



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

MAY 2025

Annual Asset Class Benchmark Review

On an annual schedule, SERS' investment staff and investment consultant, Wilshire, review the current benchmarks for each asset class and the Total Fund. While no benchmark is perfect, it should be representative of the holdings in the asset class, but not an exact replication, and incentivize managers to make active decisions that can beat those benchmarks.

Joanna Bewick of Wilshire Associates provided the Board with a review of the benchmarks for each asset class within SERS' portfolio. She compared benchmarks to taking the bus: rarely does a bus take you directly to your front door but you want to choose one that gets you the closest.

Wilshire and SERS staff evaluated the current benchmarks in all the asset classes and compared them to possible alternatives. Two new benchmarks were recommended: one for global private credit and one for real estate.

For private credit, there are two major reasons for recommending the change from the 90 Day U.S. T-Bill +4.5% benchmark to the 90 Day SOFR +4.5% standard. First, the Secured Overnight Financing Rate (SOFR) reflects the cost of borrowing money overnight using Treasury securities as collateral, and it is a commonly used benchmark for private credit loans. Second, SOFR is based on actual transactions in the treasury repo market while T-bills are based on market expectations and future interest rate movements. Even though this benchmark has only been in existence since 2018, it is considered to be a more transparent and reliable measure of market conditions.

For real estate, staff and Wilshire are recommending a change from the NCREIF Property Index (NPI) benchmark to the Expanded NPI benchmark. The primary reason for this change is that the Expanded NPI bases data on eight property types rather than the five in the original NPI benchmark. This more closely matches SERS' portfolio holdings.

In addition, the benchmark for global private equity is changing its name from Burgiss All Private Equity Index to MSCI-Burgiss Global Private Equity Funds Index due to a change in ownership; however, nothing is changing in terms of performance calculations. Wilshire recommends staying with this benchmark.

The Board will vote on the proposed changes at the June meeting.

Investments Quarterly Report

Bewick also provided the Board with an update of current U.S. economic conditions and a review of SERS' January-March 2025 quarterly results.

During the first quarter, there was a wide dispersion in equity returns. U.S. equities were down nearly 5% while international equities were up more than 5%. There were also dispersions in developed vs.

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emerging markets as developed markets like Japan, UK, Germany, and Switzerland were up 7% while emerging markets like China, India, and Taiwan were only up 3%. This underscored the importance of diversification in the portfolio.

In fixed income, the yield curve, which is the relationship between interest rates and the time it takes bonds to mature, moved down. This is a tailwind for bond prices.

In terms of performance, SERS' Total Fund returned 1.13% net of fees, outperforming the benchmark by 66 basis points. While global equities came in at -0.45%, all other portfolios were positive for the quarter led by opportunistic and tactical at 3.81% and global private equity at 3.43%.

Chief Investment Officer Farouki Majeed reported that SERS received a favorable report from RVK, the Ohio Retirement Study Council's independent investment consultant, during the May 9 ORSC meeting. RVK reported on investment returns from Ohio's five statewide pension systems for the period ending December 31, 2024.

In gross-of-fee returns, SERS outperformed all of the other systems in the 3-, 7-, and 10-year periods and was second in the 5-year period. SERS also ranked first in standard deviation or best returns per unit of risk taken.

Nationally, SERS ranked in the top 6% of peer funds in the 3-, 5-, 7-, and 10-year periods.

Majeed also mentioned that Wilshire's current contract ends in 2026 and that an RFP for investment consulting services will be issued before the end of the calendar year.

Total Fund Update

TOTAL FUND BALANCE		
February 28	March 31	Difference
\$19.82 billion	\$19.61 billion	▼ \$210 billion
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 4.98%	▲ 1.13%	▲ 5.33%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.60%	▲ 0.66%	▲ 1.17%

Board Approves Final Filing of Amended Administrative Rules

The Board approved the final filing of two amended administrative rules that were reviewed by the Joint Committee on Agency Rule Review (JCARR).

The first amendment clarifies that any person who performs a service common to the normal daily operation of a school and is paid by one who contracted with an employer to perform the service, at a school located outside Ohio, is eligible to purchase out-of-state service credit.

In addition, the Board approved the final filing of a refiled amended administrative rule regarding the validity of marriage.

The amendments include a requirement that SERS receive a valid marriage certificate, abstract of marriage, or marriage record in order for a spouse to qualify for or receive a benefit, as well as clarification that SERS will no longer accept a marriage license as proof of marriage.

Health Care Update

Alisa Bennett, president and consulting actuary with Cavanaugh Macdonald, presented the 2026 proposed rates for SERS' self-insured medical plans and prescription drug coverage.

Due to the Inflation Reduction Act, the Medicare Part D standard benefit is undergoing changes in 2025, including that the out-of-pocket maximum will be \$2,000 per year.

This will increase to \$2,100 per year in 2026.

Bennett also noted that the Centers for Medicare and Medicare Services is issuing a temporary premium stabilization contribution of \$15 per member per month to stand-alone Part D prescription drug plans such as SERS'.

For medical assumptions, Bennett said that industry projections suggested approximately 7% for active members and pre-Medicare retirees, and for prescription drug assumptions, about 7% for Medicare and non-Medicare.

She said that the overall data suggested that assumptions remain at ratios of 30% of retiree medical cost for children and 90% of retiree medical cost for spouses.

For the 2026 non-Medicare medical plan, the data suggested a 4.1% increase in retiree medical costs; a 4.7% decrease in retiree prescription drug costs; and an 2.6% increase in retiree total costs.

Michael Steiner, SERS' health care services director, reviewed the health care program status, discussed 2026 rates and expectations, and presented 2026 recommendations and plan design changes for the program.

Steiner highlighted that the Health Care Fund's net position had grown significantly in last 10 years. Since 2014, it had almost doubled, with an ending balance of \$816 million at the end of FY2024.

This increase produced discussion during the February and April Board meetings regarding a reduction of the \$35 premium surcharge that was implemented in 2011 as a measure to increase sustainability of the fund.

He noted that, for the first time, Aetna Choice, the group plan for non-Medicare benefit recipients, has under 2,500 enrollees. As of January 2025, the total non-Medicare enrollment was at 3,069, Medicare enrollment was at 36,251, optional dental coverage was at 45,792, and optional vision coverage was at 37,889.

While there are no proposed 2026 premium changes for recipients with Aetna Traditional Choice, benefit recipients with Aetna Choice POS II can expect an approximate 3% increase to base premiums and benefit recipients with AultCare PPO can expect an approximate 4% increase to base premiums.

Aetna Medicare Plan (PPO) enrollees will see a \$20 premium surcharge reduction if approved by the Board in June.

Proposed benefit changes for benefit recipients with the Aetna Medicare Plan (PPO) included an increase in the Medicare Part D drug plan out-of-pocket maximum from \$2,000 to \$2,100 to match the Medicare federal basic benefit.

Proposed benefit changes for benefit recipients with the Marketplace Wraparound HRA included an increase of the federally-authorized reimbursement amount to \$2,200.

There are no proposed new benefit changes for recipients with Aetna Choice POS II. Ohio HB 315 required some copay improvements to this plan effective retroactively to April 2025, as well as a hearing aid benefit. These changes will not impact the base premium developed by the actuary.

Steiner also stated that the VSP Vision Care 2026-2027 premiums will increase by 10% and the Delta Dental 2026-2027 premiums will increase by 12%, with no proposed benefit changes.

The Board approved staff to negotiate and enter into single-year contract extensions for both VSP and Delta Dental, to align with the two-year enrollment period.

The Board discussed the proposed recommendations and will approve the 2026 health care premium amounts and plan changes at the upcoming June Board Meeting.

Executive Director's Update

ORSC Update

At the May Ohio Retirement Study Council (ORSC) meeting, SERS staff presented a draft of its FY2026 administrative budget. ORSC members expressed no questions or concerns.

Advocacy Group Support

In keeping with SERS' focus on engagement, transparency, accountability, and sustainability, the System holds and attends annual meetings with its stakeholders.

On May 7, SERS participated in the School Employee Retirees of Ohio (SERO) Annual Meeting, which was held as a hybrid (virtual and in-person) meeting. SERS staff provided attendees with an update on health care, demographics, and financial status.

Later this month, SERS will virtually host the annual Ohio Association of School Business Officials (OASBO)/SERS update with OASBO's Legislative and Education Finance Committees. Several staff members will give presentations on staff initiatives, finance, membership, investments, and health care.

State Legislation

SERS continues to monitor the state operating budget (HB 96) legislative process.

The House passed its version of the bill, which is currently being heard by Senate committees.

Director Richard Stensrud noted two provisions of interest to SERS that were included in the budget bill. The first was the inclusion of the Ohio retirement systems as state agencies.

Whether through other sections of the Revised Code, case law, and/or Attorney General opinions that exempts them, Ohio's public retirement systems are not considered state agencies.

Maintaining the Board's independence is of utmost importance, and preserving distinct lines of management and governance responsibilities is vital for SERS' Board and staff to fulfill their fiduciary duty. Staff is monitoring progress closely and continually educating legislators and stakeholders on the important distinctions between Ohio's retirement systems and state agencies.

Another provision of interest is a requirement that the Ohio retirement systems withhold school district-based income tax. SERS' concern is that the systems be given adequate time to implement the processes required to fulfill this requirement.

On April 30, Stensrud provided an overview of the System to the House Public Insurance and Pensions Committee. He noted how SERS' membership is distinct, SERS' contribution rates have been certified by the System's actuary as being sufficient to accomplish its funding objectives, and SERS has a very strong positive active member-to-retiree ratio of 2:1.

Monthly Retirement and Survivor Benefit Transactions

For May, the SERS Board approved 195 active members for service retirements, and 12 survivor benefits for spouses and/or dependents.

June Meeting Dates

The Board meeting will take place on Wednesday, June 18, at 8:30 a.m.