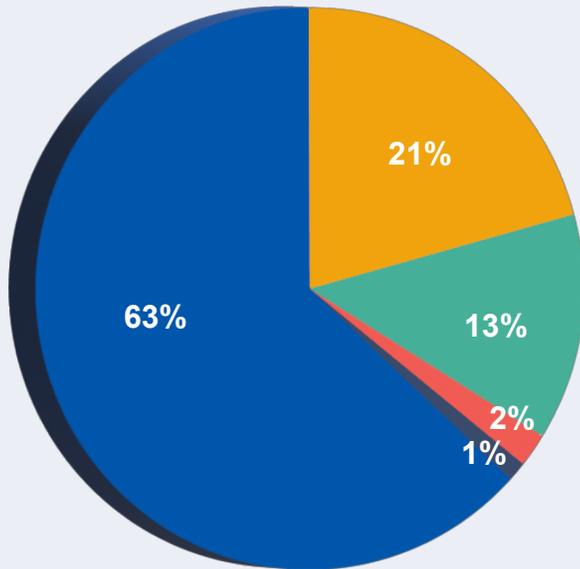
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WHERE PUBLIC PENSION FUNDING COMES FROM

SERS Sources of Revenue, FY2025



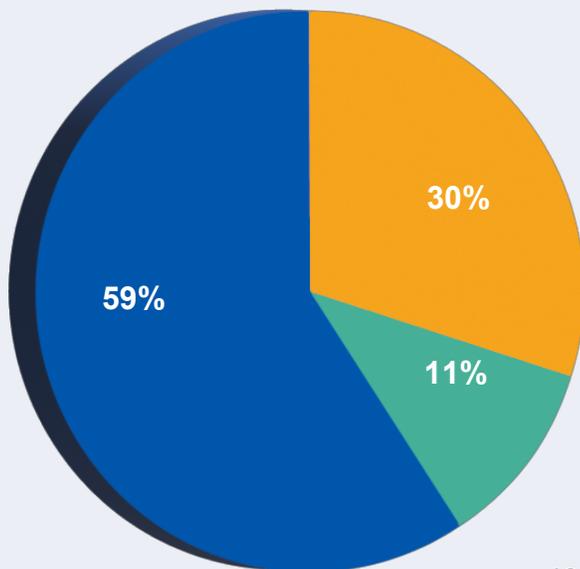
- Investment Returns*
- Employer Contributions
- Member Contributions
- Health Care Premiums
- Other

SERS Contribution Rates

10% Employee

14% Employer

Aggregate U.S. Public Pension Sources of Revenue, 1995-2024*



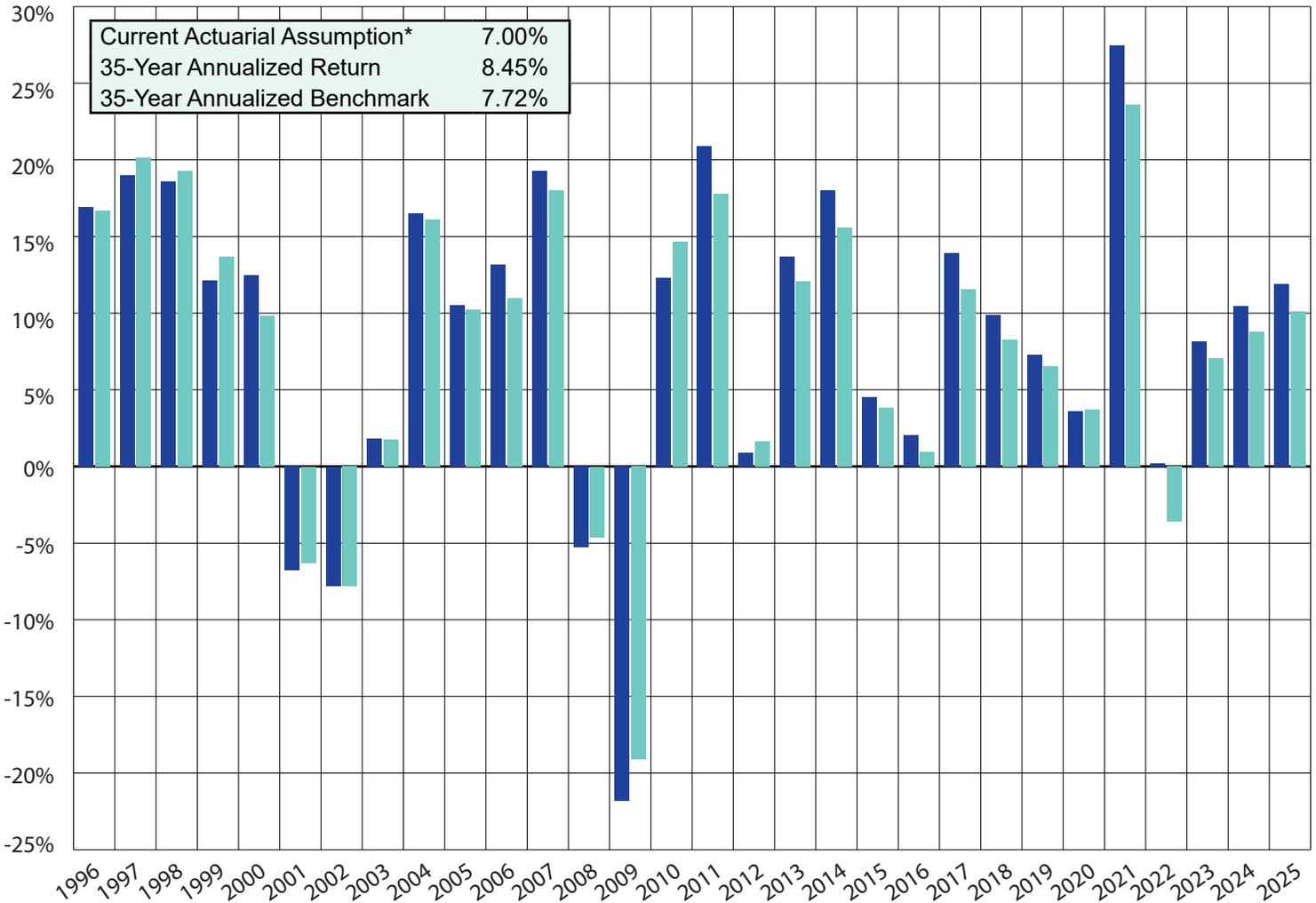
- Investment Returns
- Employer Contributions
- Employee Contributions

*Source: Compiled by NASRA based on U.S. Census Bureau data.



SERS INVESTMENT PERFORMANCE V. POLICY BENCHMARKS

FISCAL YEARS 1996 – 2025



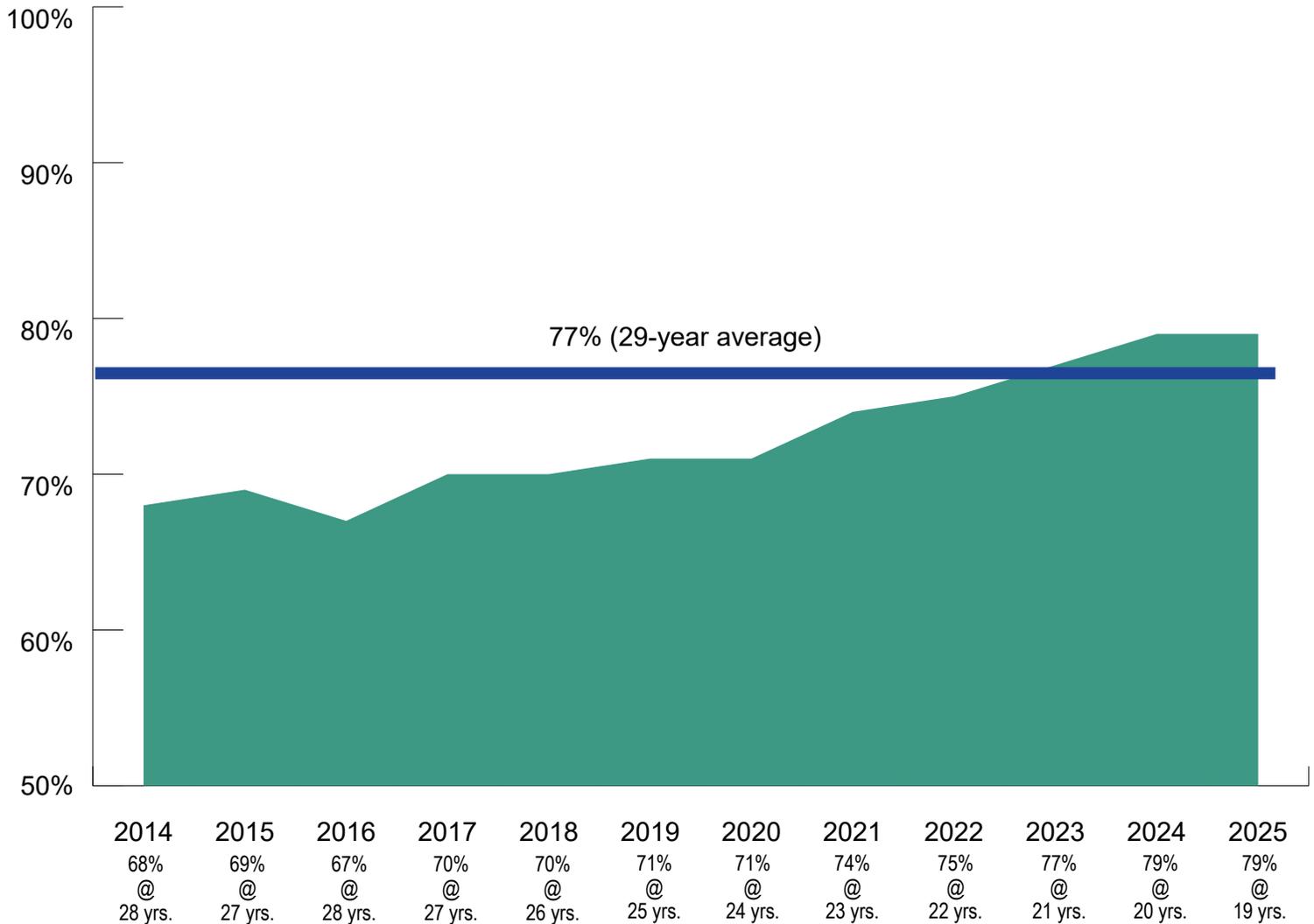
Fiscal Year	Total Return (Gross of Fee)	Policy Benchmark	Assumed Rate of Return
1996	16.91%	16.68%	8.25%
1997	19.00%	20.12%	8.25%
1998	18.58%	19.30%	8.25%
1999	12.12%	13.67%	8.25%
2000	12.50%	9.83%	8.25%
2001	-6.78%	-6.28%	8.25%
2002	-7.78%	-7.79%	8.25%
2003	1.81%	1.74%	8.25%
2004	16.54%	16.13%	8.25%
2005	10.50%	10.26%	8.25%
2006	13.19%	11.00%	8.00%
2007	19.26%	17.99%	8.00%
2008	-5.25%	-4.61%	8.00%
2009	-21.81%	-19.13%	8.00%
2010	12.30%	14.70%	8.00%

Fiscal Year	Total Return (Gross of Fee)	Policy Benchmark	Assumed Rate of Return
2011	20.89%	17.79%	7.75%
2012	0.88%	1.64%	7.75%
2013	13.72%	12.06%	7.75%
2014	18.04%	15.57%	7.75%
2015	4.50%	3.86%	7.75%
2016	2.03%	0.93%	7.50%
2017	13.93%	11.54%	7.50%
2018	9.86%	8.25%	7.50%
2019	7.30%	6.57%	7.50%
2020	3.58%	3.73%	7.50%
2021	27.45%	23.58%	7.50%
2022	0.20%	-3.60%	7.00%
2023	8.14%	7.09%	7.00%
2024	10.46%	8.79%	7.00%
2025	11.97%	10.12%	7.00%



SERS PENSION FUNDING STATUS

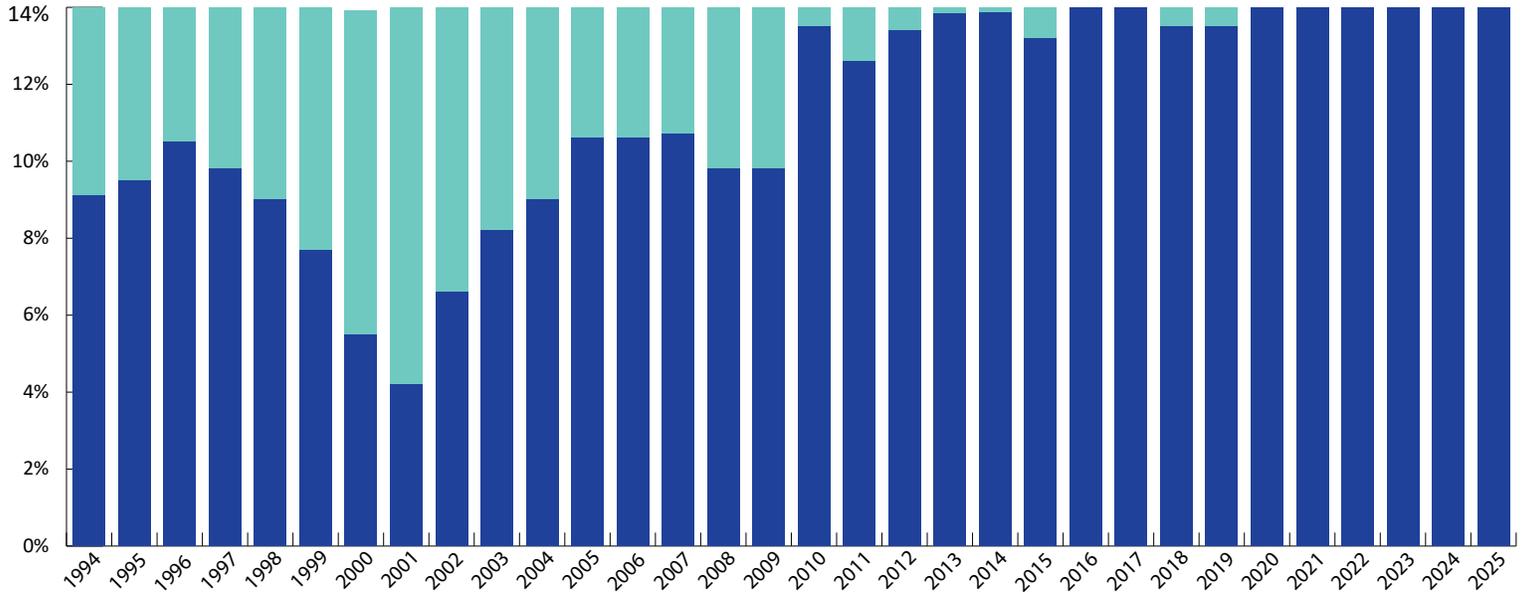
FY2025



**30-year funding period statute became effective in 1998.
Since 1997, SERS' average funded status is 77%.**



HISTORICAL ALLOCATION OF SERS' 14% EMPLOYER PENSION CONTRIBUTION



Fiscal Year	Pension Allocation	Health Allocation	Total
1994	9.13%	4.87%	14%
1995	9.45%	4.55%	14%
1996	10.50%	3.50%	14%
1997	9.79%	4.21%	14%
1998	9.02%	4.98%	14%
1999	7.70%	6.30%	14%
2000	5.55%	8.45%	14%
2001	4.20%	9.80%	14%
2002	6.56%	7.44%	14%
2003	8.17%	5.83%	14%
2004	9.09%	4.91%	14%
2005	10.57%	3.43%	14%
2006	10.58%	3.42%	14%
2007	10.68%	3.32%	14%
2008	9.82%	4.18%	14%
2009	9.84%	4.16%	14%
2010	13.54%	0.46%	14%
2011	12.57%	1.43%	14%
2012	13.45%	0.55%	14%
2013	13.84%	0.16%	14%
2014	13.86%	0.14%	14%
2015	13.18%	0.82%	14%
2016	14.00%	0.00%	14%
2017	14.00%	0.00%	14%
2018	13.50%	0.50%	14%
2019	13.50%	0.50%	14%
2020	14.00%	0.00%	14%
2021	14.00%	0.00%	14%
2022	14.00%	0.00%	14%
2023	14.00%	0.00%	14%
2024	14.00%	0.00%	14%
2025	14.00%	0.00%	14%

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Potential Reduction of the Amortization Period

June 2025

Background

The amortization period is the timeline for paying off a retirement system's unfunded liability and reaching 100% funded status.

The current 30-year amortization period requirement has been in statute for a number of years. If a system moves outside the 30-year amortization period, the system must present a plan to the ORSC for how it will get back inside the 30-year amortization period.

If a system is outside of the amortization period requirement there are basically two ways to shorten the amortization period and get back inside the requirement: (a) Increase funding (either through raising contributions or increased investment returns); or (b) Reduce liabilities (i.e., cut benefits).

While increased investment returns are always desirable, an increase in the amortization period is often caused by poor investment performance so that path is not something that can or should be counted on.

This means that increasing contribution rates is the only real option on the increased funding side. Historically, increasing contribution rates has not been viewed favorably. It is also not something that SERS wants.

Therefore, the most likely path to shortening the amortization period is, and historically has been, by cutting benefits.

Sustainability

SERS has been and remains committed to maintaining the sustainability of the pension fund. This has meant being forward-looking in assessing the risks to sustainability, and then addressing those risks proactively rather than reactively, and making adjustments that are measured and right-sized for the situation being addressed.

In their annual report to the SERS Board on risks to sustainability, SERS' actuary noted that such measures have been successful, and that sustainability of the pension fund is sound and continuing to improve.

Managing Liabilities – The COLA Lever

The biggest lever SERS has to manage/reduce liabilities is the ability to lower/suspend the COLA – a tool which the Board already has.

The Board has exercised that authority prudently. The Board suspended the COLA for three years and then re-started it at a level that does not impair the sustainability of the pension fund. To maintain equity between current and future retirees, receipt of the first COLA is delayed until four years after retirement.

This has had the desired result of improving the funded ratio and reducing the amortization period, but it has required a meaningful sacrifice by current and future retirees.

Recent developments at other systems have illustrated the risks of using the COLA lever too often or for too long.

Amortization Period

SERS has never been outside the 30-year amortization period requirement.

SERS currently has a 20-year amortization period. We have reached this level over time, due to the combination of COLA changes and positive investment experience.

Actuaries universally agree that the largest impact on a plan's funded ratio and amortization period is from investment experience.

However, forward-looking investment returns are projected to be lower than what we have seen over the last 10 years. In such an environment, reducing the amortization requirement from 30 years to 20 years would increase the possibility of drifting outside of the amortization requirement and having to make painful benefit cuts as a result.

The amortization period is important, but it should not be viewed as the sole measure of the health and sustainability of a pension fund. The funded ratio, the trend of the funded ratio, and the projected success of the existing contribution rate structure to reach 100% funded status is equally important.

SERS' actuary has modeled SERS' current contribution rate structure (14% by the employer, 10% by the employee). The modeling shows that the contribution stream is consistently above the level needed to cover the normal cost (the cost of the benefits being earned) and progressively pay down the unfunded liability. The funded ratio is improving and the amortization period is declining.

The actuary has concluded that this means the SERS' pension fund is sustainable as it currently operates.

The Strength of the Long Horizon

One of the strengths of a defined benefit plan is the ability to pursue and secure sustainability by operating with a long-term horizon. The ability to look into the future to anticipate and plan for necessary and appropriate changes helps assure that adjustments are suitable for the circumstances and not simply reactive.

The amortization period requirement can be viewed as the road toward 100% funded status. A 30-year amortization period requirement is akin to a straight, wide highway across a flat landscape. You can see what is coming and have time and space to respond. A 20-year amortization requirement is akin to a narrow, curving mountain road. Things come on you quickly, and there is limited room to correct without significant consequences.

Benefit Structure Stability

An amortization standard that is overly restrictive, and the benefit cuts that would result, could lead to volatility, confusion and uncertainty about the benefit structure. What will my benefits be when I retire? How do I plan for retirement?

Duration of the Deviation vs Duration of the Correction

Exceeding the 20-year amortization requirement could be a short duration event, that will self-correct in a short period with limited fiscal consequences for the retirement system. In contrast, the 'remedy' to get back to 20 years (i.e., benefit cuts or increased contributions) would last longer and be more painful for the impacted members, retirees and employers.

Potential Unintended Negative Consequences

An overly tight amortization requirement could actually undermine the sustainability of the retirement system:

- It could prompt systems to lengthen the asset smoothing period to slow the impact of investment shortfalls on the amortization period. In turn, this could cause the system to drift away from the market value of assets and prompt transparency concerns. It would also slow the phase-in of deferred gains and delay recovery in funded status.
- It could prompt systems to take on more investment risk in the hope of 'investing their way out of the problem.'
- It could prompt systems to avoid/delay making prudent actuarial assumption changes because they would increase the liabilities and push out the amortization period.

Possible Measures to Mitigate Negative Consequences

Given the potential consequences of shortening the amortization period requirement to 20 years, consideration should be given to measures that would help mitigate the impact of shifting from a 30-year amortization requirement to a 20-year requirement.

For example:

- Establishing a multi-year 'step-down' in the amortization period requirement.
- Establishing a period of time in which the system may be above the requirement before steps need to be taken to bring the system back under the requirement.
- Establishing a period of time for corrective measures to work before additional steps are instituted.
- Permitting a longer amortization period for certain sources of unfunded liability – for example, when due to assumption changes.
- Requiring a shorter amortization period for unfunded liability caused by benefit enhancements.
- Triggering a funding increase if/when the amortization period exceeds the requirement by a given amount. This is not something that would be considered desirable, but it would help mitigate against and/or reduce the level of potential benefit cuts.



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RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

To: Senator Mark Romanchuk
From: Richard Stensrud, Executive Director
Date: June 11, 2025
Re: Issue Brief on the Potential Reduction of the Amortization Period

Attached for your review and consideration is the 'Issue Brief' SERS has prepared regarding a possible reduction of the current 30 year amortization period requirement to a 20 year amortization period requirement.

The Issue Brief discusses a number of considerations related to such a change, including the ramifications for sustainability and the stability of SERS benefit structure. Per your request, the Issue Brief also discusses whether there are tools SERS needs to help manage the liabilities of the pension fund. Finally, the Issue Brief identifies several measures policy makers may want to consider integrating into a shorter amortization period requirement to help mitigate potential negative impacts on sustainability.

Some highlights from the Issue Brief:

- SERS has never been outside the current 30 year amortization period. SERS currently has a 20 year amortization period and per SERS' Funding Policy, the goal is to reduce the period each year.
- SERS' actuary has attested that SERS' existing contribution rate structure (14% from employers, 10% from employees) is sufficient to meet SERS' current and future funding needs and that SERS will reach 100% funded status well within the 30 year amortization period requirement.
- SERS already has the most important tool for managing its liabilities – the ability to reduce and/or suspend the retiree COLA. The SERS Board has exercised this authority prudently and equitably to improve SERS' funded ratio and shorten the amortization period.
- SERS has been and remains committed to maintaining the sustainability of the pension fund. The SERS Board has done this by being forward-looking in assessing the risks to sustainability, addressing those risks proactively rather than reactively, and making adjustments that are measured and right-sized for the situation being addressed.

RETIREMENT BOARD

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- Shortening the amortization period requirement could have negative consequences. It would reduce the ability to be proactive and measured. It would increase the risk of benefit structure volatility. It could lead to outcomes that weaken rather than strengthen sustainability.

Overall, SERS respectfully submits that whatever might be the case at other retirement systems, there is nothing broken at SERS that would be or needs to be fixed by moving to a 20 year amortization period requirement.

If, however, that is a course of action that were to be pursued, SERS would respectfully recommend that policy makers consider including the following mitigating measures:

- Establishing a multi-year 'step-down' in the amortization period requirement.
- Establishing a period of time in which the system may be above the requirement before steps need to be taken to bring the system back under the requirement.
- Establishing a period of time for corrective measures to work before additional steps are instituted.
- Permitting a longer amortization period for certain sources of unfunded liability – for example, when due to assumption changes.
- Requiring a shorter amortization period for unfunded liability caused by benefit enhancements.
- Authorizing the ability to increase contributions if/when the amortization period exceeds the requirement by a given amount despite reasonable benefit adjustments. This is not something that SERS currently wants or needs, or views as desirable, but it would be something that would have to be considered if the reduced amortization period requirement was resulting in an escalating level of benefit cuts.

We hope this information is helpful. We will be happy to answer any questions you have.