



## Retirement Board Agenda May 15, 2025

### Click Link to Join Zoom Meeting:

<https://ohsers.zoom.us/j/95149853244?pwd=NEmeVMTlIDQ0gymSvksyibi98VGm41Z.1>

**Meeting ID:** 951 4985 3244

**Password:** 12345

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **951 4985 3244** and password: **12345** when prompted.

### PLEDGE OF ALLEGIANCE

1. Roll Call
2. Approval of Out-of-State Board Travel (R)

### CONSENT AGENDA (R)

3. Minutes of the **April 17, 2025**, Retirement Board meeting
4. Summary of Investment Transactions – **March 1, 2025 through March 31, 2025**
5. Retirement Report
  - Superannuations, Survivor Benefits & Transfers
6. Disability Report
  - Approval of Disability Benefits
  - Disapproval of Disability Benefits
  - Termination of Disability Benefits – Any Occupation

### INVESTMENT REPORT

7. Asset Class Benchmark Review – Wilshire Associates
8. Quarterly Performance Report - Wilshire Associates
9. Quarterly Investment Report
10. FY26 Annual Investment Plan – Draft Discussion
11. FY26 Investment Department Incentive Program – (Possible Vote) (R)

### HEALTH CARE REPORT

12. Presentation of 2026 Self-Insured Rates – CavMac
13. 2026 Health Care Review
14. Dental Services Contract Extension (R)
15. Vision Services Contract Extension (R)

### EXECUTIVE DIRECTOR'S REPORT

16. Executive Director's Update
17. Review of Administrative Expenses
18. SERS FY2026 Administrative Budget Review
19. Final Filing of Proposed Amended Administrative Rules (R)
20. Travel Handbook Discussion

### RETIREMENT REPORT

21. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (*if needed*) (R)

### BOARD COMMUNICATION AND POLICY ISSUES

22. Calendar Dates for Future Board Meetings
23. Continued or New Business
  - Board Information Requests and Follow-up Items

### ADJOURNMENT (R)

FY2025 SERS Board Roll Call

Matthew King	<hr/>
Catherine Moss	<hr/>
Jeanine Alexander	<hr/>
Jeffrey DeLeone	<hr/>
James Haller	<hr/>
James Rossler	<hr/>
Aimee Russell	<hr/>
Frank Weglarz	<hr/>
Daniel Wilson	<hr/>

**APPROVAL OF OUT-OF-STATE BOARD TRAVEL**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conference and meeting expenses be approved.

Conference	Attendee	Conference Date(s)	Conference Location	Estimate of Expenses
IFEBP Advanced Trustees and Administrators Institute	Frank Weglarz	June 23 – 25, 2025	Nashville, TN	\$4,352

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____
Matthew King	_____	_____	_____

BOARD: Travel  
R.C. 3309.04

## **MAY 2025 CONSENT AGENDA**

1. Minutes of the
  - a. **April 19, 2025**, Retirement Board meeting
2. Summary of Investment Transactions – **March 1, 2025 to March 31, 2025**
3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers \*\*
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Disapproval of Disability Benefits
  - c. Termination of Disability Benefits – Any Occupation

**\*\* No special cases for this month.**

### APPROVAL OF CONSENT AGENDA

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Consent Agenda for **May 15, 2025**, which includes the following items:

1. Minutes of the
  - a. **April 19, 2025**, Retirement Board meeting
2. Summary of Investment Transactions – **March 1, 2025 to March 31, 2025**
3. Retirement Report
  - a. Superannuations and Survivor Benefits and Transfers \*\*
4. Disability Report
  - a. Approval of Disability Benefits
  - b. Disapproval of Disability Benefits
  - c. Termination of Disability Benefits – Any Occupation

**\*\* No special cases for this month.**

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Matthew King	_____	_____	_____

# **SERS Retirement Board Meeting Minutes**

## **April 17, 2025**

The nine hundredth and seventy-eighth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, April 17, 2025.

### **Pledge of Allegiance**

The SERS Retirement Board meeting convened at 8:37 a.m. with the Pledge of Allegiance.

### **Roll Call**

The roll call was as follows: Matthew King, Catherine Moss (attending remotely), Jeffrey DeLeone, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, and Daniel Wilson. Also attending was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff attended in person while other SERS staff members and members of the public attended virtually.

### **Consent Agenda**

The consent agenda for **April 17, 2025**, included:

- **Minutes** of the March 20, 2025 Retirement Board Meeting.
- **Summary of Investment Transactions** for the period of February 1, 2025, to February 28, 2025.
- **Retirement Report** – Superannuations, Survivor Benefits, and Transfers.
- **Disability Report** – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination on Personal Appearance – Any Occupation, Approval of Appeal of Disability Benefits.

James Haller moved and Aimee Russell seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, April 17, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Abstain: Jeffrey DeLeone. The motion carried.

### **Investment Report**

#### **Annual Portfolio Review – Real Assets**

SERS Chief Investment Officer, Farouki Majeed, introduced Paul Cheng and Michael Browning, SERS Investment staff members, who provided the Board with an overview of SERS' Real Asset Investment Portfolio.

Mr. Cheng reported that Real Asset classes are real estate and infrastructure. Real Estate currently comprises 11% of the total fund with a market value of \$2.17 billion. SERS' net return for real estate in the one-year period ending February 28, 2025 outperformed the policy benchmark by 7 basis points. Mr. Cheng also reported that 2024 Real Estate income increased to 4.31%, up from 2.57% in 2023. Mr. Cheng continued, stating that some portfolio changes in 2024 included redeeming from open-end real estate funds and new deployments in real estate debt to capitalize on market downturns.

Mr. Browning reported that infrastructure is 6.8% of the total fund and has a market value of \$1.34 billion. Transportation is 44.9% of the portfolio, energy is 26.9%, communication is 13.2%, renewable is 6.1%, social is 5.2%, and utilities is 3.8%.

Mr. Browning stated that most of SERS' investments are in North America (44%) and Western Europe (34%) with smaller exposure to Eastern Europe, Latin America, Middle East, Asia, and the Pacific rim.

The net return for infrastructure in FY2024 was 9.44%. Over the 3 and 5-year periods, the portfolio has returns of 8.27% and 8.69% respectively. Mr. Browning closed, stating infrastructure has provided stability and resiliency to the entire Real Assets portfolio. After several questions, the board thanked the investment staff for the update.

# **SERS Retirement Board Meeting Minutes**

## **April 17, 2025**

### **Monthly Investment Report – As of February 28, 2025**

Chief Investment Officer, Farouki Majeed, provided a brief update on the investment fund status for the month ending February 25, 2025. Mr. Majeed reported that the US economy growth was 2.4% in Q4, citing personal consumption expenditures and government spending increases as causes for the growth.

Mr. Majeed also reported that although the market has had a recent downturn, the fund hasn't reflected the same level of decline. However, the fund is down overall. Mr. Majeed stated that the board will continue to be updated on current market trends in the event that investment strategy changes are needed.

After several questions, the Board thanked Mr. Majeed for his report.

### **Executive Director's Report**

#### **ORSC Update**

SERS Executive Director Richard Stensrud reported that the ORSC cancelled their April 10, 2025 meeting. They are scheduled to meet next on May 8, 2025.

#### **Advocacy Partners**

Mr. Stensrud reported that SERS will be presenting at upcoming stakeholder events, including the SERO annual meeting that is scheduled to take place on May 5, 2025 and the annual meeting with OASBO that will take place on May 23, 2025. Both stakeholder events will take place in Columbus, Ohio. Details will be provided as they are made available.

Mr. Stensrud emphasized the importance of engagement with stakeholders and noted that SERS works diligently to maintain transparency and accountability.

#### **Ohio General Assembly**

Mr. Stensrud reported that the Ohio House Public Insurance and Pensions committee heard testimony last week from the other four Ohio retirement systems, providing an overview of their programs and answering questions from the committee. Mr. Stensrud stated that SERS is scheduled to provide a similar presentation on April 30th.

Mr. Stensrud also reported that SERS staff have met one-on-one with nearly every member of the Committee over the last month. He noted that systems are focused on different things, for example, increasing employer contributions or getting authority to manage COLAs. Mr. Stensrud stated it was beneficial to watch the presentations by the other systems and that it will be important to note SERS is not asking for more funding or more decision-making authority.

Mr. Stensrud also reported that the Ohio state biennial FY26/27 operating budget legislation (HB 96) passed the Ohio House last week on a party line vote. The legislation now moves to the Ohio Senate for further hearings and possible amendments. Once the Senate approves their version, a conference committee will convene to hammer out the differences between the two versions before final votes in each chamber sends the budget to Governor DeWine before the new fiscal year starts July 1st.

#### **Federal Legislative Activity**

Mr. Stensrud reported that Social Security continues to update their FAQ section of their website to address the WEP/GPO repeal. To date, Ohioans have received over \$1.4B in retroactive Social Security payments. This amount is the third highest amount of any state, behind California and Texas. Social Security has indicated that 76% of the total expected benefit adjustments have already been made.

## **SERS Retirement Board Meeting Minutes**

### **April 17, 2025**

Mr. Stensrud stated that because Social Security is moving so quickly with implementation of the WEO/GPO repeal, SERS is seeing an increase in retirement applications as SERS members are finding that the unreduced Social Security benefit combined with the SERS benefit makes retirement more realistic. Mr. Stensrud stated that staff will continue to monitor retirement levels and report on whether this trend continues. He also noted that staff will monitor how the increased number of retirements impacts the overall size of SERS' active members.

#### **Member and Employer Engagement**

Mr. Stensrud reported on recent programs through which SERS engages with and educates SERS members and employers, including programs focused on preparing members for retirement and a presentation at the annual OASBO conference on new pensionable compensation rules that will go into effect in August.

#### **Review of Administrative Expenses and Review FY2026 Draft Administrative Budget – ORSC Submission**

Chief Financial Officer, Marni Hall, provided a brief update on SERS administrative expenses. Ms. Hall also reviewed a draft version of the FY2026 SERS budget will be sent to the ORSC. Ms. Hall noted the finance team is forecasting the rest of the budget for FY2025 based on the last 9 months of actuals and meetings with each department. Actuals to date are on schedule, but medical and prescription claims are running higher than expected. Ms. Hall also stated that she will be providing expenses by vendor at future meetings. Following several questions, the Board thanked Ms. Hall for her report.

The Board took a break at 9:52 a.m.

The Board reconvened at 10:03 a.m.

#### **Member Counseling Overview**

SERS Member Services Director John Grumney and Member Counseling and Outreach Supervisor Stephanie Thompson provided an overview of the SERS member counseling process.

Mr. Grumney noted that the Counseling team is responsible for providing retirement counseling and conducting member education events. He noted that in addition to counseling and making presentations, the team provides support to other benefit administration activities. This team has six staff members, who report to Ms. Thompson.

Mr. Grumney noted that SERS members may choose to be counseled in person, by phone, or by video conference. Each member, regardless of choice, is scheduled for a one-hour personalized session with a counselor. Mr. Grumney also reported that other member educational opportunities include benefits fairs, member meetings, retirement webinars, virtual retirement conferences, and lunch break webinars. All of these events are designed to help members learn about the benefits SERS has available to its members. Mr. Grumney noted that in 2024, over 4,400 members attended various educational sessions broadening their understanding of the retirement process and the importance of having supplemental income in addition to the SERS retirement benefit.

Ms. Thompson provided the Board with an overview of the counseling process. Ms. Thompson reported that a retirement packet is mailed 2-4 weeks in advance of the counseling appointment, which includes: an Estimate of Benefits, a Service Retirement Guide and a Member Health Care Guide. Ms. Thompson noted that the Retirement Counselor goes through a Retirement Checklist and addresses specific questions the member may have based upon their individual scenario. A Member may file for retirement during this appointment if they wish.

Mr. Grumney discussed how the duties of the member counseling team directly support SERS Strategic Goal #2 which is focused on Service Delivery & Operations.

Following several questions and a robust discussion, the Board thanked the Counseling Team for their hard work and thanked Mr. Grumney and Ms. Thompson for their presentation.

# SERS Retirement Board Meeting Minutes

## April 17, 2025

### Filing of Proposed Amended Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: James Haller moved and Jeanine Alexander seconded that proposed amended rule 3309-1-46 Retirement – option selection be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### Filing of Proposed Amended Administrative Rules

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed refiled amended rule: 3309-1-20 Validity of marriage. Frank Weglarz moved and James Haller seconded that the proposed refiled amended rule be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### Board Election Ballot Certification

The Executive Director submitted the following certification of the Judges on the canvass of the vote for the election of two employee members to the Retirement Board for terms beginning July 1, 2025:

March 4, 2025

To the Retirement Board of the  
School Employees Retirement System of Ohio.

This is to certify that we, as Judges, appointed by the Retirement Board of the School Employees Retirement System, met in the office of the Retirement System on March 4, 2025, for the election of two employee-member board members to the Retirement Board to serve for a term of four (4) years, beginning July 1, 2025.

Becky Roe	4,281
James Haller	2,760
Jeanine Alexander	3,825
Write-in	11
Blank/Invalid	25
Abstain	
Total	10,902

\_\_\_\_\_  
Name: Henrique Golgel  
Office: Ohio Attorney General

\_\_\_\_\_  
Name: Jacquie McKee  
Office: Ohio Auditor of State

James Rossler moved and Aimee Russell seconded that the certification be accepted and made a matter of record and that Jeanine Alexander and Becky Roe be declared elected employee members of the Retirement Board, each for a term of four years beginning July 1, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. Abstain: Jeanine Alexander. The motion carried.

### Healthcare Report

Director of Health Care Services Michael Steiner, PhD, provided the Board with a presentation on Health Care Fund Sustainability and the Medicare Plan Premium Surcharge.

Dr. Steiner noted that an element of SERS Strategic Goal #1 pertaining to Sustainability is to continuously monitor and assess health care fund risks and identify measures to mitigate them. Dr. Steiner discussed the various actions and tactics that are being pursued to support this strategic initiative.

## **SERS Retirement Board Meeting Minutes**

### **April 17, 2025**

Dr. Steiner then provided an update to the discussion in February on the Medicare Plan Premium Surcharge. Dr. Steiner reviewed the February 2025 analysis on a possible reduction or elimination of the premium surcharge, the potential impact on participation rates in the Medicare plan, and the potential impact on the Healthcare Fund solvency period.

Dr. Steiner noted that the \$35 premium surcharge was added in 2011 in response to funding challenges and a short solvency period for the Healthcare Fund. He noted that since then the Healthcare Fund has grown from a low of \$325 million to nearly \$864 million as of February 2025. Dr. Steiner reported that the projected solvency period of the Healthcare Fund is now 45 years.

Dr. Steiner also reported, however, that the total Medicare plan membership and new retiree uptake has been declining. Dr. Steiner discussed how survey results showed that the primary reason cited by retirees for not participating in SERS' Medicare plan was cost. Accordingly, lowering cost by reducing the premium surcharge was expected to increase participation rate of new retirees by improving the plan's value to members.

Dr. Steiner reviewed the different options for reducing the premium surcharge with the Board and how each potential premium surcharge reduction would affect the solvency period of the Healthcare Fund. Dr. Steiner also reviewed how declining membership will affect the solvency of the SERS Healthcare Fund. Dr. Steiner noted that the modeling included 'stress test' scenarios that took into account lower future investment returns.

Dr. Steiner reported that the modeling showed that while reducing the premium surcharge would shorten the solvency period of the Healthcare Fund, the reduction was very modest and the solvency period would remain well above the Board's target of 20 year solvency. Dr. Steiner proposed that reducing the premium surcharge to \$15 would be a modest step that would get premiums close to \$0 that would increase participation while maintaining a lengthy solvency period.

Dr. Steiner advised the Board that a final decision was not being sought today but rather he was looking for guidance on determining the premium amount which will be presented in May for Board approval.

Following a robust discussion, the Board agreed with moving forward with the \$15 premium surcharge, and the Board thanked Dr. Steiner for his presentation and analysis.

### **Retirement Report**

There was no executive session for the retirement report.

### **Executive Session**

Catherine Moss moved and Jeanine Alexander seconded the motion that the Retirement Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

The board convened in executive session at 12:04 p.m.

The board reconvened in open session at 12:28 p.m.

### **Executive Director Compensation**

## **SERS Retirement Board Meeting Minutes**

### **April 17, 2025**

On behalf of the Board, Compensation Committee Chair Dan Wilson noted that to fulfill SERS' mission and provide the best service to SERS' members, retirees, and employers, SERS must attract, retain, and motivate employees. To achieve those objectives SERS must have a compensation program that supports a high-performance culture, the organization's values, and strategic goals, and pays competitively and equitably. In assessing whether SERS is being successful in this regard, SERS annually reviews the compensation levels of comparable organizations and compares them to the compensation levels at SERS. If it is found that the compensation level at SERS falls below the market for a position, and the performance and value to SERS of the person in the position is high, an adjustment is warranted. Accordingly, recognizing Executive Director Richard Stensrud's years of excellent service to SERS, his importance to the organization, and the Board's desire to retain Mr. Stensrud in his position so that he will continue to serve SERS and its stakeholders, the Board believes it is appropriate to adjust Mr. Stensrud's compensation and benefits. As such, James Haller moved, and Jeanine Alexander seconded that Mr. Stensrud's employment letter and addendums be amended as follows:

- In calendar year 2025, provided Mr. Stensrud is still employed in good standing at SERS on the last pay date of the calendar year, SERS will contribute an amount that equals the IRS limit for 457 plans to Mr. Stensrud's Ohio Public Employees Deferred Compensation Program ("OPEDCP") account. The same contribution will be made in calendar year 2026 provided Mr. Stensrud is employed on the last pay date of June of that year. Paragraphs pertaining to notice of voluntary termination of employment will be amended accordingly to address the change in 457 plan contributions referenced above.
- In calendar year 2026, provided Mr. Stensrud is still employed in good standing at SERS on the last pay date of June, an additional 72 years of vacation leave will be granted to Mr. Stensrud. Paragraphs pertaining to notice of voluntary termination of employment will be amended accordingly to address the 72 hours of additional vacation leave referenced above.
- Addition of a termination date for the employment letter and addendums as discussed unless further action is taken by the Board.

In addition, Mr. Stensrud's salary shall be increased to \$345,000 effective with the first pay date of July 2025.

Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

#### **Executive Director Pension Contributions**

It was moved by Mr. Weglarz and seconded by Mr. Rossler that the following resolution be adopted regarding payment of the Executive Director's statutorily required OPERS contributions pursuant to IRC Section 414(h)(2).

WHEREAS, pursuant to federal and Ohio laws, School Employees Retirement System of Ohio ("SERS") may offset future salary increases and "pick up" (assume and pay) the contributions statutorily required by covered employees to the Ohio Public Employees Retirement System ("OPERS") and such individuals will not be required to pay federal and state income taxes on such contributions; and

NOW THEREFORE BE IT RESOLVED BY SERS on APRIL 17, 2025, THAT:

SECTION 1: Effective June 14, 2025, the full amount of the statutorily required employee contributions to OPERS shall be picked up and paid as a fringe benefit by SERS for each person within the class established in Section 2 herein. The "pick up" shall be an offset against future salary increases. This "pick up" by SERS shall be designated as public employee contributions and shall be in lieu of contributions to OPERS by each person within the class established in Section 2 herein. No person subject to this "pick up" shall have the option of choosing to receive the statutorily required contribution to OPERS directly instead of having it "picked up" by SERS or of being excluded from the "pick up." SERS shall, in reporting and making remittance to OPERS, report that the public employees contribution for each person subject to this "pick up" has been made as provided by the statute. Therefore, contributions, although designated as employee contributions, are employer-

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## **April 17, 2025**

paid, and employees do not have the option to receive the contributions directly. All contributions are paid by the employer directly to the plan.

SECTION 2: The “pick up” by SERS provided by this resolution shall apply to all persons that are employed as the Executive Director of SERS who are or become contributing members of OPERS.

SECTION 3: Under the fringe-benefit method of employer pick up, salary is not modified; however, the employer will pay the Executive Director’s statutorily required contribution to OPERS.

SECTION 4: The Director – Administrative Services is hereby authorized and directed to implement the provisions of this ordinance to institute the “pick up” of the statutorily required contributions to OPERS for those persons reflected in Section 2 herein so as to enable them to have their employee contributions paid by their employer.

Upon roll call, the vote was as follows: Yea: Catherine Moss, Jeanine Alexander, Jeffrey DeLeone, James Haller, James Rossler, Aimee Russell, Frank Weglarz, Daniel Wilson, and Matthew King. The motion carried.

### **Board Communication and Policy Issues**

#### **Board Information Request & Follow Up Items**

The board requested additional information the \$15 premium surcharge.

#### **Calendar Dates for Future Board Meetings**

The Board members reviewed the 2025 meeting calendar with no further comment.

### **CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2025 \*\***

#### **AUDIT COMMITTEE MEETINGS**

June 17, 2025 – 2:30 p.m. (Tues.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 17, 2025 - 2:30 p.m. (Weds.)  
December 17, 2025 – 2:30 p.m. (Weds.)

#### **COMPENSATION COMMITTEE MEETINGS**

June 18, 2025 – 7:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17, 2025 – 7:30 a.m. (Thurs.) **\*\* Special Meeting \*\***  
September 18, 2025 – 7:30 a.m. (Thurs.)  
December 18, 2025 – 7:30 a.m. (Thurs.)

#### **TECHNOLOGY COMMITTEE MEETINGS**

June 18, 2025 – 12:30 p.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 19, 2025 – 12:30 p.m. (Thurs.)  
December 19, 2025 – 12:30 p.m. (Thurs.)

#### **BOARD MEETINGS**

May 15 – 16, 2025 – 8:30 a.m. (Thurs. and Fri.)  
June 18, 2025 – 8:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)  
September 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 16 – 17, 2025 – 8:30 a.m. (Thurs. and Fri.)  
November 20 – 21, 2025 – 8:30 a.m. (Thurs. and Fri.)

## **SERS Retirement Board Meeting Minutes April 17, 2025**

December 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)

**\* Please note that these dates and times are tentative.**

### **Adjournment**

Board Chair, Matthew King, moved to adjourn to meet on Thursday, May 15, 2025, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:32 p.m.

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Matthew King, Board Chair

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Richard Stensrud, Secretary

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be  
Reported to the Retirement Board for  
Ratification in May

The following is a summary of the investment transactions made during the period of March 1, 2025, through March 31, 2025. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$164.0
Fixed Income	263.3
Private Equity Capital Calls	71.0
Real Estate Capital Calls	1.0
Infrastructure Capital Calls	51.2
Opportunistic & Tactical	11.8
Global Private Credit	15.9
Cash Equivalents	535.9

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$518.2	96.0
Fixed Income	247.5	(0.3)
Private Equity Distributions	67.0	n/a
Real Estate Distributions	25.3	n/a
Infrastructure Distributions	7.3	n/a
Opportunistic & Tactical	15.7	(1.8)
Global Private Credit	n/a	n/a
Cash Equivalents	509.2	n/a

**Wilshire**

Prepared for

# School Employees Retirement System of Ohio

Benchmark Review



May 2025

## Purpose of Benchmarking

Serves as a clear and objective means of evaluating performance

Benchmarks provide investors a realistic and achievable starting point

The purpose of benchmarking can be summarized as follows:

### Performance Attribution

Decomposition of sources of return, such as asset allocation, active vs. passive management, manager skill, etc.

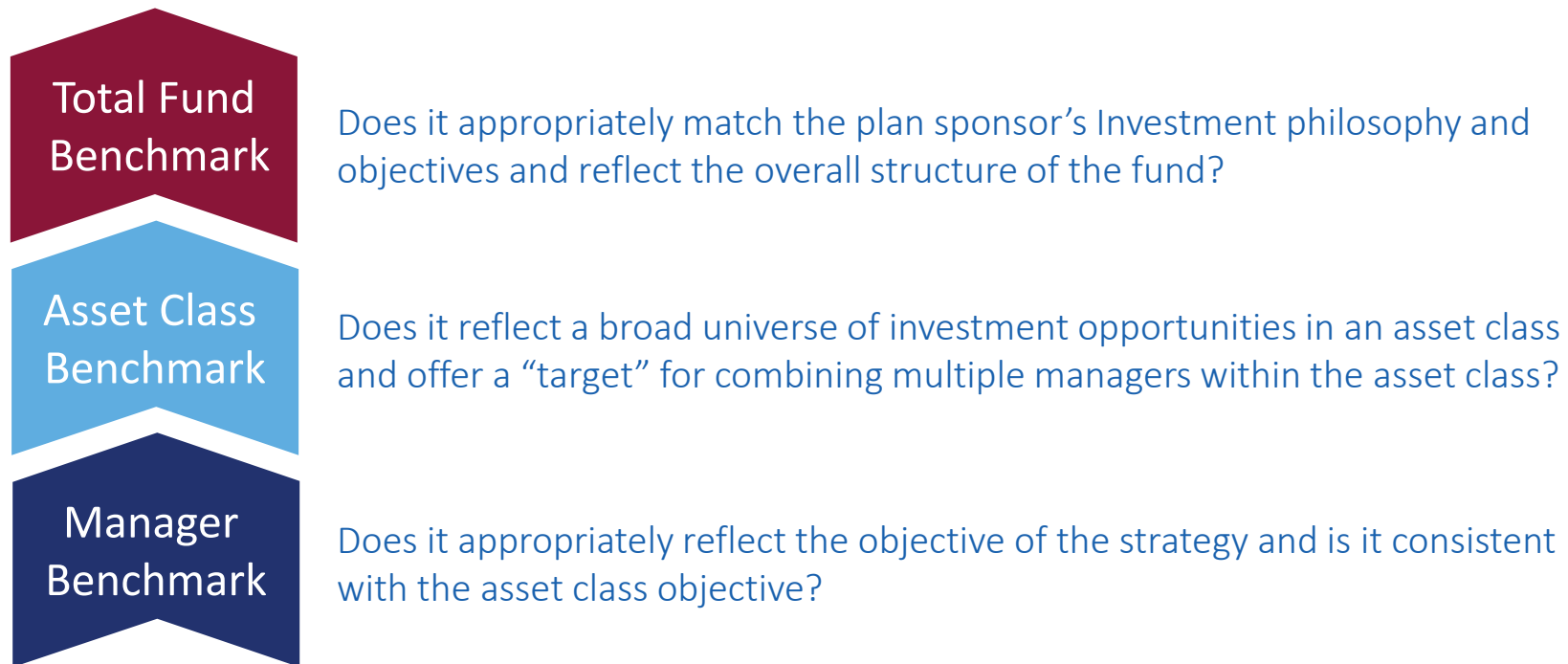
### Insight on Risk/Returns

Insight into level of risk being taken to generate return and the volatility of return over time

### Manager Evaluation

Measure against which manager performance can be evaluated to assist in retention/termination decisions

## Benchmarking: At What Level?



## Total Fund Benchmark

- Weighted blend of diversified asset class portfolios
- Targets the same diversified beta exposures as adopted in the asset allocation study
- Serves as a clear and objective means of evaluating total fund performance over a long-term time horizon.
- Used as a benchmark to measure effective implementation

Asset Class	Target	Benchmark
Global Equities	40%	MSCI All-Country World Net Total Return Index (USD) (MSCI ACWI)
Global Private Equity	14%	Burgiss All Private Equity Benchmark, one quarter in arrears
Global Fixed Income	18%	Bloomberg US Universal Bond Index
Global Private Credit	5%	90-day US Treasury Bill Rate + 4.5%, one quarter in arrears
Real Estate	13%	NCREIF Property Index (NPI)
Infrastructure	7%	CPI + 1.20% per quarter
Opportunistic & Tactical	0%	Bloomberg US Aggregate Bond Index + 2%
Cash Equivalents	3%	FTSE 30 Day US Treasury Bill Index
<b>Total</b>	<b>100%</b>	<b>Weighted Average of the Above</b>

## Ideal Benchmark Characteristics

The appropriate benchmark is a function of the return and risk characteristics of the asset class or portfolio being measured. According to the CFA Institute, a valid benchmark should possess the following characteristics, aligning the benchmark's style and risk with the asset class or manager:

- **Specified in advance:** *The benchmark should be known at the start of the period*
- **Appropriate/Relevant:** *The benchmark should be consistent with the investment approach and style*
- **Measurable:** *Its value and return can be determined on a reasonably frequent basis*
- **Unambiguous:** *Clearly defined identities and weights of securities constituting the benchmark*
- **Reflective of the current investment options:** *The managers have current knowledge and expertise of the securities in the benchmark*
- **Accountable:** *The manager(s) should accept the applicability of the benchmark and agree to accept differences in performance between the portfolio and benchmark as caused only by active management*
- **Investable:** *The benchmark should be possible to replicate and forgo active management*

## Benchmarks: Unique Considerations

Benchmarking is often an art and a science!

- Timing mismatch for illiquid/alternative investments
- “Misfit” risk is the return difference attributable to the benchmark characteristics that are not reflected in the portfolio and vice versa

### EXAMPLES:

- All cap equity portfolio benchmarked to the S&P 500 Index
- Core Plus bond portfolio benchmarked to the Bloomberg U.S. Aggregate Index
- Opportunistic portfolio tilts (security selection and asset allocation) can cause dispersion in returns versus the benchmark
- Benchmarks may be published market benchmarks or custom benchmarks
  - Published benchmarks are preferable; however, custom benchmarks may be optimal for some unique portfolio strategies

## Benchmarking Overview

	Global Equity	Global Private Equity	Global Fixed Income	Global Private Credit	Real Estate	Infrastructure	Opportunistic & Tactical	Cash Equivalents
Current Benchmark	MSCI ACWI	Burgiss All Private Equity Index	Bloomberg US Universal Bond Index	90 Day US Treasury Bill + 4.5%	NCREIF Property Index	CPI + 1.20% per quarter	Bloomberg US Aggregate Bond Index + 2.0%	FTSE 30 Day US Treasury Bill Index
Benchmarking Criteria								
Specified in Advance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Appropriate	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Measurable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unambiguous	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Investable	Yes	No	Yes	No	No	No	No	Yes
Commonly Used?	Yes	Yes*	Yes	Yes*	Yes	Yes*	No	Yes
Viable Alternative Benchmark to Consider?	MSCI ACWI IMI	MSCI-Burgiss Global Private Equity Funds Index		90 Day SOFR + 4.5% or LSTA Leveraged Loan Index	NCREIF Property Index Expanded or NCREIF ODCE			

\* Peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread are all common approaches to benchmarking private assets, though OH SERS specific implementation may be unique.

## Global Equity Overview

The current Ohio SERS Global Equity benchmark is the **MSCI All Country World Index (MSCI ACWI)**

- Captures large and mid-cap components across 23 developed countries and 24 emerging countries representing 85% of the free float-adjusted market capitalization in each market.

There has been a continued increase in the availability of tradeable small cap securities in the Non-U.S. marketplace

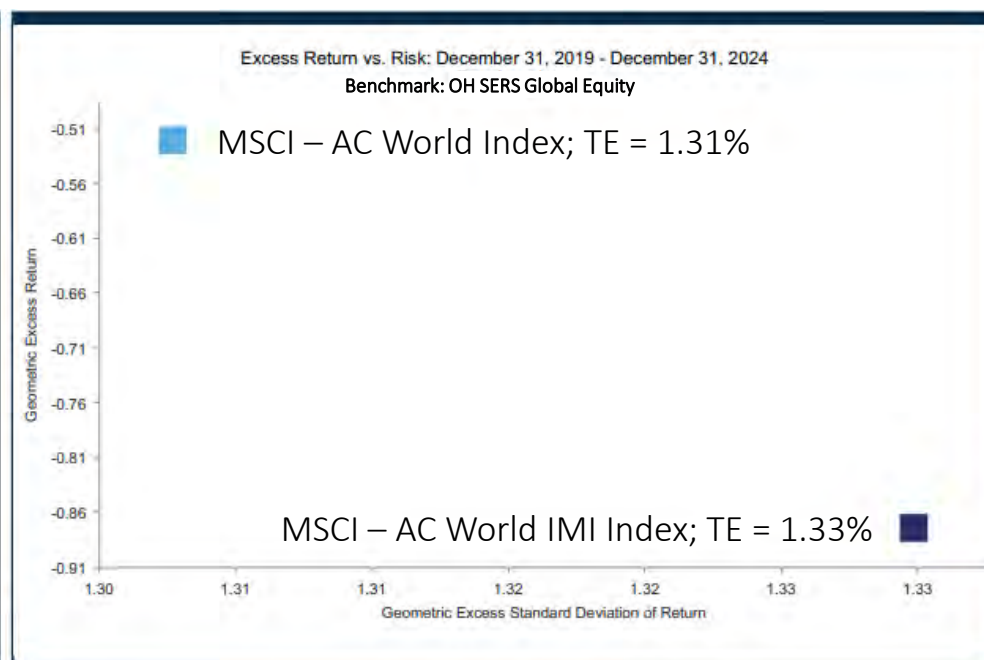
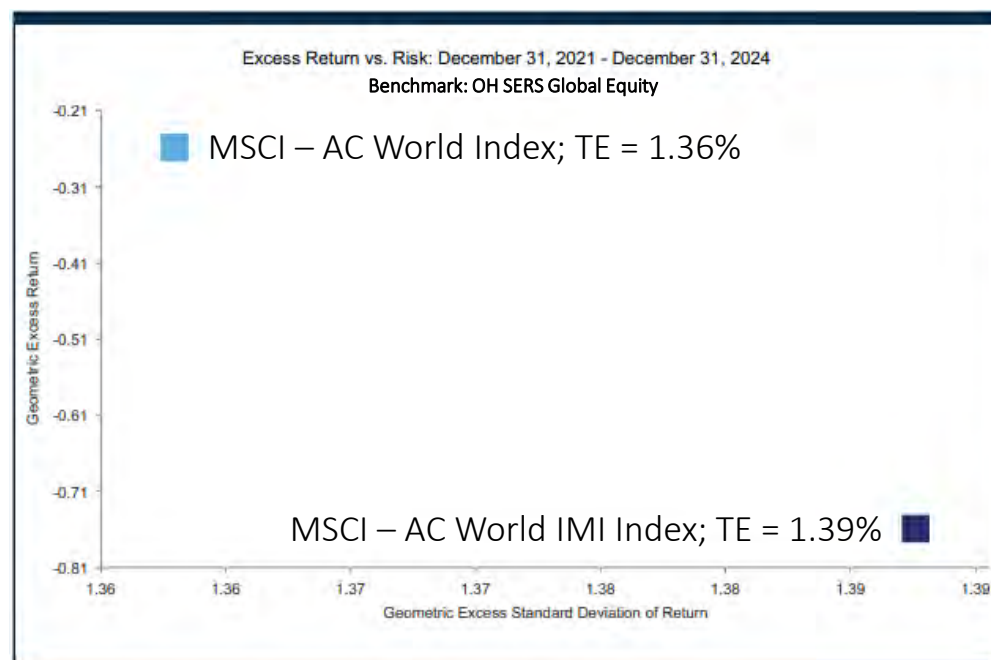
- Ohio SERS has already recognized the added diversification benefit of including an allocation to international small cap in the Non-U.S. Equity portfolio

The **MSCI All Country World Investable Market Index (IMI)** benchmark is an alternative benchmark to consider for the Ohio SERS Global Equity portfolio given the allocation to small cap stocks

- Captures large, mid and small-cap securities over the same countries, and represents nearly 99% of the global equity investment opportunity set

Statistically, the “**Best Fit**” for the Global Equity portfolio, as measured by the lowest tracking error, is the **MSCI ACWI**

# Global Equity: Benchmark Fit Analysis as Measured by Tracking Error (TE)



## Global Equity: MSCI ACWI vs MSCI ACWI IMI

As of Dec-31-2024: Total Return (%)	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	17.49	5.43	10.06	9.23
MSCI ACWI IMI	16.37	4.91	9.67	9.00

As of Dec-31-2024: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	9.17	16.43	17.48	14.84
MSCI ACWI IMI	9.41	16.59	17.81	15.06

As of Dec-31-2024: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	1.27	0.09	0.42	0.49
MSCI ACWI IMI	1.12	0.06	0.39	0.47

## Global Equity: MSCI ACWI vs MSCI ACWI IMI

As of March 2025	MSCI ACWI	MSCI ACWI IMI
Market Cap Representation	Large & Mid Cap	Large, Mid & Small Cap
Median Market Cap (USD Millions)	7,787	1,285
% of Global Equity Opportunity Set	85%	99%
Number of Constituents	2,558	8,406
Dividend Yield	1.92%	1.96%
P/E	20.57	20.67
P/E Forward	17.23	16.97
P/BV	3.10	2.83

Common Characteristics: identical top 10, same countries (47 total, 23 DM, 24 EM), sector and country weights are within ~100 bp difference (greatest overweights are US and Tech in the MSCI ACWI at ~130 bp)

## Global Private Equity Overview

The current Ohio SERS Global Private Equity benchmark is the Burgiss All Private Equity (BAPE) benchmark, lagged one quarter

- Index is a collection of funds within the private equity markets
- Commonly utilized by institutional investors with broad private equity programs

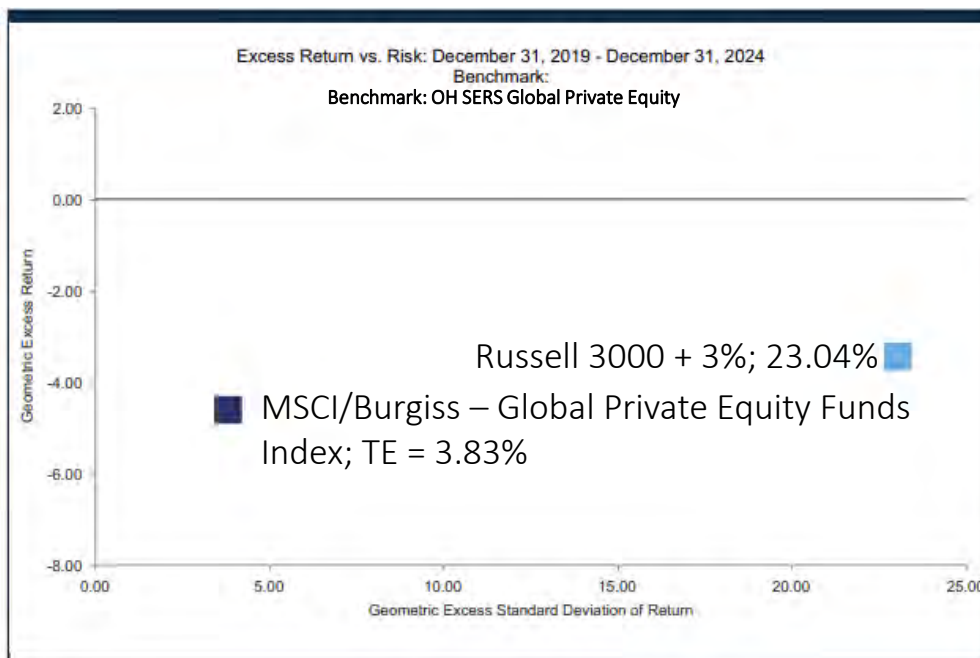
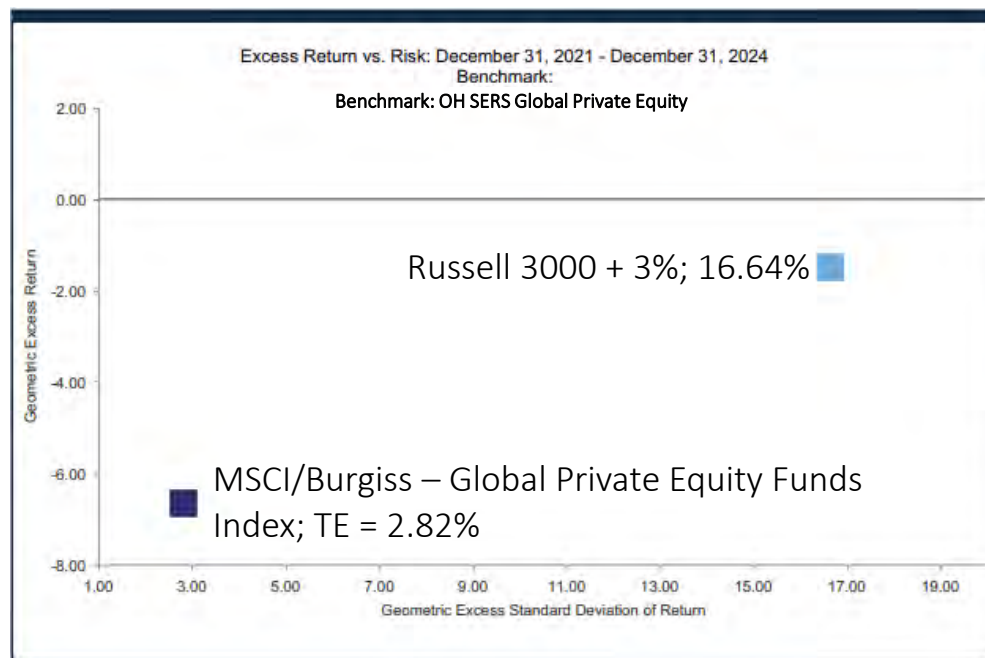
Wilshire supports the use of the Burgiss All Private Equity benchmark

- Better alternative to using public equity markets plus a premium, particularly over shorter time periods where tracking error can be substantial. A comparison to the Russell 3000 + 3.0% follows on the next page.

Same benchmark, new name

- MSCI purchased Burgiss in 2023 and rebranded the indices in 2024.
- The BAPE index has been renamed the MSCI-Burgiss Global Private Equity Funds Index.
- The renamed benchmark uses the same construction methodology as the BAPE Index.

## Global Private Equity: Benchmark Fit Analysis



## Global Fixed Income Overview

As of July 1, 2024, the current Ohio SERS Global Fixed Income benchmark is the **Bloomberg U.S. Universal Bond Index**

- The previous benchmark was the **Bloomberg U.S. Aggregate Bond Index**
  - Intermediate-term, broad index representing investment grade-only bonds traded within the U.S.

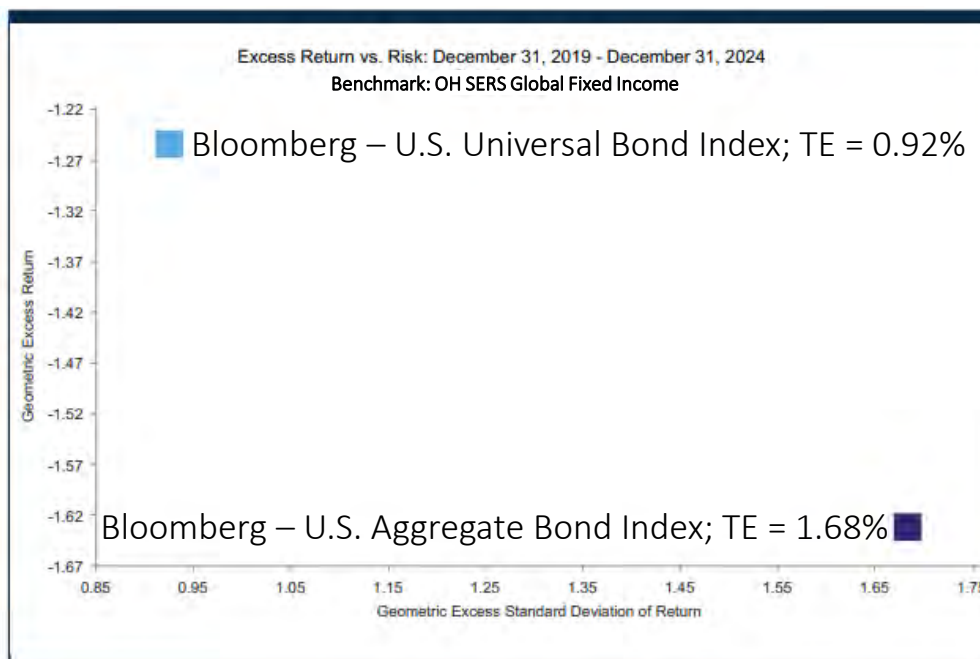
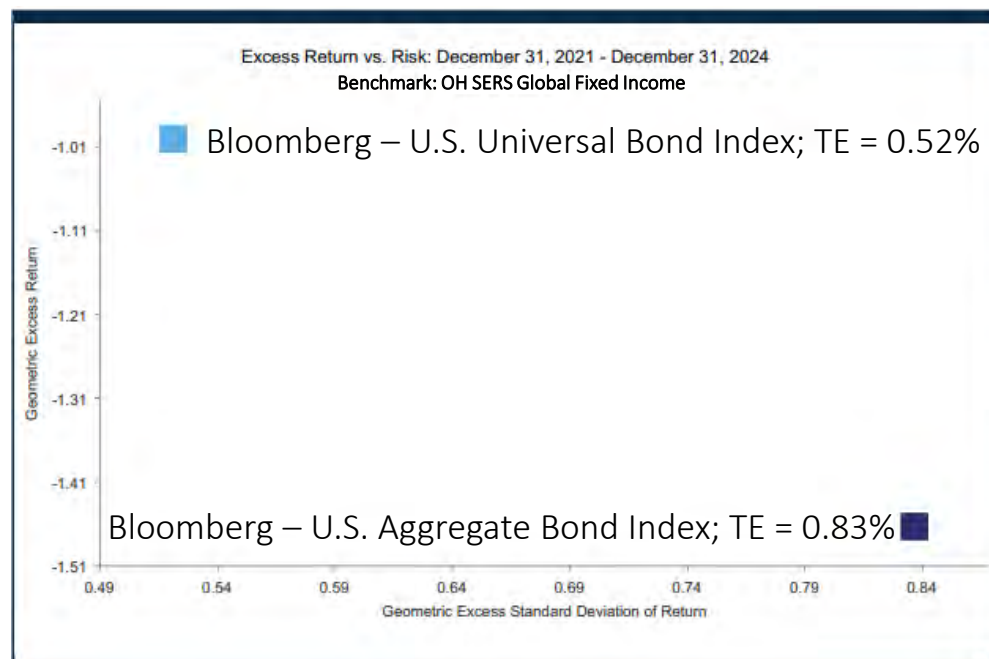
Ohio SERS' Global Fixed Income asset class has modest exposure to High Yield and Emerging Markets Debt

- Reflects SERS' approach to include opportunistic fixed income as a complement to traditional core mandates

The **Bloomberg US Universal Bond Index** is more representative of Ohio SERS' Global Fixed Income portfolio given that the Universal allocates ~10% of exposure to High Yield and Emerging Markets Debt

- Statistically, the “Best Fit” for the Global Fixed Income portfolio, as measured by the lowest tracking error is the **Bloomberg U.S. Universal Bond Index**.

## Global Fixed Income: Benchmark Fit Analysis



## Global Fixed Income: Bloomberg Universal vs Bloomberg Aggregate

As of Dec-31-2024: Total Return (%)	1-Year	3-Year	5-Year	10-Year
Bloomberg Universal	2.04	-1.95	0.06	1.73
Bloomberg Aggregate	1.25	-2.41	-0.33	1.35
As of Dec-31-2024: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
Bloomberg Universal	5.61	7.70	6.39	4.94
Bloomberg Aggregate	5.92	7.83	6.42	5.03
As of Dec-31-2024: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
Bloomberg Universal	-0.54	-0.73	-0.37	-0.01
Bloomberg Aggregate	-0.64	-0.77	-0.42	-0.08

## Global Fixed Income: Bloomberg Universal vs Bloomberg Aggregate

As of March 2025	Bloomberg Universal	Bloomberg Aggregate
Yield to Worst	5.03%	4.75%
Duration	5.84 years	6.07 years
AAA-Rated	3.46%	3.30%
AA-Rated	64.42%	73.60%
A-Rated	12.69%	11.27%
BBB-Rated	13.15%	11.83%
<BBB-Rated	6.28%	0.00%
Investment Grade & Cash	89.44%	100.00%
High Yield, EM Debt & Other	10.56%	0.00%

## Global Private Credit Overview

The current Ohio SERS Global Private Credit benchmark is the 90 Day US Treasury Bill + 4.5%

- T-Bill component captures variability in the short-term interest rate environment
- Includes a premium to compensate for credit risk and illiquidity

The current Global Private Credit benchmark is not investable

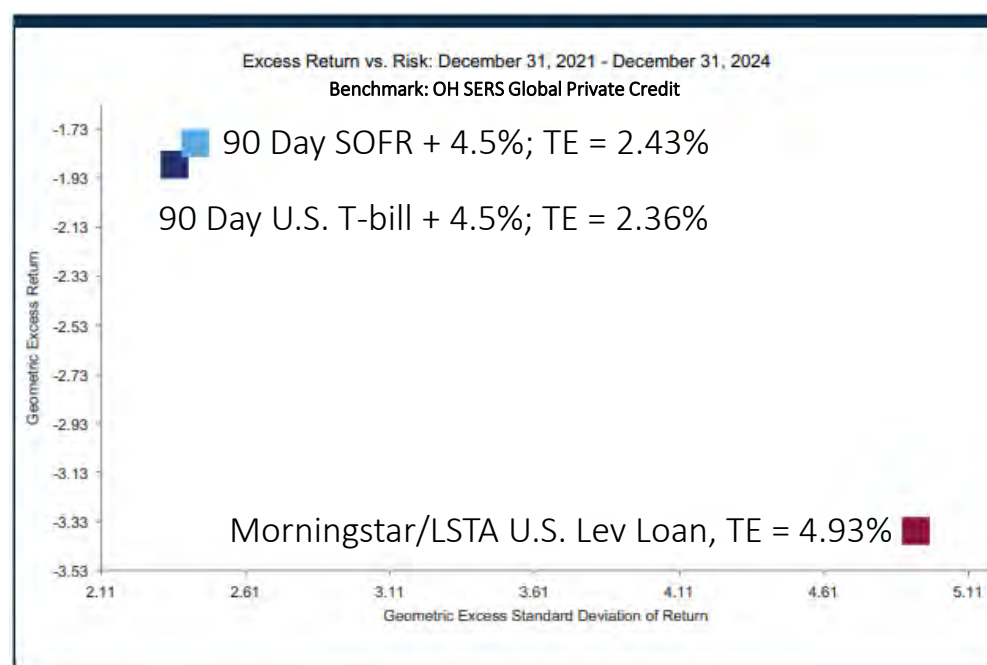
- The benchmark is, in effect, an absolute return benchmark
- May not be representative of private credit market volatility and credit risk

### Alternative Benchmarks

- The 90 Day Secured Overnight Financing Rate (SOFR) + 4.5%
- The Morningstar/LSTA Leveraged Loan 100 Index
  - Market based benchmark which will reflect volatility in the credit markets

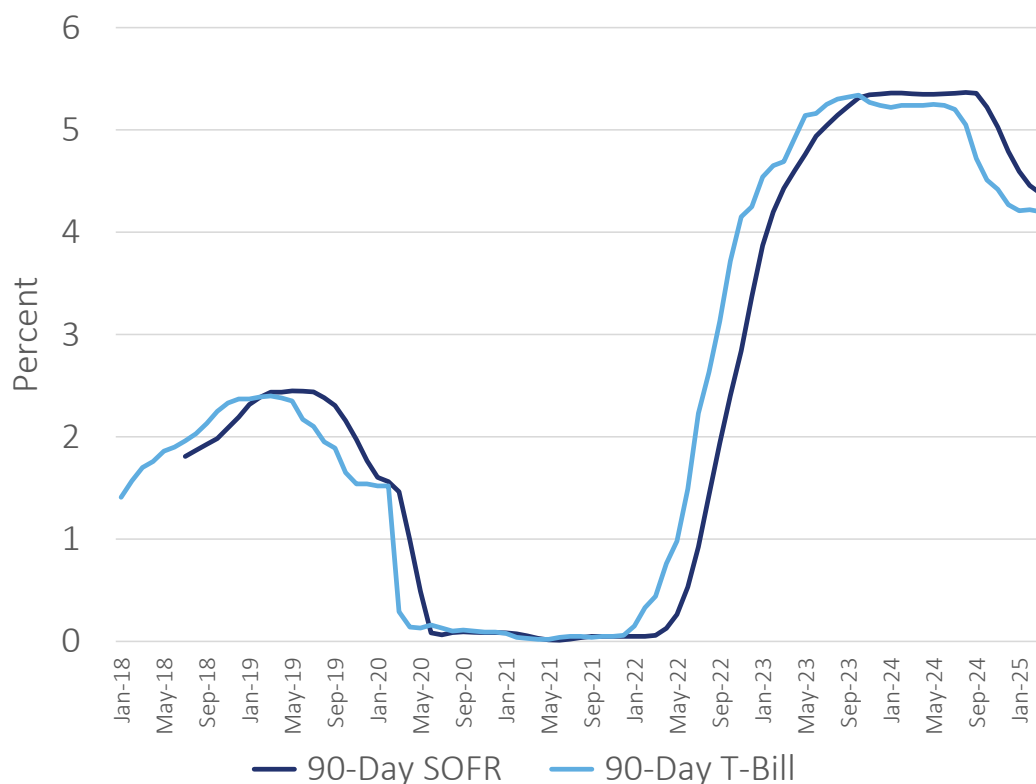
The Global Private Credit portfolio has <5-years of returns, but over this shorter time horizon, the current benchmark has been a better fit than the Morningstar/LSTA Leverage Loan 100 Index

## Global Private Credit: Benchmark Fit Analysis



July 31, 2020 - December 31, 2024	
Benchmark	Annualized Returns
90 Day U.S. T-Bill + 4.5%	7.27%
90 Day SOFR + 4.5%	7.33%
Morningstar/LSTA US Lev Loans	6.59%

## Treasury Bill versus Secured Overnight Financing Rate (SOFR)



### Why SOFR?

- SOFR is a benchmark interest rate reflecting the cost of borrowing money overnight, using U.S. Treasury securities as collateral.
- SOFR is commonly used as a benchmark for pricing private credit loans.
- SOFR was introduced in 2018 as an alternative to LIBOR (London Interbank Offering Rate). Because SOFR is based on actual transactions in the Treasury repo market, it is considered a more transparent and reliable measure of market conditions than LIBOR.
- SOFR typically lags T-bills because it is calculated from actual overnight repo transactions, while T-bills are based on market expectations and future interest rate movements.

## Real Estate Overview

The current Ohio SERS Global Real Estate benchmark is the NCREIF Property Index (NPI), lagged one quarter

- Index is representative of private commercial real estate properties held for investment purposes only and 100% operating properties (core real estate)
- Ohio SERS' Global Real Estate portfolio emphasizes income returns from core properties, also the portfolio includes some (minimal) non-private real estate investments.

### Alternative Benchmarks

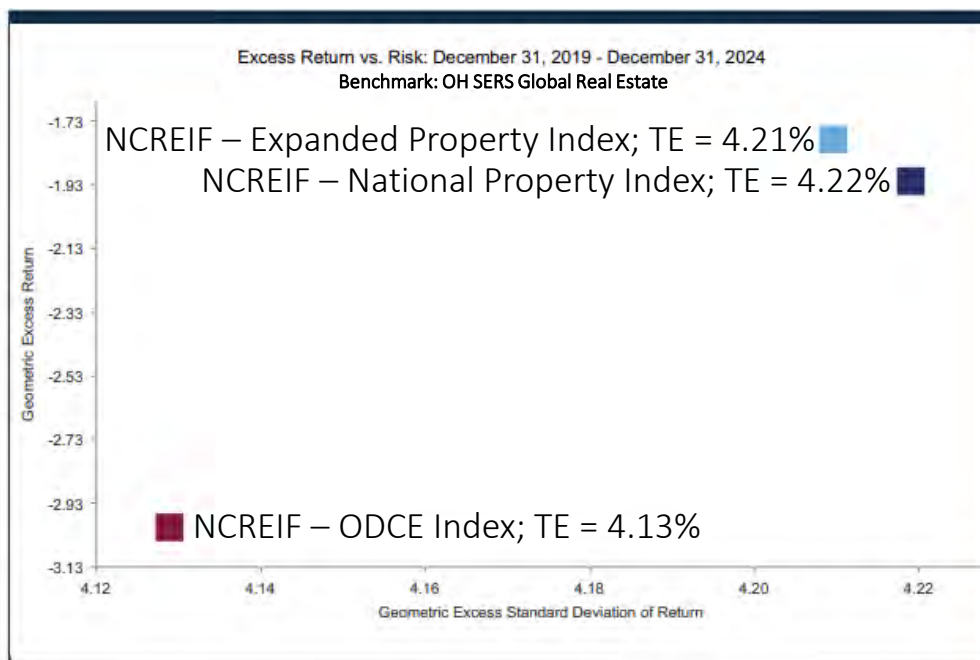
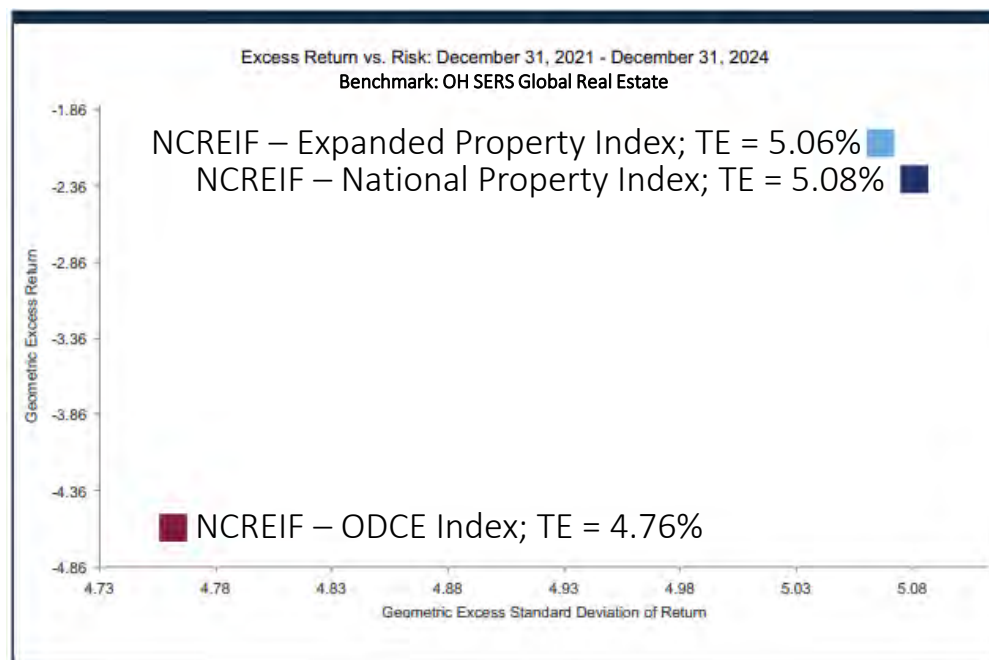
- Expanded NCREIF Property Index (Expanded NPI)
- NCREIF ODCE
  - A greater proportion of Wilshire's consulting clients use the NCREIF ODCE (Open-End Diversified Core Equity) Index to benchmark their Private Real Estate portfolio
  - The NCREIF ODCE Index is a capitalization-weighted, aggregate index of investment returns of 36 open-ended commingled funds

## NCREIF Property Index vs. NCREIF ODCE Index

	NCREIF Property Index (NPI)	Expanded NCREIF Property Index	NCREIF ODCE Index
Index Construction	Composite total return of private real estate <u>properties</u> held for investment purposes only	Same as NPI	Capitalization-weighted, aggregate index of investment returns of 36 open-ended commingled <u>funds</u>
Real Estate	<u>100%</u> of market value of net assets must be invested in private real estate properties	Same as NPI	<u>80%</u> of market value of net assets must be invested in private real estate properties, and no more than <u>20%</u> in real estate debt or cash
Property Types	<u>5 Property Types</u> : Apartment, hotel, industrial, office and retail	<u>8 Property Types</u> : Residential, Hotel, Industrial, Office, Retail, Self-Storage, Seniors Housing, Other	80% of market value must be apartment, hotel, industrial, office and retail. No more than 20% in additional property types (senior housing, student housing, etc.)
Life Cycle	<u>100%</u> of market value must be invested in <u>operating properties</u> (at least 60% leased)	Same as NPI	<u>80%</u> of market value must be in <u>operating properties</u> (at least 60% leased), and no more than 20% invested in (pre)development/redevelopment or initial leasing
Leverage & Debt	<u>No leverage</u> included in NPI calculation	Same as NPI	<u>Leverage</u> is limited to 40% of market value of net assets
Additional Differences	Property count for NPI vs ODCE is often different (NPI<ODCE), Expanded NPI levels property count vs ODCE Regional differences occur – ODCE holds more properties in the West Average building size differs – ODCE is larger on average compared to NPI		

Source: NCREIF website

## Real Estate: Benchmark Fit Analysis



## Real Estate: NCREIF Property Index vs NCREIF ODCE

As of Dec-31-2024: Total Return (%)	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	0.43	-0.82	3.13	5.66
Expanded NCREIF Property Index	0.59	-0.58	3.27	5.76
NCREIF ODCE	-2.27	-3.14	1.99	4.94
As of Dec-31-2024: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	NA	5.11	5.49	4.12
Expanded NCREIF Property Index	NA	4.99	5.37	4.04
NCREIF ODCE	NA	7.36	7.55	5.56
As of Dec-31-2024: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	NA	-0.89	0.12	0.93
Expanded NCREIF Property Index	NA	-0.86	0.15	0.97
NCREIF ODCE	NA	-0.92	-0.06	0.56

## Global Infrastructure

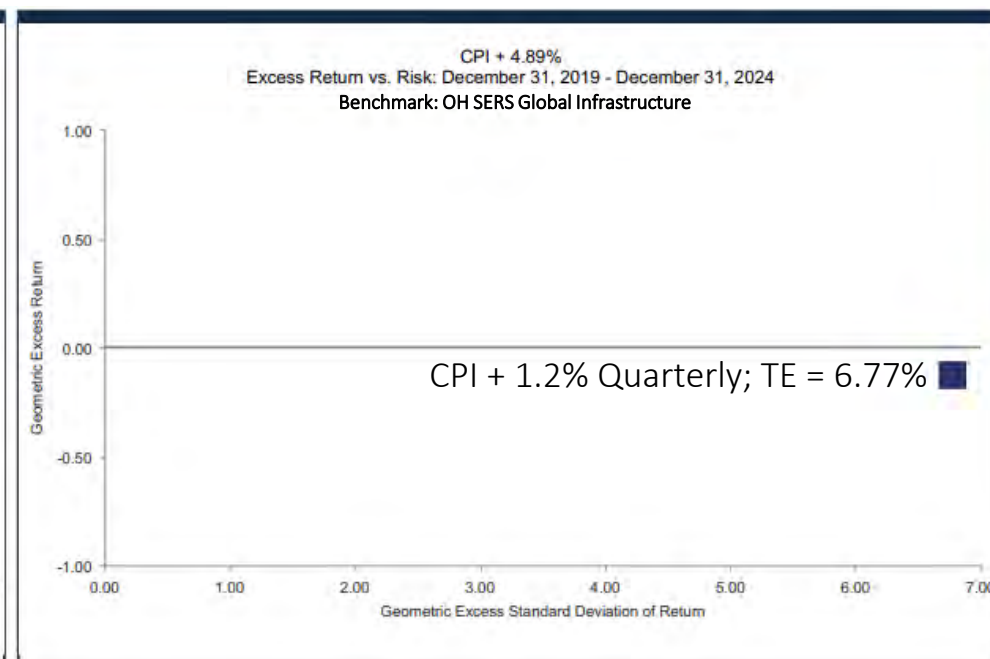
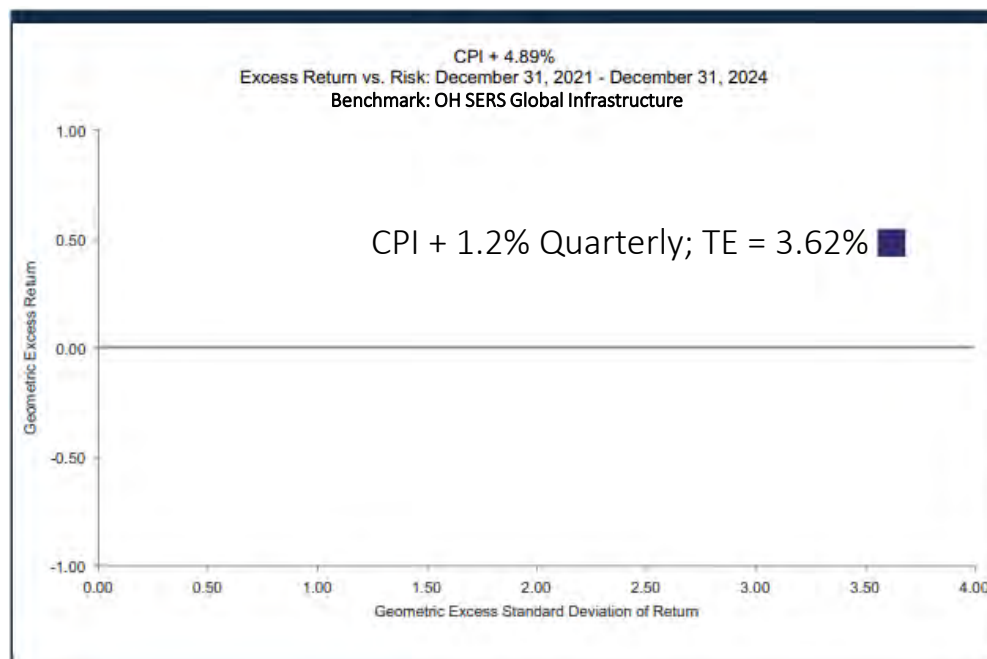
The current Ohio SERS Global Infrastructure benchmark is  $\text{CPI} + 1.2\%$  per quarter (or approximately  $\text{CPI} + 5.0\%$  annually)

- Infrastructure has historically been part of the Real Assets asset class, benchmarked to the NCREIF Property Index.
- As of January 1, 2024, Infrastructure was recognized as a standalone asset class with its own benchmark.

OH SERS' Staff, in consult with Wilshire, considered multiple benchmark approaches to infrastructure

- Options included Listed Market Indices, Peer-Based Private Indices, and Inflation-Based Indices
- The inflation-based index aligns with the portfolio's role of inflation protection, is transparent, and unambiguous
- The benchmark is, in effect, an absolute return benchmark and may not be representative of private infrastructure market volatility
- Note among those clients who use a CPI based benchmark, the most common premium is +300-400 bp

## Global Infrastructure: Benchmark Fit Analysis



## Alternative Asset Classes Overview

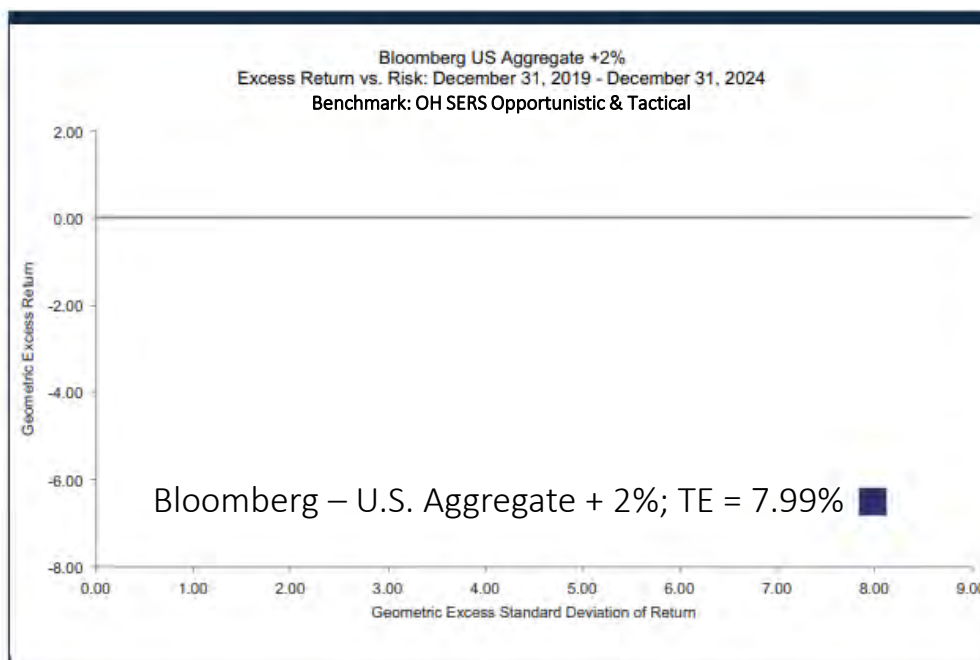
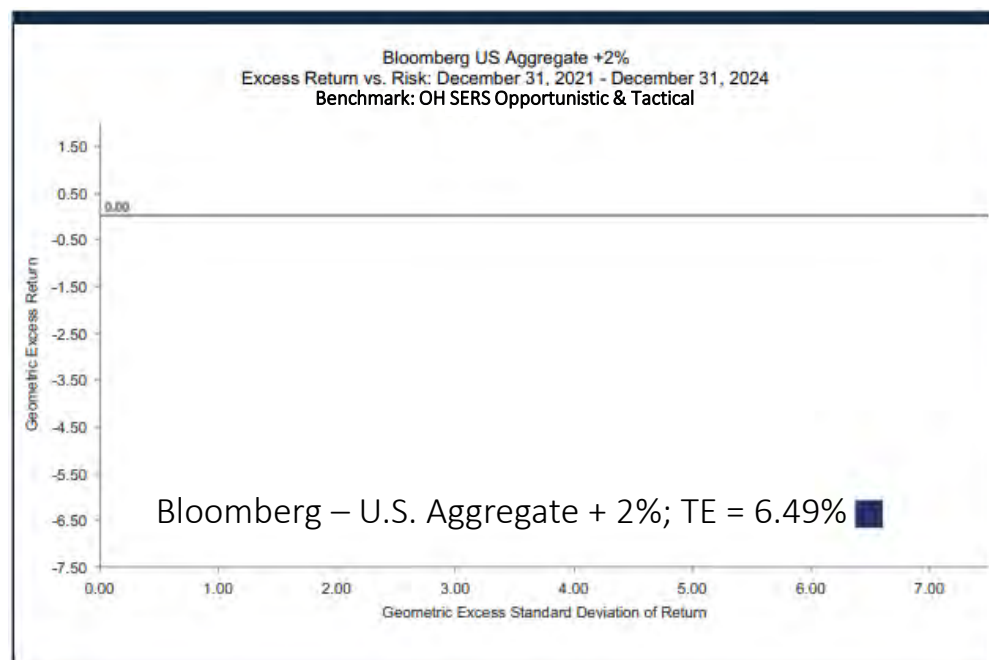
### Opportunistic & Tactical Investments

- The current Ohio SERS benchmark for the Opportunistic & Tactical investments is the **Bloomberg US Aggregate Bond Index + 2.0%**
- The Opportunistic & Tactical portfolio includes investments that do not fit within the existing asset classes. Per the AIP, opportunistic investments are selected with an emphasis on high yielding strategies, hence the use of a fixed income-based benchmark.
- The tracking error of the Opportunistic & Tactical portfolio is relatively high at 6.5-8.0%. The eclectic nature of the portfolio does not lend itself to a traditional index. The current benchmark may not be representative of non-fixed income-like investments that could comprise the allocation.

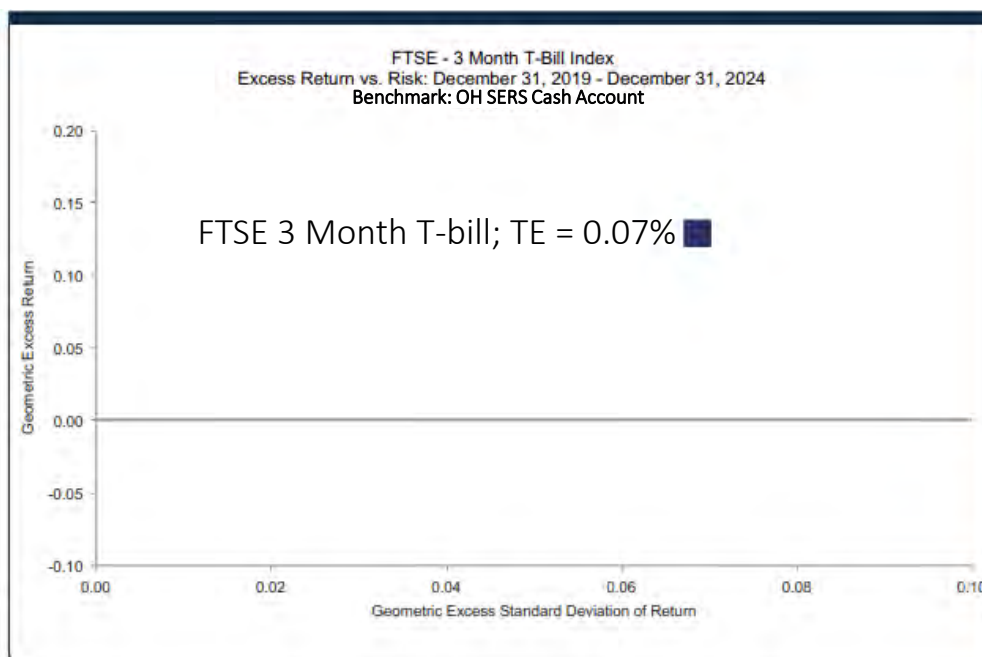
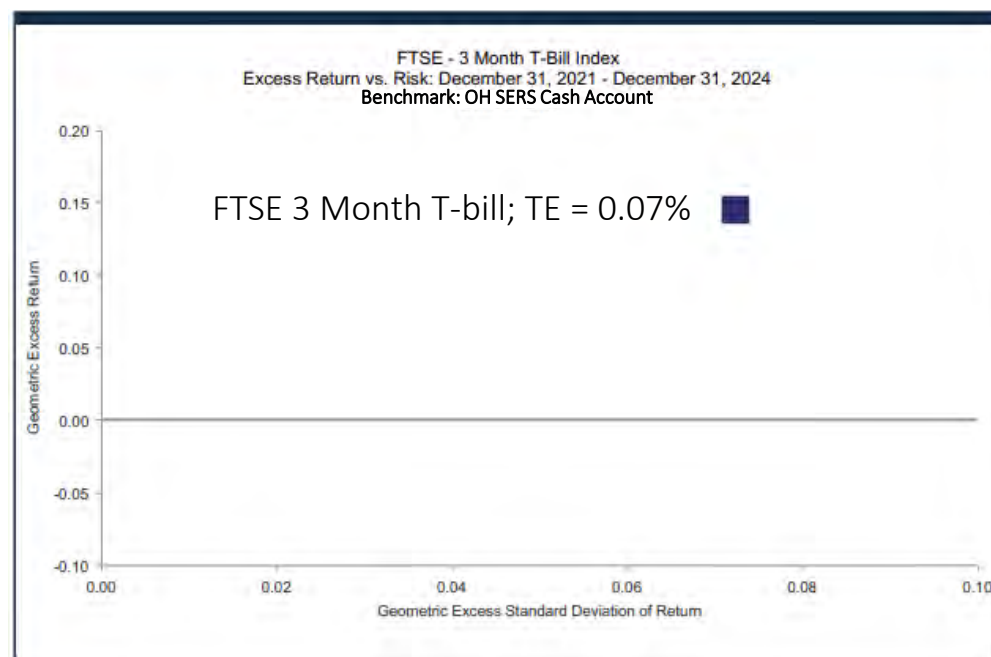
### Cash Equivalents & Securities Lending

- The current Ohio SERS benchmark for the Cash Equivalents & Securities Lending portfolio is the **FTSE 30 Day US Treasury Bill** and **Wilshire supports** the use of the FTSE 30 Day US Treasury Bill as an acceptable benchmark for cash equivalents
- The tracking error of this portfolio is minimal versus the benchmark

# Opportunistic & Tactical: Benchmark Fit Analysis



# Cash Equivalents & Securities Lending: Benchmark Fit Analysis



## Benchmarking Overview

	Global Equity	Global Private Equity	Global Fixed Income	Global Private Credit	Real Estate	Infrastructure	Opportunistic & Tactical	Cash Equivalents
Current Benchmark	MSCI ACWI	Burgiss All Private Equity Index	Bloomberg US Universal Bond Index	90 Day US Treasury Bill + 4.5%	NCREIF Property Index	CPI + 1.20% per quarter	Bloomberg US Aggregate Bond Index + 2.0%	FTSE 30 Day US Treasury Bill Index
Benchmarking Criteria								
Specified in Advance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Appropriate	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Measurable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unambiguous	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Investable	Yes	No	Yes	No	No	No	No	Yes
Commonly Used?	Yes	Yes*	Yes	Yes*	Yes	Yes*	No	Yes
Viable Alternative Benchmark to Consider?	MSCI ACWI IMI	MSCI-Burgiss Global Private Equity Funds Index		90 Day SOFR + 4.5% or LSTA Leveraged Loan Index	NCREIF Property Index Expanded or NCREIF ODCE			

\* Peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread are all common approaches to benchmarking private assets, though OH SERS specific implementation may be unique.

# Appendix

## Benchmarking Private Assets

Benchmarking Private Assets is *not* as straightforward as Public Assets

- Available private asset “benchmarks” from multiple providers are actually universe comparisons, either of private market funds or other plan sponsor private asset programs
  - Not Investable in the same manner as public indexes
  - Underlying constituents can shift depending on data availability
- Valuation and pricing of private assets occurs quarterly vs daily for public assets
  - Valuation availability lags that of public assets, typically by three months, due to the time it takes to compile and translate financial statement information into an estimate of fair market value
  - Public market appraisals adjust much more quickly (both up and down) than private market appraisal
- Common benchmark categories include peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread.

## Real Estate: Defining the Indexes

**Key questions to answer:** What are the differences between the NCREIF Property Index (“NPI”) and the NCREIF ODCE Index (“ODCE”) ? And why is there a difference between the returns these indexes?

**What are these indexes and what are some differences?**

- NCREIF Property Index
  - Quarterly, **unlevered** composite total return for private commercial real estate properties held for investment purposes only
  - Only operating **apartment**, **hotel**, **industrial**, **office** and **retail** properties leased at 60% or more are included in the NPI. Properties can be wholly owned or held in joint venture (“JV”) structure
- NCREIF ODCE Index
  - Capitalization-weighted, **aggregate index** of investment returns of 36 **open-ended commingled funds** pursuing a core investment strategy primarily in private real estate properties (20% of assets can be invested in cash or real estate debt)
  - Properties outside of apartment, hotel, industrial, office and retail can make up 20% (senior housing, student housing, etc.). Can also invest up to 20% in **non-operating properties** (predevelopment, redevelopment, etc.)
  - **Leverage** can be utilized at the fund level up to 40%

Source: NCREIF website

## Real Estate: Return Differences Examined

### Why are returns different when comparing NPI vs. ODCE?

- Include all forms of return – income, appreciation and total return
  - Not all ODCE properties and **property types** are included in the NPI
  - **Leverage** is included in fund level calculations, but not in the NPI
  - **Joint-venture properties** in ODCE may not be included in NPI
  - Fund level **expenses** (legal, accounting, etc.) impact fund level returns, but may not be passed down to the property level
  - **Waterfall distributions** from JV properties may impact fund level differently than property level
  - **Cash** held at the fund level is a drag relative to property income
  - Differences in **regional** distribution and **average building size**

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Wilshire



# Executive Summary of Investment Performance

As of March 31, 2025

## Market Commentary

### U.S. Equity

The U.S. stock market was down -4.8% for the first quarter but is up 7.1% for the past 12 months. Sector performance was, in fact, mostly positive for the quarter, with seven sectors producing a gain. However, two of the largest sectors by market capitalization were down in double-digits – information technology (-12.9%) and consumer discretionary (-13.5%). Small-cap underperformed large-cap by 220 basis points while growth stocks generally underperformed value by a large margin.

The price of gold has been on a sharp rise during the past 18 months, ending the first quarter of 2025 above \$3,000 per troy ounce for the first time in its history. The return for the past quarter was +19%, the strongest quarterly return since the fall of 1986 – so nearly 40 years. Long recognized as the ultimate store of value, gold continued to push higher during the past three months on increased geopolitical tensions and economic uncertainties. Central bank demand also has boosted prices as banks have been adding aggressively to their gold reserves. Net purchases exceeded 1,000 tons in 2024, the third straight year above that level. Concurrently, the U.S. dollar is on a sharp decline, leading to local currency returns in foreign markets underperforming their U.S. dollar equivalent.

### Non-U.S. Equity

Major news in Germany, Europe's largest economy, could have impacts across the continent. German lawmakers have approved a massive increase in defense and infrastructure spending, along with an atypical increase in the country's debt. Projections are for the country to spend more than 3% of its GDP in years to come – military spending has been well below 2% in the country for roughly 30 years. Following the announcement of several stimulative macroeconomic policies in China last year, early indicators show strength in the manufacturing sector. Additional stimulus measures were announced in March amid trade tensions with the United States.

### Fixed Income

The U.S. Treasury yield curve was down across most of the maturity spectrum. The 10-year Treasury yield ended the quarter at 4.21%, down 37 basis points. The FOMC met twice during the quarter and left their overnight rate unchanged. Expectations for rate cuts this year equal -0.5%, as signaled following the March meeting. Fed Chair Jerome Powell recently said that they can be patient in understanding uncertainty surrounding federal policies.

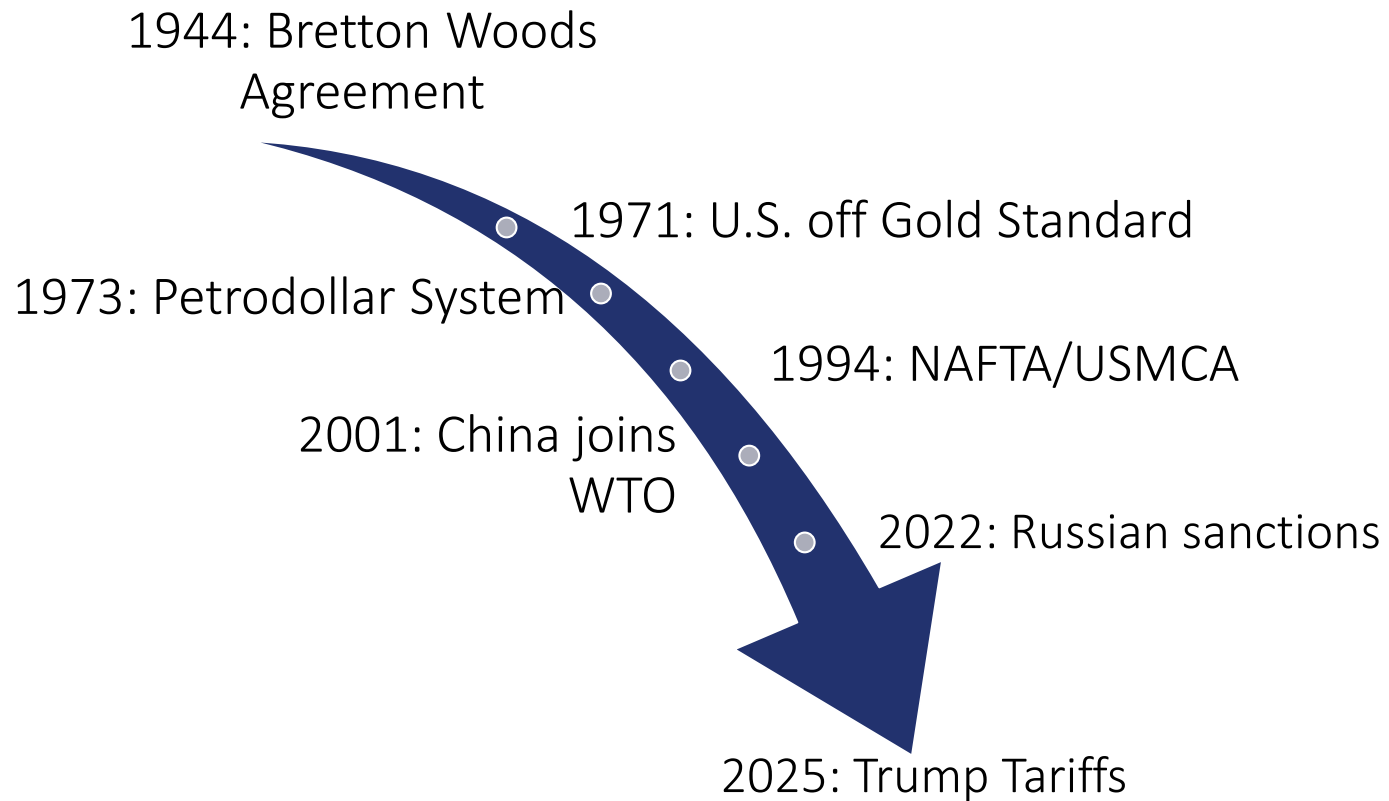
## March 2025 Asset Class Assumptions

	Equity						Fixed Income							Real Assets					
	U.S. Stock	Dev ex-U.S. Stock	Emg Stock	Global ex-U.S. Stock	Global Stock	Private Equity	Cash	Core Bond	LT Core Bond	TIPS	High Yield	Private Credit	Dev ex-U.S. Bond (Hdg)	U.S. RES	Global RES	Private RE	Cmdty	Real Assets	U.S. CPI
Compound Return (%)	4.60	5.60	5.85	5.95	5.15	6.45	3.60	4.95	5.15	4.35	6.30	7.75	3.10	5.70	5.85	6.55	4.85	6.85	2.35
Arithmetic Return (%)	5.95	7.10	8.85	7.60	6.50	10.25	3.60	5.05	5.60	4.50	6.75	8.50	3.20	7.10	7.10	7.45	6.05	7.55	2.35
Risk (%)	17.00	18.00	26.00	19.05	17.00	29.65	0.75	4.75	9.90	6.00	10.00	12.75	4.00	17.50	16.55	13.95	16.00	12.60	1.75
Yield (%)	1.35	3.05	2.50	2.90	1.85	0.00	3.60	5.45	5.55	4.80	9.70	4.90	4.10	3.95	3.95	2.85	3.60	3.65	0.00
Growth Factor Exposure	8.00	8.00	8.00	8.00	8.00	14.00	0.00	-0.95	-2.55	-3.00	4.00	5.10	-1.00	6.00	6.00	3.70	0.00	2.85	0.00
Inflation Factor Exposure	-3.00	-1.00	3.00	0.15	-1.95	-4.25	0.00	-2.60	-6.95	2.50	-1.00	-1.50	-3.00	1.00	1.65	1.00	12.00	5.20	1.00

### Correlations

U.S. Stock	1.00																		
Dev ex-U.S. Stock (USD)	0.81	1.00																	
Emerging Mkt Stock	0.74	0.74	1.00																
Global ex-U.S. Stock	0.84	0.96	0.89	1.00															
Global Stock	0.98	0.90	0.83	0.93	1.00														
Private Equity	0.72	0.63	0.61	0.66	0.73	1.00													
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.06	0.00	1.00												
Core Bond	0.27	0.13	0.00	0.08	0.21	0.30	0.18	1.00											
LT Core Bond	0.30	0.15	0.00	0.10	0.24	0.31	0.11	0.95	1.00										
TIPS	-0.05	0.00	0.15	0.06	-0.01	-0.03	0.20	0.60	0.47	1.00									
High Yield Bond	0.54	0.39	0.49	0.46	0.53	0.31	-0.10	0.24	0.32	0.05	1.00								
Private Credit	0.68	0.55	0.58	0.60	0.68	0.44	0.00	0.23	0.30	0.00	0.76	1.00							
Dev ex-U.S. Bond (Hdg)	0.16	0.25	-0.01	0.16	0.17	0.26	0.10	0.68	0.66	0.39	0.26	0.22	1.00						
U.S. RE Securities	0.57	0.47	0.44	0.49	0.56	0.49	-0.05	0.17	0.22	0.10	0.56	0.62	0.05	1.00					
Global RE Securities	0.62	0.55	0.52	0.58	0.63	0.54	-0.05	0.17	0.21	0.11	0.61	0.67	0.04	0.99	1.00				
Private Real Estate	0.55	0.45	0.45	0.48	0.55	0.50	-0.05	0.18	0.24	0.09	0.58	0.63	0.05	0.79	0.79	1.00			
Commodities	0.25	0.34	0.39	0.38	0.31	0.28	0.00	-0.03	-0.04	0.25	0.29	0.29	-0.10	0.25	0.28	0.25	1.00		
Real Assets	0.62	0.63	0.65	0.68	0.67	0.57	-0.03	0.24	0.25	0.32	0.64	0.69	0.06	0.79	0.83	0.77	0.63	1.00	
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.12	-0.10	0.10	-0.12	-0.12	0.15	-0.08	0.00	-0.08	0.05	0.04	0.05	0.44	0.21	1.00

## Trade/Currency Timeline: From Bretton Woods to “Liberation Day”



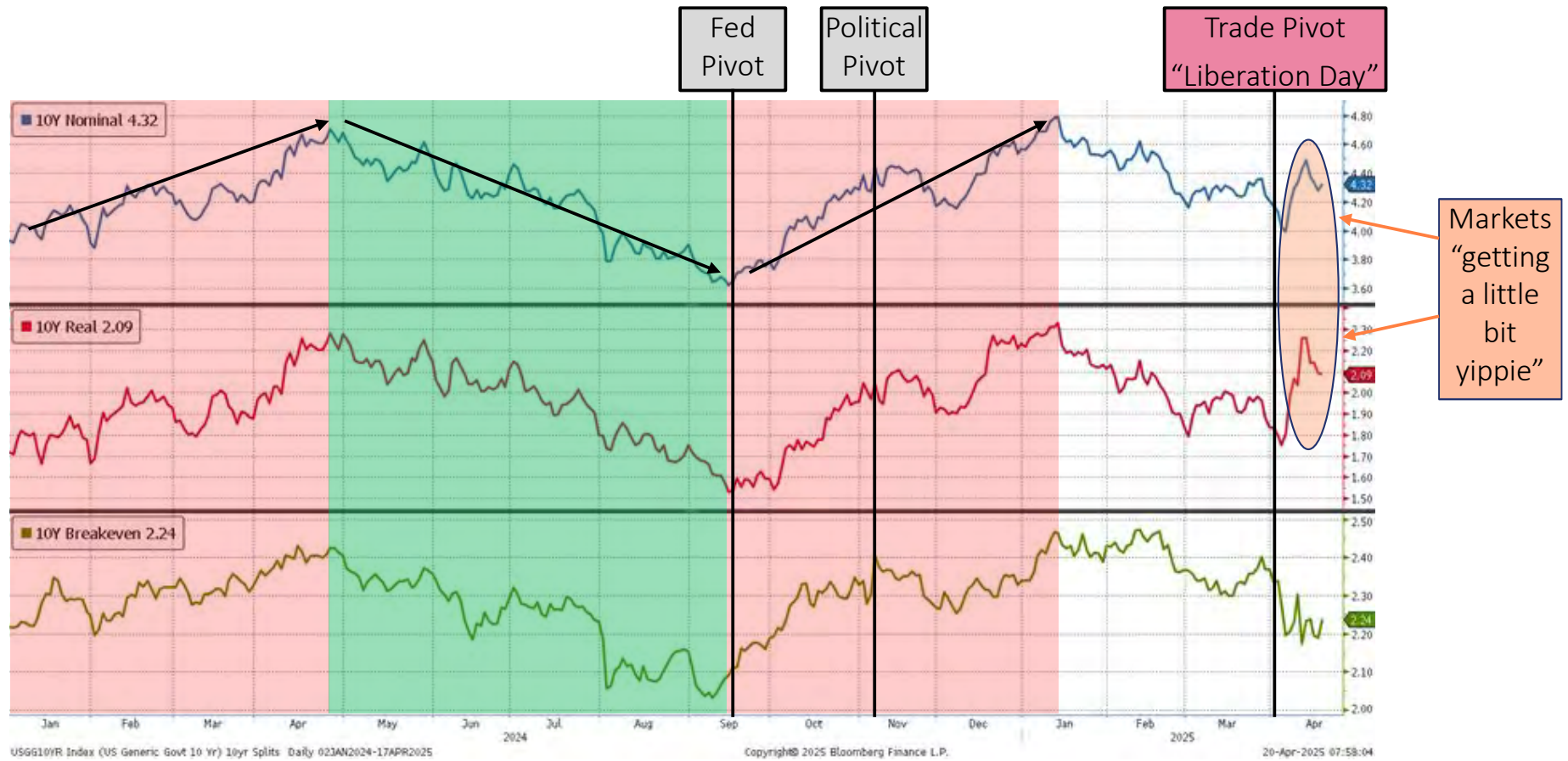
## Stated Concerns of Running Persistent Trade Deficits

- [Loss of American Jobs / Manufacturing](#)
  - As production is moved overseas
  - Places downward pressure on real wage growth
- [Economic and National Security Threat](#)
  - Dependent on other countries for essential products
  - Mounting levels of indebtedness
- [Unfair Trade Practices \(“We’re getting ripped off”\)](#)
  - Targeted tariffs to protect chosen industries
  - Non-tariff barriers (i.e., quotas, government subsidies, technical standards/regulations, licensing requirements, etc.)
- [Wealth Transfer to Other Nations](#)
  - US Trade Deficit leads to a Capital Surplus
  - Other nations recycle the \$s from their Trade Surpluses into U.S. assets

## Treasury Secretary Scott Bessent Priorities

- 3-3-3 Plan
  1. 3% of GDP budget deficit
  2. 3% Real GDP growth
  3. 3 million barrel/day increase in US energy production
- Focus on 10-year Treasury yield
  - Important to item #1 above since interest cost on servicing debt is >\$1T/year (@ >\$36T of debt, a 1% change in the effective borrowing rate represents ~\$360B)
  - Higher yields could indicate a risk premium investors might demand for financing US borrowing

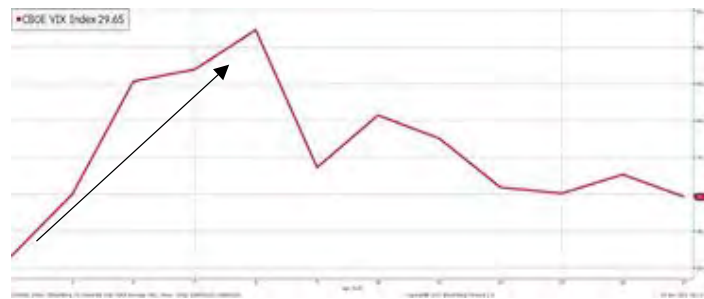
# Rate Environment Segmented



Data Source: Bloomberg

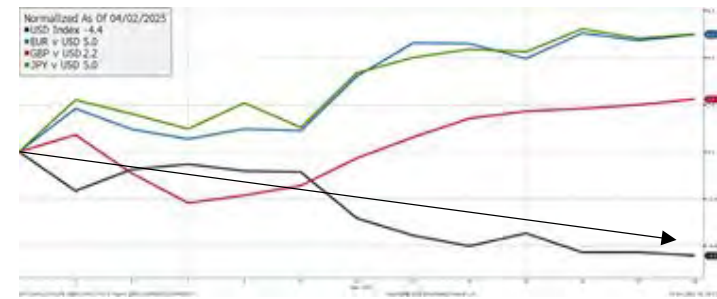
# Market Response: The Yips

## Spike in Volatility



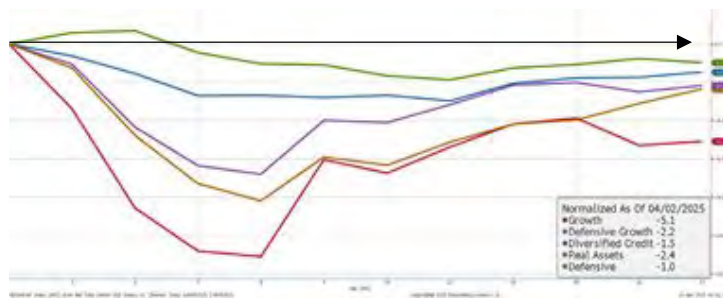
Data Source: Bloomberg

## Currency Impact: Dollar Weakness



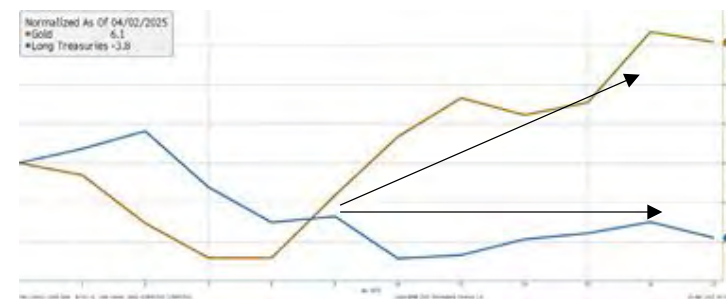
Data Source: Bloomberg

## Thematic Returns



Data Source: Bloomberg

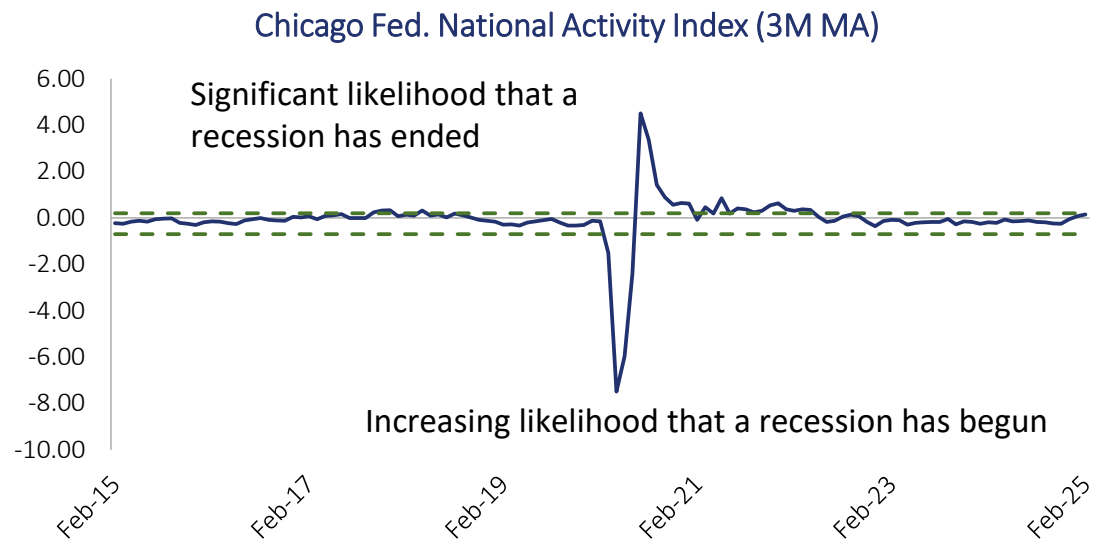
## Safe-Haven Asset Returns: Gold & Treasuries Diverge



Data Source: Bloomberg

# Economic/Market Activity

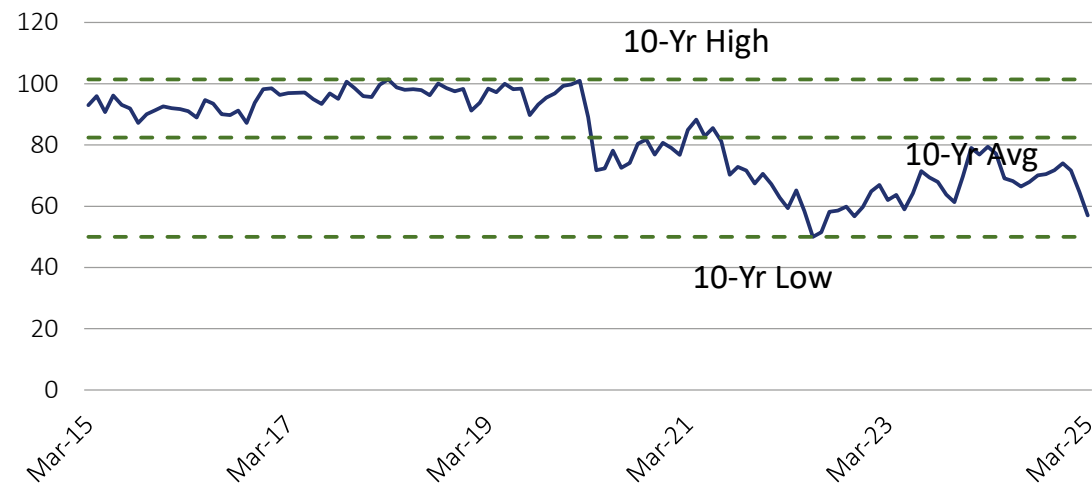
# Economic Growth



Data Source: Bloomberg

## Consumer Activity

University of Michigan: Consumer Sentiment

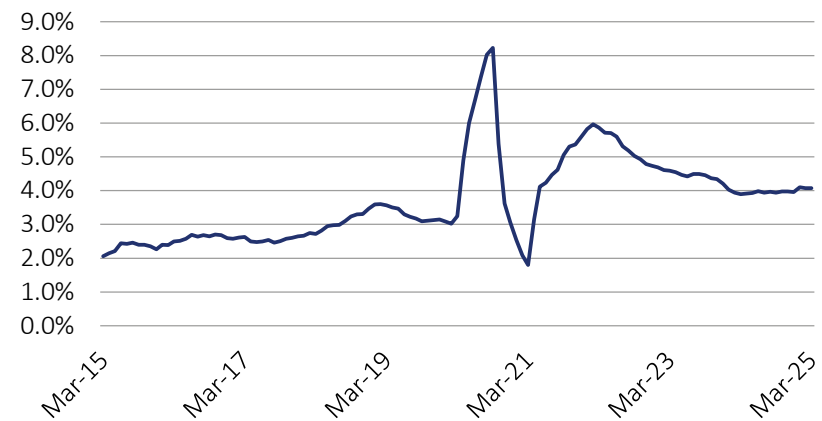


Real Personal Consumption Expenditures



Data Source: Bloomberg — Real PCE (6-mo annualized)

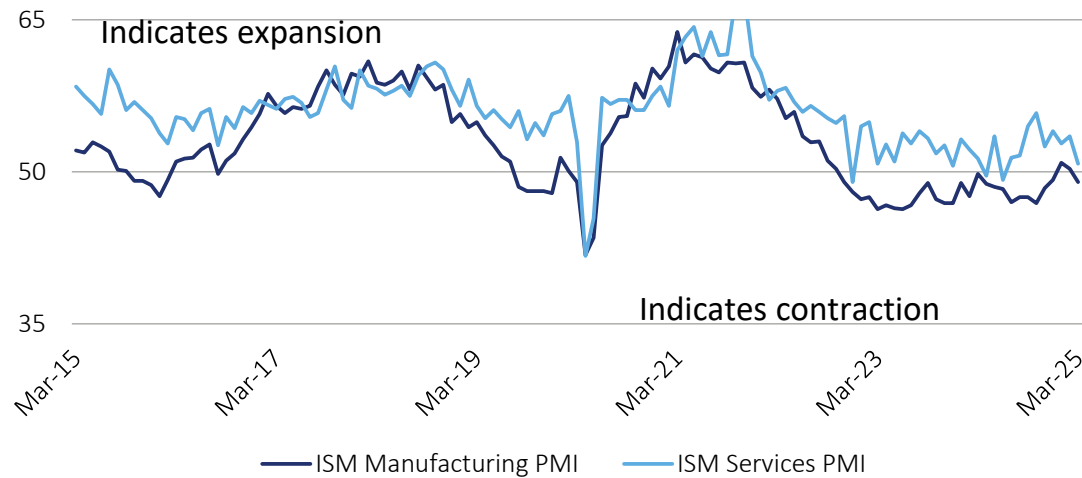
Average Hourly Earnings



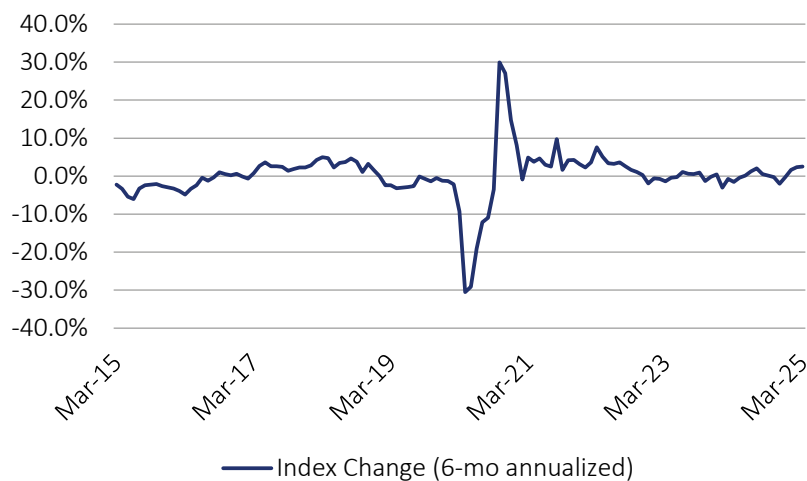
— Wage Growth (6-mo annualized)

# Business Activity

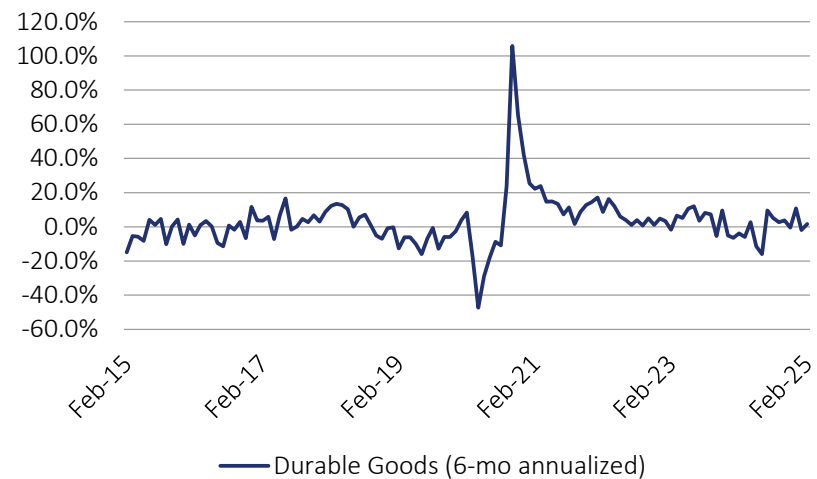
ISM Report on Business



Industrial Production Index

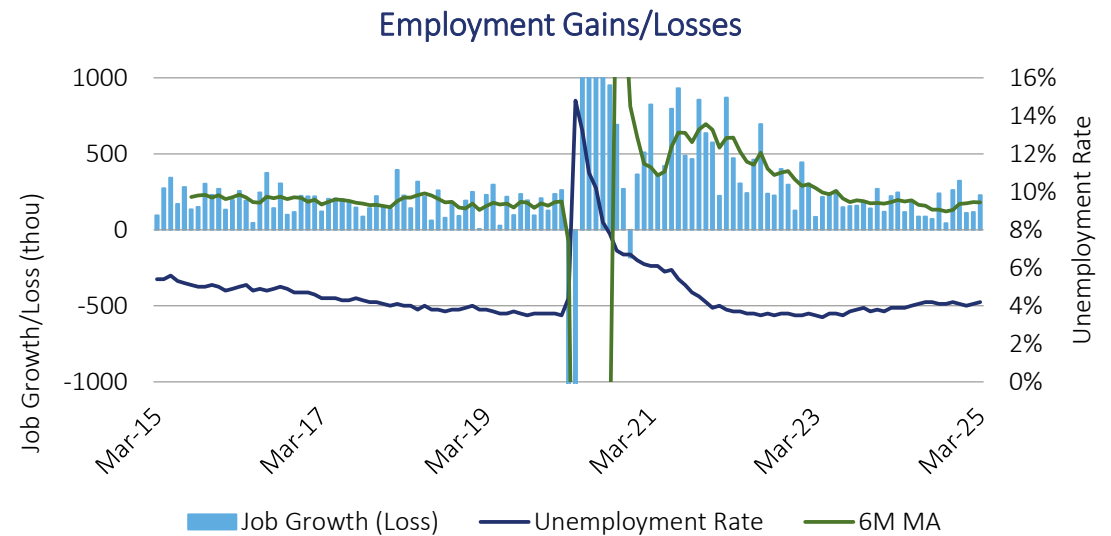
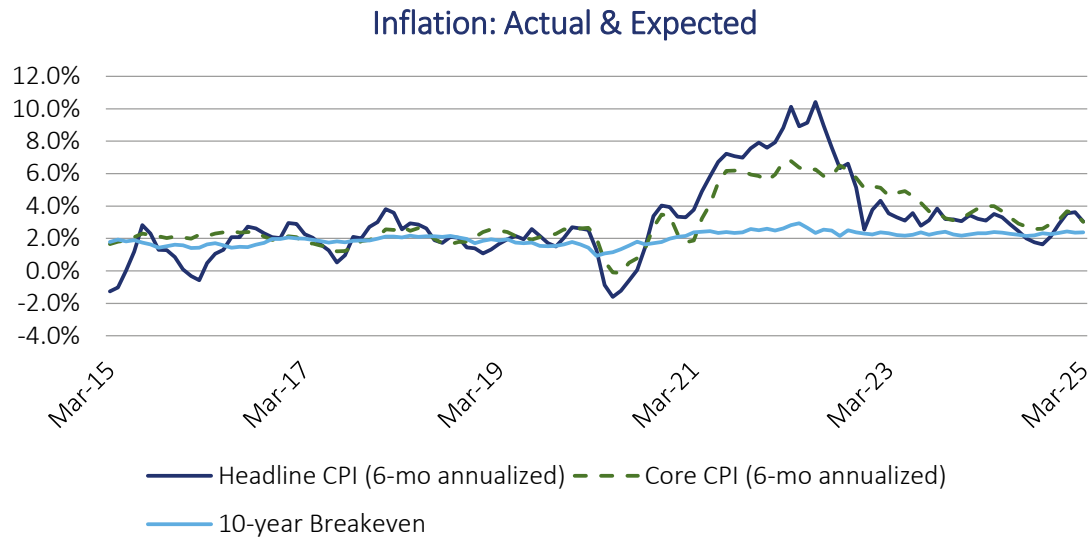


Durable Goods New Orders



Data Source: Bloomberg

# Inflation and Employment

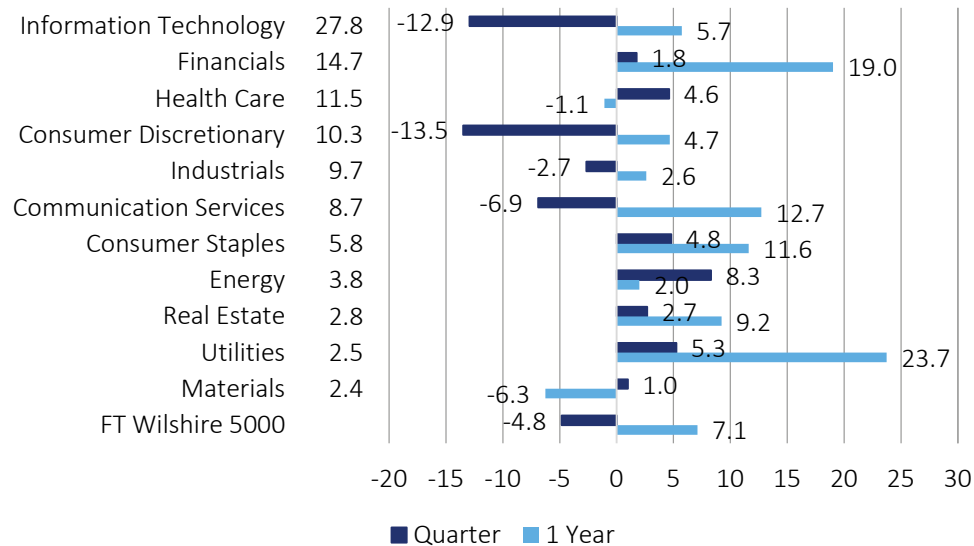


Data Source: Bloomberg

## U.S. Equity Market

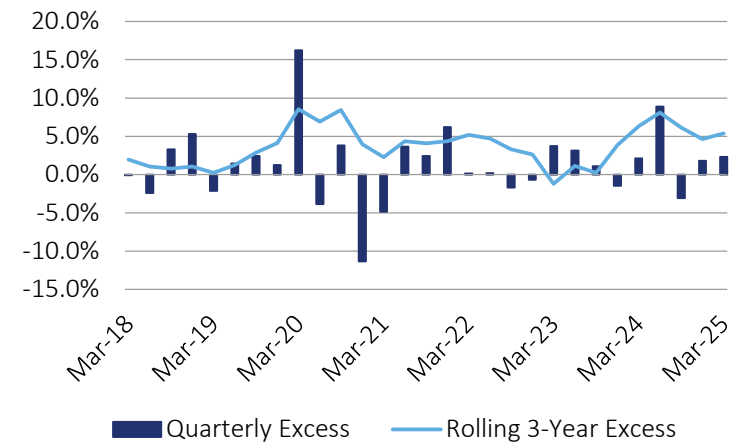
As of 3/31/2025	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
FT Wilshire 5000	-4.8	-4.8	7.1	8.1	18.3	12.0
FT Wilshire U.S. Large Cap	-4.5	-4.5	8.5	9.0	18.7	12.5
FT Wilshire U.S. Small Cap	-6.6	-6.6	-1.3	3.4	16.2	8.0
FT Wilshire U.S. Large Growth	-10.5	-10.5	8.4	10.3	20.1	n/a
FT Wilshire U.S. Large Value	2.2	2.2	8.4	7.4	16.9	n/a
FT Wilshire U.S. Small Growth	-8.8	-8.8	-2.6	2.7	13.1	n/a
FT Wilshire U.S. Small Value	-4.5	-4.5	-0.2	4.1	19.1	n/a
Wilshire REIT Index	1.0	1.0	10.2	-0.8	11.2	5.3
MSCI USA Min. Vol. Index	5.9	5.9	14.0	8.4	13.6	10.7
FTSE RAFI U.S. 1000 Index	0.7	0.7	7.2	8.2	19.6	10.9

### U.S. Sector Weight and Return (%)

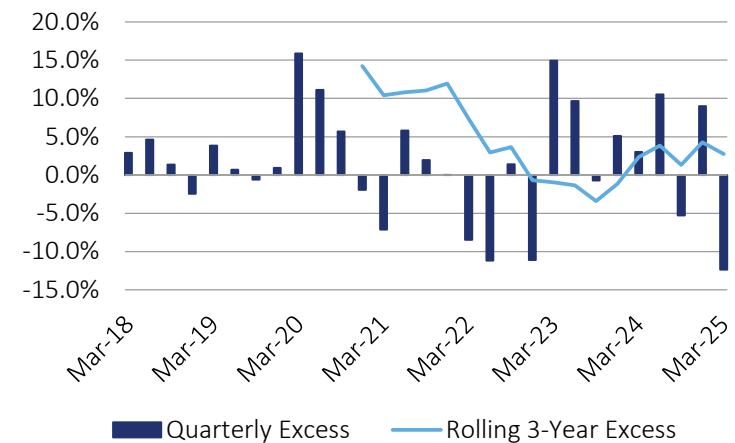


Data Sources: Bloomberg, Clearwater Wilshire Atlas

### Large Cap vs. Small Cap



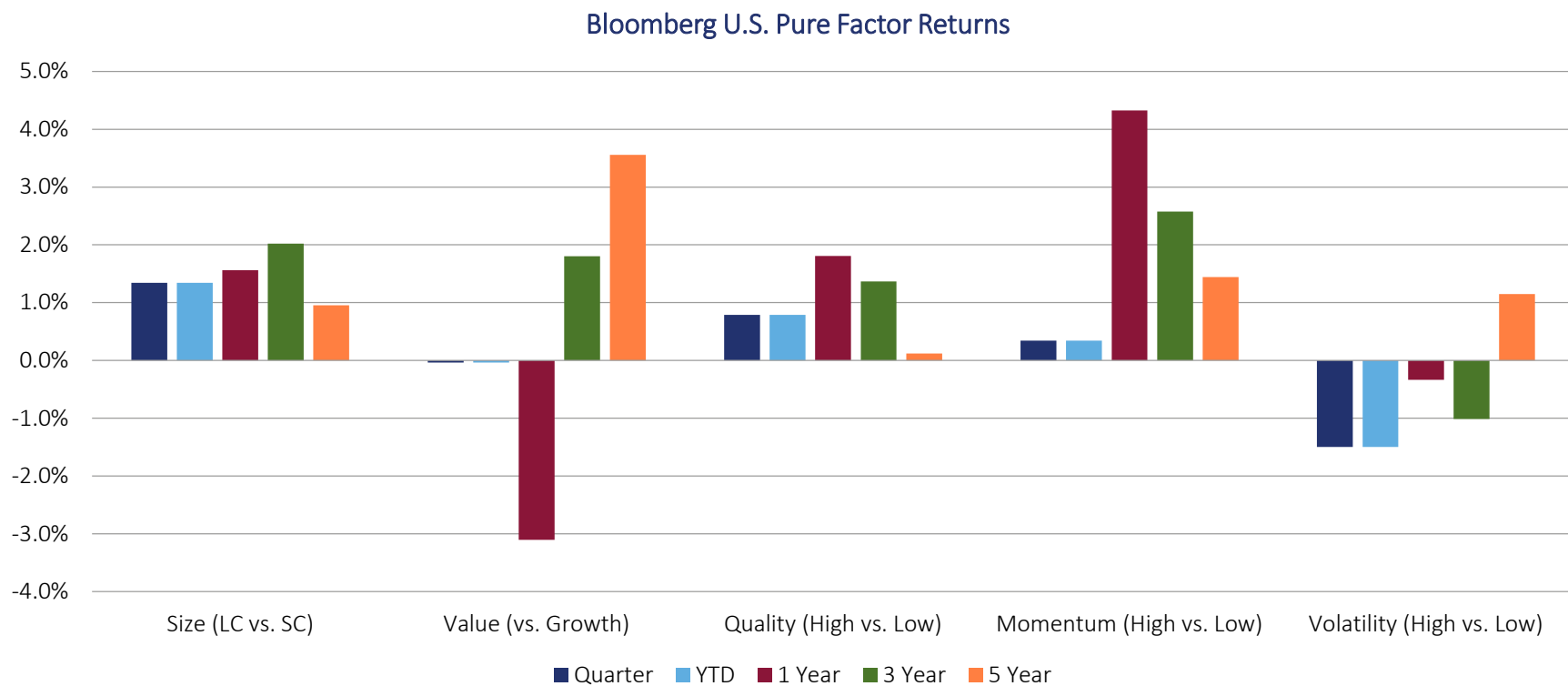
### Large Growth vs Large Value



## U.S. Factor Returns

Factor returns represent the contribution from large cap, value, etc. stocks within Bloomberg's Portfolio & Risk Analytics module

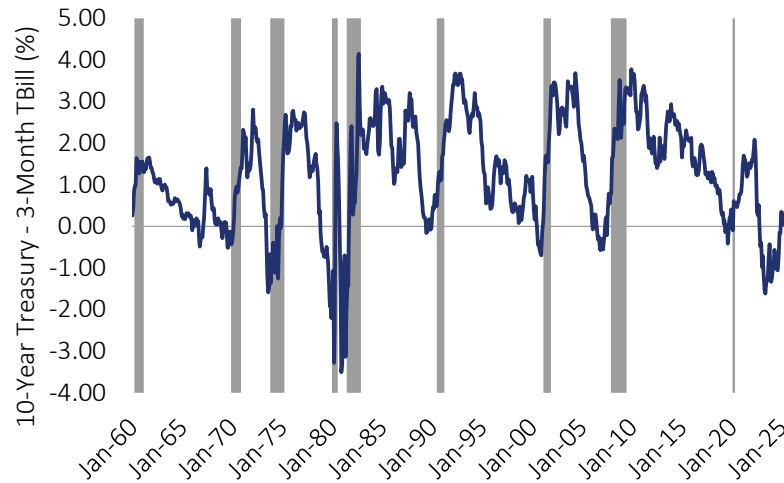
Size contributed positively for the quarter while volatility was a meaningful detractor



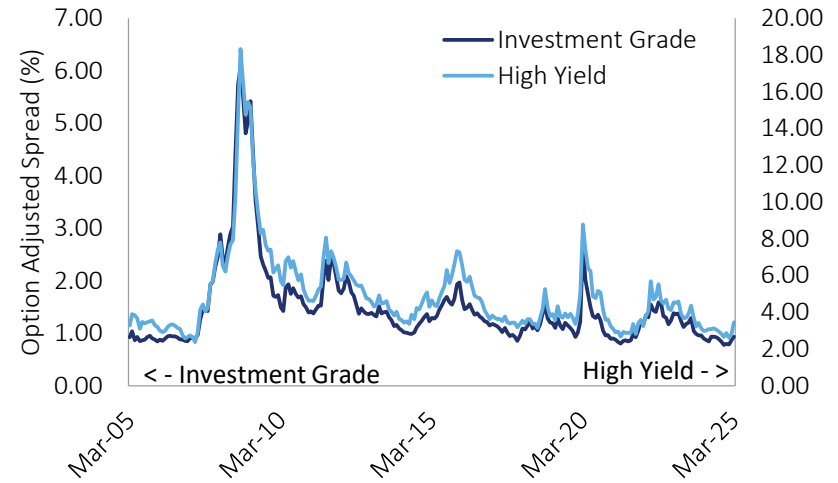
Data Source: Bloomberg

# Risk Monitor

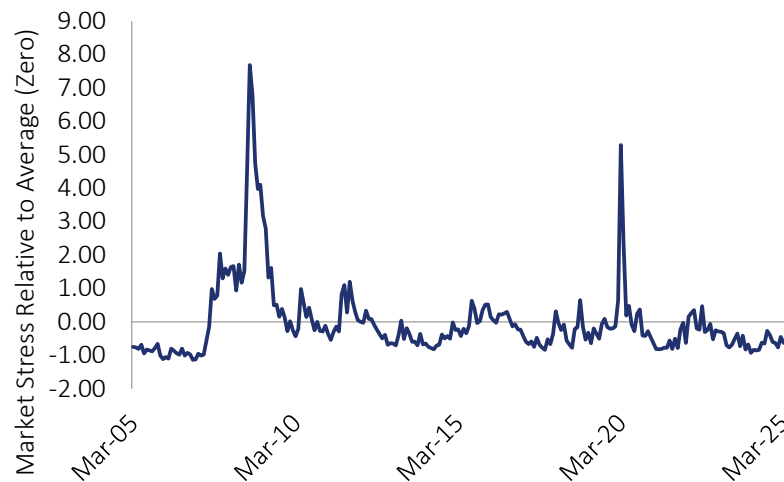
Yield Curve Slope vs Recessions (IN GRAY)



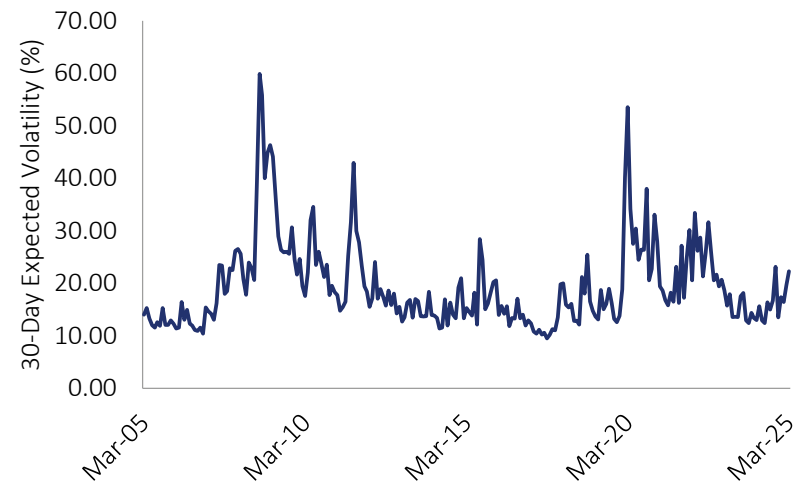
Bloomberg Credit Indexes



St. Louis Fed. Financial Stress Index



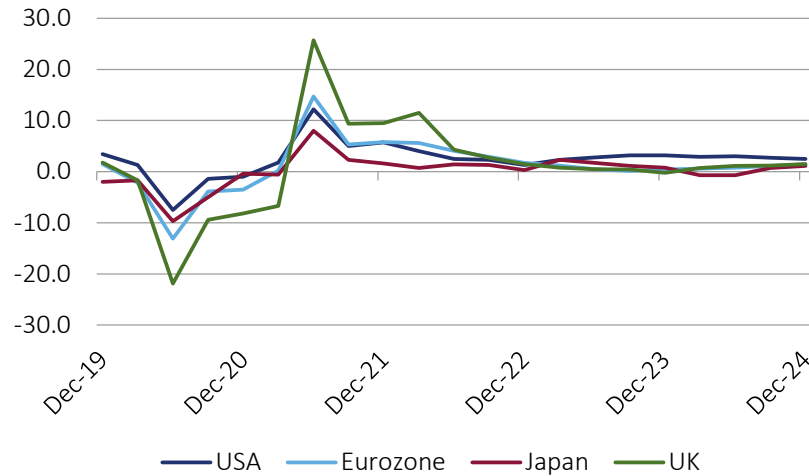
CBOE Volatility Index



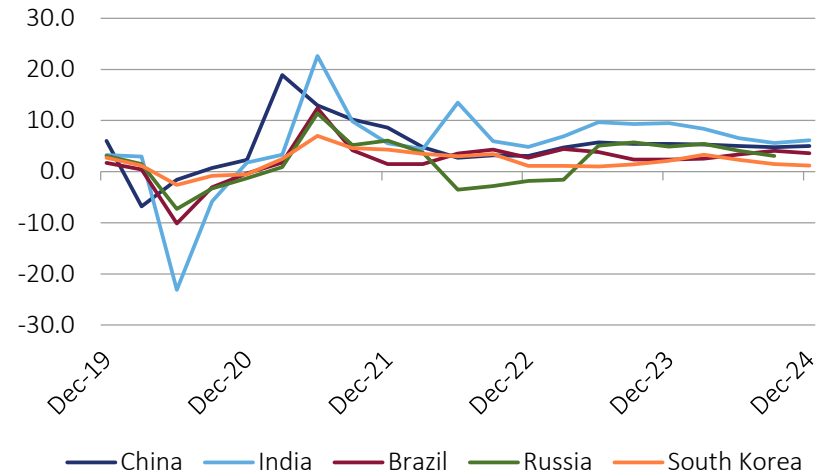
Data Source: Bloomberg

## Non-U.S. Growth and Inflation

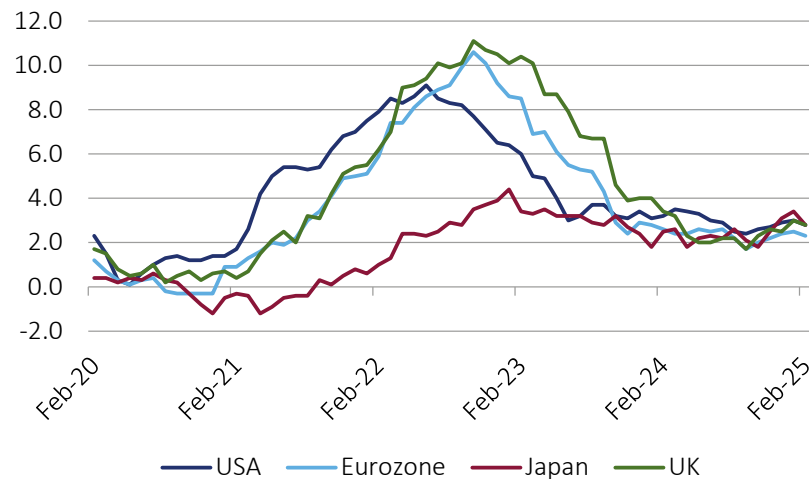
Developed Markets Real GDP Growth YoY (%)



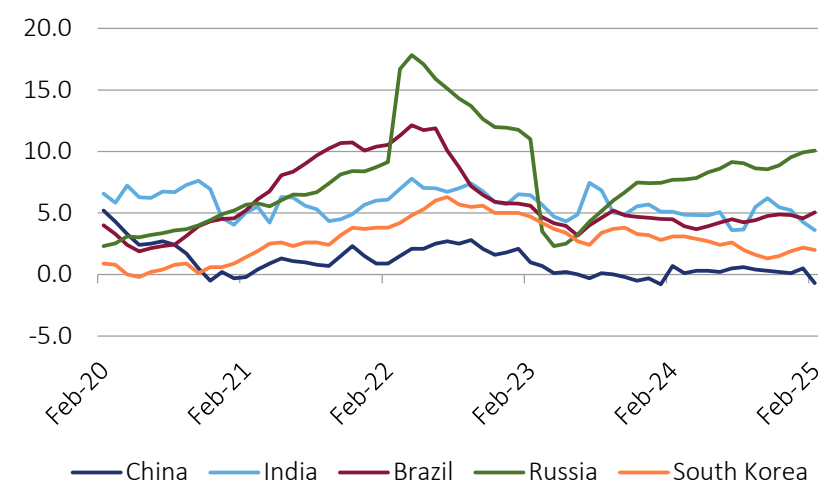
Emerging Markets Real GDP Growth YoY (%)



Developed Markets CPI Growth YoY (%)



Emerging Markets CPI Growth YoY (%)

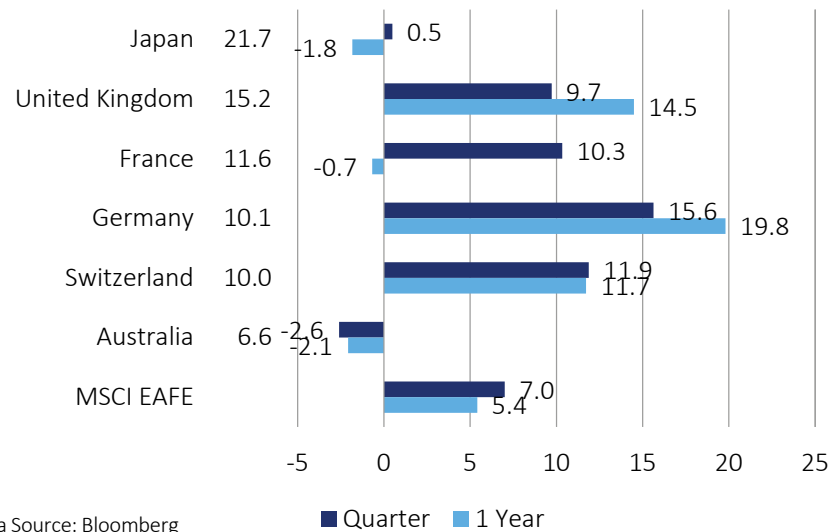


Data Source: Bloomberg

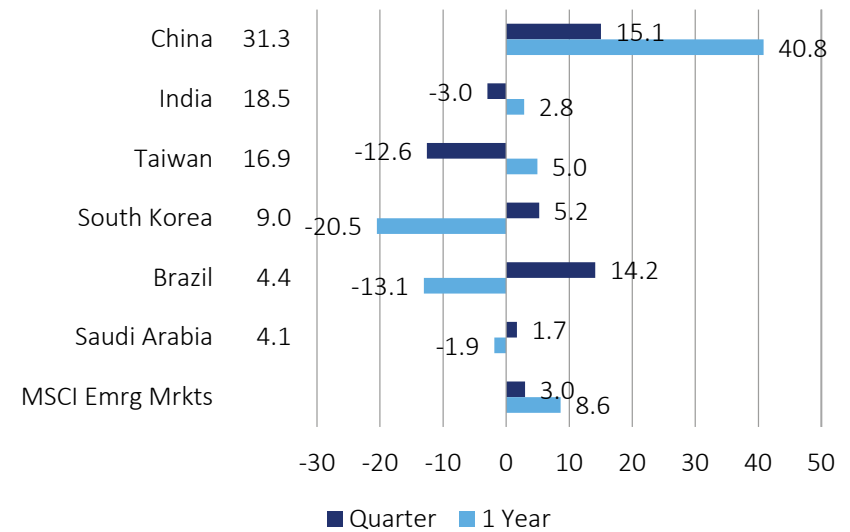
## Non-U.S. Equity Market

As of 3/31/2025	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
MSCI ACWI ex-US (\$G)	5.4	5.4	6.6	5.0	11.5	5.5
MSCI EAFE (\$G)	7.0	7.0	5.4	6.6	12.3	5.9
MSCI Emerging Markets (\$G)	3.0	3.0	8.6	1.9	8.4	4.1
MSCI Frontier Markets (\$G)	7.0	7.0	8.1	1.6	9.5	1.7
MSCI ACWI ex-US Growth (\$G)	2.0	2.0	1.5	2.1	8.4	5.4
MSCI ACWI ex-US Value (\$G)	8.0	8.0	11.2	7.5	14.4	5.5
MSCI ACWI ex-US Small (\$G)	0.8	0.8	2.4	1.5	12.3	5.8
MSCI All Country World Index	-1.2	-1.2	7.6	7.4	15.7	9.4
MSCI ACWI Minimum Volatility	6.3	6.3	13.6	6.2	10.4	7.8
MSCI EAFE Minimum Volatility	9.8	9.8	13.7	5.7	7.6	5.1
FTSE RAFI Developed ex-US	9.1	9.1	8.1	7.8	15.2	6.1
MSCI EAFE LC (G)	3.0	3.0	4.7	9.3	13.8	6.9
MSCI Emerging Markets LC (G)	2.7	2.7	11.7	5.2	10.1	6.2

Developed Markets Weight and Return (%)



Emerging Markets Weight and Return (%)

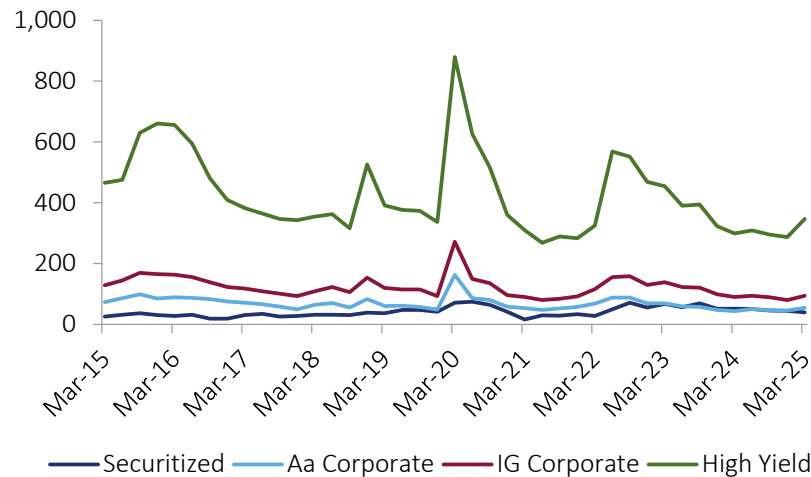


Data Source: Bloomberg

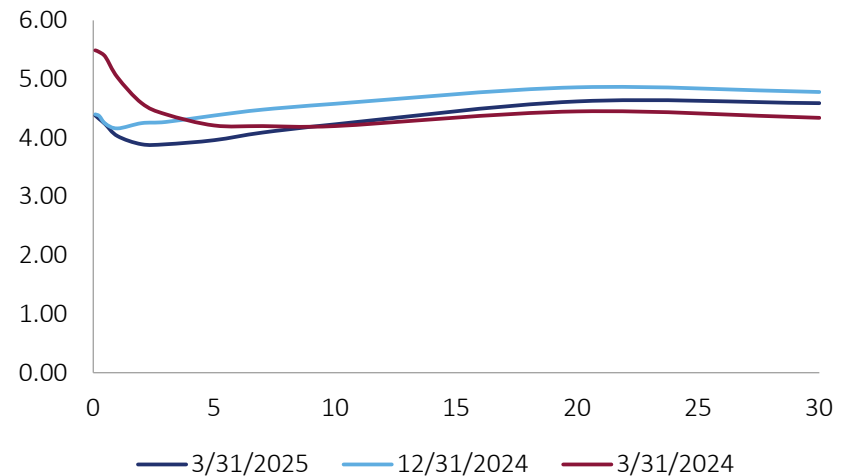
## U.S. Fixed Income

As of 3/31/2025	YTW	Dur.	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Aggregate	4.6	6.1	2.8	2.8	4.9	0.5	-0.4	1.5
Bloomberg Treasury	4.1	5.9	2.9	2.9	4.5	0.0	-1.7	1.0
Bloomberg Gov't-Rel.	4.6	5.3	2.6	2.6	4.8	1.3	0.4	1.7
Bloomberg Securitized	4.9	5.8	3.0	3.0	5.5	0.7	-0.5	1.2
Bloomberg Corporate	5.1	6.9	2.3	2.3	4.9	1.1	1.5	2.4
Bloomberg LT Gov't/Credit	5.2	13.7	3.6	3.6	1.7	-4.5	-3.7	1.0
Bloomberg LT Treasury	4.6	14.9	4.7	4.7	1.3	-7.2	-7.9	-0.6
Bloomberg LT Gov't-Rel.	5.8	11.6	3.2	3.2	2.0	-2.1	-1.1	1.6
Bloomberg LT Corporate	5.7	12.6	2.4	2.4	2.1	-2.2	-0.5	2.1
Bloomberg U.S. TIPS*	4.1	6.2	4.2	4.2	6.2	0.1	2.4	2.5
Bloomberg High Yield	7.7	3.1	1.0	1.0	7.7	5.0	7.3	5.0
S&P/LSTA Leveraged Loan	8.1	0.3	0.5	0.5	6.9	7.2	9.0	5.0
Treasury Bills	4.3	0.3	1.0	1.0	5.1	4.3	2.6	1.9

Fixed Income Option Adjusted Spread (bps)



Treasury Yield Curve (%)



\*Yield and Duration statistics are for a proxy index based on similar maturity, the Bloomberg Barclays U.S. Treasury 5-10 Year Index.

Data Source: Bloomberg

## Federal Reserve

The Federal Open Market Committee left their overnight rate unchanged during Q1

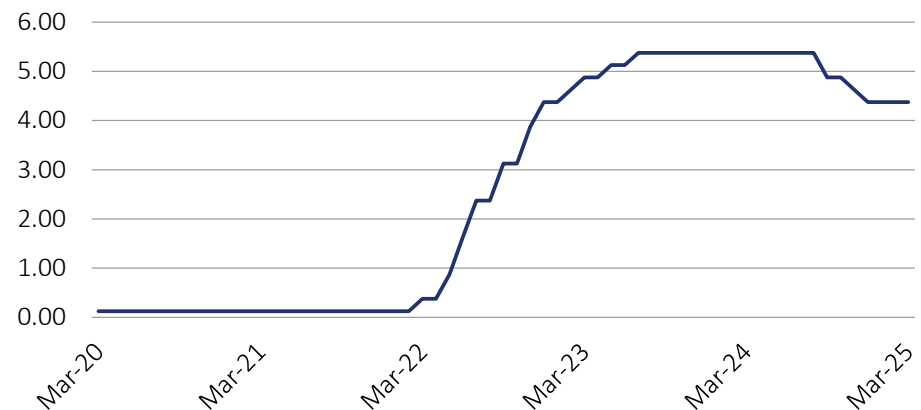
QE4 was larger than the 3 phases of quantitative easing – combined – following the global financial crisis

The Fed's balance sheet is roughly equal to its level following the COVID spike

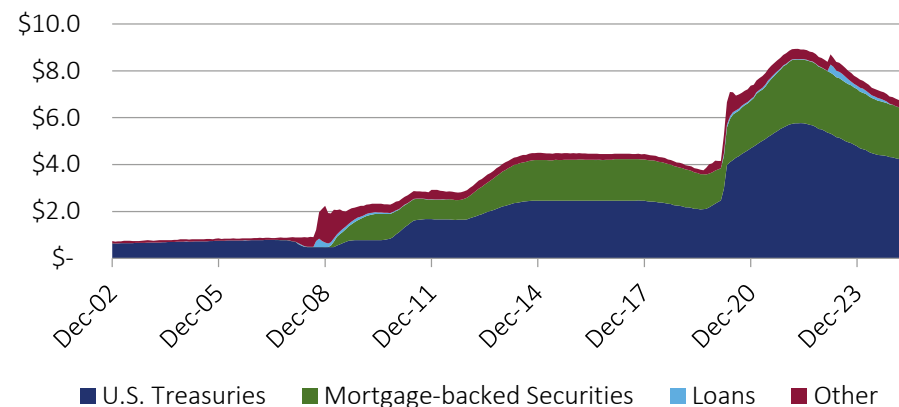
	Announced	Closed	Amount (bil)
QE1	11/25/2008	3/31/2010	\$1,403
QE2	11/3/2010	6/29/2012	\$568
QE3	9/13/2012	10/29/2014	\$1,674
QE4	3/23/2020	3/15/2022	\$4,779

Data Source: Bloomberg

Federal Funds Rate (Mid %)



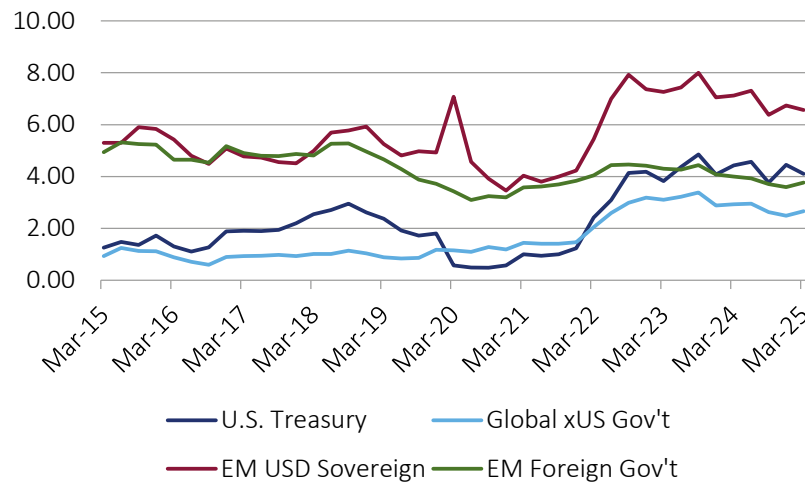
Federal Reserve Balance Sheet (\$T)



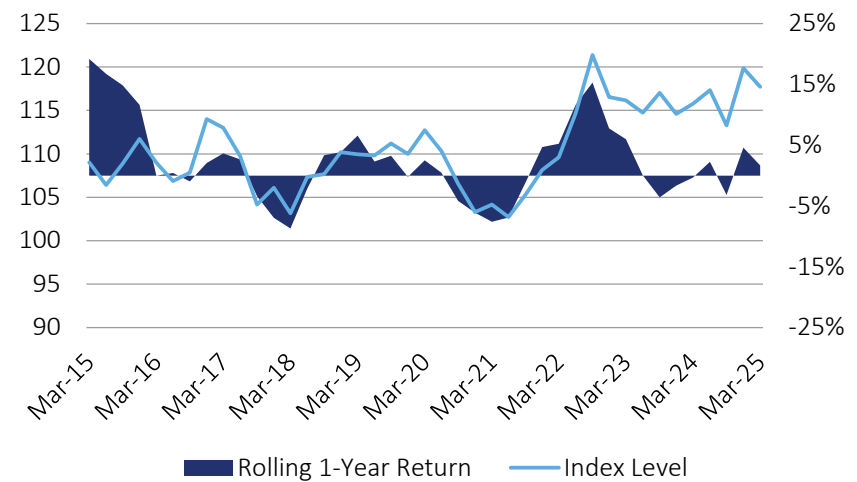
## Non-U.S. Fixed Income

As of 3/31/2025	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
<b>Developed Markets</b>						
Bloomberg Global Aggregate xUS	2.5	2.5	1.5	-3.5	-2.4	-0.2
Bloomberg Global Aggregate xUS*	-0.2	-0.2	4.2	2.2	0.9	2.2
Bloomberg Global Inflation Linked xUS	2.8	2.8	-2.6	-9.1	-2.9	-0.8
Bloomberg Global Inflation Linked xUS*	-0.7	-0.7	-2.3	-6.1	-1.6	1.3
<b>Emerging Markets (Hard Currency)</b>						
Bloomberg EM USD Aggregate	2.3	2.3	7.4	3.6	3.1	3.2
<b>Emerging Markets (Foreign Currency)</b>						
Bloomberg EM Local Currency Gov't	1.6	1.6	4.4	1.1	2.5	2.1
Bloomberg EM Local Currency Gov't*	0.8	0.8	8.2	6.4	3.3	3.4
Euro vs. Dollar	4.5	4.5	0.2	-0.8	-0.4	0.1
Yen vs. Dollar	4.8	4.8	0.9	-6.7	-6.4	-2.2
Pound vs. Dollar	3.2	3.2	2.3	-0.6	0.8	-1.4

Global Fixed Income Yield to Worst (%)



U.S. Dollar Index: Advanced Economies

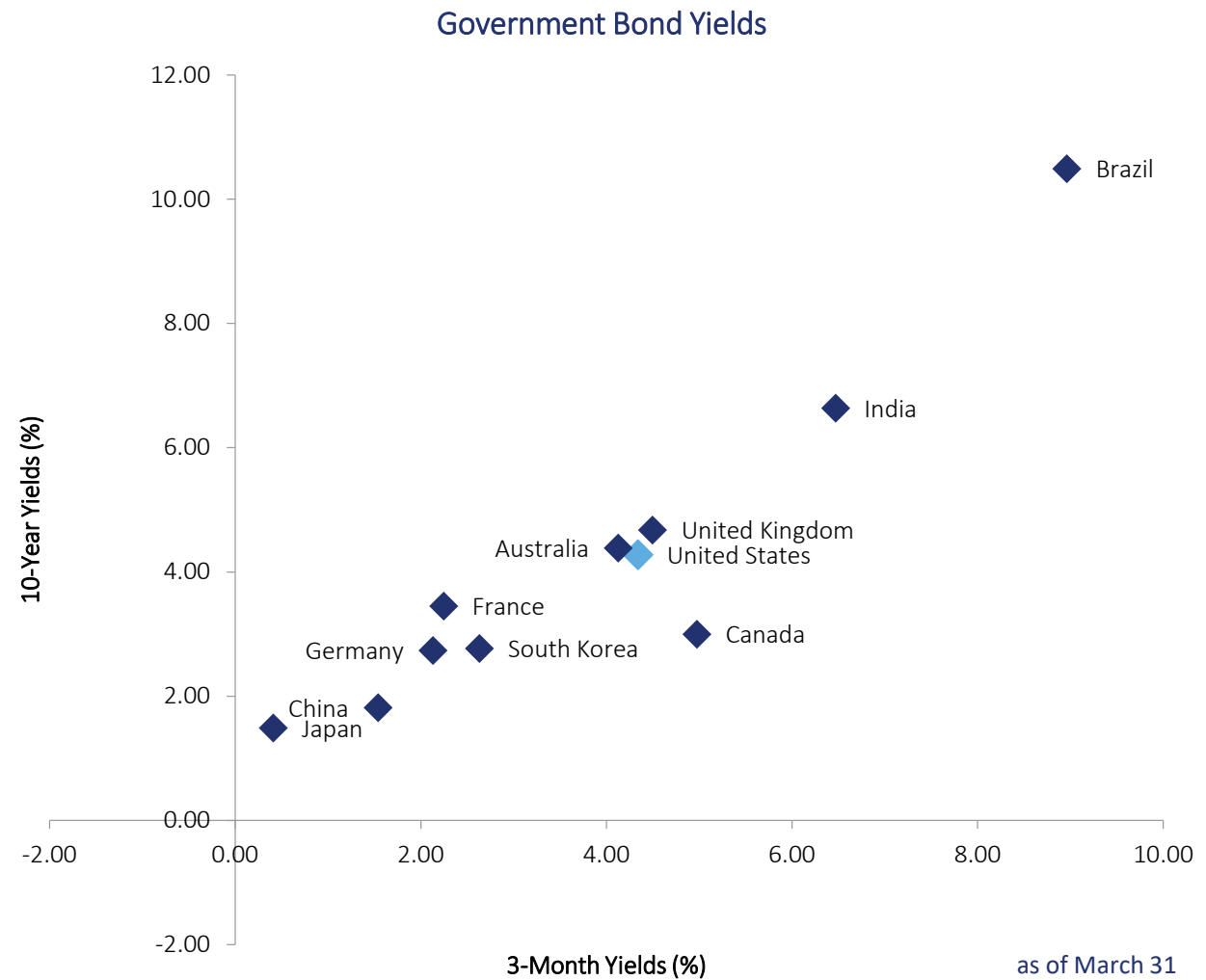


\*Returns are reported in terms of local market investors, which removes currency effects.

Data Source: Bloomberg

## Global Interest Rates

Short-term rates remain positive across the globe; longer-term rates above 4.0% in the U.S., U.K. and Australia

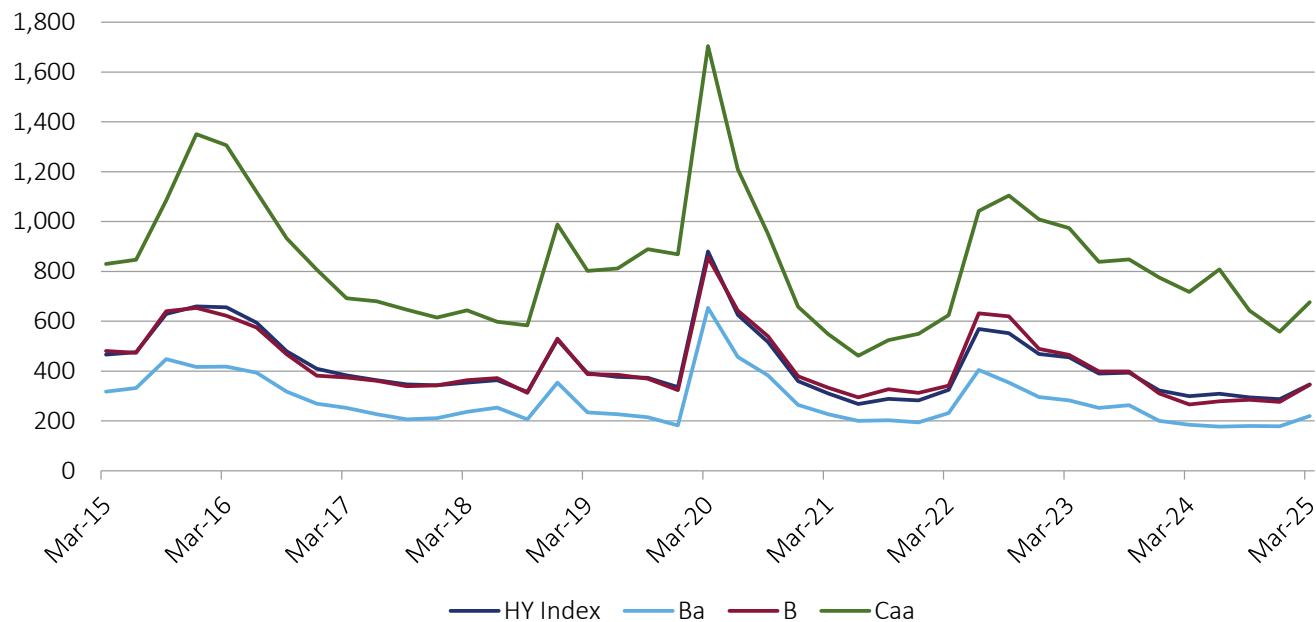


Data Source: Bloomberg

## High Yield Bond Market

As of 3/31/2025	Weight	YTW	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg High Yield		7.7	1.0	1.0	7.7	5.0	7.3	5.0
S&P LSTA Leveraged Loan		8.1	0.4	0.4	7.1	7.1	7.7	4.6
<b>High Yield Quality Distribution</b>								
Ba U.S. High Yield	51.7%	6.4	1.5	1.5	6.7	4.5	6.6	5.0
B U.S. High Yield	35.1%	7.8	0.7	0.7	6.7	4.6	6.8	4.6
Caa U.S. High Yield	11.1%	10.9	-0.4	-0.4	12.2	6.1	9.9	5.3
Ca to D U.S. High Yield	2.1%	21.9	1.6	1.6	33.1	17.8	20.9	5.3

Fixed Income Option Adjusted Spread (bps)



Data Source: Bloomberg

## Asset Class Performance

### Asset Class Returns - Best to Worst

2020	2021	2022	2023	2024	2025 YTD
U.S. Equity 20.8%	REITs 46.2%	Commodities 16.1%	U.S. Equity 26.1%	U.S. Equity 23.8%	Commodities 8.9%
Emrg Mrkts 18.7%	Commodities 27.1%	T-Bills 1.3%	Developed 18.9%	REITs 9.1%	Developed 7.0%
U.S. TIPS 11.0%	U.S. Equity 26.7%	High Yield -11.2%	REITs 16.1%	High Yield 8.2%	U.S. TIPS 4.2%
Developed 8.3%	Developed 11.8%	U.S. TIPS -11.8%	High Yield 13.4%	Emrg Mrkts 8.1%	Emrg Mrkts 3.0%
Core Bond 7.5%	U.S. TIPS 6.0%	Core Bond -13.0%	Emrg Mrkts 10.3%	Commodities 5.4%	Core Bond 2.8%
High Yield 7.1%	High Yield 5.3%	Developed -14.0%	Core Bond 5.5%	T-Bills 5.3%	T-Bills 1.0%
T-Bills 0.7%	T-Bills 0.0%	U.S. Equity -19.0%	T-Bills 5.1%	Developed 4.3%	REITs 1.0%
Commodities -3.1%	Core Bond -1.5%	Emrg Mrkts -19.7%	U.S. TIPS 3.9%	U.S. TIPS 1.8%	High Yield 1.0%
REITs -7.9%	Emrg Mrkts -2.2%	REITs -26.8%	Commodities -1.3%	Core Bond 1.3%	U.S. Equity -4.8%

### Annualized 5-Year as of 3/25

U.S. Equity 18.3%
Commodities 14.5%
Developed 12.3%
REITs 11.2%
Emrg Mrkts 8.4%
High Yield 7.3%
T-Bills 2.6%
U.S. TIPS 2.4%
Core Bond -0.4%

Data Sources: Bloomberg

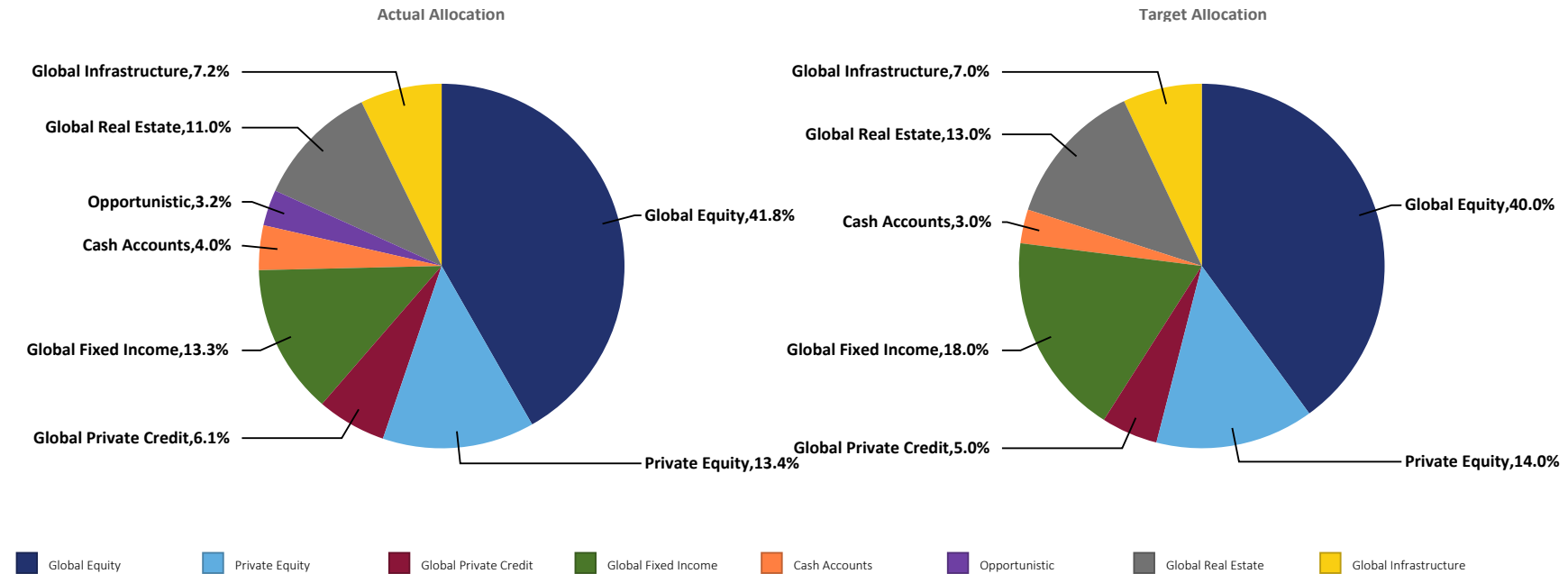
Note: Developed asset class is developed equity markets ex-U.S., ex-Canada

# Total Fund

# Asset Allocation Compliance

Total Fund

Periods Ended As of March 31, 2025



	Asset Allocation \$	Asset Allocation (%)	Target Allocation (%)	Differences (%)
<b>Total Fund</b>	<b>19,613,116,807</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>
Global Equity	8,171,736,651	41.8	40.0	1.8
Private Equity	2,631,175,144	13.4	14.0	-0.6
Global Private Credit	1,199,694,628	6.1	5.0	1.1
Global Fixed Income	2,600,597,850	13.3	18.0	-4.7
Cash Accounts	775,564,251	4.0	3.0	1.0
Opportunistic	622,829,428	3.2	0.0	3.2
Global Real Estate	2,151,362,354	11.0	13.0	-2.0
Global Infrastructure	1,412,904,248	7.2	7.0	0.2

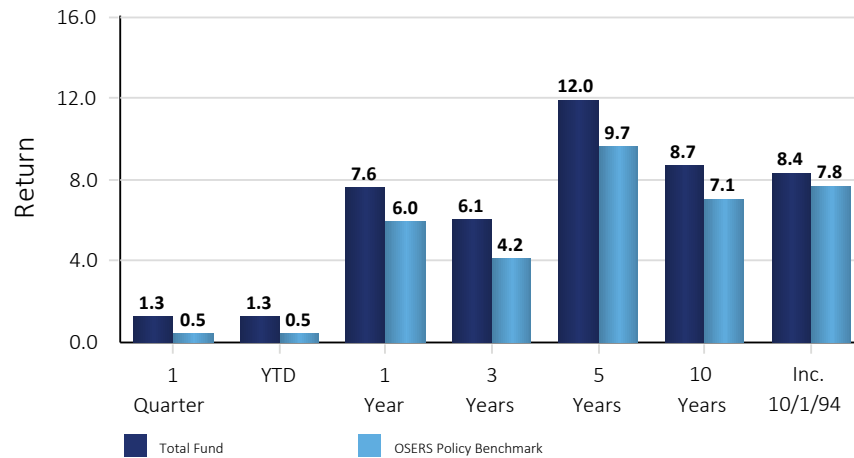
Total Fund assets are greater than the sum of the components due to the addition of notional values from overlay strategies.

# Composite Performance Summary

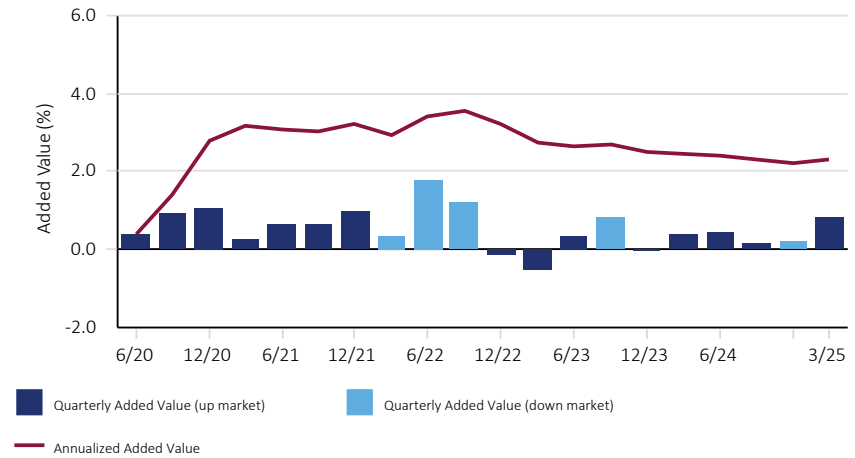
## Total Fund

Periods Ended March 31, 2025

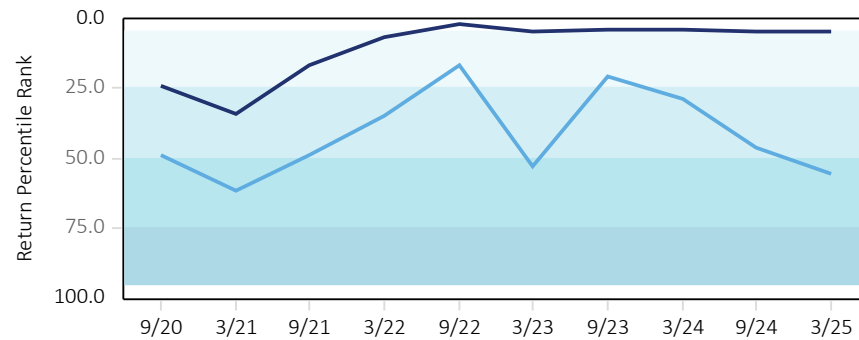
### Comparative Performance



### Added Value History

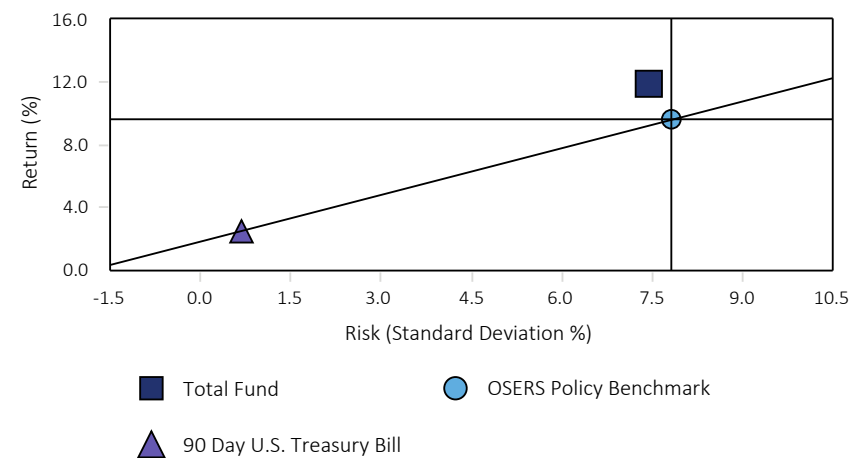


### Rolling Percentile Rank: All Public Plans-Total Fund



	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
Total Fund	10	9 (90%)	1 (10%)	0 (0%)	0 (0%)
Benchmark	10	2 (20%)	5 (50%)	3 (30%)	0 (0%)

### Risk and Return 04/1/20 - 03/31/25

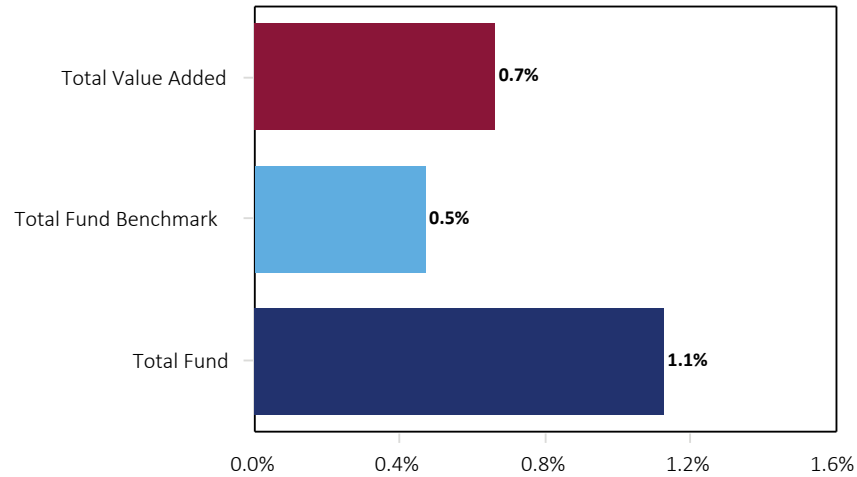


# Total Fund Attribution

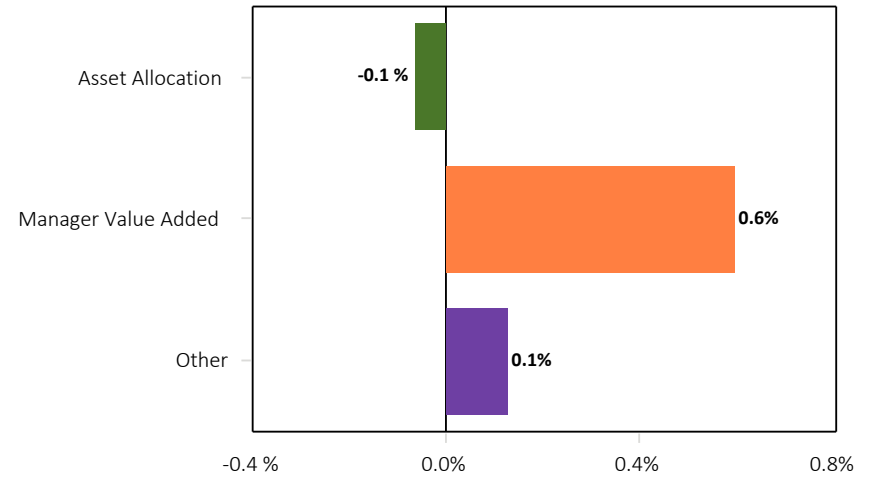
## Total Fund

Periods Ended 1 Quarter Ending March 31, 2025

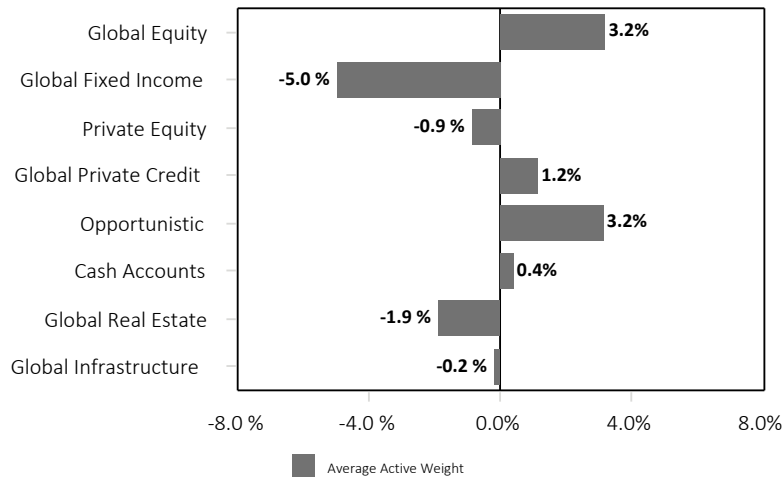
### Total Fund Performance



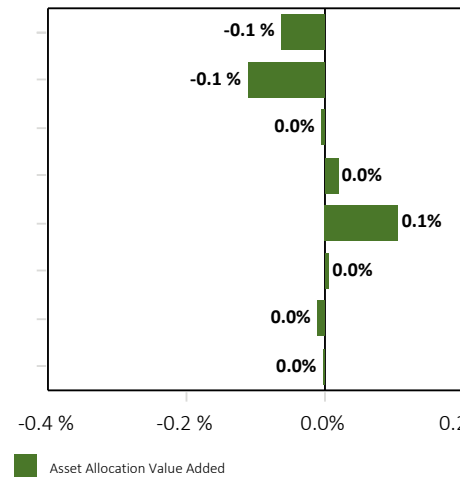
### Total Value Added:0.7%



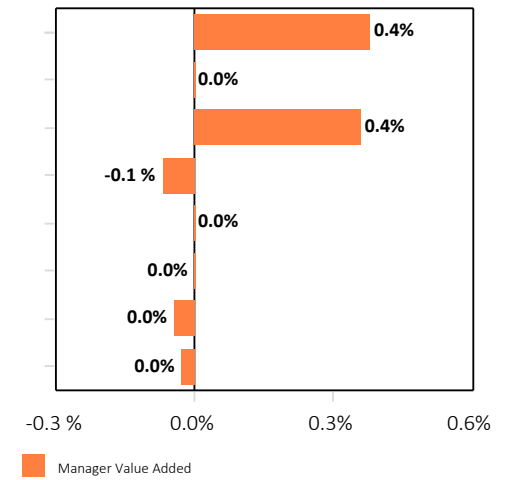
### Total Asset Allocation:-0.1 %



### Asset Allocation Value Added:-0.1 %



### Total Manager Value Added:0.6%

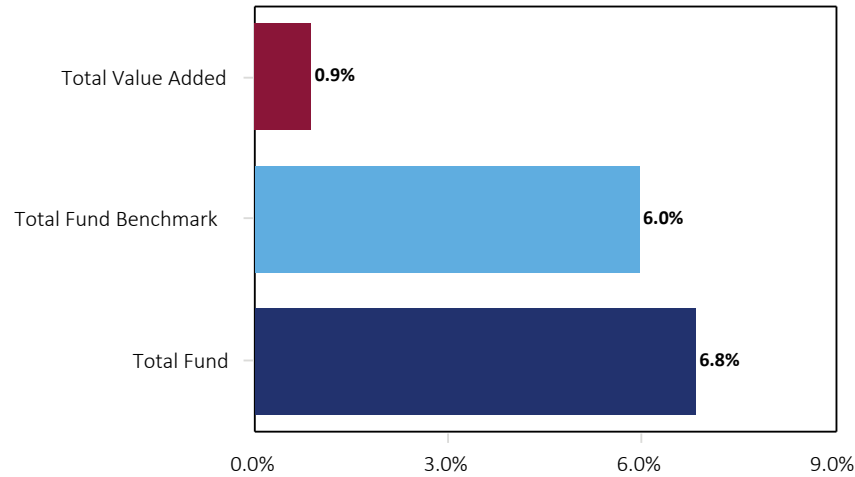


# Total Fund Attribution

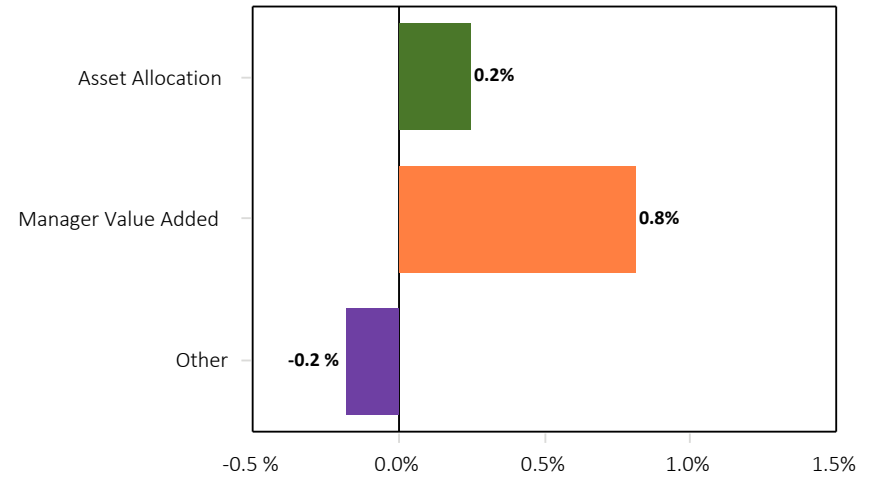
Total Fund

Periods Ended 1 Year Ending March 31, 2025

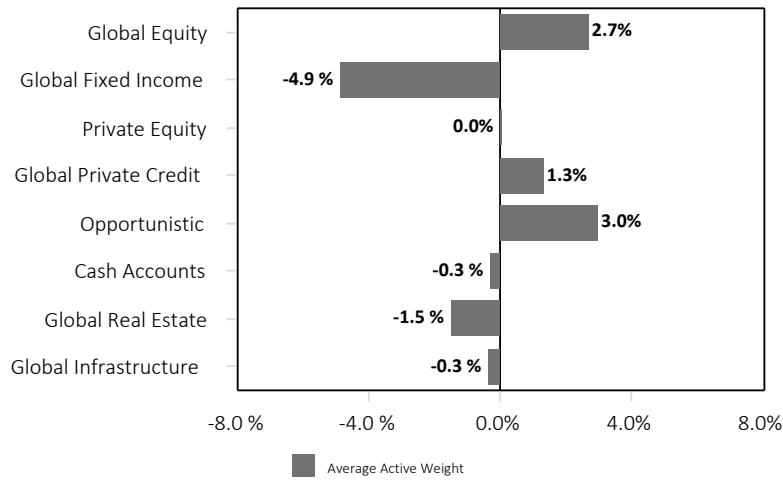
## Total Fund Performance



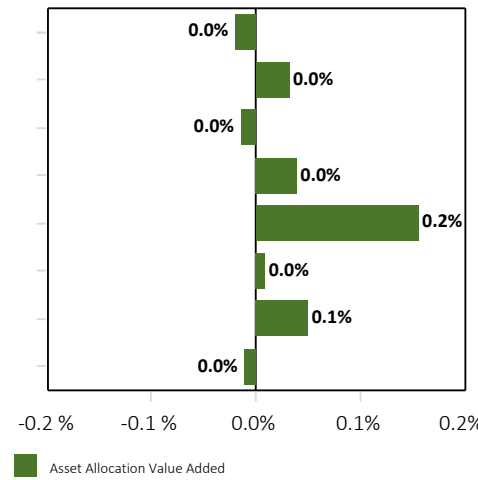
## Total Value Added:0.9%



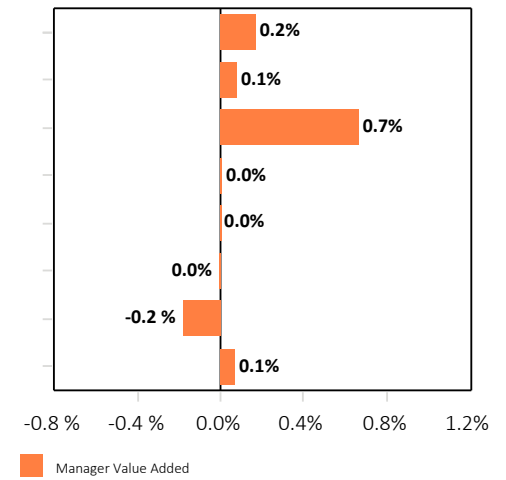
## Total Asset Allocation:0.2%



## Asset Allocation Value Added:0.2%



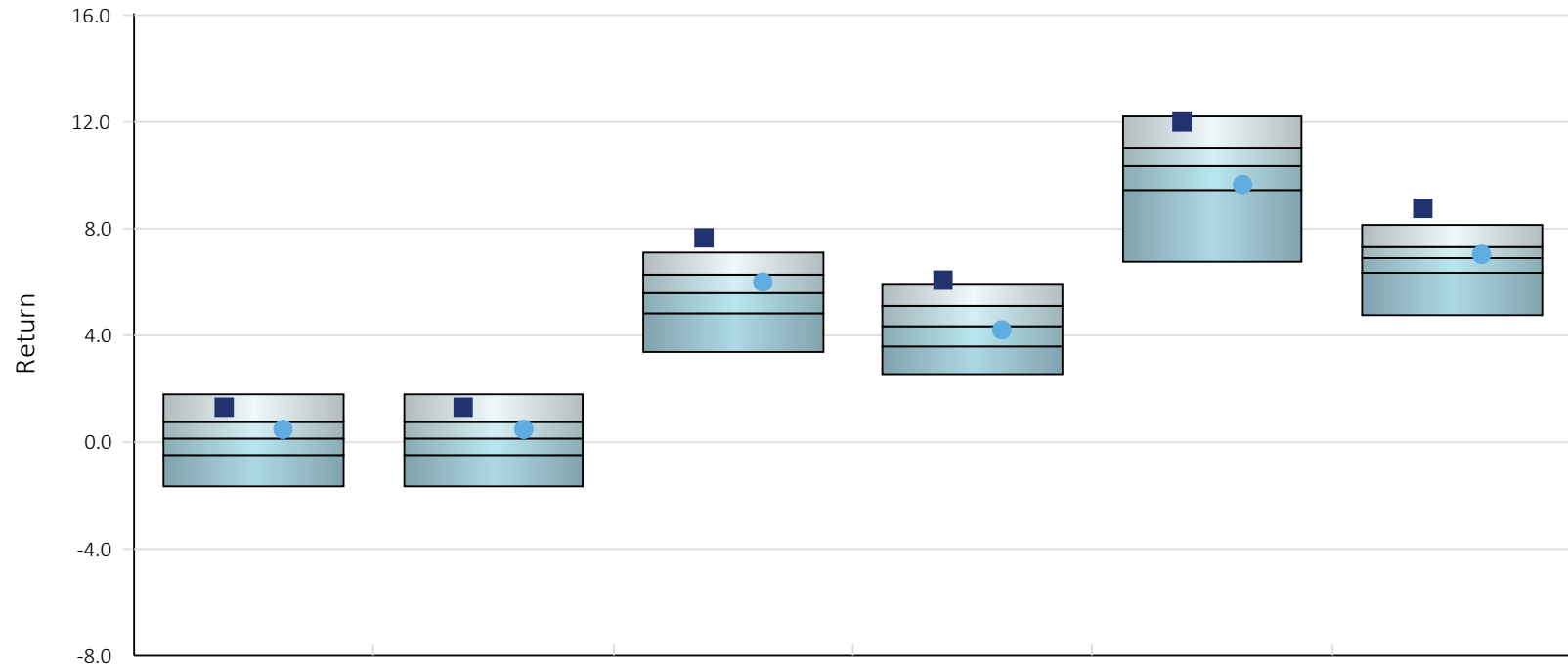
## Total Manager Value Added:0.8%



# Plan Sponsor Peer Group Analysis

Total Fund vs All Public Plans-Total Fund (GOF)

Periods Ended March 31, 2025



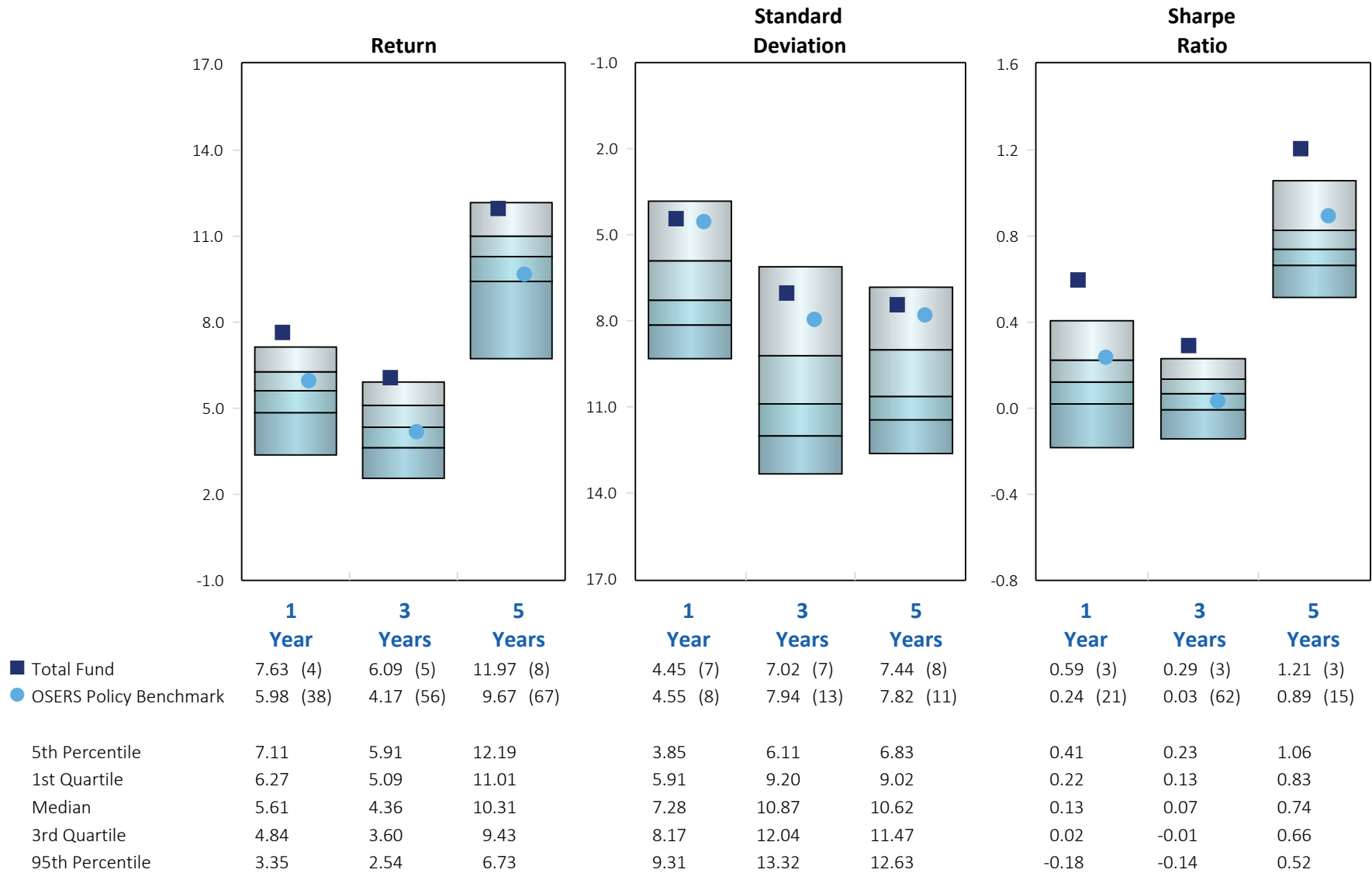
	QTD	YTD	1 Year	3 Years	5 Years	10 Years
■ Total Fund	1.30 (12)	1.30 (12)	7.63 (4)	6.09 (5)	11.97 (8)	8.73 (1)
● OSERS Policy Benchmark	0.47 (38)	0.47 (38)	5.98 (38)	4.17 (56)	9.67 (67)	7.05 (41)
5th Percentile	1.79	1.79	7.11	5.91	12.19	8.13
1st Quartile	0.73	0.73	6.27	5.09	11.01	7.33
Median	0.16	0.16	5.61	4.36	10.31	6.91
3rd Quartile	-0.51	-0.51	4.84	3.60	9.43	6.36
95th Percentile	-1.66	-1.66	3.35	2.54	6.73	4.74
Population	481	481	469	446	431	388

Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.  
Ohio SERS performance is Gross of Fees

# Plan Sponsor Peer Group Analysis - Multi Statistics

Total Fund vs All Public Plans-Total Fund (GOF)

Periods Ended March 31, 2025

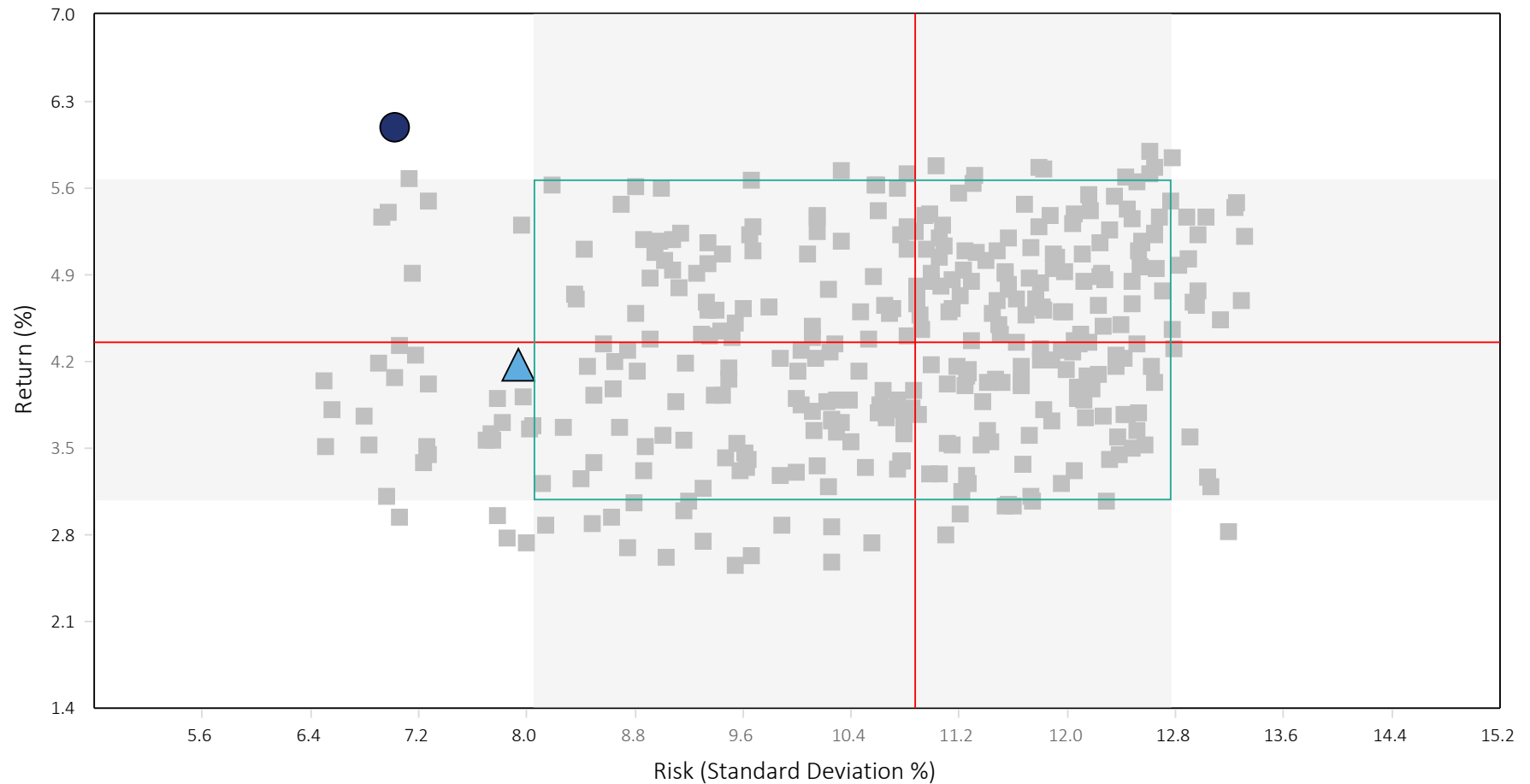


Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.  
Ohio SERS performance is Gross of Fees

# Plan Sponsor Scattergram

Total Fund vs All Public Plans-Total Fund

Periods Ended April 1, 2022 To March 31, 2025



	Return	Standard Deviation
● Total Fund	6.09	7.02
▲ OSERS Policy Benchmark	4.17	7.94
— Median	4.36	10.87

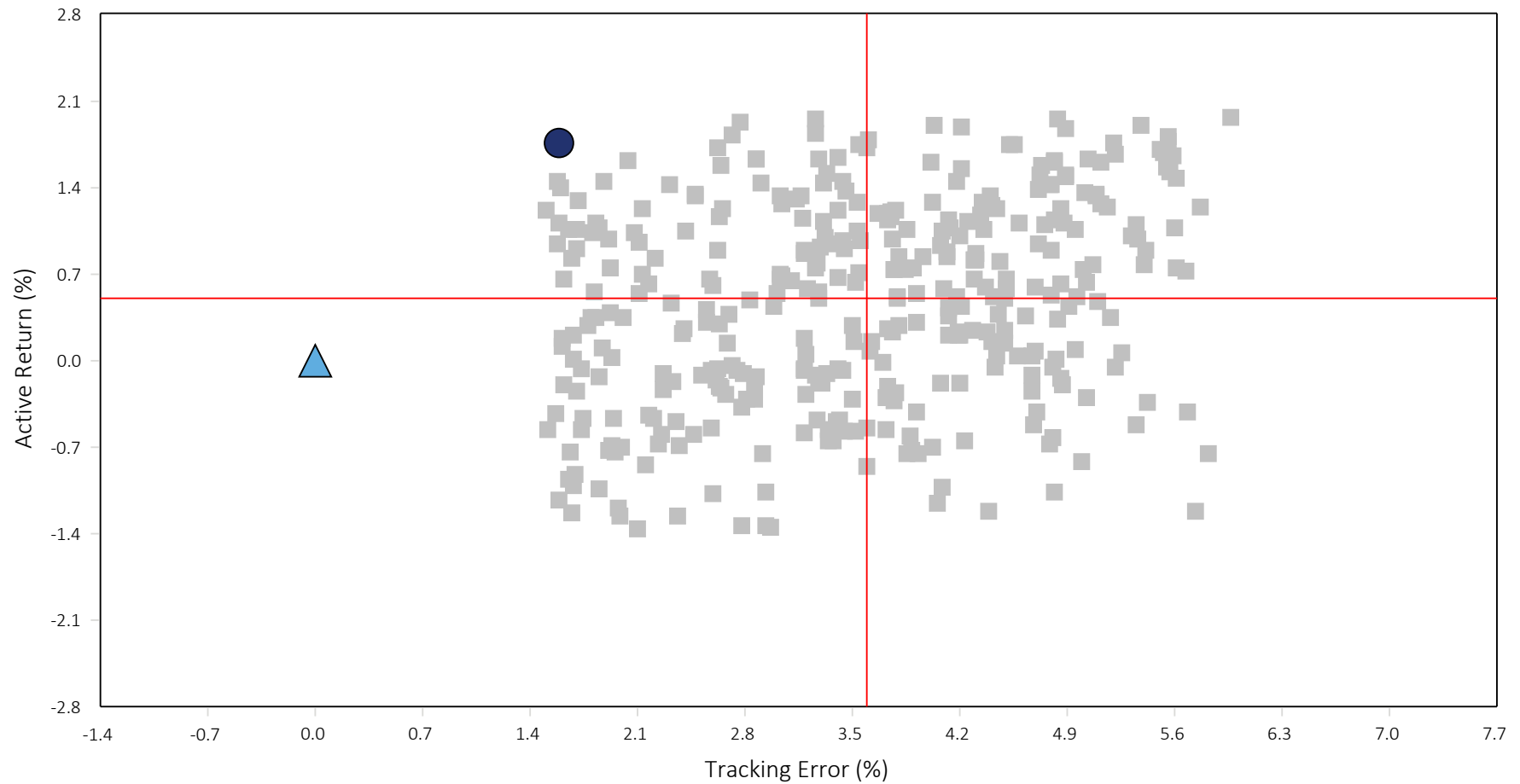
Calculation based on monthly periodicity.

Ohio SERS performance is Gross of Fees

# Plan Sponsor Scattergram

Total Fund vs All Public Plans-Total Fund

Periods Ended April 1, 2022 To March 31, 2025



	Active Return	Tracking Error
● Total Fund	1.76	1.59
▲ OSERS Policy Benchmark	0.00	0.00
— Median	0.51	3.60

Calculation based on monthly periodicity.

Ohio SERS performance is Gross of Fees

# Asset Allocation & Performance

## Total Fund

Periods Ended March 31, 2025

	Allocation		Performance (%) Net of Fees										
	Market Value \$000	%	1 Month	1 Quarter	YTD	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>19,613,117</b>	<b>100.00</b>	<b>-0.87</b>	<b>1.13</b>	<b>1.13</b>	<b>4.98</b>	<b>6.85</b>	<b>5.32</b>	<b>11.24</b>	<b>8.03</b>	<b>7.14</b>	<b>7.85</b>	<b>10/1/1994</b>
OSERS Policy Benchmark			-1.27	0.47	0.47	4.38	5.98	4.17	9.67	7.05	6.87	7.76	
Value Added			0.40	0.66	0.66	0.60	0.87	1.15	1.57	0.98	0.26	0.09	
<b>Global Equity</b>	<b>8,171,737</b>	<b>41.77</b>	<b>-3.58</b>	<b>-0.45</b>	<b>-0.45</b>	<b>4.82</b>	<b>7.57</b>	<b>7.53</b>	<b>15.59</b>	<b>9.17</b>	<b>7.92</b>	<b>8.16</b>	<b>7/1/2002</b>
Global Equity Benchmark			-3.95	-1.32	-1.32	4.16	7.15	7.06	15.14	8.68	7.64	7.83	
Value Added			0.37	0.87	0.87	0.66	0.42	0.47	0.45	0.49	0.29	0.33	
<b>Global Private Equity</b>	<b>2,631,175</b>	<b>13.45</b>	<b>2.91</b>	<b>3.43</b>	<b>3.43</b>	<b>7.04</b>	<b>10.81</b>	<b>7.60</b>	<b>17.13</b>	<b>16.51</b>	<b>13.95</b>	<b>13.19</b>	<b>10/1/1994</b>
Global PE Benchmark			0.70	0.70	0.70	4.47	5.60	1.68	12.69	12.27	11.03	12.49	
Value Added			2.21	2.73	2.73	2.57	5.21	5.92	4.45	4.24	2.93	0.70	
<b>Global Private Credit</b>	<b>1,199,695</b>	<b>6.13</b>	<b>0.94</b>	<b>1.16</b>	<b>1.16</b>	<b>6.32</b>	<b>10.00</b>	<b>8.74</b>				<b>10.69</b>	<b>7/1/2020</b>
Global PC Benchmark			0.75	2.29	2.29	7.33	9.95	8.98				7.38	
Value Added			0.19	-1.13	-1.13	-1.01	0.05	-0.24				3.31	
<b>Global Fixed Income</b>	<b>2,600,598</b>	<b>13.29</b>	<b>-0.04</b>	<b>2.66</b>	<b>2.66</b>	<b>5.40</b>	<b>5.74</b>	<b>1.60</b>	<b>1.56</b>	<b>2.41</b>	<b>4.13</b>	<b>5.26</b>	<b>10/1/1994</b>
Fixed Income Benchmark			-0.02	2.66	2.66	5.04	5.11	0.59	-0.35	1.49	3.19	4.60	
Value Added			-0.02	0.01	0.01	0.36	0.62	1.01	1.91	0.92	0.94	0.67	
<b>Cash Accounts</b>	<b>775,564</b>	<b>3.96</b>	<b>0.34</b>	<b>1.03</b>	<b>1.03</b>	<b>3.51</b>	<b>4.88</b>	<b>4.26</b>	<b>2.55</b>	<b>1.89</b>	<b>1.88</b>	<b>1.82</b>	<b>7/1/2002</b>
FTSE 1 Month T-Bill			0.37	1.07	1.07	3.68	5.08	4.35	2.61	1.84	1.58	1.55	
Value Added			-0.02	-0.05	-0.05	-0.17	-0.20	-0.09	-0.06	0.04	0.30	0.27	

Ohio SERS performance is Net of Fees.

Total Fund assets are greater than the sum of the components due to the addition of notional values from overlay strategies.

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# Asset Allocation & Performance

Total Fund

Periods Ended March 31, 2025

	Allocation		Performance (%) Net of Fees										
	Market Value \$000	%	1 Month	1 Quarter	YTD	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception Date
<b>Global Real Estate</b>	2,151,362	11.00	-0.09	0.49	0.49	0.09	-1.08	-1.59	4.33	6.55	5.49	6.87	9/1/1994
NCREIF Property Index - Monthly			0.30	0.90	0.90	1.42	0.43	-0.82	3.13	5.66	7.01	8.29	
Value Added			-0.39	-0.40	-0.40	-1.34	-1.51	-0.77	1.20	0.89	-1.52	-1.42	
<b>Global Infrastructure</b>	1,412,904	7.22	1.03	1.45	1.45	7.12	9.27	7.71	7.96			10.07	10/1/2015
Global Infrastructure Benchmark			1.87	1.87	1.87	5.88	8.05	3.37	5.72			6.61	
Value Added			-0.84	-0.42	-0.42	1.24	1.22	4.35	2.24			3.46	
<b>Opportunistic &amp; Tactical</b>	622,829	3.18	1.84	3.81	3.81	9.59	10.83	5.69	8.70	6.95		7.26	6/1/2013
Opportunistic Benchmark			0.19	3.20	3.20	6.26	6.88	2.52	2.67	3.58		4.49	
Value Added			1.65	0.61	0.61	3.33	3.95	3.17	6.03	3.37		2.78	

Ohio SERS performance is Net of Fees.

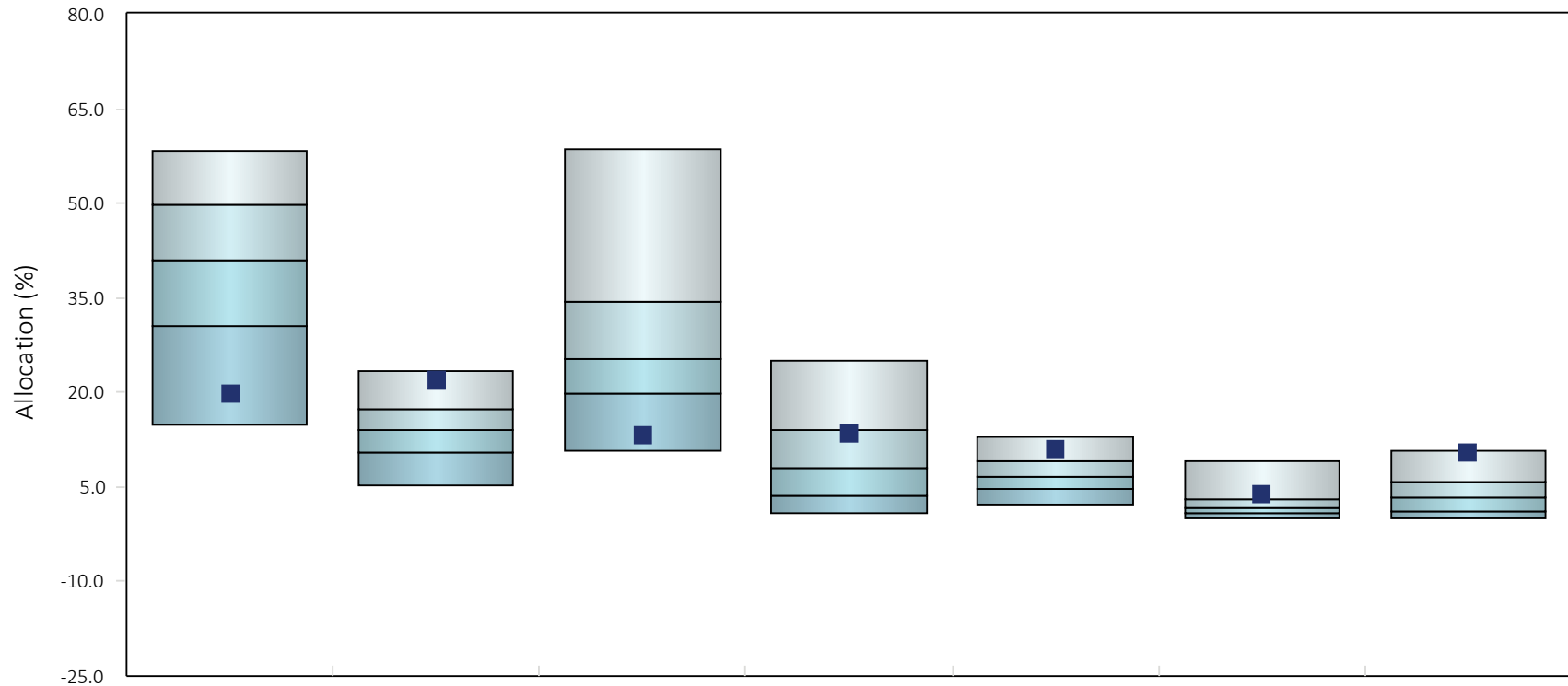
Total Fund assets are greater than the sum of the components due to the addition of notional values from overlay strategies.

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# Plan Sponsor TF Asset Allocation

Total Fund vs All Public Plans-Total Fund

Periods Ended March 31, 2025



	US Equity	Global ex-US Equity	US Fixed	Private Equity	Total Real Estate	Cash & Equivalents	Other
■ Total Fund	19.84	21.92	13.29	13.45	11.00	3.96	10.40
5th Percentile	58.40	23.39	58.53	25.09	13.00	8.96	10.86
1st Quartile	49.75	17.38	34.24	13.96	9.14	2.99	5.67
Median	40.91	14.11	25.27	8.08	6.74	1.61	3.28
3rd Quartile	30.43	10.34	19.89	3.69	4.80	0.82	1.21
95th Percentile	14.87	5.24	10.70	0.96	2.19	0.09	0.10

\*Other: Infrastructure, Opportunistic & Tactical

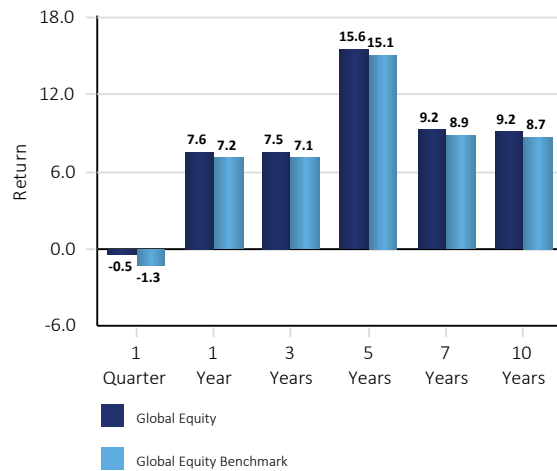
# Global Equity

# Performance Summary

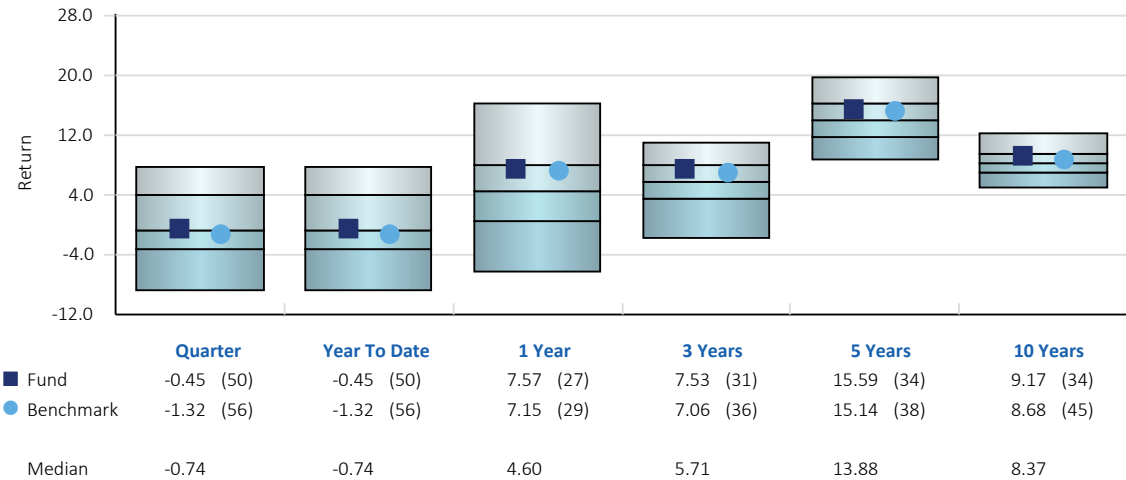
## Global Equity

Periods Ended March 31, 2025

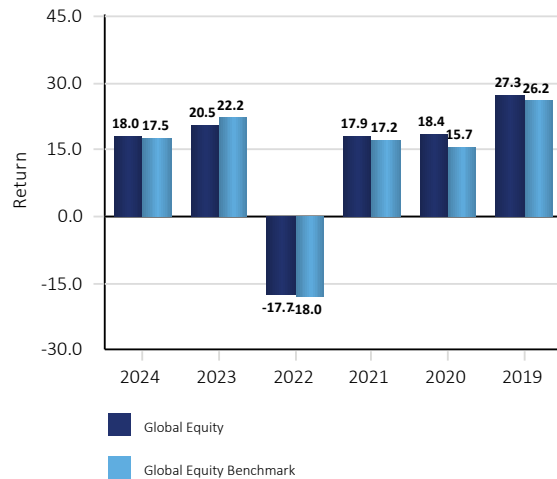
### Comparative Performance



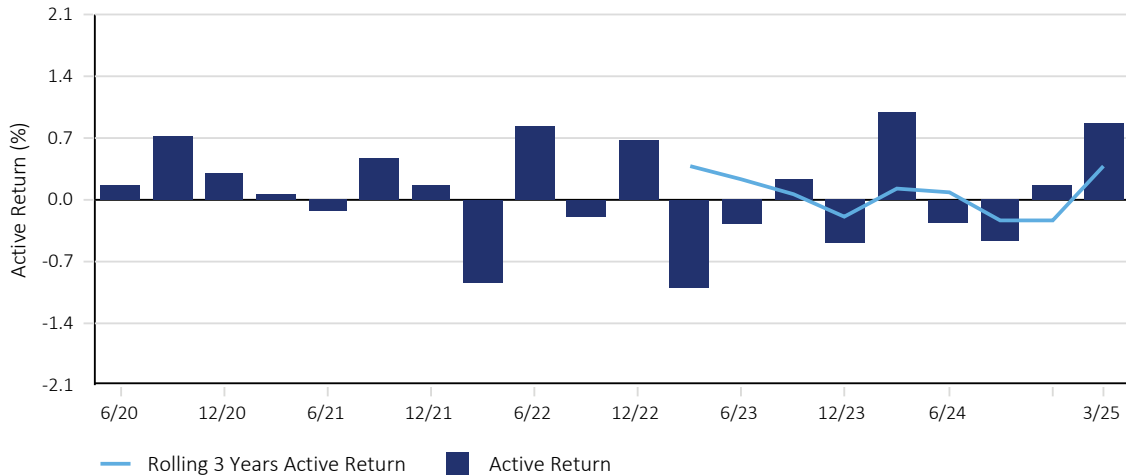
### Peer Group Analysis: IM Global Equity (SA+CF)(NOF)



### Comparative Performance



### Quarterly Active Return



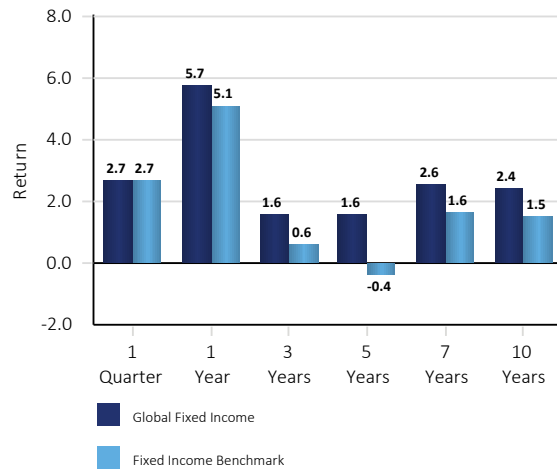
# Global Fixed Income

# Performance Summary

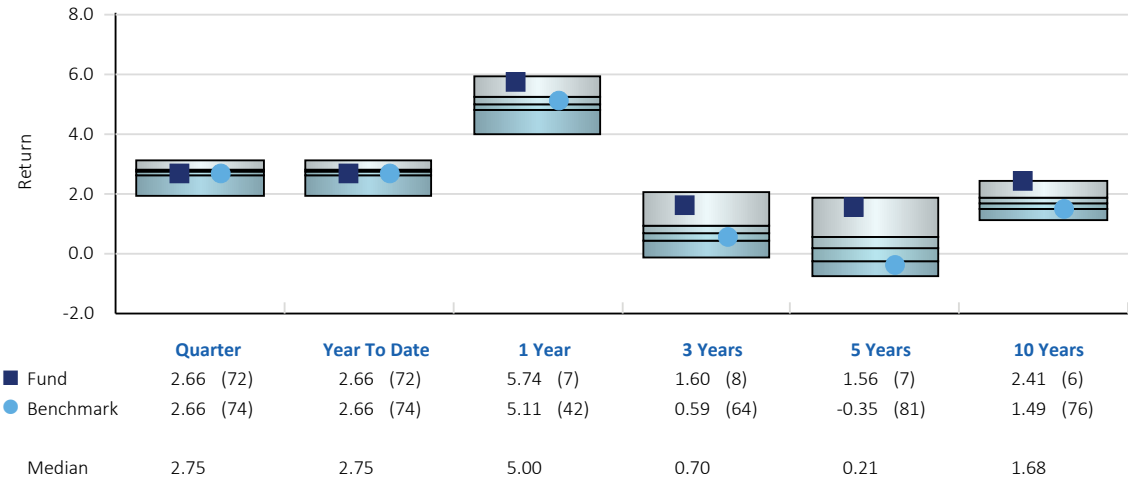
## Global Fixed Income

Periods Ended March 31, 2025

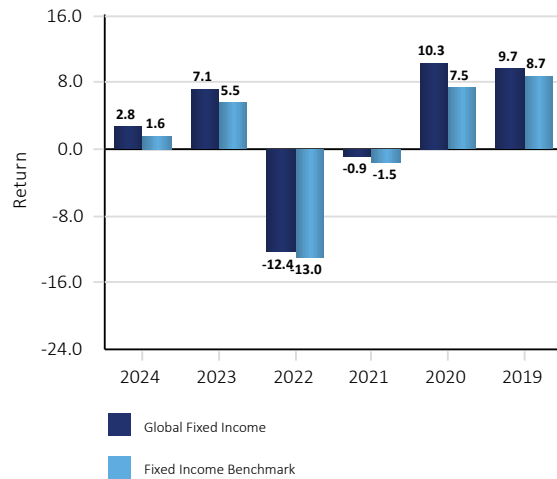
### Comparative Performance



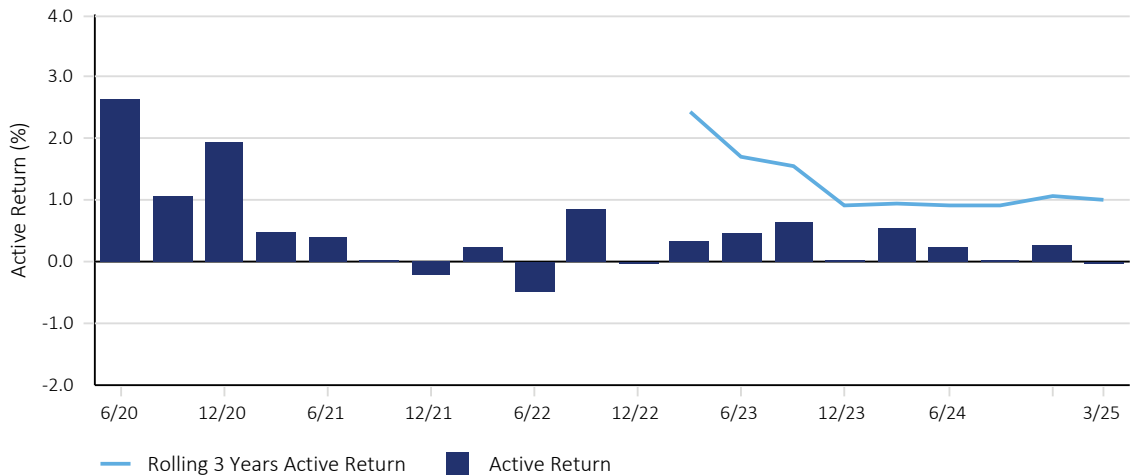
### Peer Group Analysis: IM U.S. Broad Market Core Fixed Income (SA+CF) (NOF)



### Comparative Performance



### Quarterly Active Return



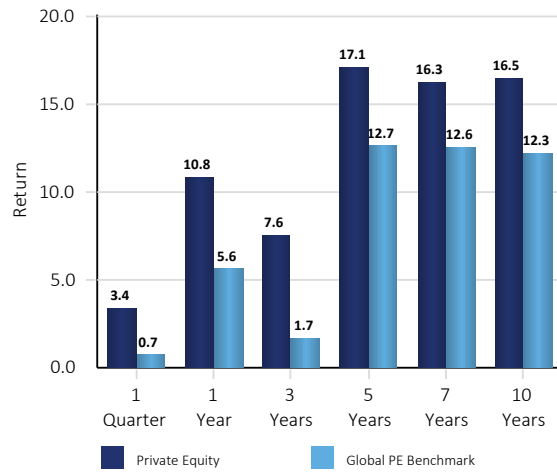
# Global Private Equity

# Performance Summary

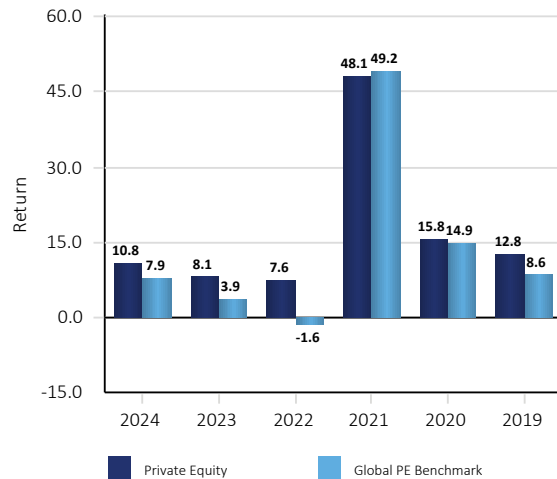
## Global Private Equity

Periods Ended March 31, 2025

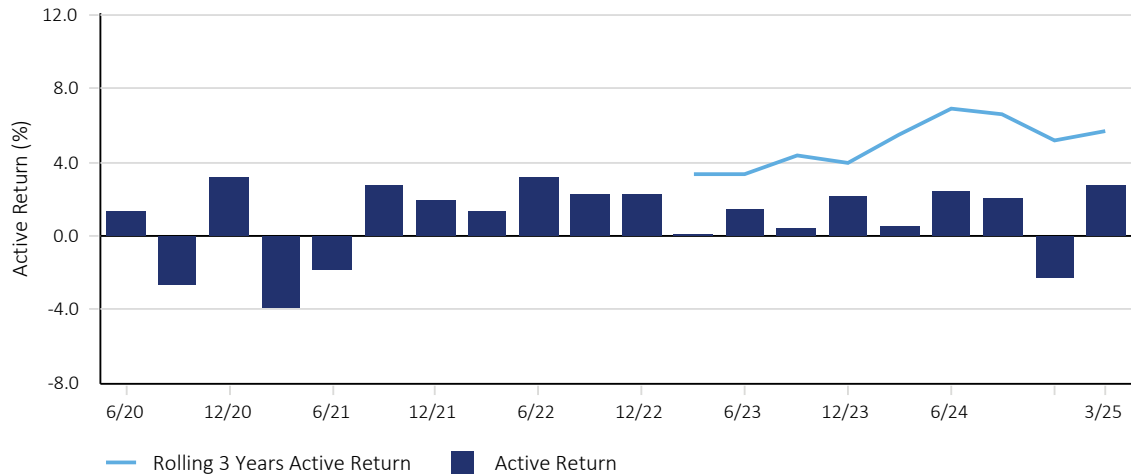
### Comparative Performance



### Comparative Performance



### Quarterly Active Return



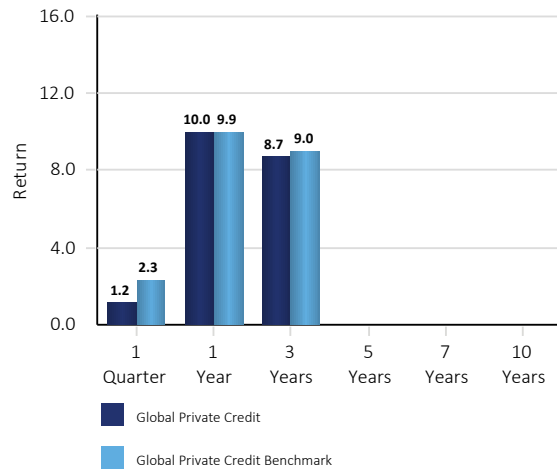
# Global Private Credit

# Performance Summary

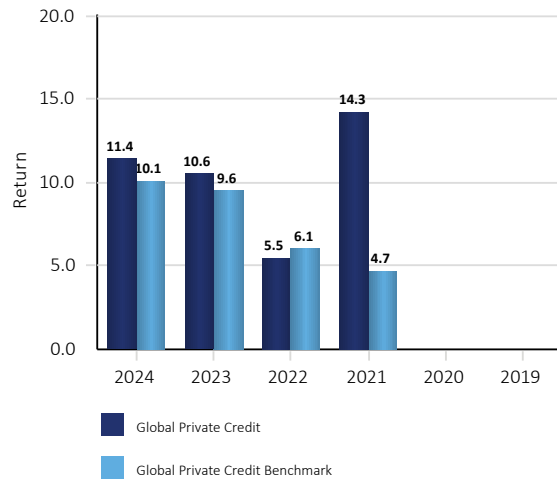
## Global Private Credit

Periods Ended March 31, 2025

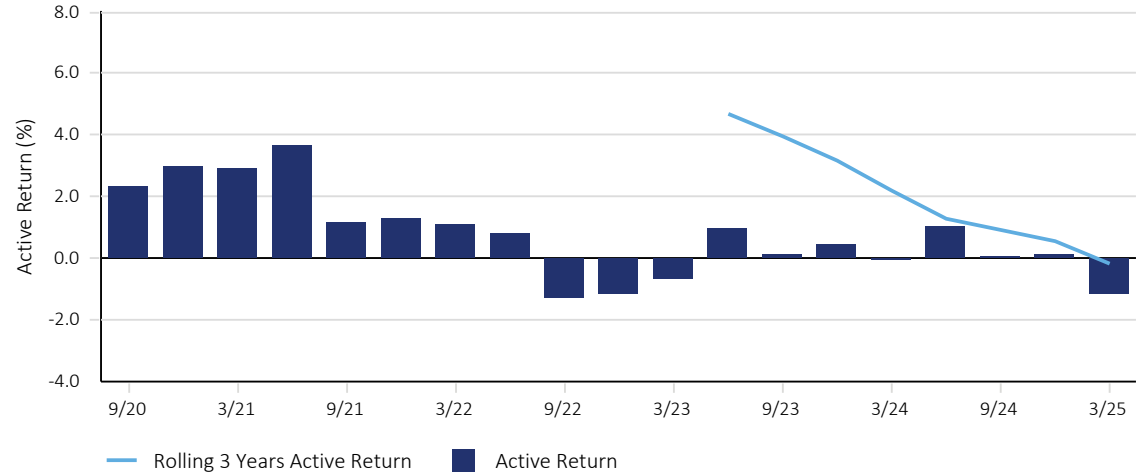
### Comparative Performance



### Comparative Performance



### Quarterly Active Return



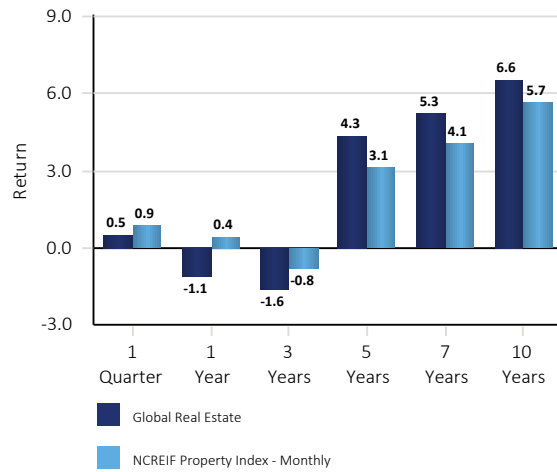
# Real Estate & Infrastructure

# Performance Summary

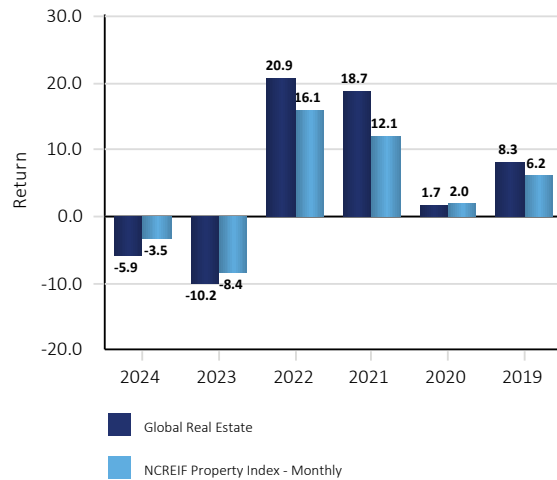
## Real Estate

Periods Ended March 31, 2025

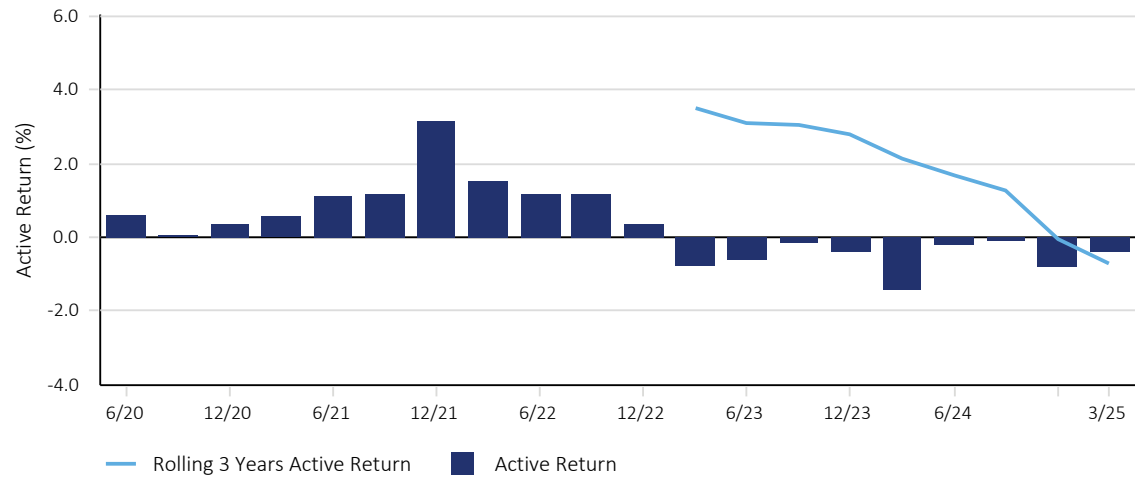
### Comparative Performance



### Comparative Performance



### Quarterly Active Return

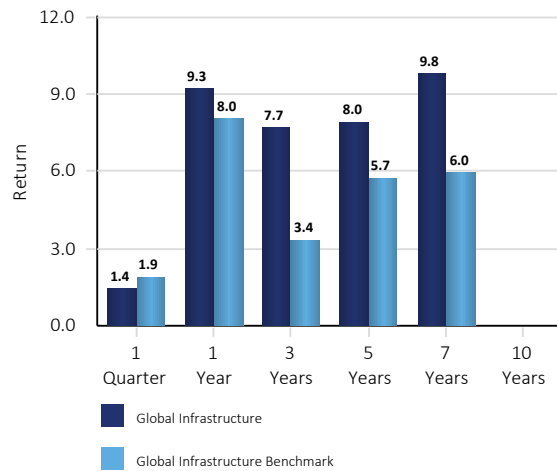


# Performance Summary

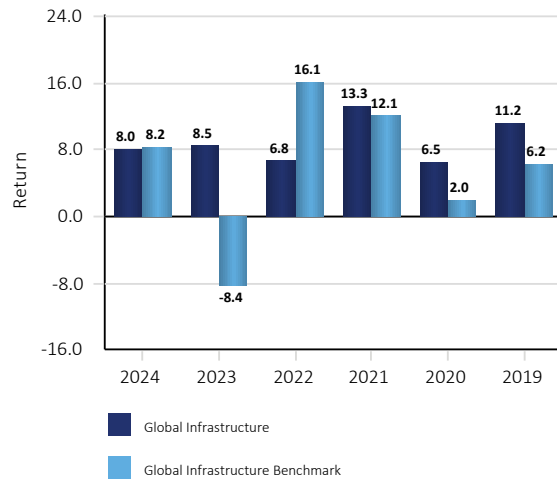
## Infrastructure

Periods Ended March 31, 2025

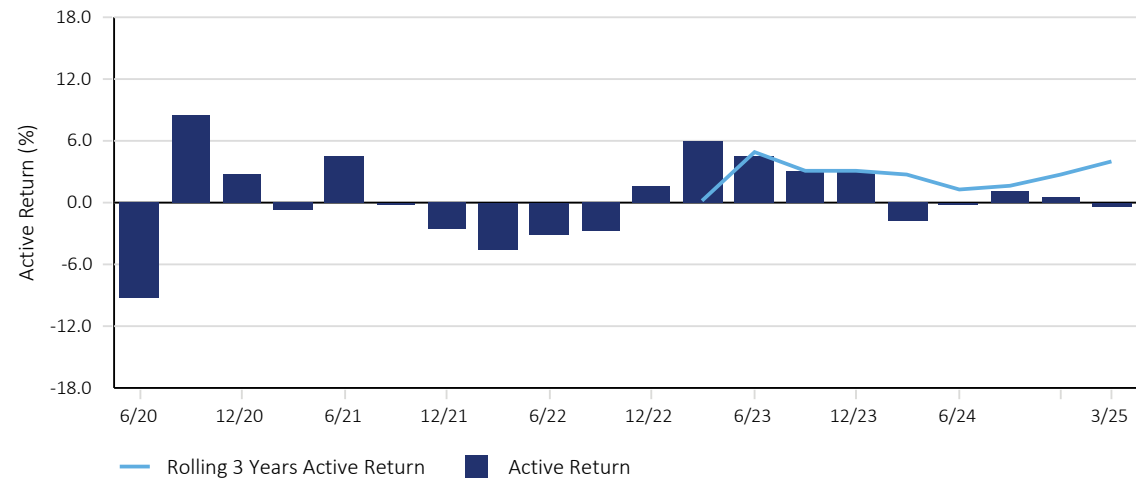
### Comparative Performance



### Comparative Performance



### Quarterly Active Return



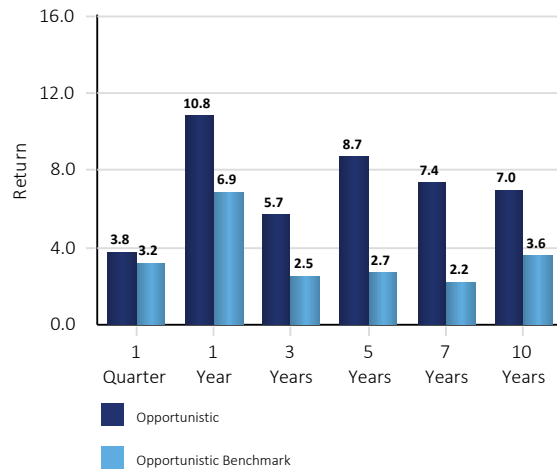
# Opportunistic & Tactical

# Performance Summary

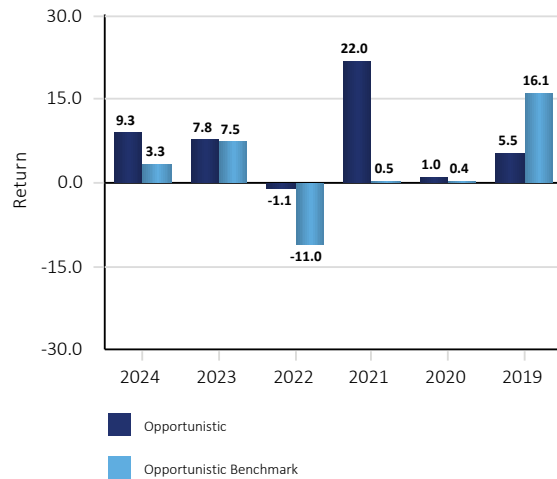
## Opportunistic & Tactical

Periods Ended March 31, 2025

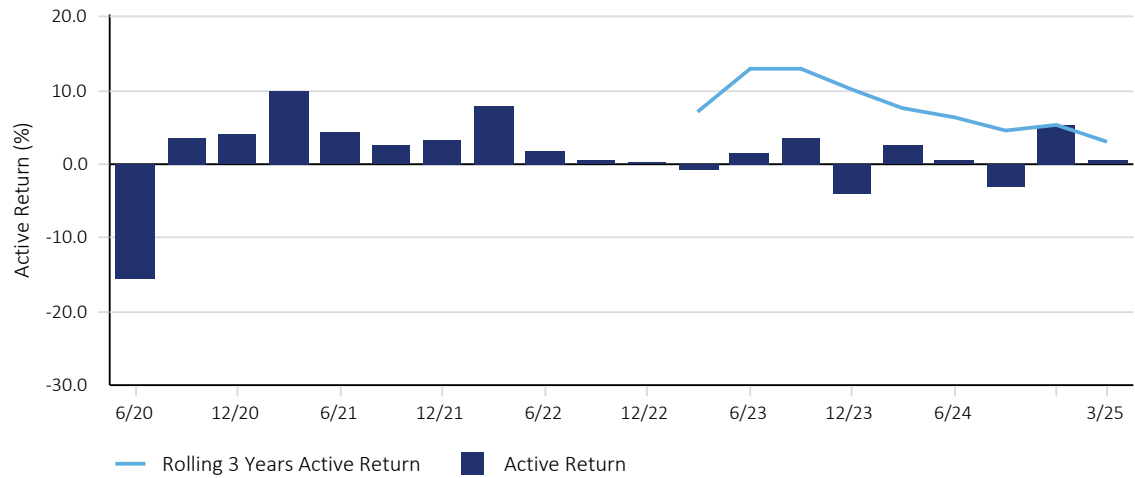
### Comparative Performance



### Comparative Performance



### Quarterly Active Return



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# Ohio SERS Investment Report

## Quarterly Report to the Board

For the period ending: March 31, 2025

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: May 2025*



# Investment Agenda

- Asset Class Benchmark Review, presented by Wilshire Associates.
- Wilshire Quarterly Performance Report (March 31, 2025)
- Quarterly Investment Report (March 31, 2025)
- FY26 Annual Investment Plan - draft discussion
- FY26 Investment Department Incentive Program (possible vote)



# Economic and Financial Market Outlook

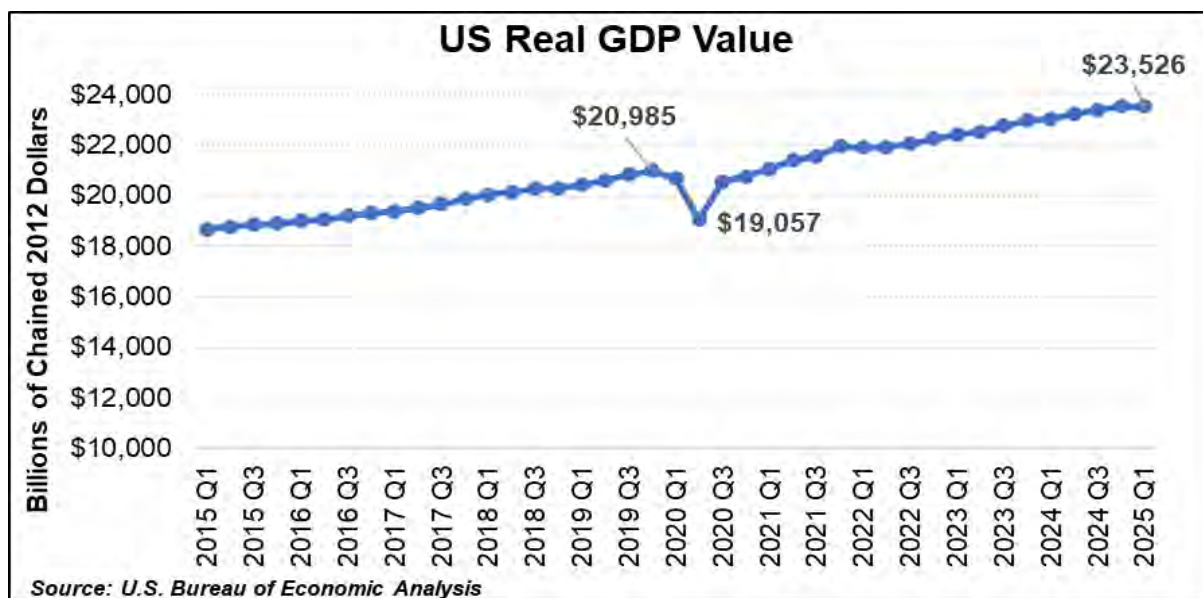
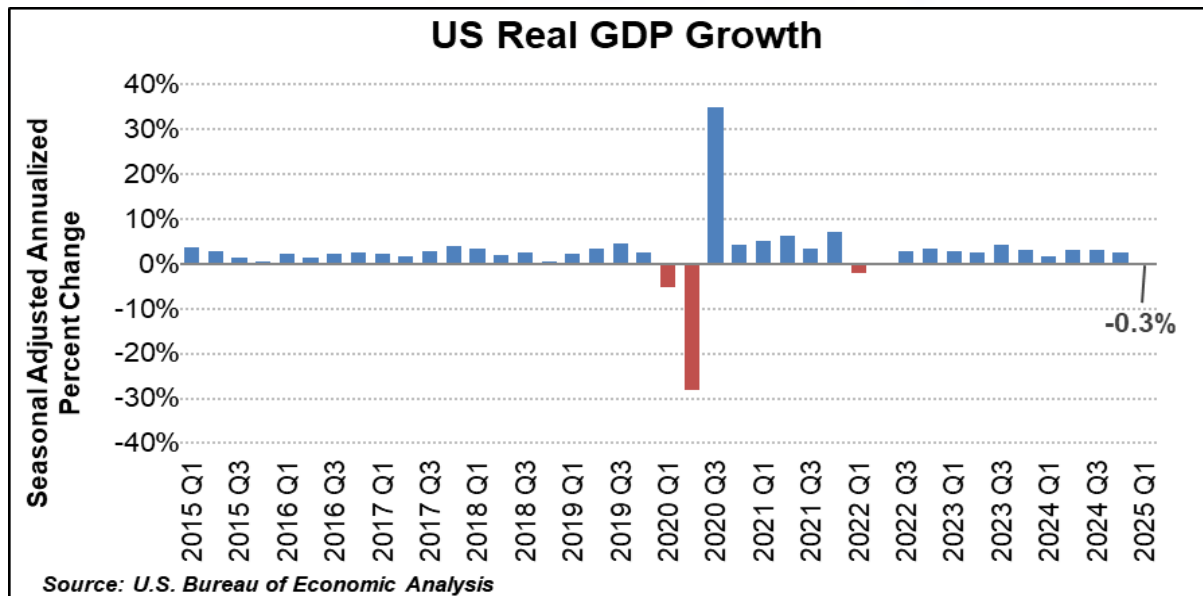
- US GDP contracted at a 0.3% annualized rate in Q1, a stiff drop from Q4's 2.4% expansion . Federal government spending declined by 5.1%, while private domestic investment and goods imports increased by 21.9% and 50.9%, respectively, as companies stockpiled inventory in preparation for tariffs. The BCEI's April 2025 consensus projected GDP growth to decelerate to 1.4% in 2025 amid tariff and sticky inflation concerns. ( *Source: Bureau of Economic Analysis and Blue Chip Economic Indicators (BCEI)*).
- The US labor market added 177,000 jobs in April Employment increased in health care, transportation, and social assistance sectors while declining in the federal government sector . The unemployment rate remained unchanged at 4.2%. The labor force participation was 62.5%, slightly higher than 62.5% in the previous month. ( *Sources: Bureau of Labor Statistics and Department of Labor*).
- US headline inflation was 2.4% in March, 0.4% lower than in January, as the energy index declined 3.3% on an annualized basis. The food index increased 3.0% in the last 12 months. Core inflation decreased by 0.3% to 2.8%, the lowest level since April 2021. Rent inflation retreated to 4.0%. ( *Source: Bureau of Labor Statistics*).
- The 10-year Treasury nominal yield was volatile in April but ended at 4.17%, 5 bps lower than the previous month. The March current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and current headline inflation, increased to 1.83%, 4 bps higher than the historical average. The Fed maintained interest rates in the range of 4.25-4.50%.
- The S&P Case-Shiller 20-City home price index was up 0.71% for the month, gaining 4. 50% for the last 12 months as of February 2025.
- The Consumer Sentiment Index released by Thomson Reuters and the University of Michigan was 52.2 in April, significantly down from the previous month and a year ago by 8.4% and 32.4%, respectively. The US Economic Surprise index was a negative 8.6, while the Global reading was positive 4.5 in April. The February Leading Economic Index (LEI) issued by the Conference Board was 100.05, down 0.7% for the month and down 1.2% for the six-month period.
- April S&P US Composite Flash (preliminary) PMI was 51.2, the lowest level in the last 16 months. Global Composite PMI was 52.1 in March, indicating a soft expansion. ( *Source: Institute for Supply Management and S&P Global*).
- Equity markets were mixed in April. The US market (Russell 3000) was down 0.67%, while Non-US Developed markets (MSCI World ex-USA) and Emerging markets (MSCI EM) were up 4.56% and 1.31%, respectively.
- The US fixed income market, Bloomberg US Universal Bond Index, was up 0.39% in April.

Notes: Acronym – PMI – Purchasing-Managers' Index



## ECONOMY

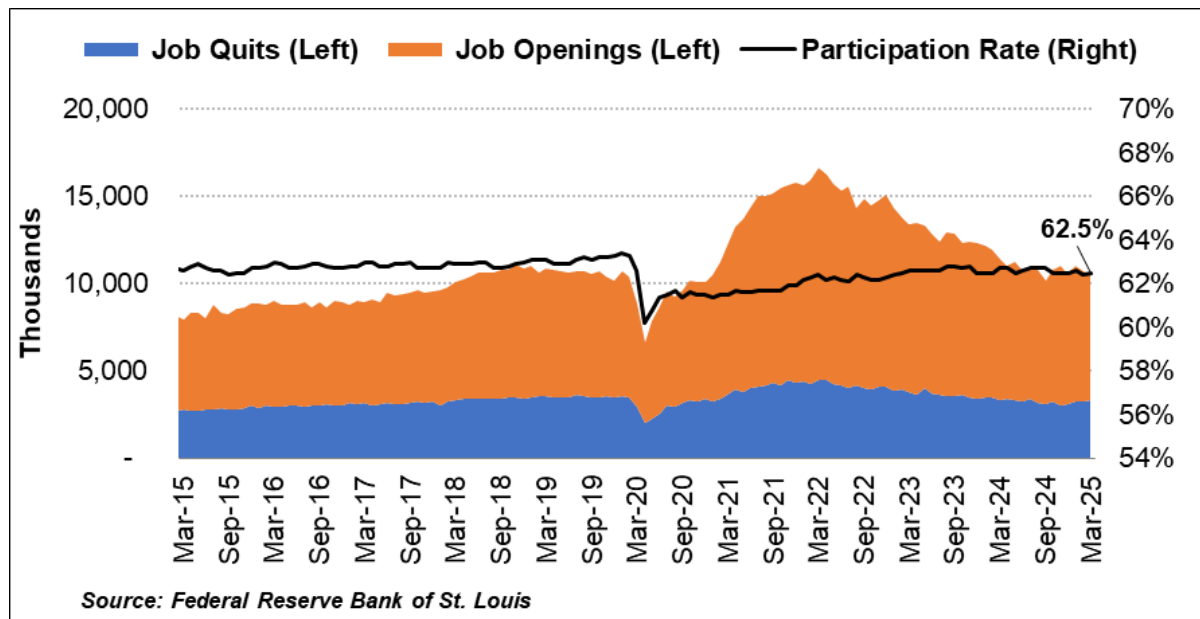
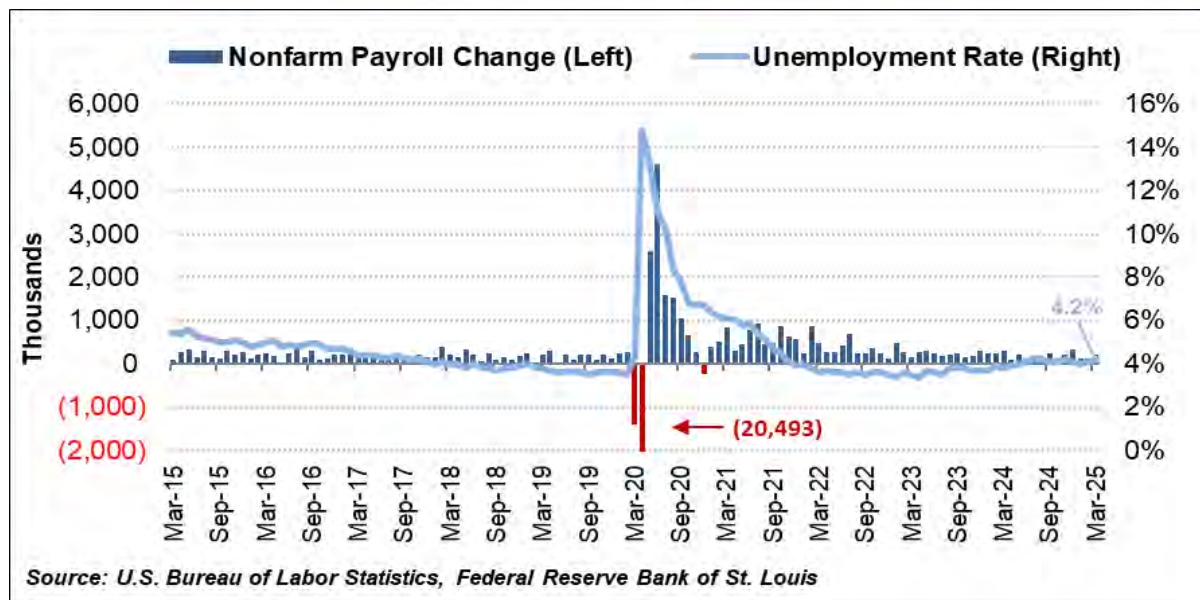
# US Real Gross Domestic Product





## ECONOMY

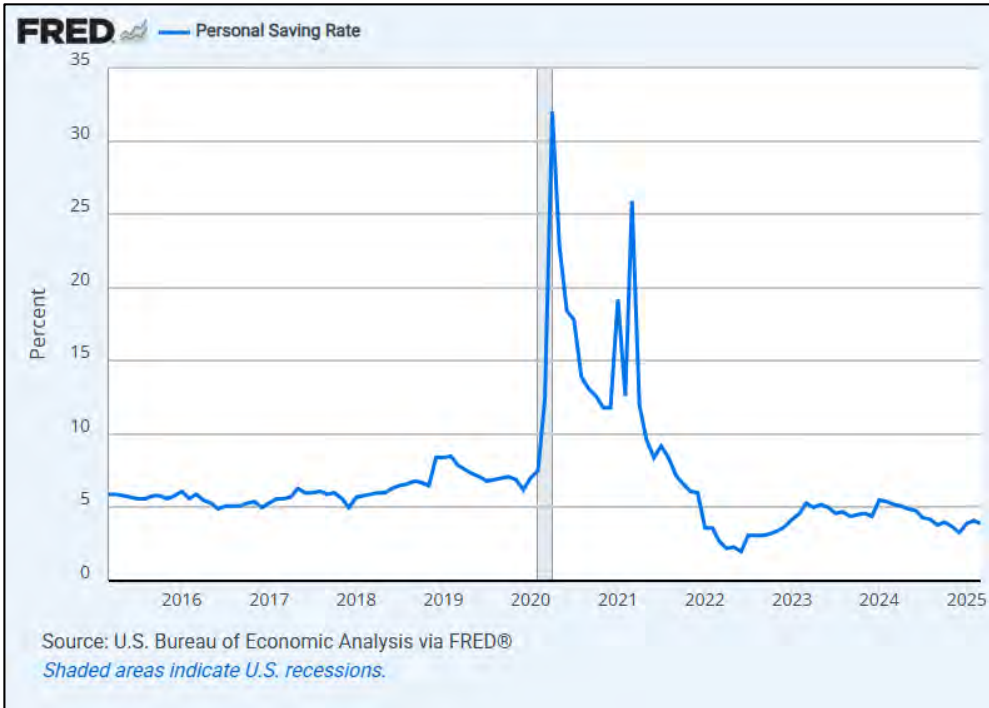
## US Labor Market





## ECONOMY

## Personal Savings Rate & Personal Expenditures: Goods



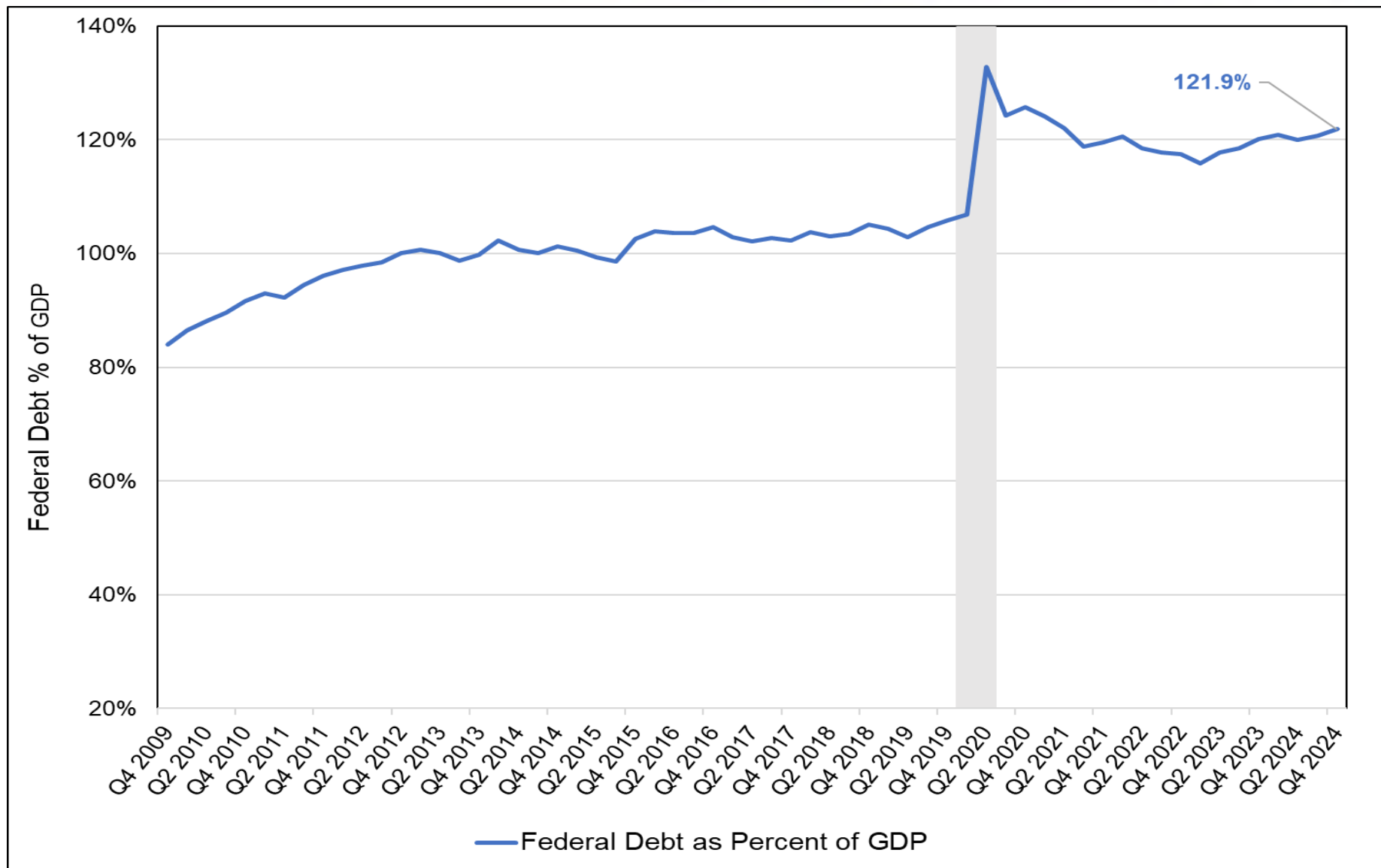
Date	Annual Personal Savings Rate
Jun-21	8.4%
Jun-22	2.0%
Jun-23	5.0%
Jun-24	4.8%
Mar-25	3.9%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-21	16.5%
Jun-22	8.3%
Jun-23	1.0%
Jun-24	2.1%
Mar-25	4.1%



## ECONOMY

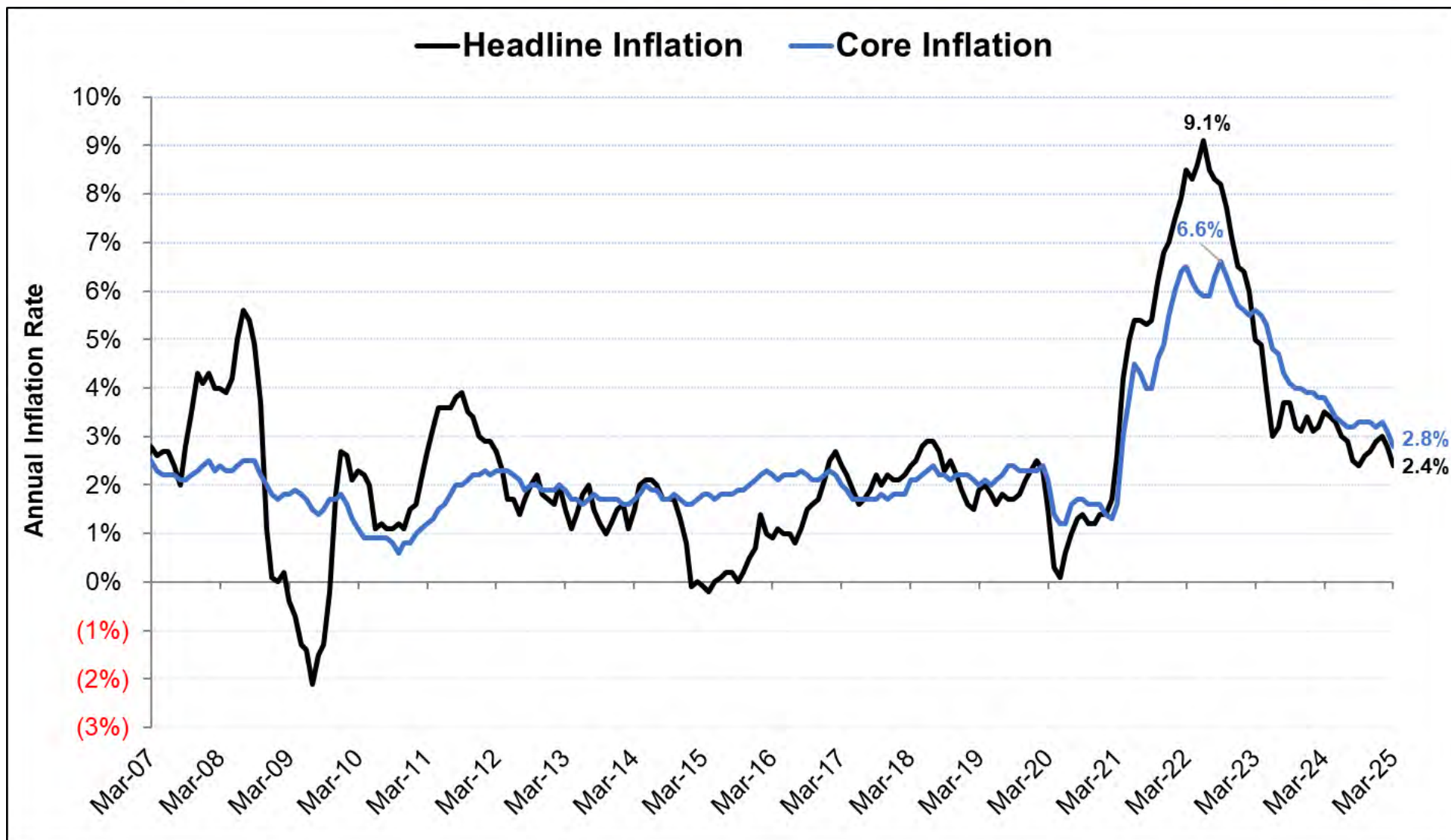
## Federal Debt as Percent of GDP





## ECONOMY

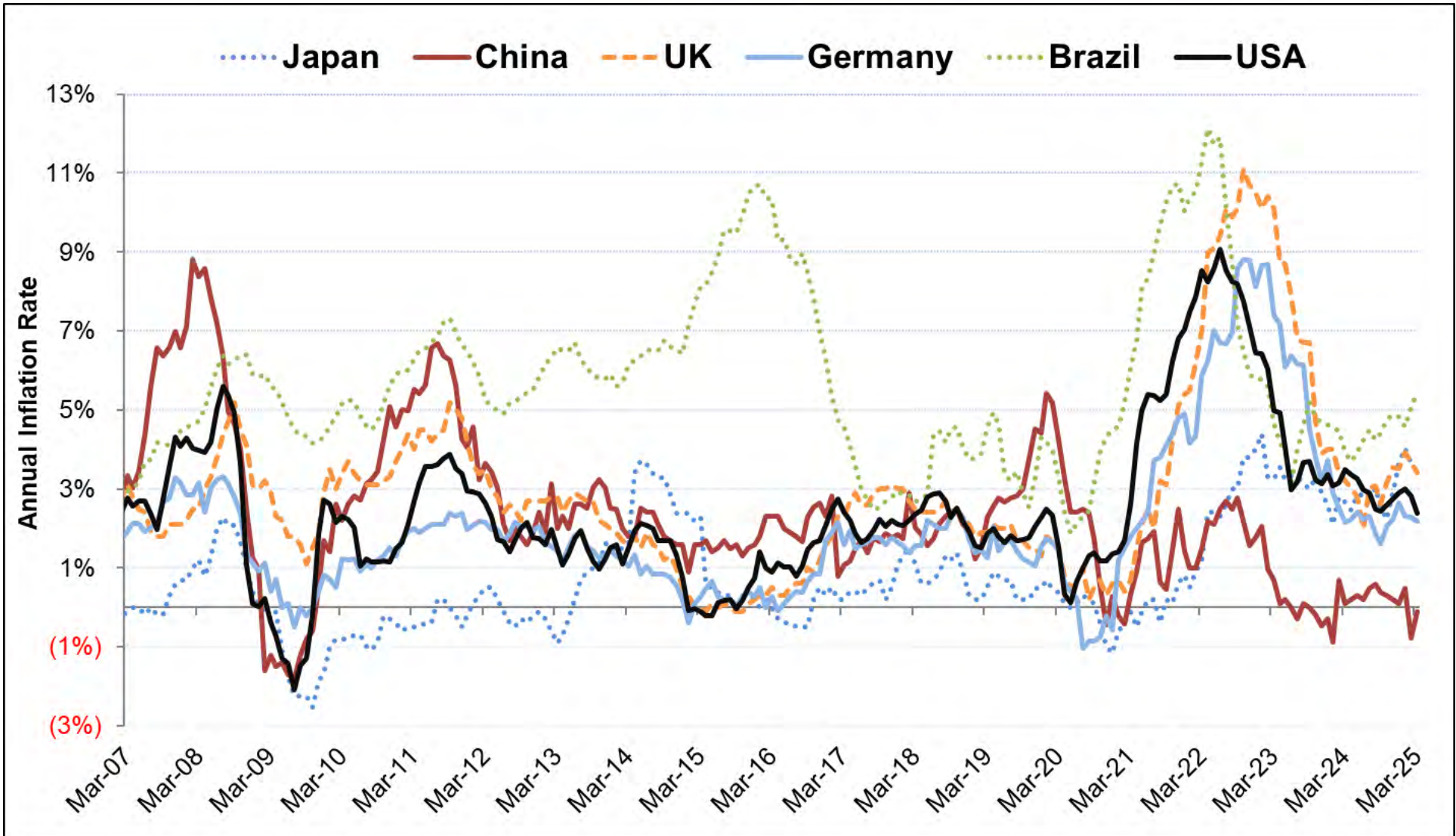
## US Inflation





## ECONOMY

## Global Headline Inflation

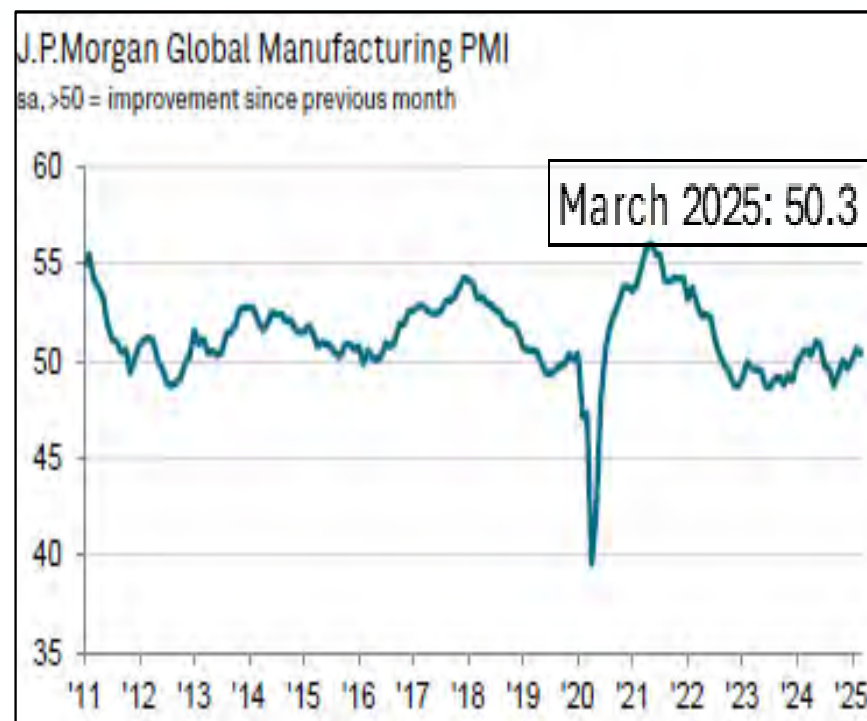


	Japan	China	UK	Germany	Brazil	USA
Mar-25	3.6	-0.1	3.4	2.2	5.5	2.4



## ECONOMY

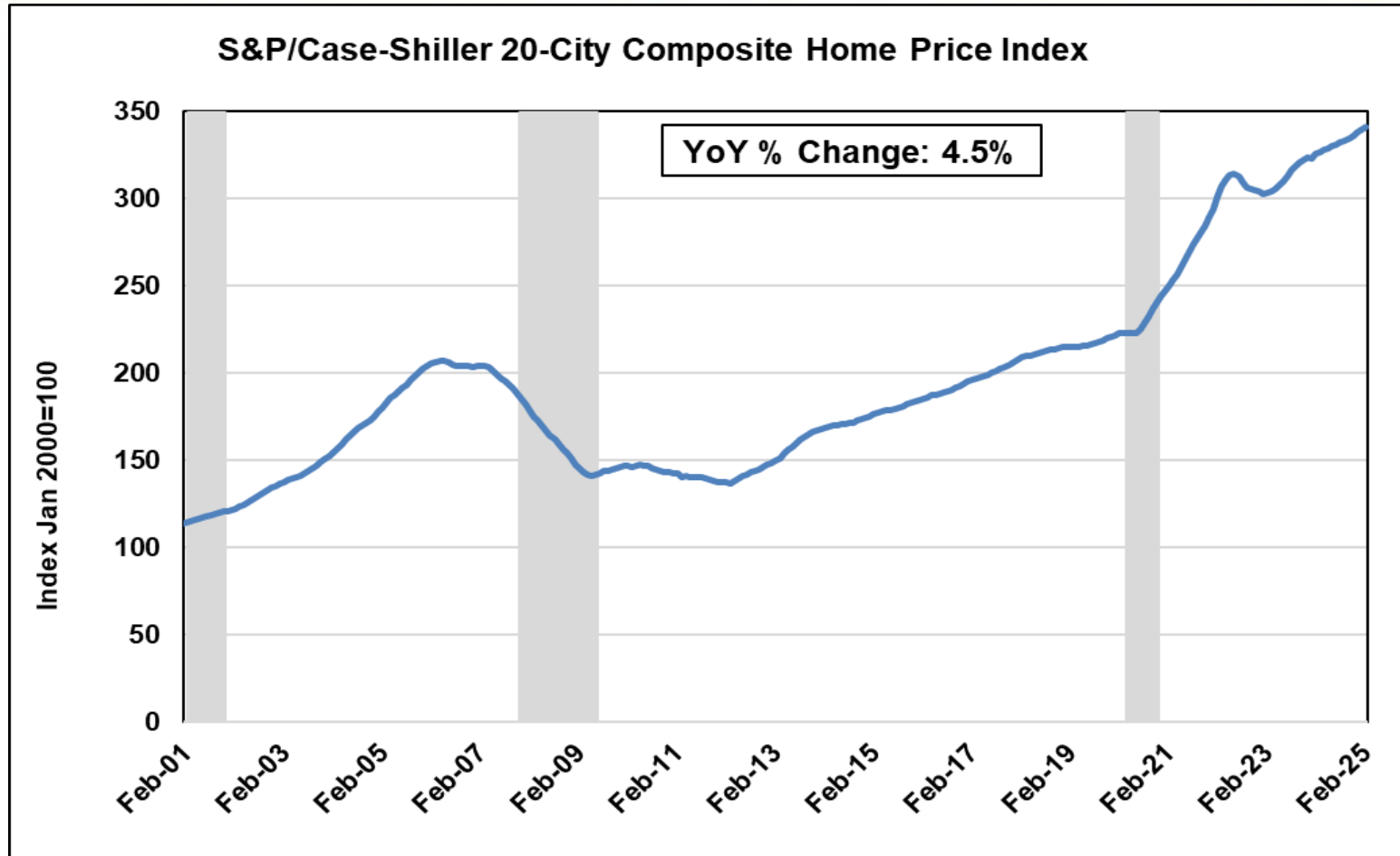
# US & Global Manufacturing Activities





**ECONOMY**

**US Housing Market**

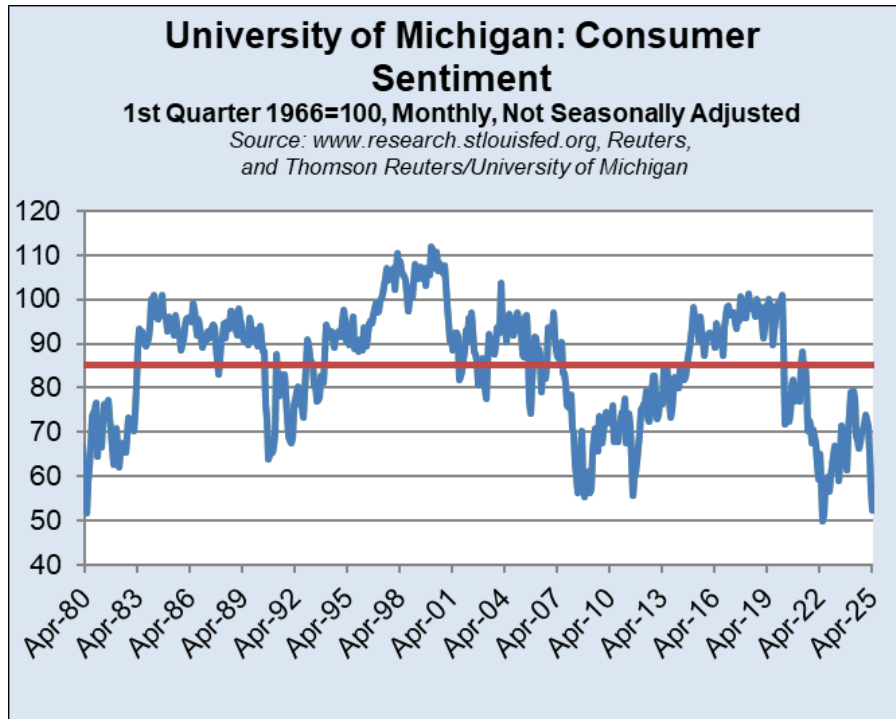


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-21	269.39
Jul-22	312.25
Jul-23	312.64
Jul-24	330.80
Feb-25	340.42



## ECONOMY

### Consumer Sentiment



Index of Consumer Sentiment				
Apr-24	Mar-25	Apr-25	M-M Change	Y-Y Change
77.2	57.0	52.2	-8.4%	-32.4%

Sources: Thomson Reuters / University of Michigan

### The Leading Economic Index (LEI)



Shaded areas represent US recessions

Index	Feb-25	Mar-25	Month -Month Percent Change	6-Month Percent Change (Oct-Mar)
LEI	101.2 r	100.5 p	-0.7	-1.2

p Preliminary; r Revised; Indexes equal 100 in 2016

Sources: The Conference Board and [advisorperspectives.com](http://advisorperspectives.com)



## ECONOMY



Source: Federal Reserve Bank of St. Louis via FRED®  
 Shaded areas indicate U.S. recessions.

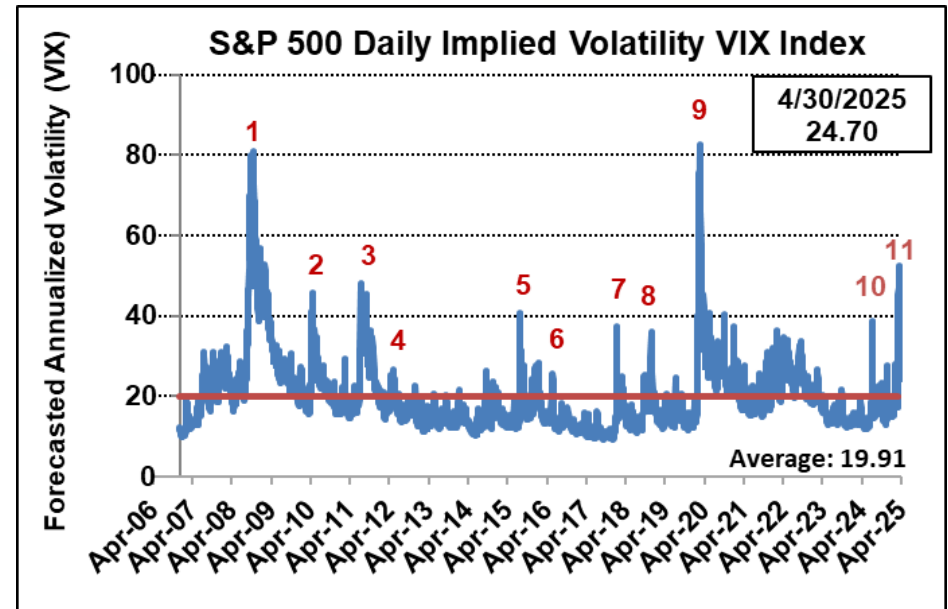
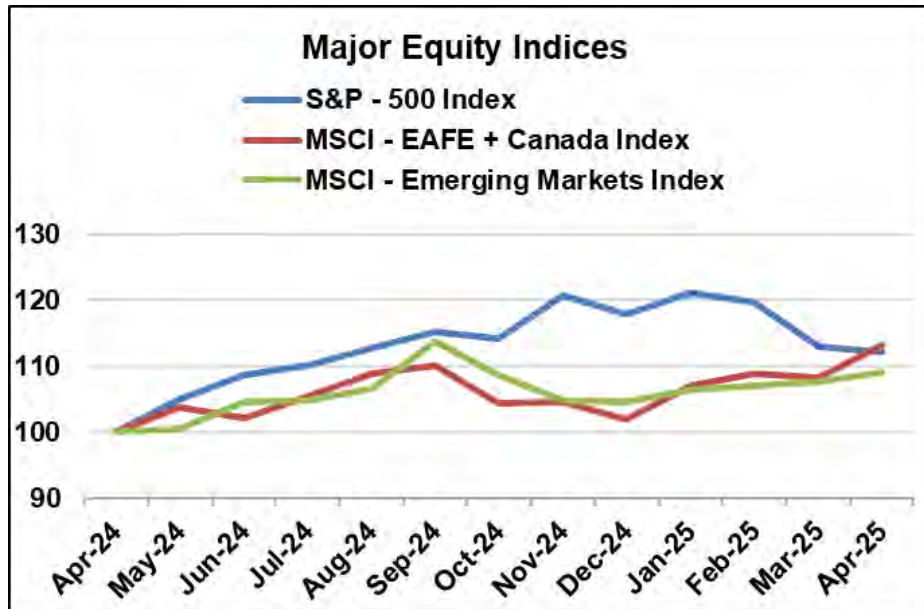
[myf.red/g/1IFG6](https://myf.red/g/1IFG6)





# MARKETS

## Equity



	Return as of 4/30/2025	
	1 Year	FYTD
S&P 500 Index	12.10	3.10
MSCI - EAFE + Canada Index	13.10	10.77
MSCI - Emerging Markets Index	9.02	4.30

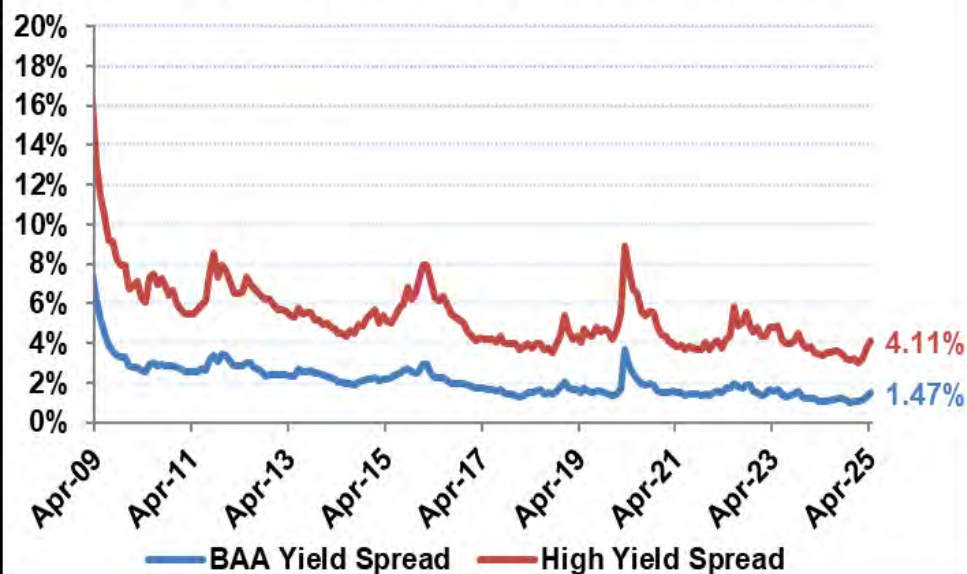
- 1 2008 (Nov.) Financial Crisis S&P 500: - 48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US down grade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slow down, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slow down S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%
- 10 2024 (Aug.) Crow ded FX (Japanese Yen) trade, recession fear S&P 500: -6.0%
- 11 2025 (Apr.) Tariff tantrum, S&P 500: -11.5%



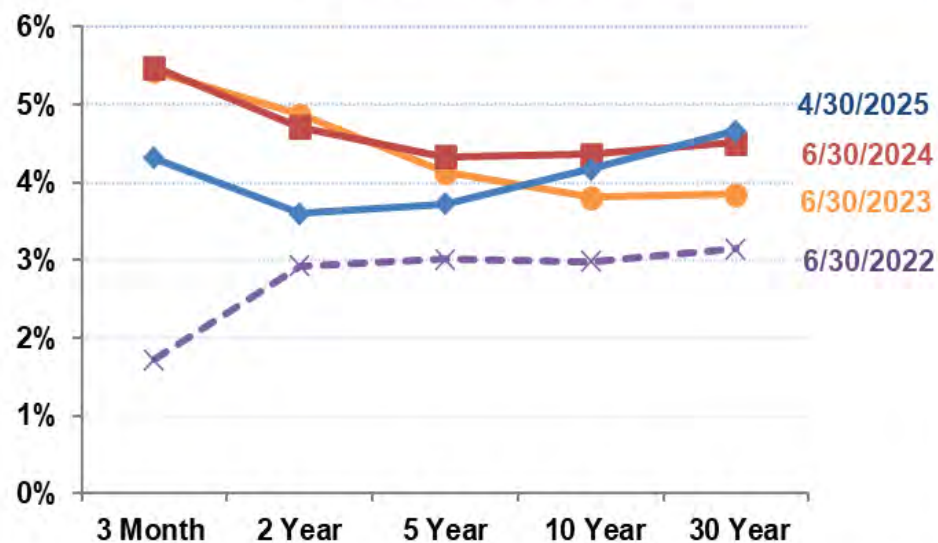
## MARKETS

## Fixed Income

U.S. Corp. BAA and High Yield Spreads



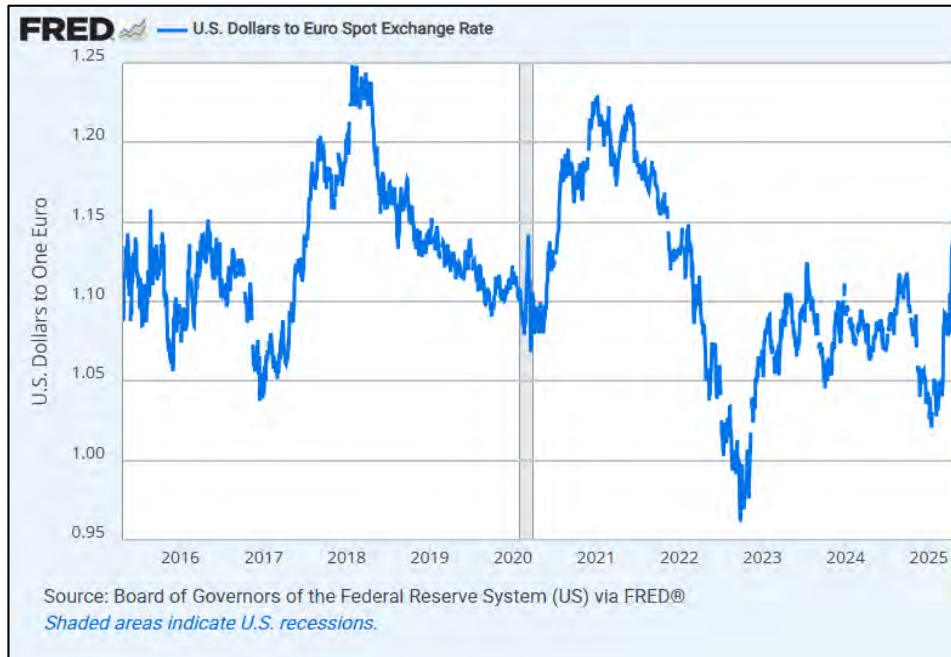
U.S. Treasury Yield Curve



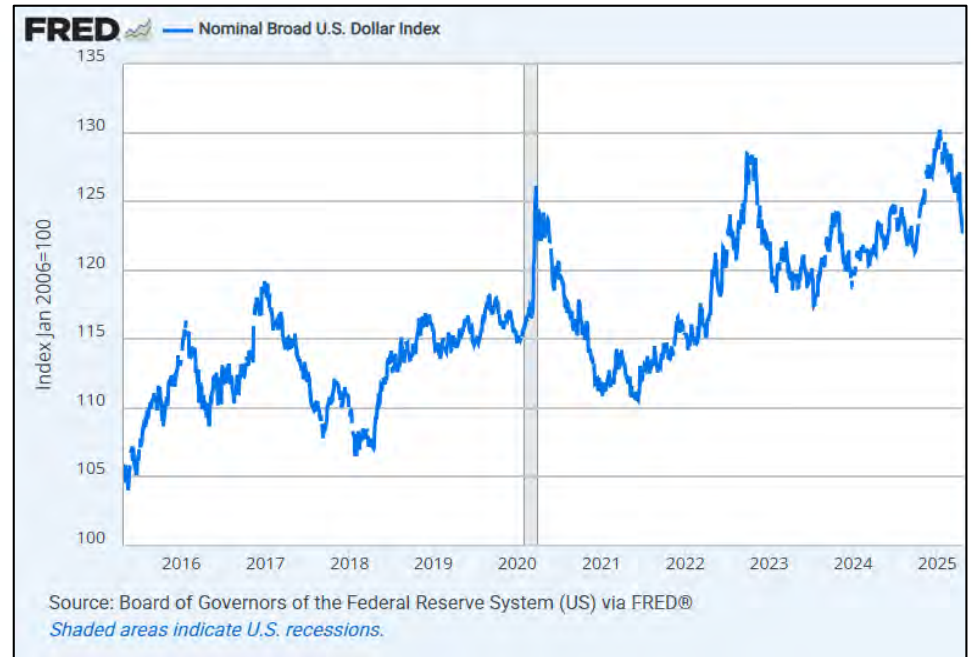


# MARKETS

## Foreign Exchange



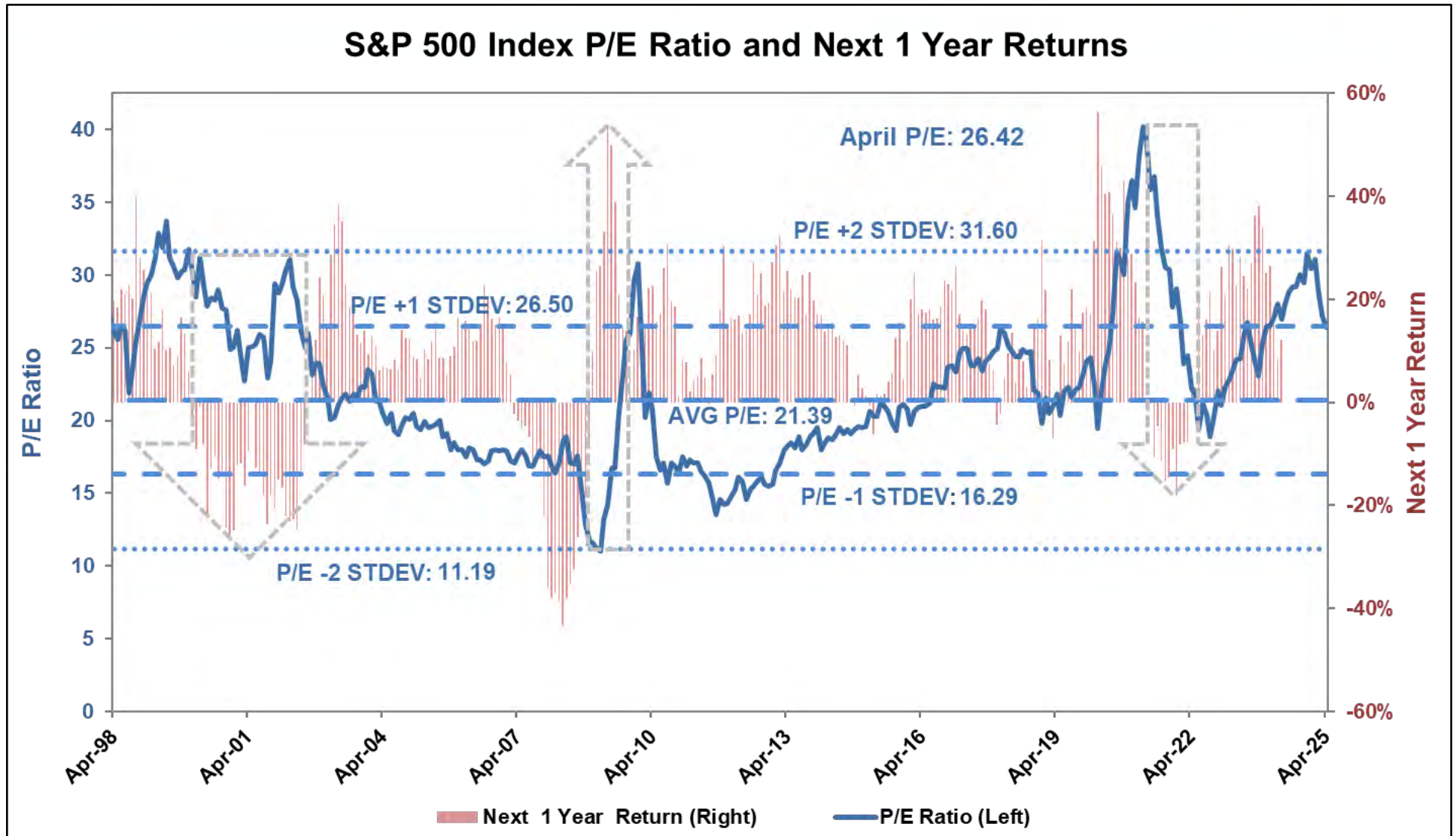
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-21	1.18
June-22	1.05
June-23	1.09
June-24	1.07
April 25, 2025	1.14



Date	Nominal Broad U.S. Dollar Index Index January 2006=100
June-21	112.85
June-22	121.05
June-23	119.89
June-24	124.52
April 25, 2025	123.25

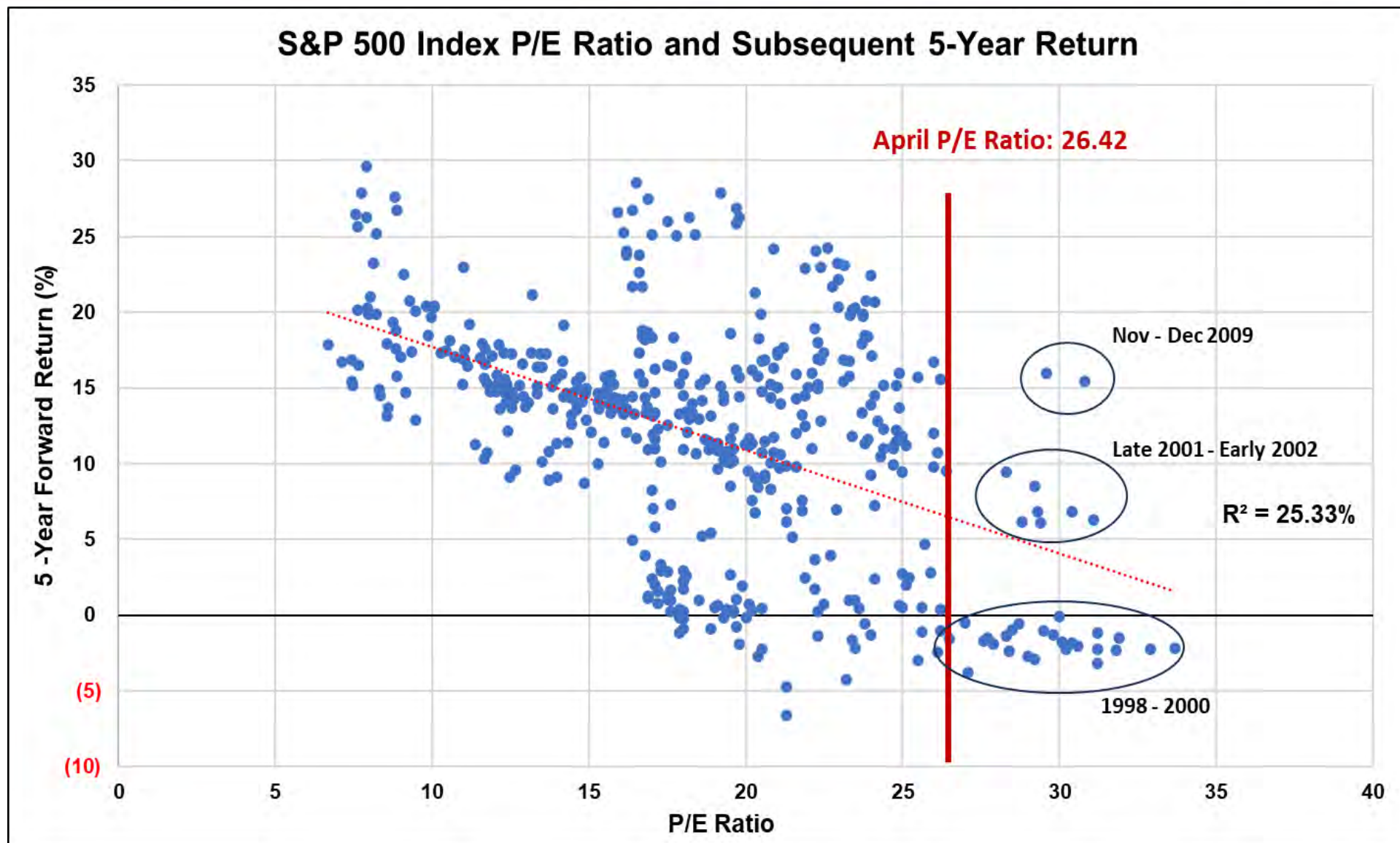


## VALUATION US Equity





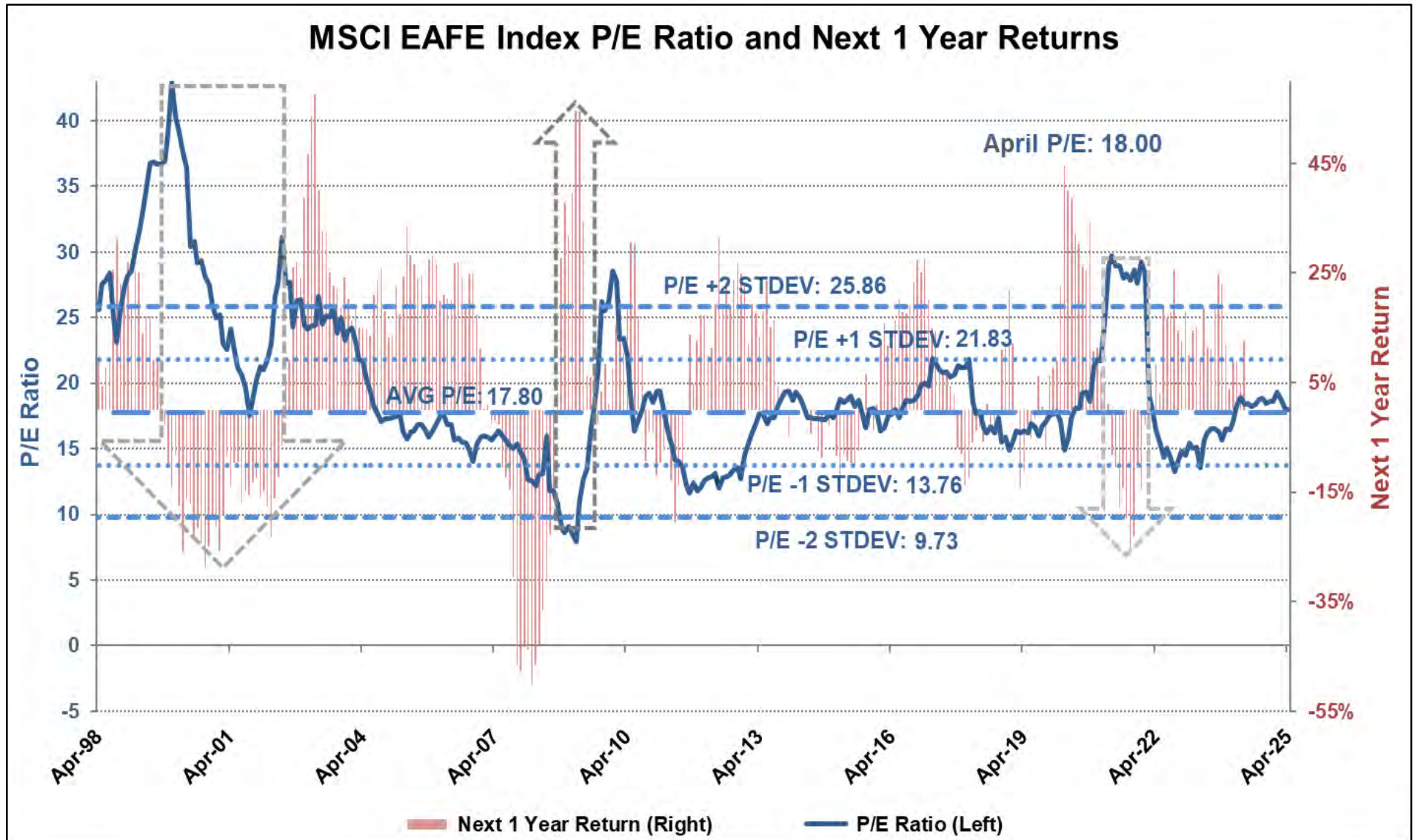
## VALUATION US Equity





VALUATION

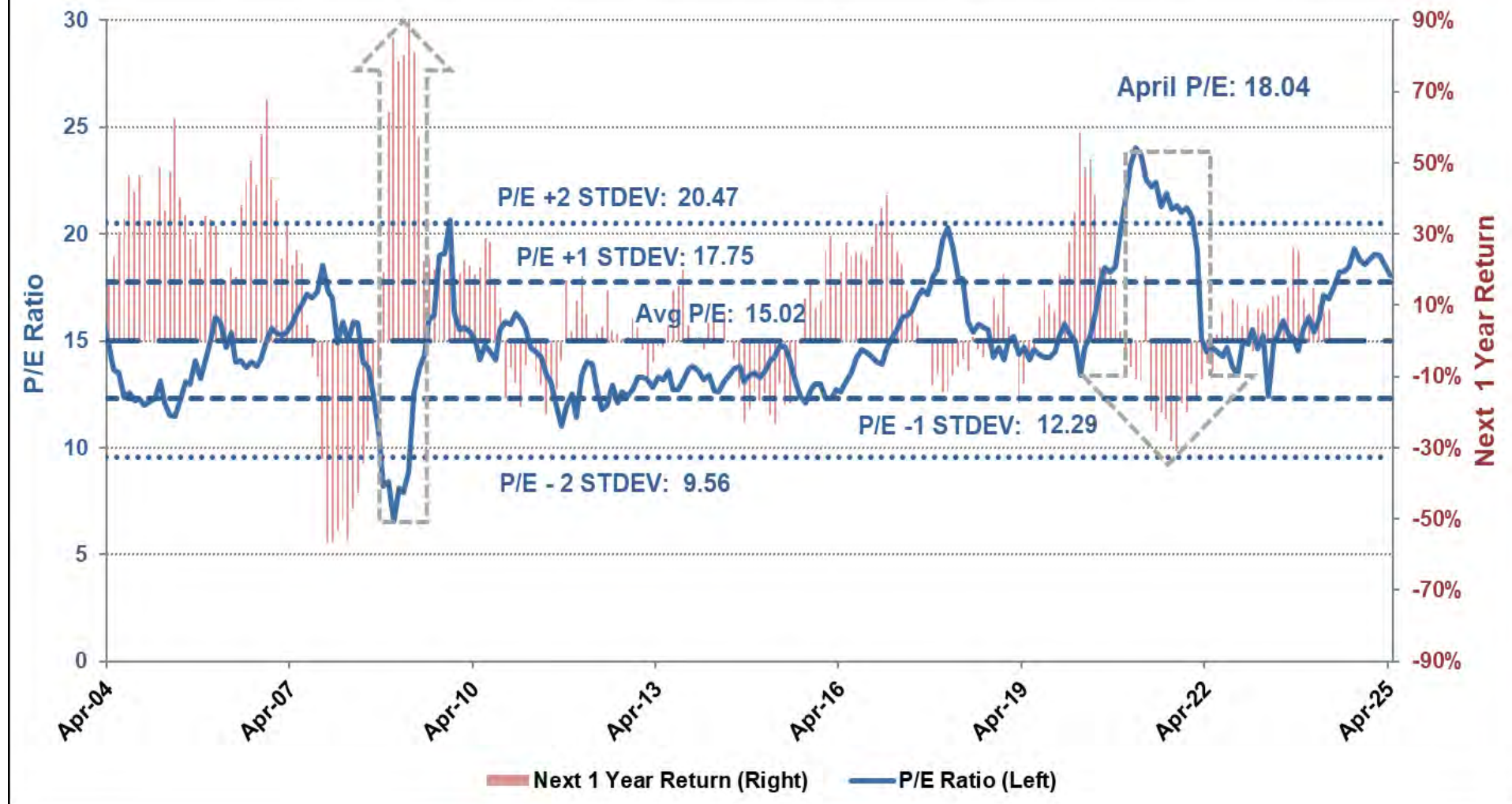
# Non US Developed Market Equity





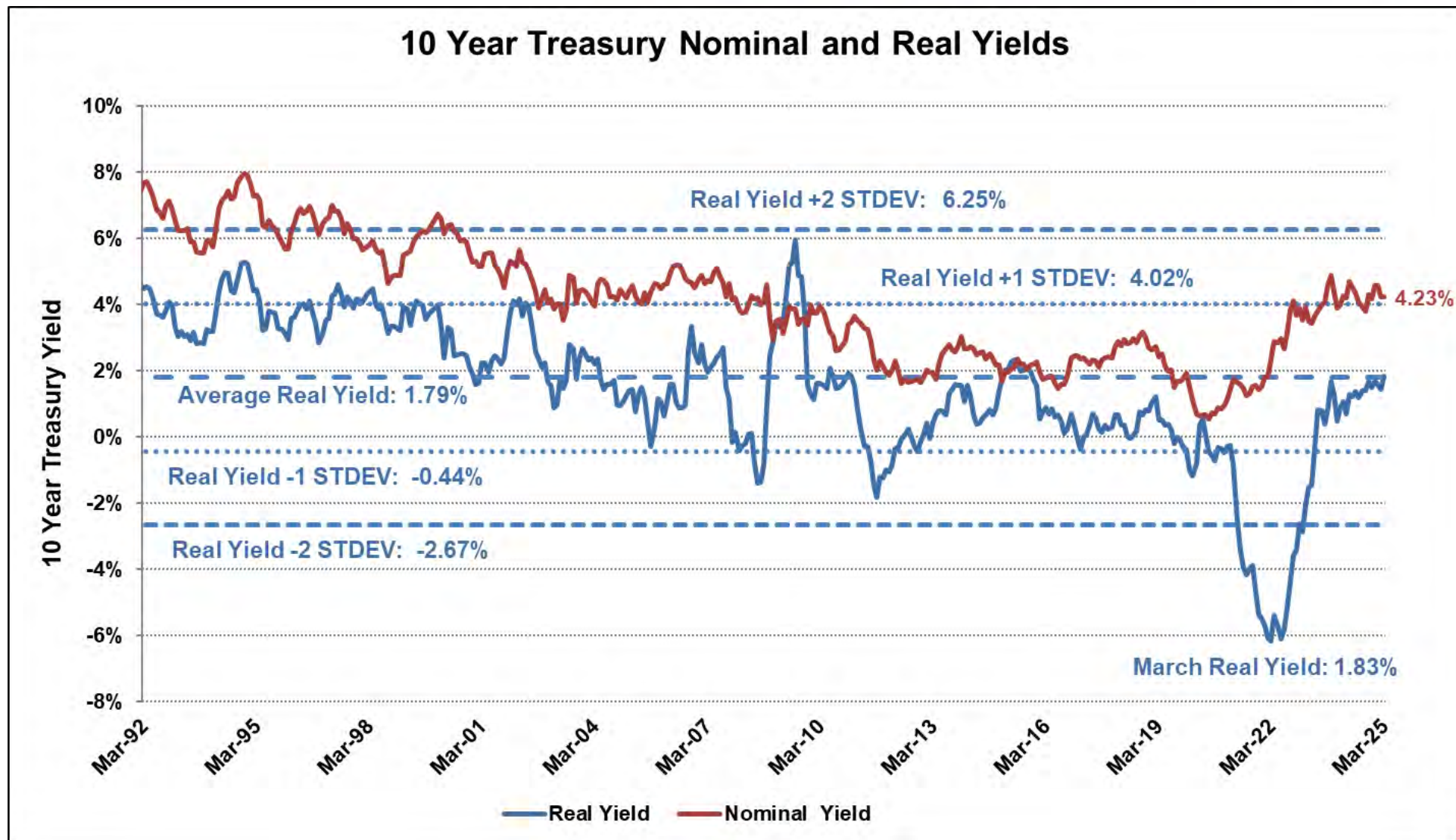
# VALUATION Emerging Market Equity

## MSCI Emerging Markets Index P/E Ratio and Next 1 Year Returns





## VALUATION US Treasury Bonds





# **SERS' Investment Portfolios Review**

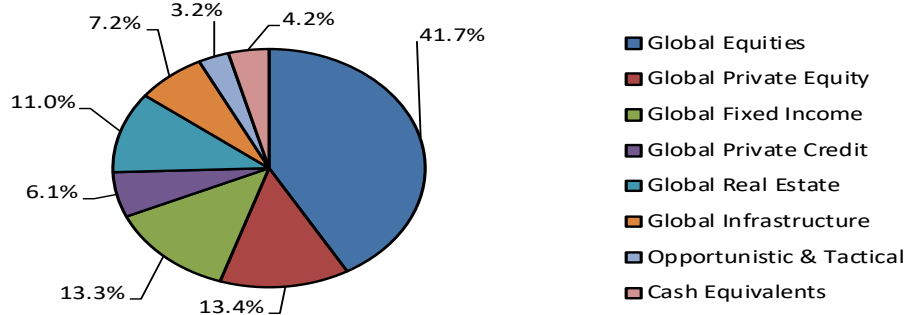


# Total Fund Asset Allocation

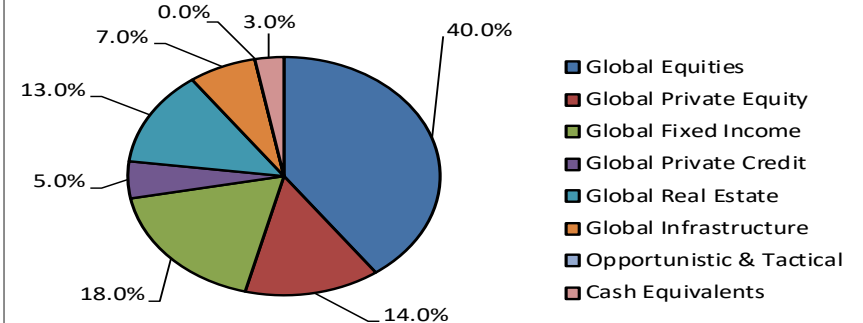
Asset Class	Market Value \$	Actual	Target	Range
<b>Global Equities</b>	<b>8,171,736,651</b>	<b>41.7%</b>	<b>40.0%</b>	35% - 45%
<b>Global Private Equity</b>	<b>2,631,175,144</b>	<b>13.4%</b>	<b>14.0%</b>	11% - 17%
<b>Global Fixed Income</b>	<b>2,600,597,850</b>	<b>13.3%</b>	<b>18.0%</b>	13% - 23%
<b>Global Private Credit</b>	<b>1,199,694,628</b>	<b>6.1%</b>	<b>5.0%</b>	3% - 7%
<b>Global Real Estate</b>	<b>2,151,362,354</b>	<b>11.0%</b>	<b>13.0%</b>	10% - 15%
<b>Global Infrastructure</b>	<b>1,412,904,248</b>	<b>7.2%</b>	<b>7.0%</b>	5% - 10%
<b>Opportunistic &amp; Tactical</b>	<b>622,829,428</b>	<b>3.2%</b>	<b>0.0%</b>	0% - 5%
<b>Cash Equivalents</b>	<b>822,816,504</b>	<b>4.2%</b>	<b>3.0%</b>	1% - 5%
Short-Term	270,253,358	1.4%	2.0%	
Russell EA Overlay	17,108,076	0.1%	0.0%	
Direct Rebalance Overlay	7,152,813	0.0%	0.0%	
Transition / Operational Account	1,155,963	0.0%	0.0%	
Currency Overlay	21,835,400	0.1%	0.0%	
SERS Cash	505,310,893	2.6%	0.0%	
<b>Total Fund</b>	<b>19,613,116,807</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS

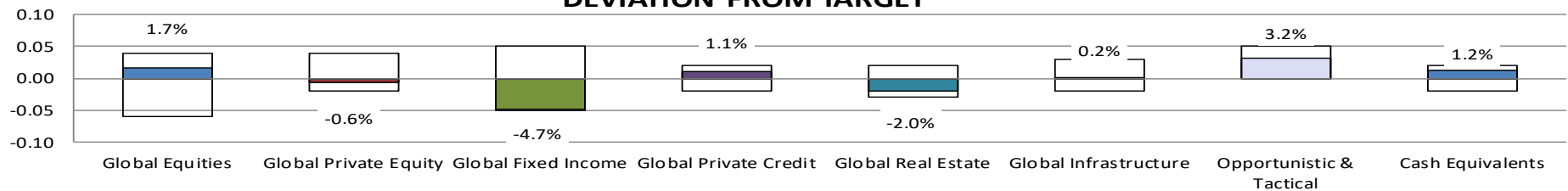
### ACTUAL



### TARGET



### DEVIATION FROM TARGET





# Total Fund Change in Net Assets

	vs. One Year Ago, since 04/02/2024	vs. Three Years Ago, since 04/01/2022
<b>Beginning Market Value</b>	18,765,037,507	18,253,344,170
<b>Gain/Loss</b>	1,416,692,668	3,223,529,538
<b>Expenses</b>	(143,612,947)	(353,756,480)
<b>Net Transfer</b>	(425,000,000)	(1,510,000,000)
<b>End of Period Market Value</b>	<b>19,613,117,228</b>	<b>19,613,117,228</b>

## \*Sources of Net Transfer

<i>Dividends/Interest</i>	148,871,509
<i>Net Distributions</i>	276,128,491
<i>Cash on Hand</i>	Not Required



## Total Fund Fees by Quarter



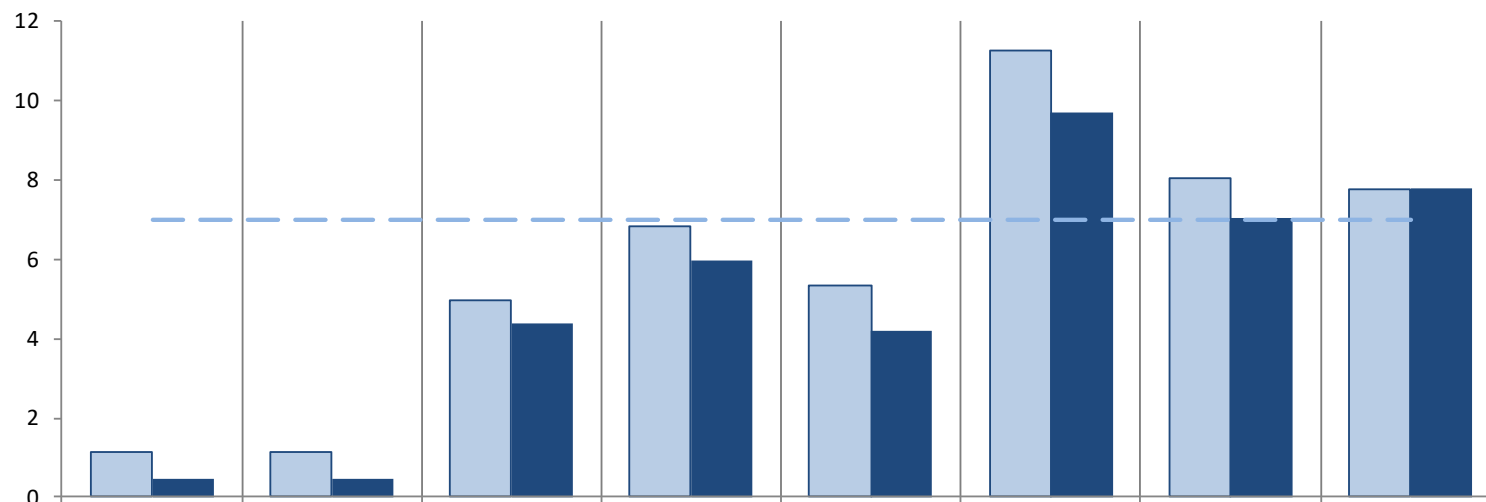


# Total Fund Performance

## Current Benchmark:

40% MSCI ACWI (Net Dividends)  
14.00% Burgiss All Private Equity  
benchmark (1q lag) (BAPE)  
18.00% Bloomberg US Universal Bond  
13.00% NCREIF Property  
(1Qtr in Arrears Monthized)  
7.00% Quarterly (4 qtrs.) smoothed CPI  
+1.20% per quarter  
5.00% 90 Day T-Bill (1q lag) + 4.5%  
3.00% FTSE 30 Day T-Bill

Total Fund (Net) OSERS Policy Actuarial Rate



## Actuarial Rate

(7.0% effective 07/01/2021, adopted 04/15/2021)

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	1.30	1.30	5.57	7.63	6.09	11.98	8.73	8.40
Total Fund (Net)	1.13	1.13	4.98	6.85	5.33	11.24	8.03	7.85
OSERS Policy	0.47	0.47	4.38	5.98	4.17	9.67	7.05	7.76
Value Added (Net of Fee)	0.66	0.66	0.60	0.87	1.17	1.57	0.98	0.09

Estimated Cumulative Net Value Added (\$MM)**	\$128.6	\$128.6	\$112.3	\$161.7	\$673.8	\$1,470.1	\$1,966.1
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Source: BNY Mellon GRS

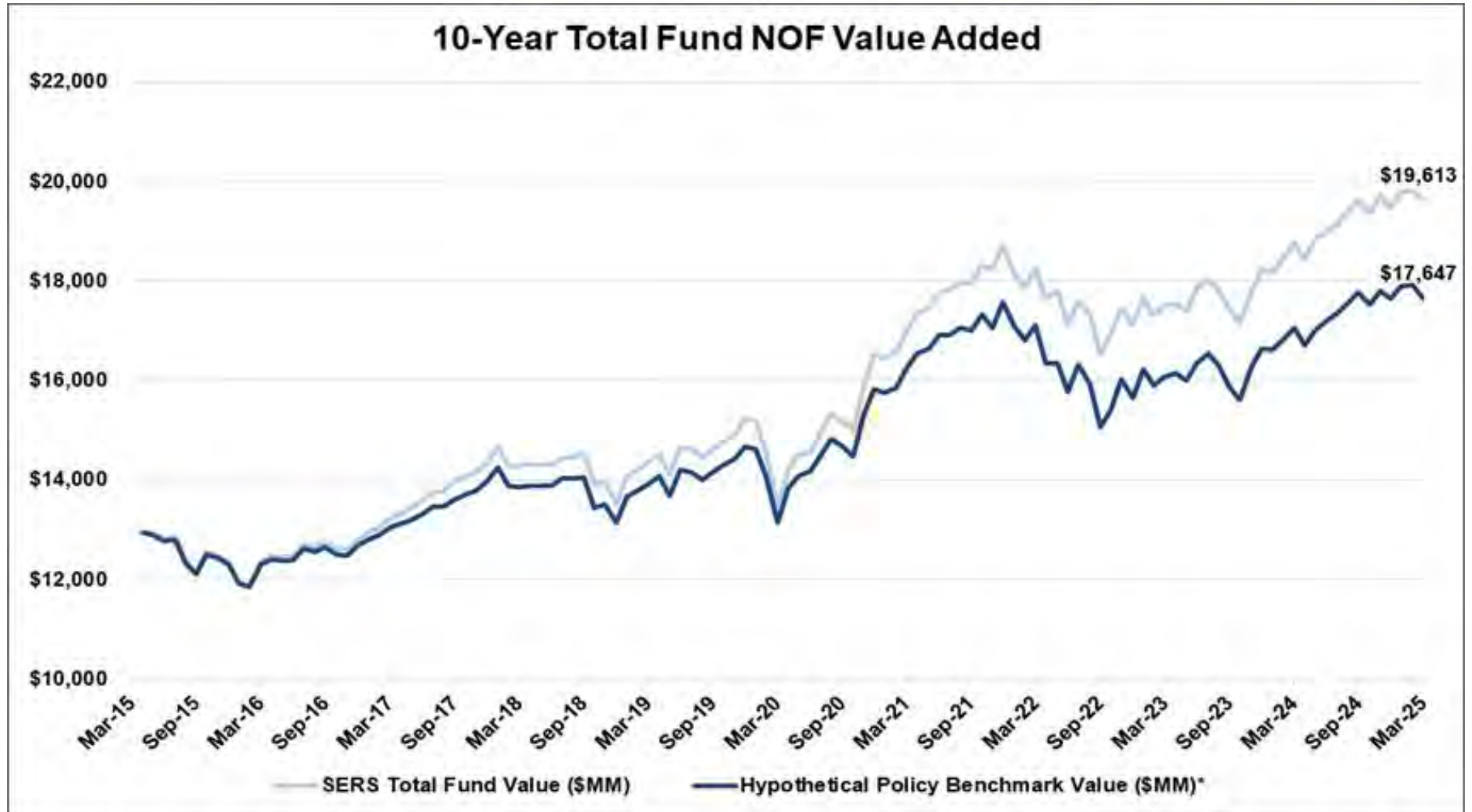
\*ITD is Inception date 10/1/1994 (30 years and 6 months)

\*\*For each period, calculated as the difference between the actual change in fund assets and the hypothetical change in fund assets under a benchmark-returns scenario.

\*\*Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.



# Total Fund Performance



Fiscal Year Net Excess Return (%)									
FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
(0.22)	0.33	1.50	0.86	0.06	(0.64)	2.66	3.01	0.23	0.90

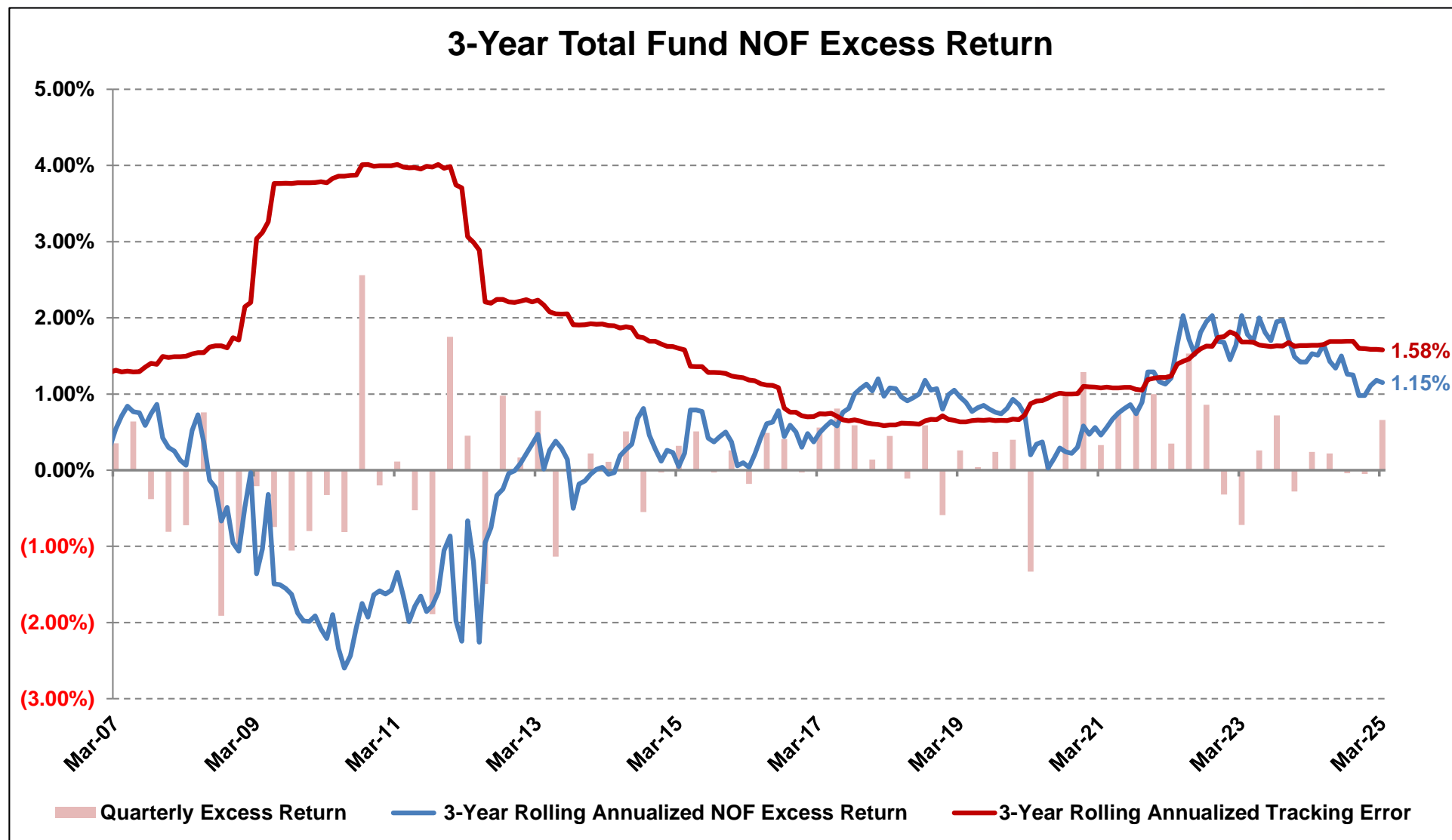
Source: BNY Mellon GRS

\*Calculated as the hypothetical change in fund assets under a policy benchmark-returns scenario.

\*Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.

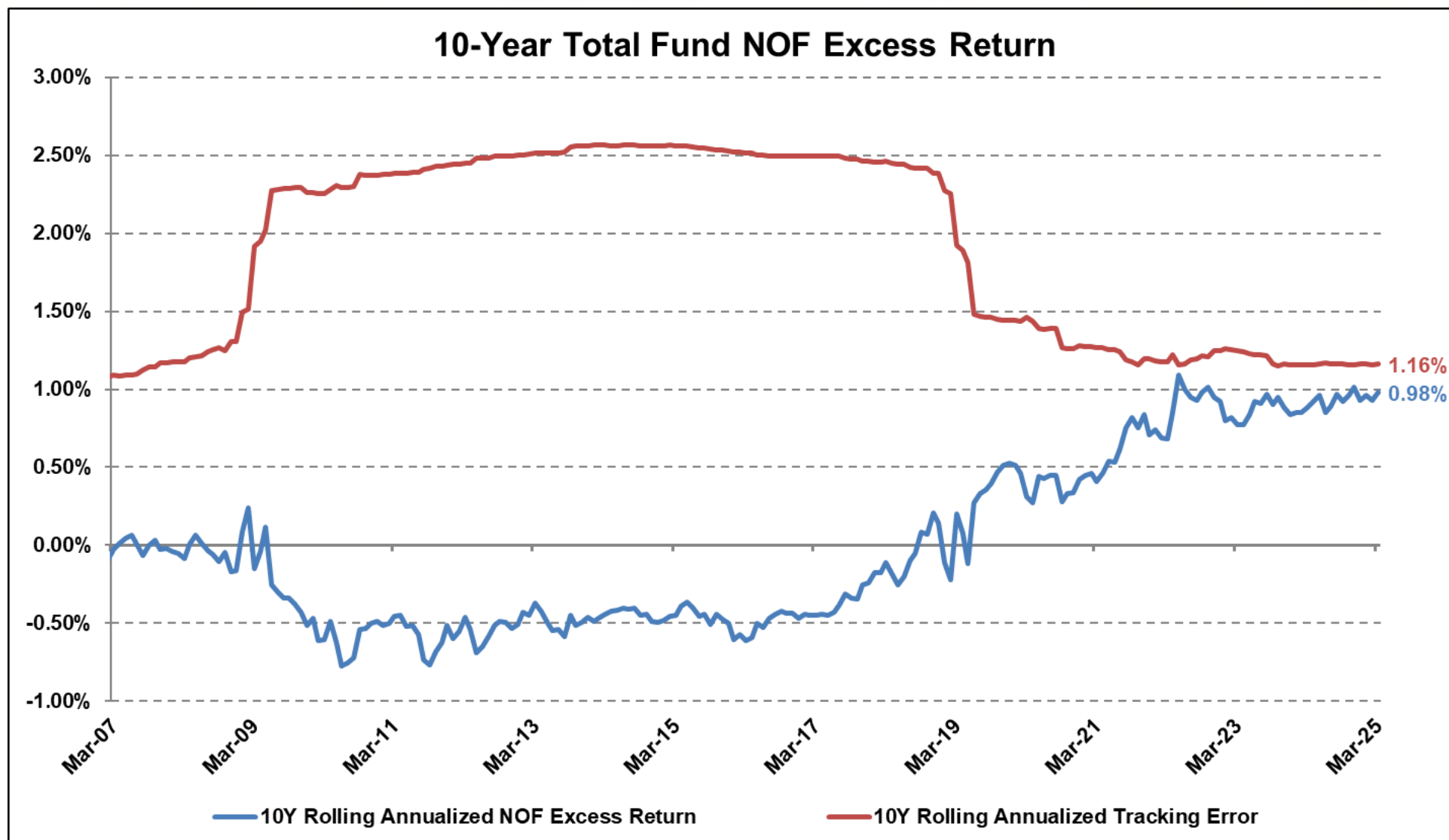


# Total Fund Performance



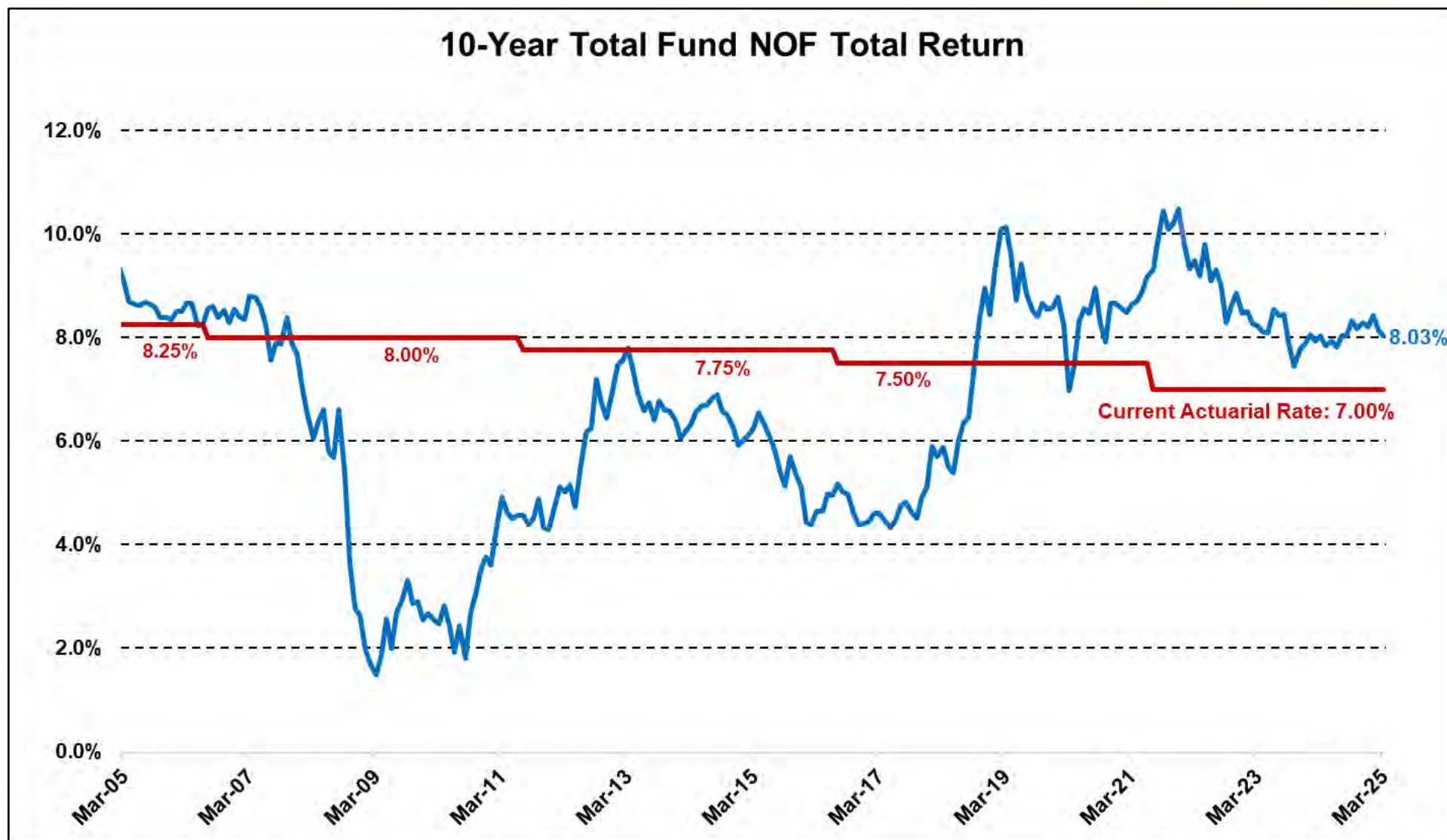


## Total Fund Performance



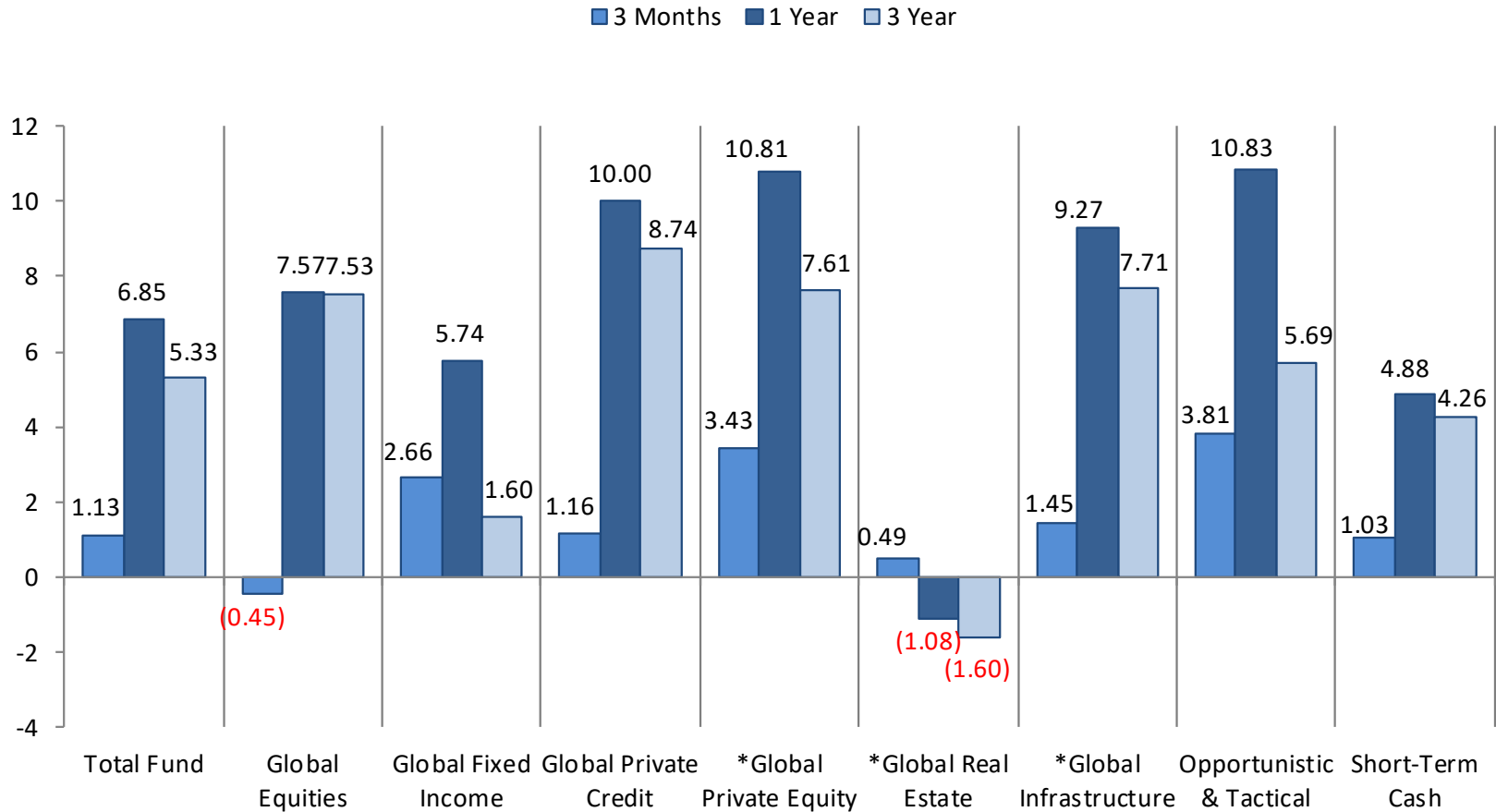


## Total Fund Performance





# Total Fund and Asset Class Performance (Net)



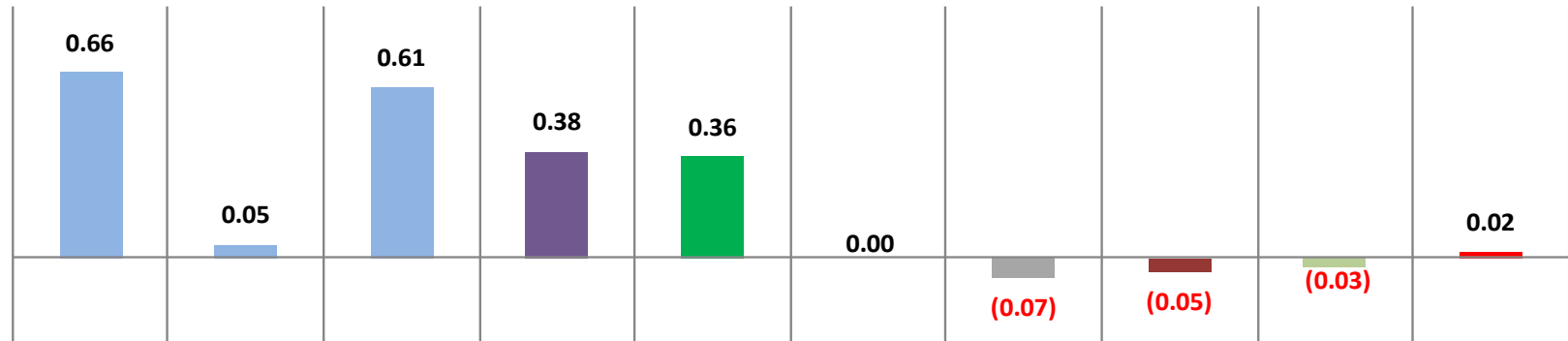
\* Global Private Equity, Global Real Estate, and Global Infrastructure results are as of 03/31/2025

Source: BNY Mellon GRS

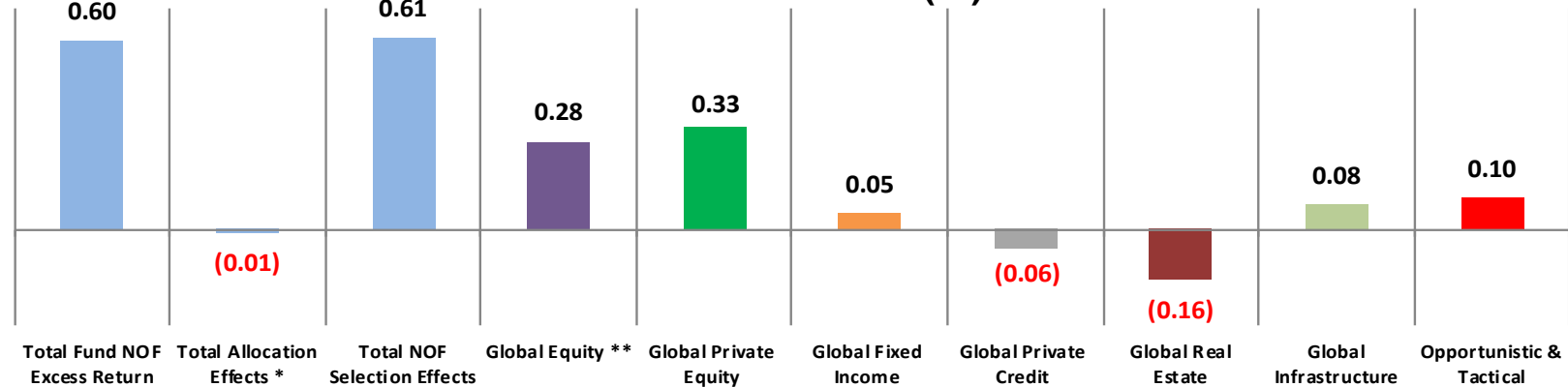


# Total Fund Attribution

## 3 Month Attribution (%)



## FYTD Attribution (%)

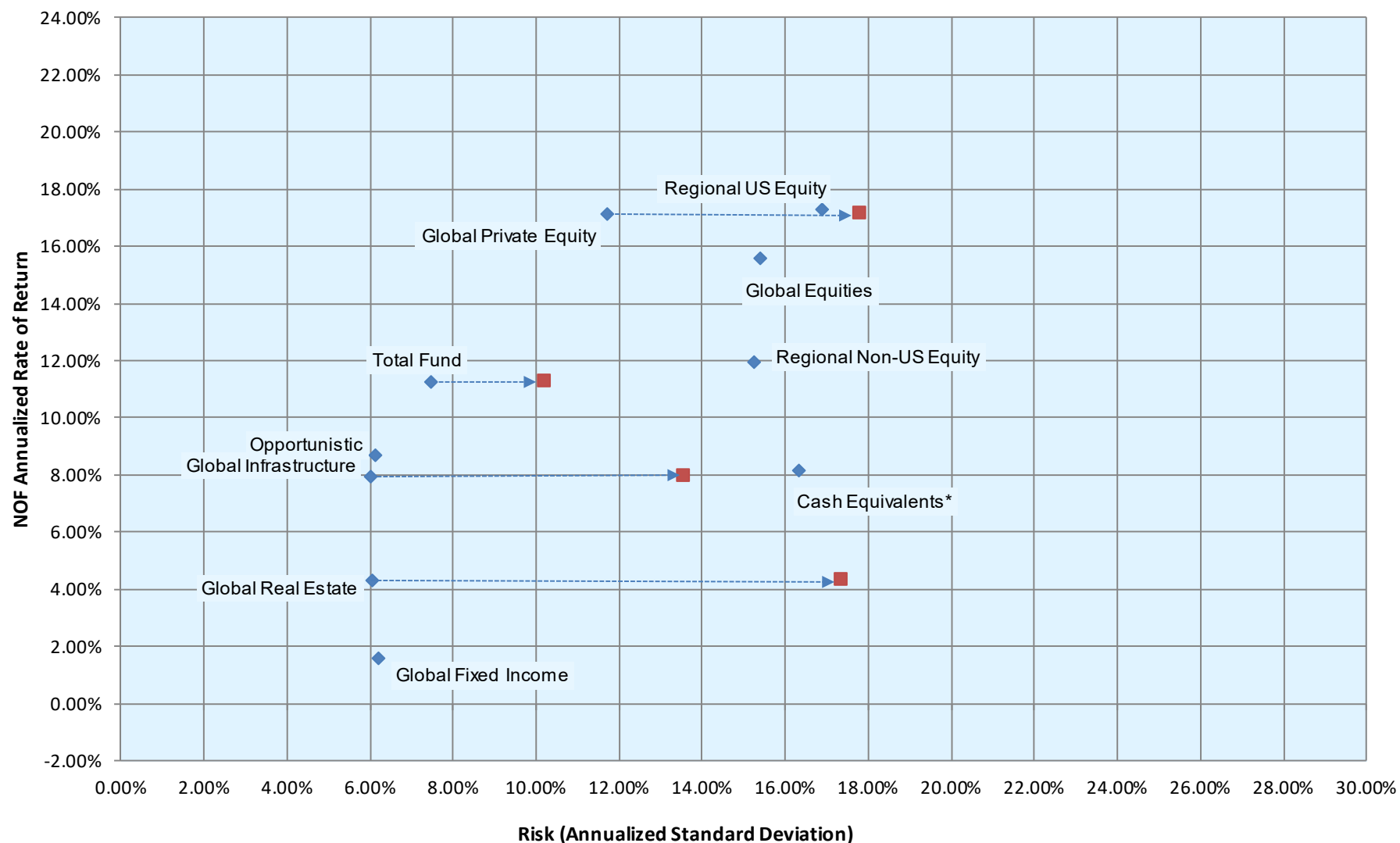


\* Total Allocation Effects include net contributions from the Enhanced Asset Allocation, Direct Rebalance and Currency Overlay Programs

\*\* Global Equity includes Global, US Equity, Non-US Equity Developed Market and Non-US Equity Emerging Market Portfolios



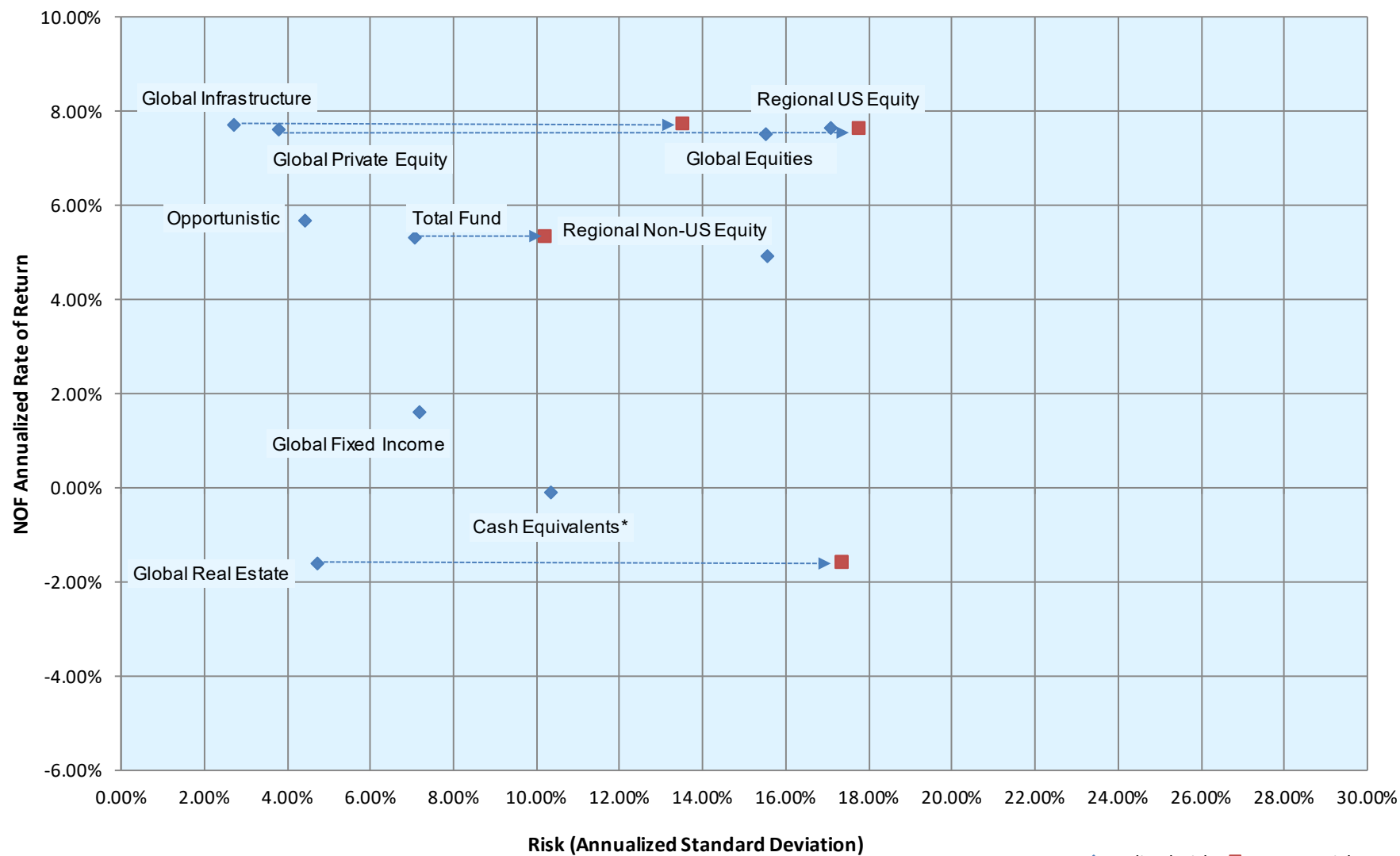
# 5 Year Risk and Return



\*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay



# 3 Year Risk and Return



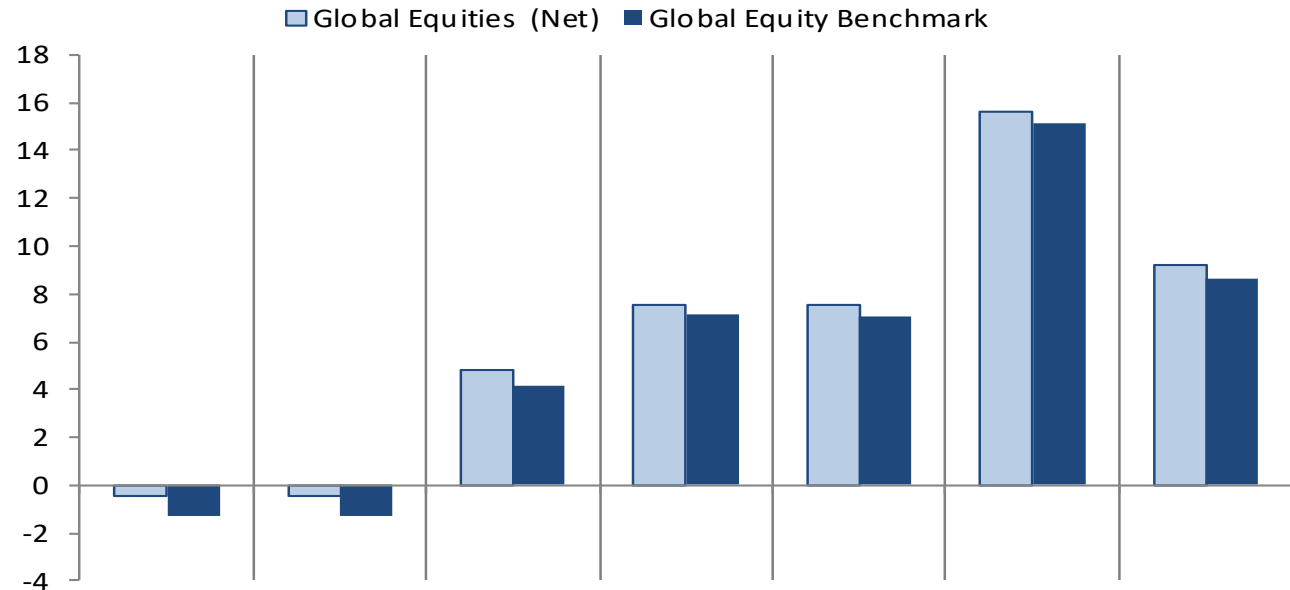
\*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay



# Global Equities Performance

## Current Benchmark:

MSCI ACWI (Net Dividends)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	(0.39)	(0.39)	5.01	7.83	7.85	15.93	9.51
Global Equities (Net)	(0.45)	(0.45)	4.82	7.57	7.53	15.59	9.18
Global Equity Benchmark	(1.32)	(1.32)	4.16	7.15	7.06	15.14	8.68
Value Added (Net of Fee)	0.87	0.87	0.66	0.42	0.47	0.45	0.50
Regional US Equity	(4.48)	(4.48)	3.72	6.95	7.65	17.31	11.32
Russell 3000 Index	(4.72)	(4.72)	3.88	7.22	8.22	18.18	11.80
Value Added (Net of Fee)	0.24	0.24	(0.16)	(0.27)	(0.56)	(0.87)	(0.49)
Regional Non-US Equity	5.39	5.39	4.96	6.47	4.91	11.98	6.15
Custom Non-US Equity BM	5.23	5.23	5.08	6.09	4.54	10.86	4.95
Value Added (Net of Fee)	0.15	0.16	(0.12)	0.39	0.37	1.11	1.20

Source: BNY Mellon GRS

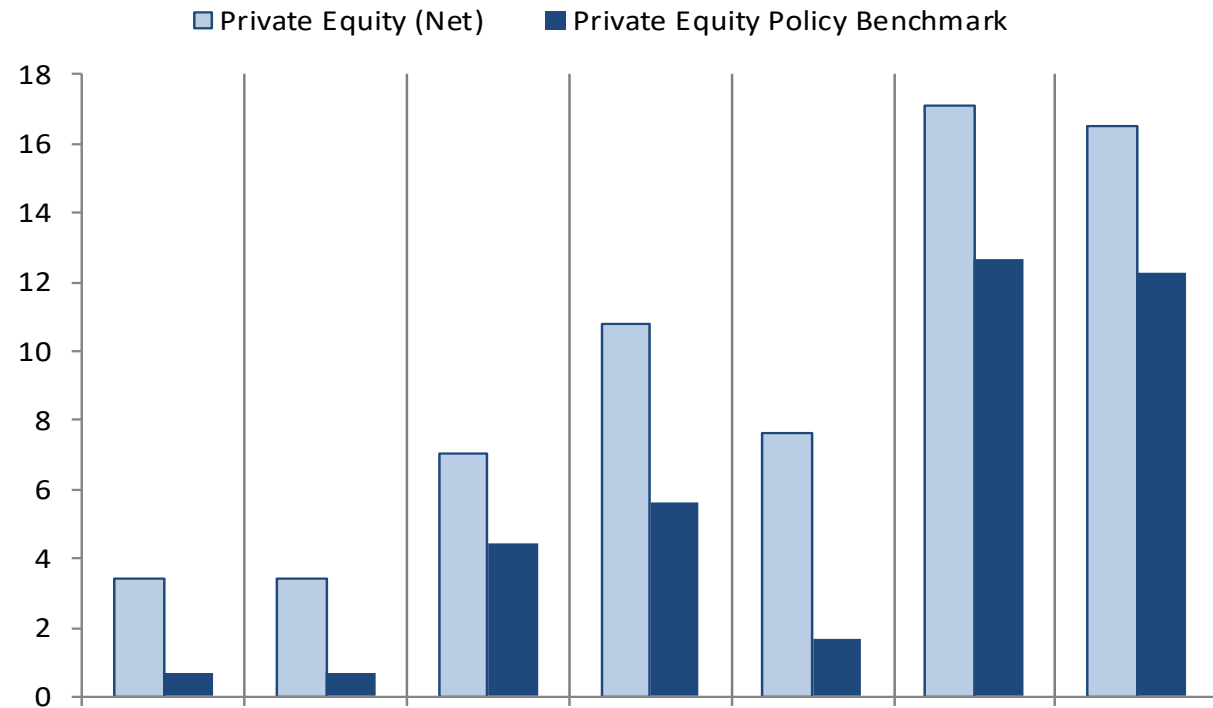


# Global Private Equity Performance

**Results as of: 03/31/2025**

**Current Benchmark:**

*Burgiss All Private Equity Index*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	3.99	3.99	8.90	13.13	9.59	19.12	18.28
Private Equity (Net)	3.43	3.43	7.04	10.81	7.61	17.14	16.51
Private Equity Policy Benchmark	0.70	0.70	4.47	5.60	1.68	12.69	12.27
Value Added (Net of Fee)	2.73	2.73	2.57	5.21	5.93	4.45	4.24

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Private Equity performance is reported one quarter in arrears.



## Public vs Private Equity Performance (Net)

	3 Year	5 Year	10 Year
Regional US Equity	7.65	17.31	11.32
Global Equity	7.53	15.59	9.18
Private Equity	7.61	17.14	16.51

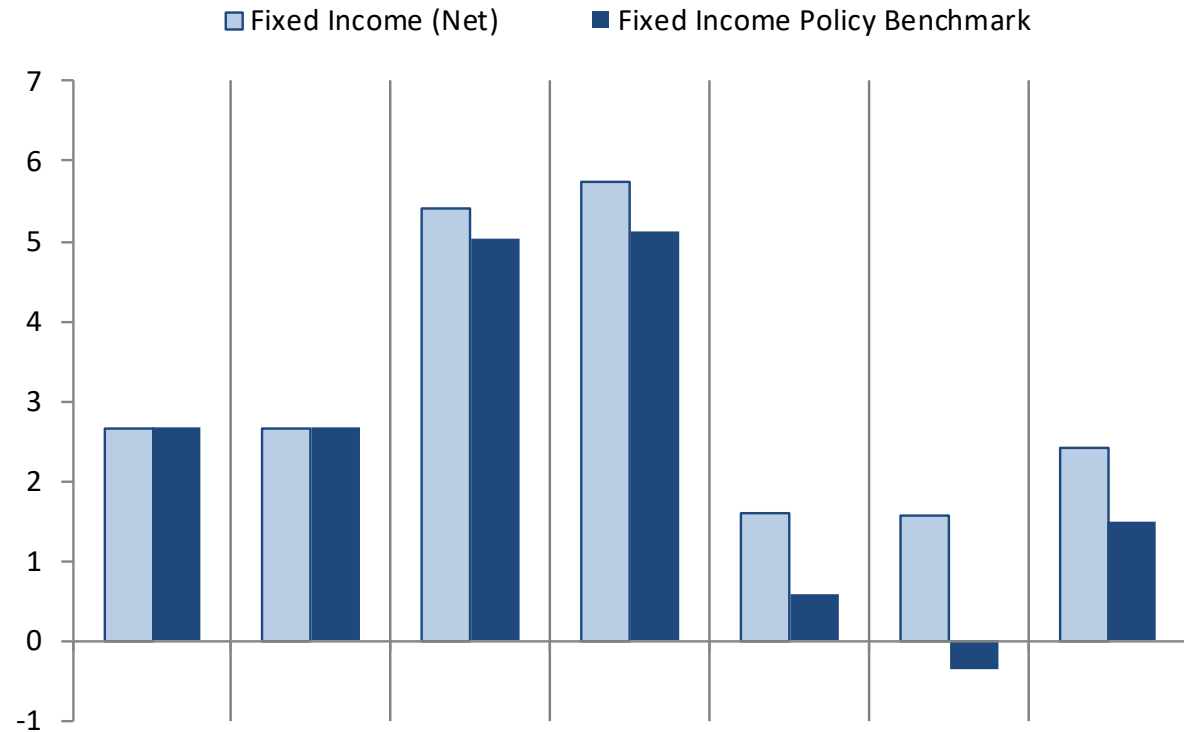
\* Private Equity returns are lagged one quarter



# Global Fixed Income Performance

## Current Benchmark:

*Bloomberg US Universal Bond Index*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	2.75	2.75	5.62	6.03	1.88	1.84	2.66
Fixed Income (Net)	2.66	2.66	5.40	5.74	1.60	1.56	2.41
Fixed Income Policy Benchmark	2.66	2.66	5.04	5.11	0.59	(0.35)	1.49
Value Added (Net of Fee)	0.01	0.01	0.36	0.62	1.01	1.92	0.93

Source: BNY Mellon GRS



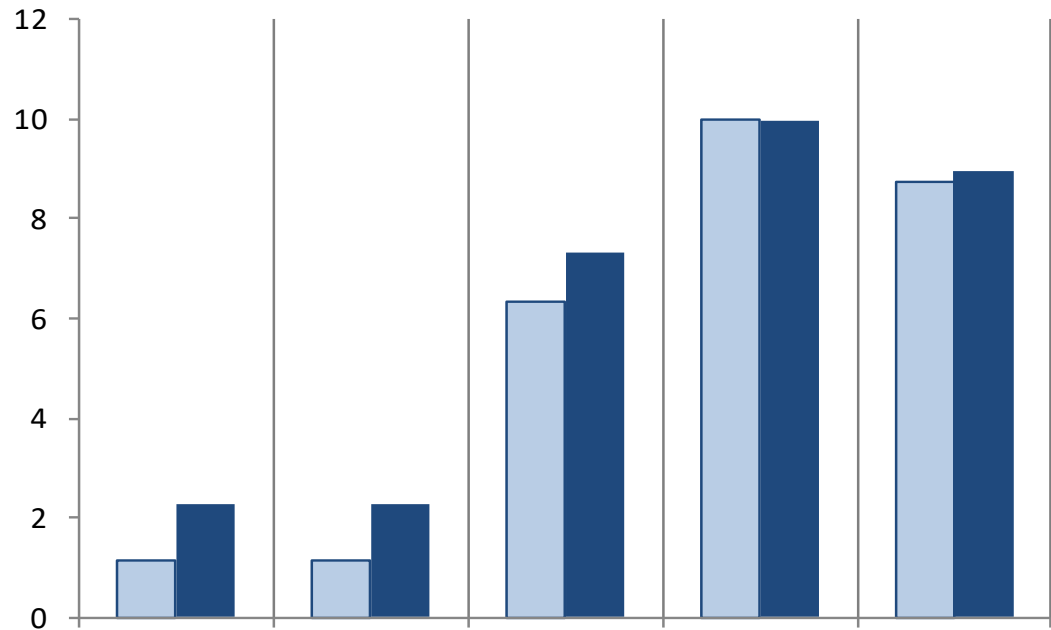
# Global Private Credit Performance

Global Private Credit (Net)

Global Private Credit Policy Benchmark

## Current Benchmark:

90 Day T-Bill (1q lag) + 4.5%



	Qtr	CYTD	FYTD	1 Year	3 Year
Global Private Credit (Gross)	1.44	1.44	7.34	11.52	10.26
Global Private Credit (Net)	1.16	1.16	6.32	10.00	8.74
Global Private Credit Policy Benchmark	2.29	2.29	7.33	9.95	8.98
Value Added (Net of Fee)	(1.13)	(1.13)	(1.01)	0.05	(0.24)

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



# Global Real Estate Performance

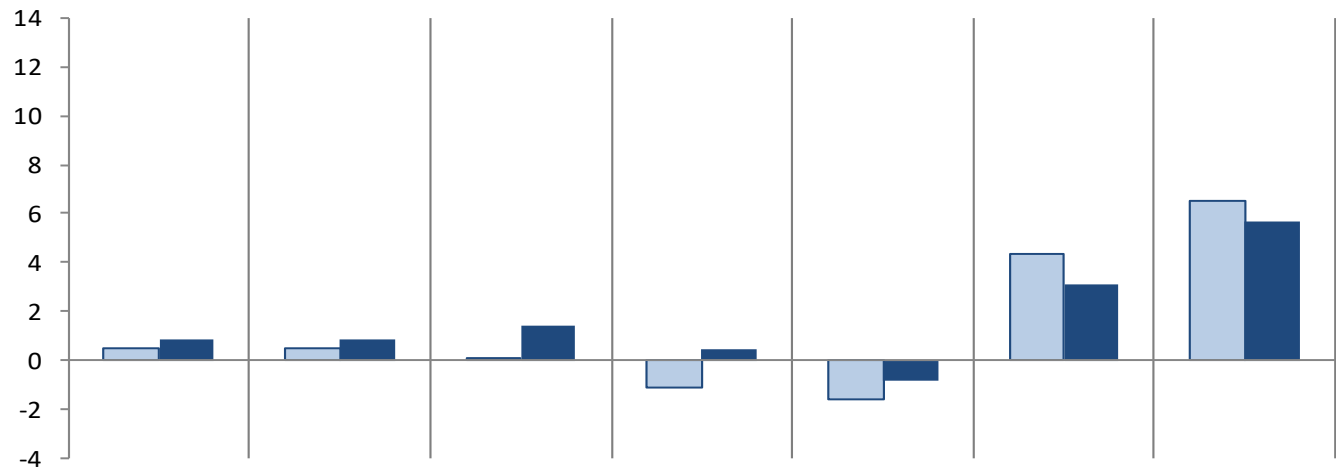
Results as of: 03/31/2025

Real Estate Portfolio (Net)

Real Estate Policy Benchmark

**Current Benchmark:**

NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Estate Portfolio (Gross)	0.67	0.67	0.69	(0.26)	(0.78)	5.20	7.53
Real Estate Portfolio (Net)	0.49	0.49	0.09	(1.08)	(1.60)	4.32	6.55
Real Estate Policy Benchmark	0.90	0.90	1.42	0.43	(0.82)	3.13	5.66
Real Estate Value Added (NOF)	(0.40)	(0.40)	(1.34)	(1.51)	(0.78)	1.19	0.89
Real Estate Core (Net)	0.78	0.78	0.53	(0.54)	(0.93)	4.80	6.92
Real Estate Policy Benchmark	0.90	0.90	1.42	0.43	(0.82)	3.13	5.66
Real Estate Core Value Added (NOF)	(0.12)	(0.12)	(0.90)	(0.97)	(0.11)	1.67	1.26
Real Estate Non-Core (Net)	(1.36)	(1.36)	(3.53)	(5.57)	(4.25)	0.98	5.21
Real Estate Policy Benchmark	0.90	0.90	1.42	0.43	(0.82)	3.13	5.66
Real Estate Non-Core Value Added (NOF)	(2.27)	(2.26)	(4.96)	(5.99)	(3.43)	(2.15)	(0.45)

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Estate performance is reported one quarter in arrears.



# Global Infrastructure Performance

**Results as of: 03/31/2025**

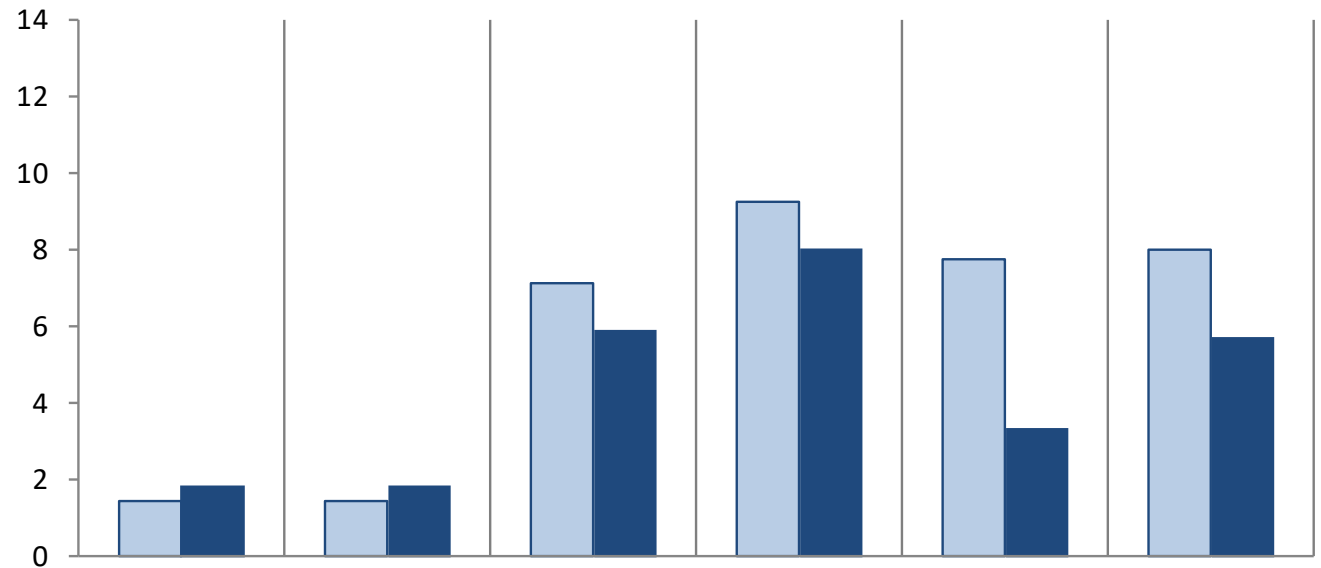
■ Global Infrastructure (Net)

■ Global Infrastructure Policy Benchmark

## Current Benchmark:

Quarterly (4 qtrs.) smoothed CPI

+1.20% per quarter



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year
Global Infrastructure (Gross)	1.71	1.71	8.07	10.57	8.75	8.80
Global Infrastructure (Net)	1.45	1.45	7.12	9.27	7.71	7.96
Global Infrastructure Policy Benchmark	1.87	1.87	5.88	8.05	3.37	5.72
Global Infrastructure Value Added (NOF)	(0.42)	(0.42)	1.24	1.22	4.34	2.24

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

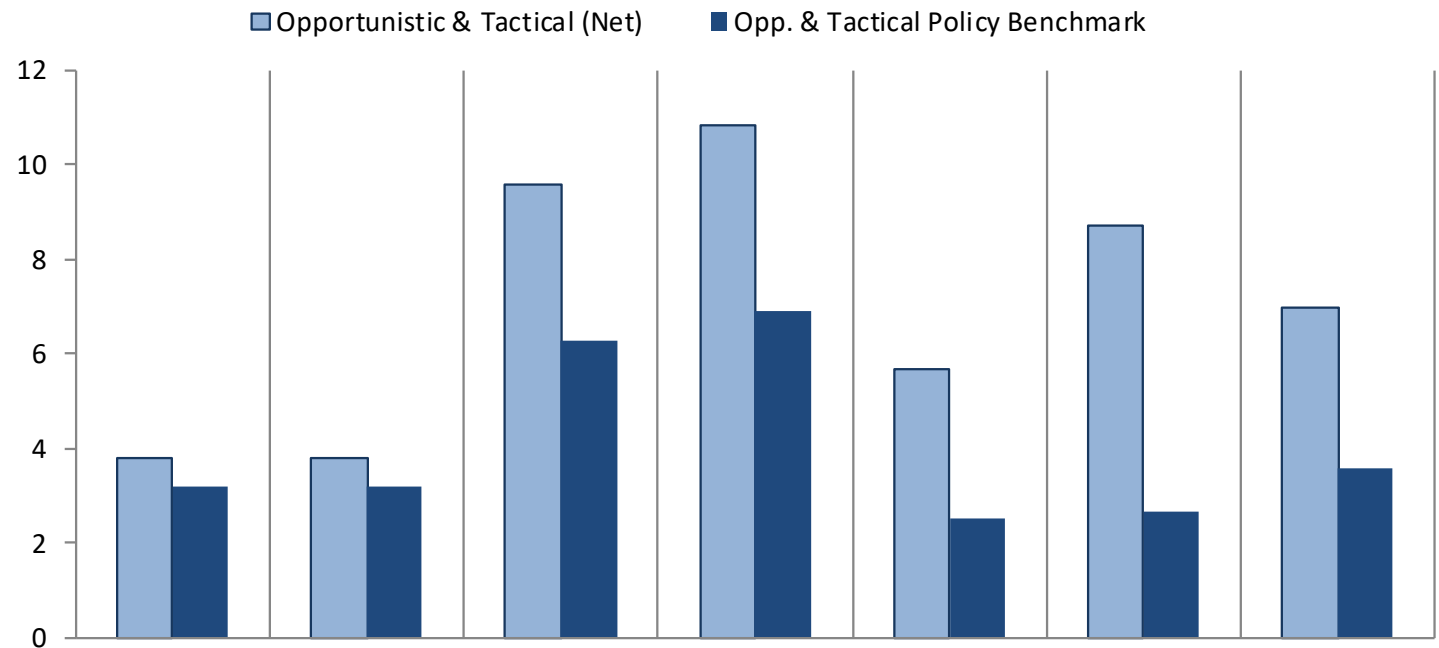
Global Infrastructure performance is reported one quarter in arrears.



# Opportunistic & Tactical Performance

## Current Benchmark:

*Bloomberg Aggregate  
Bond Index + 2%*



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Opportunistic & Tactical (Gross)	4.07	4.07	10.41	11.99	6.80	9.94	8.29
Opportunistic & Tactical (Net)	3.81	3.81	9.59	10.83	5.69	8.70	6.95
Opp. & Tactical Policy Benchmark	3.20	3.20	6.26	6.88	2.52	2.67	3.58
	0.61	0.61	3.33	3.95	3.17	6.03	3.37

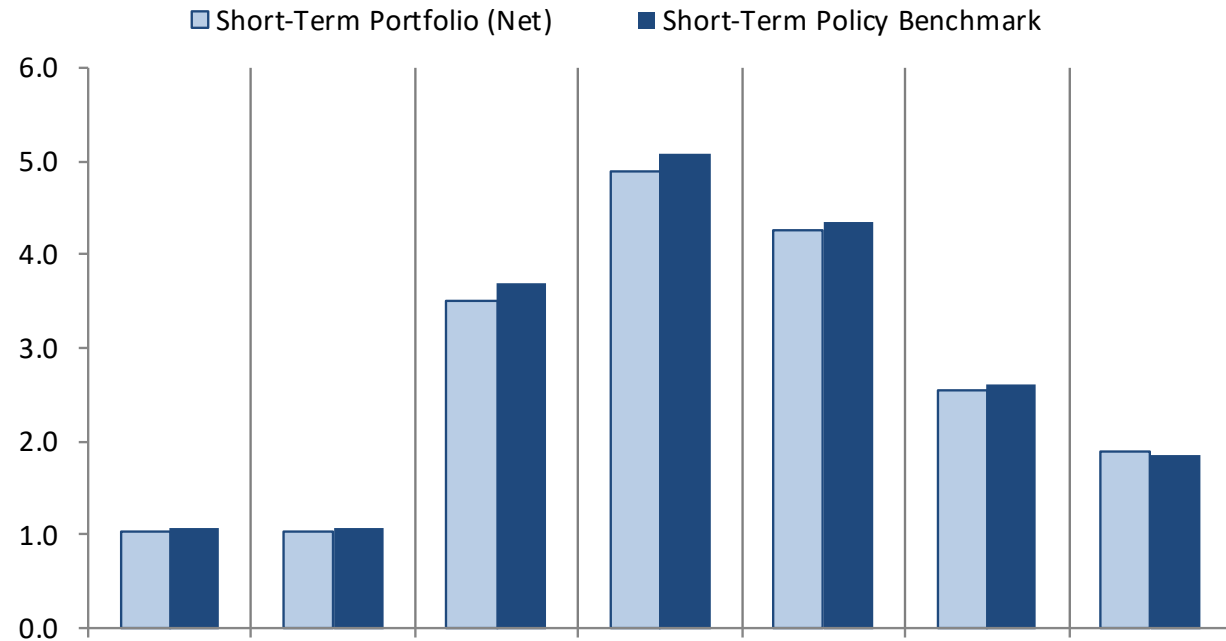
Source: BNY Mellon GRS



# Short-Term Performance

## Current Benchmark:

FTSE 30 Day Treasury Bill Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	1.03	1.03	3.51	4.88	4.26	2.55	1.89
Short-Term Portfolio (Net)	1.03	1.03	3.51	4.88	4.26	2.55	1.89
Short-Term Policy Benchmark	1.07	1.07	3.68	5.08	4.35	2.61	1.84
Value Added (Net of Fee)	(0.05)	(0.05)	(0.17)	(0.20)	(0.09)	(0.06)	0.04

Source: BNY Mellon GRS



# Overlay Performance

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Overlay Cumulative Net Value Added (\$MM)	\$25.7	\$25.7	(\$5.8)	(\$25.9)	(\$49.9)	\$92.5	\$9.3
Overlay Cumulative Net Value Added (%)	0.13	0.13	(0.05)	(0.19)	(0.11)	0.12	0.00

Source: BNY Mellon GRS



## Proposed Investment Agenda – Next Meeting

- Board Education Session – Economic Update presented by Dodge & Cox
- FY26 Annual Investment Plan (possible vote)
- Investment Report (April 30, 2025)



**DRAFT – 05/15/2025**

 **2026**  
Annual Investment Plan

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For the Year Ended June 30, 2026



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
ANNUAL INVESTMENT PLAN**

For the year ended June 30, 2026

Prepared by SERS Investment Staff  
Farouki Majeed, Chief Investment Officer  
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*Serving the People Who Serve Our Schools®*

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## Executive Summary

## EXECUTIVE SUMMARY

The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer to prepare and present an Annual Investment Plan (Plan) to the Board for its approval. The following document outlines the recommended Plan for Fiscal Year (FY) 2026.

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, previous year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2026. Implementation Guidelines for each asset class portfolio are included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits. **This Plan is meant to be a living document subject to adjustment during the year.** If circumstances change or opportunities arise during the year, items that may lead to intra-year changes to the Plan or Strategy Statements will be discussed with the Board.

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The general objectives of the Investment Department for FY2025 were as follows:

- *Our major strategic goals remain unchanged. The focus will continue to be value-added performance, risk management, cost-effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.*

Total Fund's net- of- fees (net) returns exceeded the policy benchmark for all periods over ten years. For FYTD, the Total Fund net return of 4.98% as of March 2025 exceeded the benchmark by 0.60%. For three years, the net annualized return of 5.33% exceeded the benchmark by 1.15%, and for five years, the net annualized return of 11.24% exceeded the benchmark by 1.57%. Over ten years, the Total Fund generated a net return of 8.03%, exceeding the benchmark by 0.98% on an annualized basis. On account of significant outperformance in recent periods, the twenty-year excess return has turned positive after being negative over the years. The excess returns have been generated with active risk remaining well within the limits approved by the Board. The Total Fund return has exceeded the actuarial target of 7% over all periods except for the three-year period.

- *Implement the asset allocation framework and targets approved by the Board in December 2023.*

The interim allocation targets approved by the Board in October 2023 – Global Equities at 41% and Private Equity at 13% – reverted to the strategic targets for FY2025 – Global Equities at 40% and Private Equity at 14% – on January 1, 2025. This strategic allocation represents a 5% decrease in target allocation to Global Equities and a 2% increase in target allocation to Global Private Equity compared to the previous -12% strategic allocation.

The actual allocation for Global Equities reduced from 43.7% in March 2024 to 41.7% as of March 2025, maintaining a 1.7% overweight vs. the 40% target allocation. Staff had a preference to have an overweight in public equity while Private Equity was working on increasing its allocation. Global Private Equity's March 2025 actual allocation was 13.4%, slightly below the 14% target allocation as FYTD distributions as of March 2025 have exceeded capital calls by approximately \$93 million, or roughly 0.5% of Total Fund assets. SERS has \$1.4 billion in undrawn commitments to private equity investments as of March 2025. Nevertheless, all asset classes remain within Board-approved ranges.

- *Continue to develop and engage the Investment team, including adding a new Administrative Assistant due to the retirement of the Operations Manager.*

A new Administrative Assistant was hired in December 2024 who is integrating well with the team and learning enthusiastically.

## EXECUTIVE SUMMARY

### FY2026 OBJECTIVES

- Our major strategic goals remain unchanged. The focus will continue to be on value-added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.
- Conduct an asset allocation study in conjunction with Wilshire and the Board. Implement the new asset allocation framework and targets upon Board approval.
- Assess the need to conduct a General Investment Consultant search and implement, as the current agreement will expire on August 1, 2026.
- Continue to develop and engage the Investment team and ensure a high functioning Investment committee.

### CONCLUSION

As of March 31, 2025, Total Fund net returns of 11.24% over five years and 8.03% over ten years exceed the actuarial rate of 7.00% by a good margin, thus improving the Plan's funded ratio. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs.

Staff appreciates the support and guidance from the Board in FY2025 and looks forward to working with the Board in FY2026 for another successful year.

### ACKNOWLEDGEMENTS

SERS is very fortunate to have an experienced and deep Investment Staff. The following individuals contributed to this report.

- Economic Outlook – Farouki Majeed and Hai Yen Le
- Total Fund Asset Allocation – Farouki Majeed and Chris Hyland
- Global Equities – Judi Masri and Hai Yen Le
- Global Private Equity – Steve Price and Phil Sisson
- Global Fixed Income – Jason Naber and Judi Masri
- Global Private Credit – Adam Messerschmitt and Brad Carr
- Global Real Assets – Paul Cheng and Michael Browning
- Cash Equivalents & Securities Lending – Jason Naber
- Opportunistic and Tactical – Farouki Majeed, Adam Messerschmitt and Brad Carr
- Overlay Program – Farouki Majeed, Jason Naber, and Judi Masri
- Investment Risk Management and Analytics – Chris Hyland and Hai Yen Le
- Investment Operations – Katie Swank and Maleia Te'o

We would appreciate the opportunity to review the Annual Investment Plan with you at the June 2025 Board meeting. If you have any questions or comments before then, please let me know.

Respectfully submitted,



Farouki A. Majeed  
Chief Investment Officer



## Global Economic Outlook

## GLOBAL ECONOMIC OUTLOOK

### **Review of CY 2024:**

US economic growth remained strong in 2024 at 2.8% despite sticky inflation and high interest rates. The resilience of consumer and government spending fueled 2024 growth. The global economic growth rate was 3.2% in 2024 with 1.7% for the advanced economies and 4.2% for the emerging and developing economies.

US headline inflation declined from 3.4% in December 2023 to 2.4% in September 2024, then fluctuated in a range of 2.4-3.1% from September 2024 to April 2025, showing its persistence. Global inflation trended down from 6.7% in 2023 to 5.8% in 2024, significantly higher than the US's level.

The US labor market remained resilient, adding 2.2 million jobs in 2024 vs. 3.0 million in 2023. The tightness of the labor market eased in 2024 as the unemployment rate increased from 3.7% in January 2024 to 4.2% in March 2025. US consumer sentiment declined slightly in 2024 due to sticky inflation and economic growth deceleration concerns.

The Fed pivoted the interest rate policy, conducting three interest rate cuts in the second half of 2024, reducing the federal funds rate from 5.25-5.50% to 4.25-4.50% which remains unchanged as of March 2025. The 10-year US Treasury rate increased from 3.9% in December 2023 to 4.6% in December 2024. The yield curve inversion eased as the yield spread between the 10-year note and cash turned slightly positive in mid-December.

**Economic forecasts from the Blue Chip Consensus (US) and the IMF are presented below:**

### **US ECONOMY**

The consensus expects US economic growth to decelerate materially to 1.4% in 2025 and maintain the same rate in 2026 due to concerns of sticky and rising inflation along with slowing growth caused by high tariffs and trade frictions. Inflation is expected to stay above the Fed's 2.0% target at 3.3% in 2025 and 2.9% in 2026 (Table 1).

According to the Blue Chip Economic forecasts, the unemployment rate is expected to increase to 4.4% in 2025 and 4.7% in 2026. The yield on 10-year US Treasuries is expected to increase to 4.2%, slightly higher than the 3-Month T-Bill yield at 4.1%, indicating expectation of a modest yield curve normalization in 2025. The yield curve is expected to continue steepening in 2026 with the 3-Month T-Bill yield at 3.4%, materially lower than the 10-Year US Treasury yield at 4.1%. US corporate profits are expected to fall to \$1.6 trillion in 2025 and slightly recover to \$2.0 trillion in 2026.

Table 1

Period	Real GDP Growth Rate (%)	Unemployment Rate (%)	Inflation Rate CPI (%)	T-Bill 3-Mo. (%)	T-Note 10-Yr. (%)	Corporate Profits (Cur. \$)
2021	5.8	5.4	4.7	0.0	1.4	27.6
2022	1.9	3.6	8.0	2.0	3.0	7.8
2023	2.9	3.6	4.1	5.1	4.0	6.9
2024	2.8	4.0	2.9	5.0	4.0	7.9
2025 Consensus	1.4	4.4	2.9	4.1	4.2	1.6
2026 Consensus	1.4	4.7	2.7	3.4	4.1	2.0

Source: Blue Chip Economic Indicators, April 2025

## GLOBAL ECONOMIC OUTLOOK

### GLOBAL ECONOMY

The IMF forecasted global GDP growth to decline to 2.8% in 2025 amid escalating trade tensions and policy uncertainty. Global economic growth is expected to improve slightly to 3.0% in 2026 (Table 2). Emerging and developing economies are expected to maintain the growth advantage vs. advanced economies as the former's expected growth rate is 3.7% while the latter's is 1.4% in 2025 and 3.9% vs. 1.5%, respectively, in 2026.

Table 2

Annual GDP Growth (in percent)	2024	2025 (projected)	2026 (projected)
World	3.2	2.8	3.0
US	2.8	1.8	1.7
Advanced Economies (including US)	1.7	1.4	1.5
Emerging and Developing Economies	4.2	3.7	3.9

Source: International Monetary Fund World Economic Outlook, April 2025

## Portfolio Strategy

## PORTFOLIO STRATEGY – Total Fund Asset Allocation

Actual asset allocation relative to policy target is shown in the table below:

	Target	Permissible Range	Actual as of 3/31/2025
Global Equities	40%	35 – 45%	41.7%
Global Private Equity	14%	11 – 17%	13.4%
Global Fixed Income	18%	13 – 23%	13.3%
Global Real Assets (Inflation)	20%	17 - 22%	18.2%
<i>Global Real Estate</i>	13%	10 – 15%	11.0%
<i>Global Infrastructure</i>	7%	5 – 10%	7.2%
Global Private Credit	5%	3 – 7%	6.1%
Opportunistic	0%	0 – 5%	3.2%
Cash	3%	1 – 5%	4.2%
<b>Total Fund</b>	<b>100%</b>		100%
<b>Leverage</b>	N/A	0 – 10%	0%
Total Notional Exposure (Including Leverage)	100%	100 – 110%	100%

Staff has maintained an overweight in Global Equities, Global Private Credit and Opportunistic, and an underweight in Global Real Estate, Global Private Equity and Global Fixed Income relative to the FY25 policy targets. The allocation tilts added value for CY 2024 and FY 2025 as the overweight asset classes outperformed the Total Fund benchmark. The Total Fund returned 4.98% FYTD through March 2025, exceeding the benchmark by 60 bps due to positive Total Fund allocation and asset class portfolio selection effects in Global Equities, Global Fixed Income, Global Infrastructure, Global Private Equity, and Opportunistic as these asset classes exceeded their respective benchmarks. The Overlay program reduced Total Fund performance by 5 bps FYTD.

Concurrent with heightened market volatility and economic uncertainty, Staff is focused on maintaining the strategic asset allocation and will consider tactical opportunities as they arise. Staff continue to actively monitor the underweight to Fixed Income and are prepared to adjust the allocation when the rate outlook changes. The current high volatility of fixed income and on-going positive correlation between equity and bond market performance complicates this picture further.

## PORTFOLIO STRATEGY - Global Equities

### INVESTMENT STRATEGY

SERS invests in equity securities to earn a premium over government treasury bonds due to higher compensation for assuming the higher risk inherent in public equity securities. A sizeable allocation to Global Equities is warranted to meet the long-term return goal of the Total Fund.

SERS' Statement of Investment Policy sets the Global Equities policy target allocation as follows:

	Target	Permissible Range
Global Equities	40%	35-45%

The performance objective of the Global Equity portfolio is to exceed the return of the MSCI All Country World Net Total Return Index (USD) by 40 basis points net of management fees. Actual net of fees performance as of March 31, 2025 is as follows:

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities	4.82	7.57	7.53	15.59	9.18
Global Equities Benchmark	4.16	7.15	7.06	15.14	8.68
Net Excess Return	0.66	0.42	0.47	0.45	0.50

Source: BNY Mellon GRS

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Monitor the portfolio for possible performance enhancement, completing searches, as necessary.*

Staff continues to focus on hiring core, broad based mandates with a benchmark aware focus. The following details portfolio changes in CY24 and CY25:

- JP Morgan US Core was funded January 1, 2024 with 7 bps net excess return since inception.
- T. Rowe Price US Core was funded January 1, 2024 with 75 bps net excess return since inception.
- Lazard EM Core was funded January 1, 2024 with 356 bps net excess return since inception.
- BlackRock STA was funded July 1, 2024 with 390 bps net excess return since inception.
- Brown Capital US Small Cap Growth was terminated in August 2024.
- JP Morgan China A was terminated in January 2025.
- AB US Small Cap Value was terminated in March 2025.
- State Street's R1000 Growth and Value accounts were terminated in March 2025.
- C,C&L Global Alpha Extension was funded April 1, 2025.
- *Manage the Global Equities portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.*

The 100% active Global Composite reduced its beta to 0.97, which was a headwind the first half of FY25 but yielded 362 bps of net excess return during the first quarter of CY25. Both global mandates have information ratios near or above 1.0.

US Equity risk monitoring focused on portfolio beta and small cap bias risks. The US large cap active composite beta gradually rose during CY24 from 0.88 to 0.95 by redeeming from low beta managers early in CY24 to fund JP Morgan and T. Rowe Price, each with a beta of 1.0. Beta increased again when BlackRock STA was added to the portable alpha composite with a beta of 1.0. The small cap overweight was reduced to neutral by terminating AB and Brown along with redeeming an additional \$25 million from active managers.

The Non-US portfolio's primary risk factor is its small cap bias in both developed and emerging portfolios driven by quantitative mandates along with a dedicated developed market small cap composite. The developed market beta stands at 0.97 and emerging market beta is 1.0.

- *Review IMAs and Investment Guidelines to make any necessary adjustments.*

Walter Scott's IMA was fully re-negotiated in FY25.

## PORTFOLIO STRATEGY - Global Equities

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1 Year	3 Year	5 Year	10 Year
Russell – 3000 Index	3.88	7.22	8.22	18.18	11.80
Russell – 3000 Growth Index	(0.57)	7.19	9.63	19.57	14.55
Russell – 3000 Value Index	9.11	6.66	6.28	16.13	8.63
Russell – 1000 Index	4.10	7.82	8.65	18.47	12.18
Russell – 2000 Index	(0.75)	(4.01)	0.52	13.27	6.30
MSCI – AC World Index (\$Net)	4.16	7.15	6.91	15.18	8.84
MSCI – AC World Ex-USA Index (\$Net)	5.08	6.09	4.48	10.92	4.98
MSCI – World Ex USA Index (\$Net)	5.94	5.30	5.70	12.16	5.50
MSCI – Emerging Markets Index (\$Net)	2.95	8.09	1.44	7.94	3.71

Source: Nasdaq eVestment

Fiscal years begin July 1 and end on June 30

### CURRENT MARKET CONDITIONS AND OUTLOOK

Global equity markets (MSCI ACWI) rallied 17.5% in CY24 as US equity (Russell 3000) returned 23.8%, leading Non-US Equity Markets (MSCI AC World Ex-USA index) with a 5.5% return. In Q1, 2025, the US market rally halted with a loss of 4.7% while Non-US markets gained 5.2%. Global equity markets gained 4.2% for FY25 through March.

The US equity market performed strongly in CY24 thanks to broad-based healthy earnings and strong gains of Artificial Intelligence related companies. However, the uncertainty of the US tariff policy rattled the market in Q1 lowering the return to 3.9% for FY25 through March. The Non-US Developed market (MSCI World ex USA Index) underperformed the US market for CY 2024 but outperformed the latter for FY25 through March with returns of 4.7% and 5.9%, respectively. Emerging Markets (MSCI EM) beat the Non-US Developed market but lagged the US market for CY 2024 with a return of 7.5%. For the period FY25 through March, the Emerging Markets gained 3.0%, beating the US but lagging the Non-US Developed market.

Equity market volatility is expected to be elevated, and return is expected to be muted due to concerns about intensifying trade wars, high interest rates, high inflation and slower growth. The S&P 500 index was trading at 27 times earnings, significantly higher than the non-US market as well as its own historical average. The Developed ex-US and Emerging Markets were trading at 18 times earnings; while the former was slightly above its historical average, the latter was materially higher than its long-term average.

### PORTFOLIO STRUCTURE

At the end of March, Global Equities allocation was overweight the 40.0% Total Fund's target allocation by 3.3% (1.7% including futures). The global composite grew to 25.8% of total equities due to appreciation and regional composite redemptions. The regional composite, 74.2% of total equities, has the following exposures:

- The US allocation changed from overweight a year ago to a 52bps underweight relative to its 64.6% March MSCI ACWI benchmark target allocation as the US performance advantage deteriorated in 2025,
- The Non-US Developed Market allocation moved to a 29bps overweight in 2025 relative to its 25.1% March MSCI ACWI benchmark target allocation, and
- The Non-US Emerging allocation was adjusted to 23bps overweight in 2025 relative to its 10.0% March MSCI ACWI benchmark target allocation.

The US portfolio maintains a slight growth tilt. The US portfolio is currently 74.7% passively managed, which slightly increased by 0.3% over the prior year. Passive management may decline in favor of active management over the next year as active management is anticipated to outperform in a broader and/or declining market.

The Non-US portfolio maintains a small capitalization bias and a marginal growth style tilt. The portfolio will remain a moderate overweight to small capitalization stocks, as small caps are undervalued relative to large cap thus is expected to add to longer-term return. The Non-US portfolio is 84.4% active in Developed Markets (DM), 1.3% higher than the previous year. Active management may continue to grow above 84.4% as Staff redeems from passive to fund a new global manager. Emerging markets will remain 100% active management due to greater market inefficiency.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives during FY2026:

- Complete the funding of the new CC&L Global Equity Alpha Extension mandate as approved by the January 2025 Investment Committee.
- Monitor the portfolio for possible performance enhancement, completing searches, as necessary.
- Manage the Global Equities portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.
- Engage Wilshire on a portfolio structure review focusing on correct global and regional composite composition, active-passive allocation, and detailed manager alignment. Make portfolio adjustments, as necessary.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

## PORTFOLIO STRATEGY – Global Private Equity

### INVESTMENT STRATEGY

SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

SERS' Statement of Investment Policy sets the Private Equity target allocation as follows:

	Target	Permissible Range
Global Private Equity	14%	11% - 17%

The performance objective for Private Equity is to provide net returns in excess of the MSCI-Burgiss Global Private Equity Funds Index by 150 basis points. Actual net of fees performance as of March 31, 2025, follows:

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
SERS Private Equity	7.04	10.81	7.61	17.14	16.51
Private Equity Policy Benchmark	4.47	5.60	1.68	12.69	12.27
Net Excess Return	2.57	5.21	5.93	4.45	4.24

Source: [MSCI-Burgiss Global Private Equity Funds Index](#)

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.*

The Private Equity allocation is 13.4% as of March 31, 2025. This is slightly below the target allocation of 14% but well within the range of 11% to 17%. To date, approximately \$137 million has been approved by the SERS Investment Committee to two funds and two co-investments.

- *Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions, and optimize manager counts as appropriate.*

To date, two commitments have been approved to private equity funds with an average management fee of 1.83%. Additionally, two commitments have been approved to co-investments that have no management fees or carried interest. Together the average management fee on all approved commitments is 0.91%. These private equity commitments are diversified by investment strategy, sector focus and geography.

- *Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.*

Two co-investments have been made fiscal year to date. The Private Equity co-investment portfolio has grown considerably in size the last several years and has a market value of \$188 million as of March 31, 2025, representing 7% of the Private Equity portfolio.

- *Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.*

Staff reviewed over 100 investment offerings during FY25. A few compelling prospects were identified, and staff will continue to track these opportunities for future review and consideration.

## PORTFOLIO STRATEGY – Global Private Equity

### PORTFOLIO COMPOSITION

	Allocations as of March 31, 2025	Target Ranges
Buyout	78%	55% - 95%
Venture Capital	9%	0% - 10%
Special Situations	6%	5% - 25%
Co-Investments	7%	0% - 25%
Domestic	79%	55% - 95%
International	21%	5% - 45%

### CURRENT MARKET CONDITIONS AND OUTLOOK

The past few years have been the private equity industry's most challenging period since the global financial crisis. Macro conditions and policy decisions will weigh heavily on momentum and uncertainty continues to keep the private equity market on edge. Much uncertainty remains around inflation and interest rates and private equity investors are seeking clarity on tariffs and other macro issues. Economic uncertainty combined with elevated purchase valuations and a steady flow of dry powder once again underscores the importance of identifying and backing high quality private equity managers that remain disciplined in their process, due diligence, and selection criteria throughout investment cycles.

The long-term outlook for private equity remains positive. Top quartile private equity managers find ways to overcome problems, generate returns for their limited partners and earn the capability to raise additional funds. With this in mind, the outlook for the SERS Private Equity portfolio is favorable. Current market conditions reflect positively on the style of investing employed by the general partners that make up the core of the SERS Private Equity portfolio. SERS' Private Equity portfolio is comprised primarily of general partners who have demonstrated the ability to identify, create value and exit companies in all market environments.

In an effort to ensure the portfolio is properly positioned for future uncertainty, our goals for the fiscal year include: continuing to identify and invest with operationally focused managers who primarily target the middle market and avoid the competition in the large and mega space; increasing exposure to attractive investments that meet our criteria and offer lower costs through co-investments; and ensuring that we stay on top of market trends and opportunities by continuing to research and seek out managers offering investment strategies that deliver private equity like returns with differentiated and unique strategies. Additionally, as the Total Fund moves into what many believe will be a low return environment, we are targeting an allocation level of Private Equity to slightly above its target of 14% to capture the benefit of this higher returning asset class to the Total Fund. This will take time as Private Equity is a long-term asset class where manager selection is critical, and additional capital takes more time to deploy.

### FY2026 OBJECTIVES

Staff will focus on the following objectives during FY2026:

- Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.
- Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions, and optimize manager counts as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.

## PORTFOLIO STRATEGY - Global Fixed Income

### INVESTMENT STRATEGY

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.

SERS' Statement of Investment Policy sets the Global Fixed Income target allocation as follows:

	Target	Permissible Range
Global Fixed Income	18%	13% - 23%

The performance objective for the Fixed Income portfolio is to exceed the Bloomberg US Universal Bond Index, net of manager fees, by 60 basis points. Actual net of fees performance as of March 31, 2025, follows:

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
Global Fixed Income	5.40	5.74	1.60	1.56	2.41
Global Fixed Income Policy Benchmark*	5.04	5.11	0.59	(0.35)	1.49
Net Excess Return	0.36	0.63	1.01	1.91	0.92

\*Bloomberg US Aggregate Bond Index through 6/30/2024; Bloomberg US Universal Bond Index starting 7/1/2024

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Manage the portfolio structure and risk relative to the benchmark as central banks globally reach peak interest rates and the potential for a US recession grows.*

As of March 31, the portfolio outperformed the benchmark by 36 bps, net of fees, with a return of 5.40% fiscal year-to-date. The drivers of outperformance were the higher allocations to high yield, emerging market debt and mortgage-backed securities as spreads continued to tighten in these sectors fiscal year-to-date. Portfolio duration was kept close to benchmark duration due to uncertainty of the direction of interest rates. Also, the portfolio's US Treasury allocation has increased to its highest weight in several years as credit spreads grinded to very tight levels, making valuations in credit unattractive.

- *Tactically manage the allocations to core, core plus and tactical and diversifying strategies to enhance the risk and return tradeoff. Continue to research new and innovative investment opportunities to position the portfolio for a potential recession, falling interest rates and to diversify sources of return.*

Staff continued making additional allocations and reallocating funds between core, core plus, and tactical and diversifying strategies to adjust portfolio duration and sector exposures. Additional allocations totaling \$25 million were contributed to core strategies, \$66 million to core plus and \$30 million to tactical diversifying strategies. Staff terminated one core plus manager due to underperformance and senior level personnel turnover. A new core plus manager with consistent outperformance and low correlation with existing managers was funded with \$200 million in Q1 2025.

- *Implement the new portfolio benchmark change, if the Board approves, to the Bloomberg US Universal Bond Index, which includes allocations to high yield and emerging market debt and more accurately reflects the portfolio holdings and risk exposures and result in lower tracking error.*

The new benchmark was implemented on July 1<sup>st</sup>. Since the benchmark includes allocations to high yield and emerging market debt, the portfolio overweight to these sectors has decreased. As a result, the annualized tracking error of the portfolio has also decreased. The tracking error range in the implementation guidelines has been changed from a limit of 5% down to 4% to reflect the lower expected tracking error going forward.

- *Review IMAs and Investment Guidelines to make any necessary adjustments.*

Two IMAs were fully renegotiated and investment guidelines for one strategy were updated during the year.

### CURRENT MARKET CONDITIONS AND OUTLOOK

The Bloomberg US Universal Bond Index returned 5.04% for FY2025 through March 2025. All sectors of the index had positive performance with high yield performing the best, outperforming the index by 1.48% with a 6.53% return as spreads continued to compress to very tight levels and continued to earn an attractive yield of 7.73%. Blended emerging market debt also had strong outperformance of 1.44% with a 6.48% return. Commercial MBS, which has a small allocation in index of 1% outperformed by 0.71% as certain sectors like office continue to improve in the long wake of the pandemic. US agency mortgages, which is the largest sector in the index, returned 5.32% and outperformed due to low housing inventory and high mortgage rates leading to higher home prices and consumers continuing to stay put, unwilling to give up the low interest rate on their mortgage. US Treasuries performed relatively in line with the index with a 4.99% return earning only slightly more than the prevailing yield. The yield started the fiscal year 4.4%, fell as low as 3.6% but rose back to 4.2% at the end of Q1.

After cutting interest rates three times in the fall of 2024 for a total of 1%, the Fed has been on pause as inflation continued to fall slowly and unemployment remained steady. As the US has now entered a trade war with the rest of the world, the potential inflationary impacts could keep the Fed on the sidelines until the labor market weakens due to slowing US growth. Currently, the three rate cuts are priced into markets. The US Treasury market outlook is mixed with longer maturities vulnerable to volatility due to inflation and fiscal deficits and the belly of the curve offering the most potential for value if the Fed cuts rates. For now, a neutral to slightly long duration position continues to make sense while the path of rates remains volatile. Investment grade and high yield credit spreads have moved wider recently, and this could continue due to current economic uncertainty, but balance sheets remain healthy, and defaults are expected to be in-line with historical averages. Agency mortgage fundamentals remain neutral, and as macro-economic uncertainty subsides, mortgages look attractive at current spread levels. In securitized credit, federal policy uncertainty is a headwind, particularly tariffs, but credit fundamentals remain solid. For emerging market debt, US trade policy uncertainty and subsequent global financial market volatility make the potential impact on emerging market economies difficult to predict.

### PORTFOLIO STRUCTURE

The Fixed Income portfolio is currently weighted 48% core, 40% core plus and 12% to tactical and diversifying strategies. With additional cash contributions to lower yielding strategies and spreads moving tighter fiscal year-to-date, the yield of the portfolio has decreased by 0.51% to 5.08%, which is a yield advantage of 0.27% over the benchmark. The average credit quality of the portfolio increased to AA-, matching the rating of the benchmark. The average portfolio duration of the core and core plus strategies is 6.0 years, 0.2 years longer than the benchmark.

The portfolio is underweight US government sectors by the smallest amount in several years and overweight credit sectors to earn additional yield and price appreciation over the benchmark. The allocation to US Treasuries was increased by 5% since the beginning of the year with the hiring of the core plus manager who has a more dynamic sector allocation approach, while the allocations to mortgages, investment grade corporates and high yield were reduced by 5% as a result. The portfolio is conservatively positioned with each credit sector exposure over/under weights less than 2% except asset-backed securities at +5% and a long duration position 3% higher than the benchmark.

### FY2026 OBJECTIVES

Staff will focus on the following objectives in FY2026:

- Manage the portfolio structure and risk relative to the benchmark as uncertainty resulting from the tariff war, immigration policy, taxes and deregulation make the outlook for markets unclear.
- Increase the portfolio allocation closer to the 18% strategic allocation weight if fixed income becomes more attractive relative to other asset classes.
- Tactically manage the allocations to core, core plus and tactical and diversifying strategies to enhance the risk and return tradeoff. Continue to research new and innovative investment opportunities to position the portfolio for a potential recession, global market volatility and to diversify sources of return.
- Adjust IMAs and Investment Guidelines as needed.

## PORTFOLIO STRATEGY – Global Private Credit

### INVESTMENT STRATEGY

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 cash yield.

SERS' Statement of Investment Policy sets the Global Private Credit target allocation as follows:

	Target	Permissible Range
Global Private Credit	5%	3% – 7%

The performance objective for the Global Private Credit portfolio is to provide net of fee returns of 100 basis points above the 90-day Treasury bill rate + 4.5%, one quarter in arrears.

Annualized Returns (in percent) for Periods Ended March 31, 2025				
	FYTD	1-Year	3-Years	Since Inception
Global Private Credit	6.32	10.00	8.74	10.69
Policy Benchmark	7.33	9.95	8.98	7.38
Net Excess Return	(1.01)	0.05	(0.24)	3.31

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Global Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.*

Staff continued to slow deployment during the course of the fiscal year since the Global Private Credit portfolio is over the target allocation of 5%, but within the permissible range of 3% - 7%. Staff also reduced commitment sizes for new investments to maintain the target allocation within the permissible range, as well as discontinued commitments to new fund vintages that were not performing in line with underwriting expectations.

- *Build the Global Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.*

Staff executed \$125 million in capital commitments within the Global Private Credit portfolio during the fiscal year. This included increasing the commitment to an existing fund within the Direct Lending sub-asset class by \$25 million. Staff also made two commitments of \$50 million each to new investments within the Asset Based Lending/Other sub-asset class. The Asset Based Lending/Other sub-asset class includes investments collateralized by financial and hard assets that generate cash flows from sources that are differentiated from traditional corporate lending cash flows and can provide additional downside protection for lenders. Compared to Direct Lending investments, Asset Based Lending investments are typically shorter in duration and have faster amortization profiles. The Global Private Credit allocation exceeded the target allocation of 5% by 1.2% at the end of 2024.

- *Evaluate new investments with a cautious approach given the economic outlook and higher interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.*

The three commitments that were executed and the new investments considered for the Global Private Credit portfolio all include an income component, which is expected to comprise the largest part of the investment return. Most of the underlying investments within private credit funds include a contractual cash payment that is distributed to investors in the form of income on a quarterly basis. Although base rates started to decline during the fiscal year, the expanding number of loans within the Global Private Credit portfolio resulted in an overall increase of distributed income compared to the prior fiscal year. In addition, increasing the allocation to Asset Based Lending strategies will provide incremental income to the portfolio, as well as further downside protection with the collateralization of loans. During the fiscal year, Staff remained focused on investing with managers that have robust due diligence processes, monitored the ability of portfolio companies to withstand the higher interest rate environment, and took a disciplined approach to investing new capital.

## PORTFOLIO STRATEGY – Global Private Credit

- *Evaluate new investment ideas within Asset Based Lending/Other to build the sub-asset class towards the target allocation.*

During the year, Staff reviewed numerous Asset Based Lending strategies that could provide diversification benefits to the portfolio, which is primarily comprised of corporate cash flow lending strategies. As previously mentioned, Staff made two new commitments to Asset Based Lending strategies in order to increase the allocation within the Global Private Credit portfolio. However, Staff is taking a slow and disciplined approach to adding new Asset Based Lending managers to the portfolio. Overall, the pace of capital deployment has slowed given the Global Private Credit allocation is above target. As capacity becomes available, Staff will consider adding new strategies to the portfolio with a focus on increasing the allocation to Asset Based Lending, which is one of the fastest growing areas of the private credit market.

- *Review the appropriateness of the benchmark and recommend changes if necessary.*

Staff continue to review the appropriateness of the Global Private Credit policy benchmark and recommend replacing the current policy benchmark with the 90-day SOFR rate + 4.5%, one quarter in arrears. The SOFR rate is utilized as the reference rate for private loans and is a more appropriate measure for performance.

### CURRENT MARKET CONDITIONS AND OUTLOOK

The private credit market was estimated to be \$1.7 trillion in assets under management (“AUM”) at the end of the year and is forecast to surpass \$2.8 trillion in the next several years. During 2024, fundraising activity slowed given the economic uncertainty and higher interest rate environment. Many investors paused on new investments within the private credit space given the uncertainty of corporate earnings growth and the ability of companies to service debt obligations. The direct lending strategy continued to grow in AUM and raised approximately \$120 billion during the year, exceeding fundraising in all other private credit strategies as investors continued to seek the higher cash yield associated with direct lending. The leveraged loan market continued to see lower deal activity throughout most of the year, but activity began to pick up towards the end of 2024. Larger companies, including public companies, continued to turn to the private credit market for financing needs given the lack of readily available capital. Loan defaults and distressed debt volumes were relatively stable throughout 2024 with distressed debt exchanges comprising most of the defaults during the year. The impact of higher interest rates for longer and the potential for higher tariffs could lead to an increase in default rates across the leveraged loan and private credit markets.

The outlook for the private credit market is positive with considerable growth still expected despite the slowdown in private equity deal activity throughout 2024, which had an impact on the number of loans executed by private credit managers. Private equity deal activity is expected to pick up during 2025, but the potential for headwinds related to higher tariffs could have a negative impact on mergers and acquisitions. However, there is still a robust opportunity set within the private credit market as many companies need alternative financing. The private credit market continues to expand into new areas that have been traditionally serviced by the banks. Asset lending is the fastest growing area that includes loans collateralized by various types of assets. As these new areas of growth emerge, the private credit market could grow larger than expected. The cash yields on debt instruments continued to provide an attractive return for investors. In particular, the income focused direct lending strategy delivered an estimated 12.3% yield to investors, which was an attractive premium over the U.S. non-investment grade, U.S. investment grade, and 10-year U.S. Treasury yields of 7.1%, 5.1%, and 4.2%, respectively.

The Federal Reserve began to decrease interest rates in the second half of 2024 but at a slower pace than originally expected. Unless the Federal Reserve is motivated to decrease interest rates at a faster pace, it is expected that interest rates will remain higher for longer. The higher interest rate environment can add to returns within the private credit asset class, but it can also increase the likelihood of higher default rates given the uncertainty around whether borrowers will be able to continue servicing debt. Therefore, it is important for private lenders to conduct a rigorous underwriting process on portfolio companies to ensure borrowers can withstand the impacts of higher interest rates and other economic pressures, such as higher tariffs. Since the pipeline of opportunities is expected to be robust, private lenders can be even more disciplined when selecting borrowers. Thus, resulting in the ability to originate loans with better protections in place for the lender, while providing downside protection and an attractive cash yield for investors.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Manage the Global Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.
- Manage the Global Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.
- Evaluate new investments with a cautious approach given the economic outlook and higher interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.
- Evaluate new investment ideas within Asset Lending to increase the allocation within the portfolio.
- Continue to review the appropriateness of the benchmark and recommend changes if necessary.

## PORTFOLIO STRATEGY - Global Real Assets

### INVESTMENT STRATEGY

The role of SERS' Global Real Estate portfolio is to provide stable income return from tangible real estate assets, partial inflation hedge over the long term, and diversification from equities.

SERS' Statement of Investment Policy sets the Global Real Estate target allocation as follows:

	Target	Permissible Range
Global Real Estate	13%	10-15%

The performance objective for Global Real Estate is to produce net of fee returns in excess of the NCREIF Property Index ("NPI"), one quarter in arrears. The performance objective is intended to be accomplished over a market cycle, with the income component of the return comprising a significant portion of the total return.

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
Global Real Estate	0.09	(1.08)	(1.60)	4.32	6.55
Policy Benchmark	1.42	0.43	(0.82)	3.13	5.66
Net Excess Return	(1.34)	(1.51)	(0.78)	1.19	0.89

Source: BNY Mellon & NCREIF

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Real Estate Annual Investment Plan objectives and related activities are as follows:

*Formulate a one-year plan to keep the allocation within the 10-15% range.*

Staff has tactically lowered the Real Estate portfolio allocation towards the lower end of the allowed 10-15% range. Staff has redeemed \$504 million from open-end funds over the past four years to lower the allocation to 10% in order to grow the allocation in Infrastructure to 10%. Infrastructure has outperformed Real Estate in most periods.

- *Upgrade the allocation by evaluating new investment strategies such as real estate debt and secondaries that could take advantage of the current market correction, and niche property types that have secular growth drivers.*

Staff committed to a real estate debt fund in FY2024 to take advantage of the market dislocations. During FY2025 Staff increased that commitment by 50% due to the fund's high income return and solid performance to date.

- *Actively pursue co-investment opportunities with existing and high-quality non-current Real Estate managers.*
- During the fiscal year, Staff evaluated many co-investment opportunities. However, Staff did not pursue any real estate co-investments given the tactical shift to lower the allocation to Real Estate.

### CURRENT MARKET CONDITIONS AND OUTLOOK

Across most property types, real estate values declined in 2024, continuing the depreciation trend of (7.9%) in 2023, though in the second half, there were signs of stabilization and recovery. SERS' Real Estate portfolio returned (5.93%) net of fees in 2024 versus a benchmark NPI return of (3.47%) gross of fees, producing an excess return of (2.46%). Real Estate income return gross of fees during 2024 was 4.31%.

Real Estate portfolio performance in 2024 was disappointing, consistent with the broader market downturn. In the most aggressive interest rate hiking cycle since the 1970s, the U.S. Federal Reserve increased interest rates nine times from 0.25% to 5.25% over an 18-month period before reducing interest rates to 4.5% by the end of 2024. Consequently, capitalization (cap) and discount rates used to value real estate assets increased dramatically, resulting in lower asset values. Meanwhile, fundamentals for Industrial, Multifamily, and Retail properties remained relatively positive, with new construction starts declining, vacancy rates below 8% and total rental income growth rates in the 3-4%, reflective of good demand. Because lending standards leading up to the downturn have been stringent and supply has been either flat or grown moderately, the conditions that led to significant drawdowns as seen during the Global Financial Crisis are not present. Asset markdowns have been primarily driven by the aforementioned higher cap and discount rates.

## PORTFOLIO STRATEGY - Global Real Assets

The Office sector continues to face challenges due to oversupply and functional obsolescence. However, government and corporate mandates to return to office and a less accommodating job market are leading to improved occupancy and stabilizing rents. Additionally, the values of many office buildings have adjusted downward enough to attract buyers. While the outlook has improved, the office sector is expected to see slower rent growth and appreciation compared to others.

Despite the current negative sentiment, 2025-2026 could be an attractive period to allocate new capital as values reset and provide attractive entry points. New construction has declined because higher interest rates and material costs have made it financially challenging to build. With sellers becoming more realistic with asking prices, 2025 could see an uptick in transactions after significant slowdowns in 2022-24.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Formulate a one-year plan to keep the allocation within the 10-15% range, with the goal of reducing allocation to the low end of the range, while still committing to strategies and investments that can outperform the benchmark and improve portfolio construction.
- Staff continue to review the appropriateness of the Global Real Estate policy benchmark and recommend replacing the current policy benchmark with the Expanded NCREIF Property Index (Expanded NPI). Versus the current NCREIF Property Index, the Expanded NPI includes a broader set of property types.
- Evaluate new investment strategies such as residential real estate and niche property types to improve portfolio property type allocations.
- Actively pursue co-investment opportunities with existing and high-quality non-current Real Estate managers.

## PORTFOLIO STRATEGY - Global Real Assets

### INVESTMENT STRATEGY

The role of SERS' Global Infrastructure portfolio is to provide stable income return from tangible infrastructure assets, partial inflation hedge over the long term and diversification from equities.

SERS' Statement of Investment Policy sets the Global Infrastructure target allocation as follows:

	Target	Permissible Range
Global Infrastructure	7%	5-10%

The performance objective for Global Infrastructure is to produce net of fee returns in excess of the Consumer Price Index (CPI) on a smoothed quarterly (4 qtrs.) basis + 1.2% per quarter (or approximately CPI + 5% on an annual basis, with income component of the return comprising a significant portion of the total return.

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	Since Inception
Global Infrastructure	7.12	9.27	7.71	7.96	10.08
Policy Benchmark	5.88	8.05	3.37	5.72	6.61
Net Excess Return	1.24	1.22	4.34	2.24	3.46

Source: BNY Mellon

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Infrastructure Annual Investment Plan objectives and related activities are as follows:

- Formulate a one-year plan to keep the allocation within the 5-10% allocation.*

Staff committed \$606 million to new investments during the fiscal year to increase the allocation towards the 7% target, with a long-term goal of increasing allocation to the high end of the range (10%).
- Evaluate new investment strategies such as energy security and transition, digital infrastructure, and others that provide inflation protection and income return.*

New funds and strategies were added to provide diversification and gain exposure to attractive investment themes like energy transition and secondaries. During the fiscal year, Staff committed to several funds that target 5-7% income return over the long run.
- Actively pursue co-investment opportunities with existing and high-quality non-current Infrastructure managers.*

During the fiscal year, Staff evaluated many co-investment opportunities. Staff committed to two co-investment, one continuation fund, and two co-investment sidecars for additional exposure to attractive assets with favorable fee economics alongside high conviction managers.

### CURRENT MARKET CONDITIONS AND OUTLOOK

The infrastructure portfolio once again proved to be a safe harbor in a volatile year. The core, essential, and monopolistic characteristics of many infrastructure assets demonstrated their resilience. SERS infrastructure portfolio performed well in 2024, providing downside protection and cash yield. Most of SERS' infrastructure funds are still in early life cycle but are performing as expected and providing cash distributions. New funds may underperform for short periods due to start-up fees and as assets mature. However, SERS' large, diversified portfolio with different vintages should withstand this impact. The infrastructure program added three new co-investments/continuation funds, and two co-investment sidecars in 2024.

Going forward, the infrastructure program will continue to focus on attractive assets that provide inflation protection, diversification, and cash yield. Beginning in 2024, infrastructure was given its own allocation target and range with a CPI-based absolute return benchmark. As CPI moderates from the post-pandemic, multi-decade highs, the infrastructure portfolio will compete with a less volatile benchmark.

## PORTFOLIO STRATEGY - Global Real Assets

Sectors that will be high priority are energy security / transition because of growing power demand, and digital infrastructure, which continues to benefit from the global mega-trend of digitalization. However, sectors like utilities that provide consistent income returns while benefiting from the energy transition theme and assets that meet the inflation protection, income return, and diversification requirements for infrastructure will also be considered.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Formulate a one-year plan to keep the allocation within the 5-10% allocation, with the goal of increasing allocation to the high end of the range.
- Evaluate new investment strategies such as energy security and transition, digital infrastructure, and others that provide inflation protection and income return.
- Actively pursue co-investment opportunities with existing and high-quality non-current Infrastructure managers.

## PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

### INVESTMENT STRATEGY

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.

SERS' Statement of Investment Policy sets the Cash Equivalent target allocation as follows:

	Target	Permissible Range
Cash Equivalents	3%	1% - 5%

The performance objective for Cash Equivalents is to exceed the return as measured by the FTSE 30-day US Treasury Bill Index.

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
Cash Equivalents	3.83	5.15	4.35	2.60	1.93
FTSE 30-day US T-Bill Index	3.68	5.08	4.35	2.61	1.84
Net Excess Return	0.15	0.07	0.00	(0.01)	0.09

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that generates additional income for the plan by temporarily lending equity and fixed income securities. All loans are collateralized with cash at 102-105% of security market value and reinvested in government money markets and repurchase agreements. Loans to approved borrowers are limited to 25% of the average monthly market value of the loan from the prior year. Fixed income security loans require a ten-basis point minimum spread at loan initiation. The program is implemented through a third-party lending agent and collateral reinvestment manager.

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.*

Due to prime money market regulation reforms in October that instituted mandatory liquidity fees for institutional investors, Staff moved all cash into a government money market fund that only invests in US government securities for stability and lower risk. Staff also explored investing directly in tri-party repurchase agreements, but did not move forward due to unattractive rates, a large on-going investment requirement and onerous legal documentation.

- *Migrate the cash portfolio to BNY's Liquidity Direct platform, which will improve the breadth of options available to invest the short-term cash going forward.*

The migration to the Liquidity Direct platform was completed in December. Staff now have access to an online portal to evaluate a wide range of competing money market fund options. In addition, with this robust research platform, Staff now has the capability to utilize tools to monitor the cash portfolio's parameters.

- *Continue to forecast and analyze expected asset class cash flows and pension payments quarterly to ensure cash flow needs can be anticipated and planned for in advance.*

Staff continue to utilize a cash flow variance report to monitor forecasted versus actual cash flows. The fiscal year-to-date monthly pension transfers have been lower than forecasted due to excess cash in the pension account.

- *Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.*

Lending income continued its downward trend over the same period last year as strong upward US equity markets have led to lower demand for shorting securities. Income was lower across US equities, non-US equities and fixed income.

### **CURRENT MARKET CONDITIONS AND OUTLOOK**

Cash continues to offer an attractive return with the US government money market fund yielding 4.30% but trended down from 5.25% in the fall when the Federal Reserve started cutting interest rates. The Fed cut interest rates three times, reducing interest rates by a total of 1%. With the implementation of the new tariff and immigration policies this spring, the Fed is now concerned about the potential for rising inflation and higher unemployment. The Fed is not expected to cut rates further unless the unemployment rate approaches 4.5%, otherwise they risk exacerbating inflation risks further.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.
- Continue to forecast and analyze expected asset class cash flows and pension payments quarterly to ensure cash flow needs can be anticipated and planned for in advance.
- Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.

## PORTFOLIO STRATEGY - Opportunistic & Tactical

### INVESTMENT STRATEGY

SERS invests in opportunistic & tactical 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.

SERS' Statement of Investment Policy sets the Opportunistic & Tactical investments target allocation as follows:

	Target	Permissible Range
Opportunistic & Tactical	0%	0% - 5%

The performance objective for the Opportunistic & Tactical portfolio is to provide net of fee returns of 100 basis points above the Bloomberg US Aggregate Bond Index + 2%.

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
Opportunistic & Tactical	9.59	10.83	5.69	8.70	6.95
Policy Benchmark	6.26	6.88	2.52	2.67	3.58
Net Excess Return	3.33	3.95	3.17	6.03	3.37

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Search for possible Opportunistic & Tactical investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and exposure to themes not suitable for other asset classes. Investments that pass initial screening will undergo detailed due diligence prior to Staff recommendation.*

Staff added two new investments totaling \$119 million to the portfolio during the fiscal year. Staff made an investment in a fund that makes private subordinated debt and equity investments in European companies, as well as a fund that focuses on stressed trading and distressed-for-control investments, with an emphasis on companies based in the United States and Europe. Staff also made additional investments of \$10 million each in an existing long/short equity strategy focused on the energy sector as well as an existing gold ETF. Staff continue to review potential investment opportunities that could be a fit for the portfolio and provide diversification benefits for the Total Fund.

- *Actively manage the Opportunistic & Tactical allocation to improve portfolio structure and returns without increasing risk.*

Staff continue to closely monitor and manage the liquid portion of the portfolio. The portfolio is comprised of five funds that offer liquidity on a regular basis. These liquid funds represent approximately 38% of the Opportunistic allocation.

### PORTFOLIO COMPOSITION

The investments in the portfolio are grouped into four strategies and the allocations are as follows:

	Allocations as of March 31, 2025
Distressed	32%
Diversified & Tactical	30%
Multi Asset Strategy	9%
Structured Credit	29%

### CURRENT MARKET CONDITIONS AND OUTLOOK

The Opportunistic & Tactical portfolio consists of funds that seek to take advantage of market dislocations, or which do not fit within the risk and return objectives of other asset classes. The return objective of the portfolio is to outperform the Bloomberg US Aggregate Bond Index + 2%. The portfolio is positioned to take advantage of an environment consisting of high interest rates, high inflation, and a slowing economy. Current strategies include investments that provide inflation protection as well as investments that are uncorrelated to public equities and fixed income, such as distressed assets, structured credit, and long/short commodity and equity funds.

## PORTFOLIO STRATEGY – Opportunistic & Tactical

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Evaluate new investments that are expected to exceed the policy benchmark and provide diversification benefits for the Total Fund. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Staff will focus on investment strategies that provide diversification, downside protection, and exposure to themes not suitable for other asset classes.
- Actively manage the Opportunistic & Tactical portfolio to improve risk-adjusted returns and diversification for the Total Fund, while considering the liquidity profile of the portfolio.
- Review the current portfolio composition and recommend changes to the four strategies if necessary.

## PORTFOLIO STRATEGY – Overlay Program

### INVESTMENT STRATEGY

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying assets and currency exchange rates to enhance the Total Fund portfolio efficiency. The overlay program includes tactical asset allocation and active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through active allocations (long/short) across stocks and bonds thereby exploiting short-term macro market dislocations. The active currency strategies aim to add value and risk diversification to the Total Fund, as well as help manage currency risk by utilizing short-term inefficiency in the foreign exchange markets and low correlation of the strategies to the major asset classes such as US equity and fixed income.

The program is fully tactical; exposures to any overlay strategies in this program are not required by the Statement of Investment Policy.

The overlay program is targeted to add 10 to 20 bps to Total Fund performance on a three-to five-year horizon. The tracking error of the tactical rebalancing strategy and the active currency program are expected to be in the range of 5 to 15 basis points and 5 to 8%, respectively.

Cumulative FYTD & Annualized Returns (in percent) for Periods Ending March 31, 2025					
	FYTD	1-Year	3-Years	5-Years	10-Years
Overlay Program	(0.05)	(0.19)	(0.10)	0.12	0.00

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.*

The strategy continued to hold a market-neutral short US equity, long US Treasury trade as of March 31. The manager actively reduced the size of the position in Q4 2024 around the US election and in Q1 as equity markets sold off. At the end of March, the short equity position size was 2.2%. The strategy has contributed -0.06% to fiscal year-to-date performance and -0.03% annualized since program inception through March 31.

- *Actively monitor the Active Currency Strategy to improve the program's risk and return characteristics.*

The strategy continues to actively manage developed and emerging market currencies relative to the USD. After strong performance in the first half of the fiscal year, Staff added \$50 million to the notional value in Q1 2025. As of March 31, the strategy has contributed 0.01% fiscal year-to-date and 0.04% annualized since program inception.

### FY2026 OBJECTIVES

Staff will focus on the following objectives in FY2026:

- Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.
- Actively monitor the Active Currency Strategy to improve the program's risk and return characteristics.

## PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Investment Risk Management and Analytics is responsible for the provision and communication of diligent, thorough, timely and forward-looking investment risk analytics and other investment analytics to the Board and Investment Staff.

Total Fund forecast risk decreased from 10.9% in March 2024 to 9.8% in February 2025, primarily due to reduced allocation to public equity markets and the impact of the overlay programs. Total Fund realized risk for the 3-year period ending March 2025 was 7.2%. However, the Total Fund's total risk is expected to rise due to heightened tariff and economic uncertainty.

Forecast risk is a forward-looking risk estimate based on the Fund's holdings at a point of time, while realized risk measures the volatility of reported monthly returns over a period of time. The former corrects for the smoothing effect of infrequent valuation of private investments that is inherent in the latter. Hence, forecast risk tends to be higher than realized risk for a fund that includes private investments. Forecast risk more accurately reflects the risk-return profile of an investment and is preferable for informing allocation decisions.

The composition of Total Fund risk changed slightly over the year, with Real Estate contributing 75 bps less risk and Infrastructure contributing 73 bps more risk, respectively, as of February 2025 compared to March 2024. These changes reflect a combination of changes in allocation, standalone risk, and correlation among asset classes. As of February 2025, 73.6% of the Total Fund's risk was attributable to equity factors, while real estate, fixed income, currency, private equity, and other factors accounted for the remaining 26.4%. The Total Fund's active risk stayed under the 3% limit stipulated in the Statement of Investment Policy as 3-year realized active risk was 1.58% and forecast active risk was 1.26% as of February 2025.

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Provide risk forecasts and analyses of the Total Fund and asset class portfolios.*

Staff utilized the Barra risk system to generate risk analyses of the Total Fund and asset class portfolios. These analyses, based on SERS' investment holdings, provide forecasted volatility of returns, decomposition of total and active risk by asset class, strategy and factor, and forecasted return correlation between asset class portfolios.

- *Report risk of the Total Fund to the Board on a quarterly basis.*

Staff provided quarterly risk reports on the Total Fund to the Board showing forecast total risk and active contribution by asset class as well as by factor risks across the portfolio. The total risk decomposition by asset class focused on their role in the Total Fund. Total risk decomposition by factors focused on cross factor exposures, especially equity factors among the asset class portfolios as equity factors are the main risk drivers of the Total Fund. Active risk decomposition showed risk contribution from investment implementation, which is comprised of active allocation among the asset classes and active selection of strategies and securities. Staff presented the Q4 2024 Total Fund risk report to the Board at the March 2025 Board meeting.

- *Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.*

Staff discussed the risk profile of asset class portfolios with each asset class team on a quarterly basis. These discussions were focused on i) trend and level of forecast risks, ii) the portfolio's risk structure in terms of manager line-up and factor tilts, and iii) the portfolio's sensitivity to market movements. The discussions assisted each asset class team in monitoring their portfolio's structure and risks and uncovering unintended risk tilts to be mitigated.

- *Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.*

Staff reported monthly return attribution analyses of the Total Fund, analyzing effects of active weights and active performance of each asset class on the Total Fund's alpha generation. The analyses were presented to the Investment Strategy Team. Staff also delivered to the Investment Strategy Team attribution reports of each asset class portfolio analyzing the contribution of each account within an asset class.

## PORTFOLIO STRATEGY - Investment Risk Management & Analytics

- *Continue to develop expertise in investment risk analytics and understanding of all asset classes.*

Staff improved the processes for migrating holdings data into the Barra risk system and improved the modelling specifications of certain holdings and commingled funds, resulting in more accurate and actionable outputs from the system. Staff implemented incremental improvements to monthly performance attribution, quarterly manager monitoring and quarterly asset-class risk reports, making them more interpretable and actionable. Staff discussed planned changes to portfolio structure with individual officers to understand and provide feedback on the likely risk impact of such changes.

- *Perform other portfolio and market analyses and research as needed.*

Staff conducted a targeted search for a new investment manager data and analytics provider that resulted in the hiring of eVestment. Staff conducted analyses of Total Fund liquidity and counterparty risk. Staff also conducted portfolio, market and economic analyses on an ad-hoc basis.

### **FY2026 OBJECTIVES**

Staff will focus on the following objectives in FY2026:

- Provide risk forecasts and analyses of the Total Fund and asset class portfolios.
- Report risk of the Total Fund to the Board on a quarterly basis.
- Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.
- Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.
- Execute a smooth transition to eVestment as investment manager data and analytics provider.
- Perform other portfolio and market analyses and research as needed.

## Investment Operations

The Investment Operations area is responsible for managing administrative activities for the Investment department, assisting the CIO and investment officers, and providing reports and information to Staff and the Board. The objectives for FY2026 remain consistent with those of FY2025 as these broad categories reflect the primary duties of Investment Operations.

### REVIEW OF FY2025 OBJECTIVES AND IMPLEMENTATION

The FY2025 Annual Investment Plan objectives and related activities are as follows:

- *Hire and train a new Administrative Assistant to fill a vacancy created by the retirement of the Investment Operations Manager and promotion of the Sr. Administrative Assistant.*

An Administrative Assistant was hired in December 2024 and has been training with the Operations Supervisor.

- *Coordinate, assist, and participate in organizational initiatives including annual Policy review; Information Governance project; fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).*

Investment Operations assisted with the annual review and revisions to the Investment Department Policies and participated in the system-wide Information Governance Project to create an annual checklist for the department to ensure staff are compliant with SERS' Information Governance Policy and current Records Retention schedule. Staff prepared and analyzed the fiscal budget for executive approval as well as participated in and provided feedback in relation to SME Communications and ERP activities.

- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing, and distributing documents to team members, producing reports, and taking minutes.*

Operations attended all Investment Committee, Strategy Team, and Board meetings. Agendas and documents were prepared and distributed, minutes taken and distributed in a timely manner. Staff assisted with processing documents associated with hiring, termination, and redemption of managers.

- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for Investment managers, and aiding with special projects for Staff.*

Operations coordinated revisions and produced the FY2025 Annual Investment Plan, the amended Statement of Investment Policy, and assisted with manager searches throughout the fiscal year.

### FY2026 OBJECTIVES

Staff will focus on the following objectives in FY2026:

- *Coordinate, assist, and participate in organizational initiatives including annual Policy review; Information Governance project; fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).*
- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing, and distributing documents to team members, producing reports, and taking minutes.*
- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for Investment managers, and aid with special projects for Staff.*



## Implementation Guidelines

# IMPLEMENTATION GUIDELINES - Global Equities

## I. ROLE

The role of Global Equities is to earn the equity risk premium over US Treasury bonds by investing in common stock of publicly listed companies.

## II. ASSET ALLOCATION

	Total Fund Target	Range	
		Minimum	Maximum
Global Equities	40%*	35%	45%

*\*Interim Target 41% from October 1, 2023, to December 31, 2024*

Global Equities is divided into two portfolios as follows:

*Global Equities – Global Composite:* Managers invest in securities from across all regional markets of the world including US, Non-US Developed Markets and Emerging Markets. This composite is benchmarked to the MSCI All Country World Net Total Return Index (MSCI ACWI).

*Global Equities – Regional Composite:* Managers invest in securities of assigned regional markets only. Staff manages the regional market allocation versus the MSCI ACWI. This composite is benchmarked to the MSCI ACWI. Typical benchmarks utilized within the regional market mandates are:

- US Equity: Russell 3000 Index
- Non-US Equity Developed Market: MSCI World ex-USA Net Total Return Index (USD)
- Non-US Equity Emerging Market: MSCI Emerging Markets Net Total Return Index (USD)

## III. BENCHMARK:

The Global Equities benchmark is the MSCI All Country World Net Total Return Index (USD).

## IV. PERFORMANCE OBJECTIVE

The annualized return objective, net of management fees, for the Global Equities portfolio is 40 basis points over the MSCI ACWI.

## V. PORTFOLIO DESIGN AND CONSTRUCTION:

The *Global Composite* portfolio is constructed with global mandates which select securities from across the world, making discretionary decisions between US, Non-US Developed Markets and Emerging Markets. This is a 100% active portfolio. *Portfolio design will consider risk/return characteristics, manager count and investment management fees.*

The *Regional Composite* portfolio is constructed using a multi-manager line-up of US, Non-US Developed and Emerging Market mandates and a combination of active and passive strategies to deliver risk-adjusted performance relative to respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees.

The Global Equities portfolio may employ economic leverage via *portfolio-portable* alpha overlay *and equity extension strategies* ~~strategies where the equity market beta is derived from invested derivatives and the alpha is derived from an active market neutral strategy or an uncorrelated active manager.~~ The leverage employed will be within the allowed Total Fund leverage parameters and portfolio tracking error will be maintained within stated ranges in Section VII. Risk Management.

## IMPLEMENTATION GUIDELINES - Global Equities

### PERMISSIBLE INVESTMENTS

Security Type	US Equity Portfolio	Global & Non-US Equity Portfolios
Common Stock	Y	Y
Stock Treated as Common Stock	Y	Y
Cash / Treasuries	Y	Y
Preferred Stock	Y	Y
Convertible Rights	Y	Y
Warrants	Y	Y
Depository Receipts	Y	Y
REITS	Y	Y
Rule 144a Issues	Y	Y
Private Placement	Y	Y
IPOs	Y	Y
Commingled Funds	Y	Y
Exchange Traded Funds	Y	Y
Derivatives	Y	Y
Currency	N	Y
Country Funds	N	Y

### VI. RISK MANAGEMENT

Active Risk Target	
<i>Global Equity – Global Composite</i>	Tracking Error of 3.0% with a range of 3.0% to 7.0%
<i>Global Equity – Regional Composite</i>	Tracking Error of 1.5% within a range of 0.50% to 2.5%

Below are the guidelines for the *Global Equity – Regional Composite* Portfolio:

US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
<b>US Equity Allocation</b>	Russell 3000 Index	MSCI ACWI US Allocation	+/- 10%
Portfolio Structure			
Capitalization			
Large Cap Equity	Russell 1000 Index	Neutral to BM	+/- 5%
Large Cap Active	Manager Specific	-	0% - 30%
Large Cap Passive	Russell 1000 Index	-	76.95% - 100%
Small Cap Equity	Russell 2000 Index	Neutral to BM	+/- 5.40%
Small Cap Active	Manager Specific	100% Active	N/A
Style			
Growth	Manager Specific	Neutral to BM	+/- 5%
Value	Manager Specific	Neutral to BM	+/- 5%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the US equity benchmark.

## IMPLEMENTATION GUIDELINES - Global Equities

Non-US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
Non-US Equity Developed Markets	MSCI World ex-USA Net Total Return Index (USD)	MSCI ACWI Non-US Developed Market Allocation	+/- 7%
Non-US Equity Emerging Markets	MSCI Emerging Markets Net Total Return Index (USD)	MSCI ACWI Emerging Market Allocation	+/- 7%
Broad Market Exposure			
Developed Markets Active	Manager Specific	--	75-100%
Developed Markets Passive	MSCI World ex US Index (\$net)	--	0-25%
Emerging Markets Active	Manager Specific	100% <b>Active</b>	<b>N/A +/- 5%</b>
Portfolio Structure			
Capitalization			
Large Cap Equity	Manager Specific	BM Weight	+/- 10%
Small to Mid-Cap Equity	Manager Specific	BM Weight	+/- 10%
Small Cap Equity	Manager Specific	BM Weight	+/- 10%
Micro Cap Equity	Manager Specific	BM Weight	+/- 5%
Style			
Growth	Manager Specific	Neutral to BM	+/- 10%
Value	Manager Specific	Neutral to BM	+/- 10%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the Non-US developed and emerging market equity benchmarks.

## IMPLEMENTATION GUIDELINES – Global Private Equity

### I. ROLE

SERS invests in Private Equity to provide returns in excess of those provided by publicly-traded equities to compensate for private equity's liquidity and concentration risk.

### II. ASSET ALLOCATION

The Private Equity target asset allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 14% allocation target to Private Equity with a range of 11%-17%.

### III. BENCHMARK

Private Equity performance is benchmarked to the **MSCI-Burgiss Global Private Equity Funds IndexBurgiss All Private Equity benchmark**, one quarter in arrears.

### IV. PERFORMANCE OBJECTIVE

The performance objective for Private Equity is to provide net returns in excess of the **MSCI-Burgiss Global Private Equity Funds IndexBurgiss All Private Equity Benchmark** by 150 basis points. Over time periods of five years and longer Private Equity net returns are expected to exceed SERS Global Equity portfolio by 2%.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

Capital allocation among the various market segments is a critical driver for the long-term success of the Private Equity portfolio. Capital allocation risk is controlled in a portfolio structure incorporating long-term sub asset target allocations.

Long-term sub-asset target exposure is detailed below:

	Range	
	Minimum	Maximum
Buyout		
Small/Middle	50%	70%
Large/Mega	5%	25%
Total Buyout	55%	95%
Venture Capital	0%	10%
Special Situations	5%	25%
<b>Total</b>		
Domestic	55%	95%
International	5%	45%
<b>Total</b>		
Primary Commitments	75%	100%
Fund of Funds	0%	15%
Co-Investments	0%	25%
<b>Total</b>		

The portfolio is tilted toward buyout investments. There is no target allocation to venture capital due to higher risk and manager selection issues, however, there may be opportunistic allocations to venture capital up to 10% of the portfolio as shown in the accompanying table. Within buyouts, the preference is for small and middle market managers with a significant value creation approach and de-emphasizes larger firms with a financial engineering approach.

## IMPLEMENTATION GUIDELINES – Global Private Equity

### VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Discretionary Managers investing in Private Equity Partnerships	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Buyouts	Y
Venture Capital	Y
Special Situations (secondary interests, distressed debt or equity, mezzanine, co-investments, energy, etc.)	Y

#### **Buyout**

Net Expected Return 10-15%, Moderate Risk

Capital is typically invested in more established companies, those further along the business life cycle having relatively predictable cash flows and the ability to raise capital along the entire capital structure, including secured and unsecured debt. Buyouts are targeted to represent 75% of the Private Equity portfolio.

#### **Venture Capital**

Net Expected Return: 15-25%, High Risk

Venture capital equity is targeted at companies in the earliest phases of a business life cycle. Companies may be classified as seed, early, middle and late stage and are characterized by their inability to access public equity and other forms of capital such as secured and unsecured debt. These companies have uncertain revenues and a need for cash to build their businesses and are subject to high failure rates. Venture capital is targeted to represent 0% of the portfolio.

#### **Special Situations**

Net Expected Return: 10-20%, Moderate Risk

Many private equity opportunities have characteristics of buyout or venture capital but have enough differences as to require separate classification. These investments include energy, distressed debt, mezzanine, opportunity, and secondary funds. Special situations is targeted to represent 25% of the portfolio.

#### **Co-Investments**

Net Expected Return: 15-20%, Moderate Risk

Co-Investments are direct investments in a single asset of a multi-asset fund, made alongside the Fund's investment in the asset. Typically, co-investments are offered on more attractive economic terms and shorter time frames than those of the Fund. Co-Investments are targeted to represent up to 10% of the portfolio.

### VII. RISK MANAGEMENT

The primary risk management tool in private equity is industry diversification as well as extensive due diligence of prospective investments. Monitoring is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with private equity investments and the method of control.

#### **Liquidity Risk**

Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.

#### **Geographic Risk**

Geographic risk is controlled through a long-term international target exposure of 25% by market value.

**Vintage Risk**

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private equity commitments over time. The investment-pacing model controls the short and long-term private equity commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

**Manager Risk**

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in our private equity portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 20% of the portfolio. The optimum number of general partners in the portfolio varies with time.

**Firm Risk**

Firm risk is the exposure to a private equity general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

**Currency Risk**

The Private Equity program accepts the currency risks consistent with the geographic constraints. Private equity partnerships generally do not hedge currency risk, and the private equity program will not implement currency hedges.

**Industry Risk**

Typically, private equity partnerships are permitted to invest in a wide variety of industries. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

**Leverage Risk**

General partners invest capital from private equity partnerships throughout the capital structure of firms. The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction.

## IMPLEMENTATION GUIDELINES – Global Fixed Income

### I. ROLE

The primary role of diversified fixed income is to reduce the overall risk of the investment plan. Fixed income securities should provide stable income returns through yield-oriented assets. Fixed income provides risk reduction through lower correlations to the investment program.

### II. ASSET ALLOCATION

The Global Fixed Income allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized an 18% market value exposure to Global Fixed Income with a range of 13%-23%.

### III. BENCHMARK

Global Fixed Income performance is benchmarked to the Bloomberg US Universal Bond Index.

### IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Global Fixed Income portfolio is 60 basis points net of fees above the benchmark and is comprised of the following strategies:

Strategy	Expected Excess Return	Tracking Error	Benchmark
Core	20 basis points	N/A	Bloomberg US Aggregate Bond Index
Core Plus	60 basis points	N/A	Bloomberg US Universal Bond Index
Tactical & Diversifying	200 basis points	N/A	Bloomberg US Universal Bond Index
Total Portfolio	60 basis points	0 – 45%	Bloomberg US Universal Bond Index

### V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS seeks to obtain broad fixed income market exposure to gain diversification while receiving income. The portfolio is 100% externally managed in active strategies, in broad mandates of core, core plus, and Tactical & Diversifying strategies. Core mandates invest primarily in the sectors covered in the Bloomberg US Aggregate Index, which does not include allocations to high yield, Non-US or emerging market debt, benchmark type securities and exposures. Core sector weightings can deviate from this index benchmark, depending on the external manager's market views and strategies. Core plus mandates allow investments in all sectors of the portfolio benchmark, Bloomberg US Aggregate Bond Index with additional allocations to the extended sectors of high yield, Non-US debt and emerging market debt. The Tactical & Diversifying sector invests in return seeking or diversification enhancing strategies and can provide high excess returns. The strategy invests in all sectors of the index in addition to as well as emerging market macrodebt, high yield, and long/short credit.

The portfolio may employ economic leverage to obtain benchmark or sector exposure to enhance the excess return of the portfolio. The leverage employed will be within the parameters of the Total Fund leverage policy and portfolio tracking error will be maintained within the range stated in Section IV.

Below are the current sector exposure limits:

Strategy	Range	
	Minimum	Maximum
Core	30%	70%
Core Plus	25%	50%
Tactical & Diversifying	0%	20%

## IMPLEMENTATION GUIDELINES – Global Fixed Income

### VI. PERMISSIBLE INVESTMENTS

Security Type	Core	Core Plus	Tactical & Diversifying
<b>Governments</b>			
US Treasuries, TIPS and Agencies	Y	Y	Y
Sovereigns/Quasi-Sov. In US \$	Y	Y	Y
Sovereigns/Quasi-Sov. In local currency	N	Y	Y
<b>Corporates</b>			
US Corporates	Y	Y	Y
Non-US Corporates in US \$	Y	Y	Y
Non-US Corporates in local currency	N	Y	Y
High Yield	N	Y	Y
Bank Loans	N	Y	Y
<b>Structured Credit</b>			
Mortgages	Y	Y	Y
Asset Backed	Y	Y	Y
Collateralized Loan Obligations	N	Y	Y
<b>Other</b>			
144 (A)s	Y	Y	Y
Commingled Funds	Y	Y	Y
Convertibles	N	Y	Y
Currency	N	Y	Y
Derivatives	Y	Y	Y
Equity	N	Y	Y
Exchange Traded Funds	Y	Y	Y
Money Markets	Y	Y	Y
Municipals	Y	Y	Y
Repurchase Agreements	Y	Y	Y

### VII. RISK MANAGEMENT

For strategies held in separate accounts, the following risk factors are controlled through limits specified in each manager's Investment Manager Agreement (IMA) and Investment Guidelines. Duration, sector, and credit risk are reviewed on a total portfolio basis quarterly by SERS:

#### Interest Rate

Controlled by duration band limits around the benchmark duration.

#### Yield Curve Risk

Controlled by duration band limits around the benchmark duration.

#### Sector Risk

**Riskier-Moderate risk** sectors like high yield, non-US, non-agency mortgages and CMBS are controlled around set limits with each individual manager. Portfolios are allowed 25% maximum exposure to any one industry.

#### Credit Risk

Portfolios must maintain a minimum exposure to investment grade securities. In addition, each manager of individual portfolios has an established average-weighted credit quality that must be maintained at all times.

## IMPLEMENTATION GUIDELINES – Global Fixed Income

### **Currency Risk**

Currency is not hedged at the overall portfolio level. Managers who demonstrate skill are allowed to purchase non-US securities on a hedged or unhedged basis or take direct currency positions without owning securities.

### **Issuer Risk**

Issuer limits are specified in each IMA investment guidelines.

### **Liquidity Risk**

Accounts have a maximum 144(A) limit without registration rights.

### **Active Risk**

Normal tracking error is expected to be 2-41-3% over any rolling three-year time horizon. During periods of increased volatility, tracking error should not exceed 54% over any rolling three-year time horizon.

# IMPLEMENTATION GUIDELINES – Global Private Credit

## I. ROLE

The role of SERS' Private Credit portfolio is to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent cash yield.

## II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the private credit target allocation at 5%, with a range of 3% to 7%.

## III. BENCHMARK

The private credit benchmark is the 90-day Treasury bill rate + 4.5%, one quarter in arrears.

## IV. PERFORMANCE OBJECTIVE

The performance objective of the Private Credit portfolio is to provide net returns of 100 basis points above the policy benchmark and to outperform the SERS Global Fixed Income portfolio over time periods five years and longer, with the income component of the return comprising a significant portion of the total return.

## V. PORTFOLIO DESIGN AND CONSTRUCTION

The Private Credit portfolio is designed to gain exposure to various aspects of the private credit market with a focus on consistent income generation. It is expected that a greater portion of the Private Credit portfolio will be allocated to ~~direct lending investments~~ strategies with higher expected cash yields.

~~Long term sub-asset target exposure~~ The strategies that are in focus and allocation ranges are ~~is~~ detailed below in the table below. Staff will primarily focus on adding to the Asset Lending strategy during the fiscal year, meanwhile, seeking to maintain exposures to the other strategies:

	<del>-Current</del>	Range	
	<del>Allocation*Target</del>	Minimum	Maximum
Direct Lending	<del>59%80%</del>	<del>650%</del>	<del>400%90%</del>
Mezzanine Opportunistic Lending	<del>32%0%</del>	<del>010%</del>	<del>50%40%</del>
Stressed/Distressed	<del>10%</del>	<del>0%</del>	<del>15%</del>
Asset Based Lending/Other	<del>2%10%</del>	<del>0%</del>	<del>15%</del>
Distressed Lending	<del>7%</del>	<del>0%</del>	<del>15%</del>
<b>Total</b>	<del>100%100%</del>		
Domestic	<del>61%60%</del>	40%	85%
International	<del>39%40%</del>	15%	60%
<b>Total</b>	<del>100%100%</del>		
Primary Commitments	<del>100%100%</del>	80%	100%
Secondaries	<del>0%0%</del>	0%	10%
Co-Investments	<del>0%0%</del>	0%	10%
<b>Total</b>	<del>100%100%</del>		

\*As of March 31, 2025.

The portfolio is tilted toward direct lending investments and does not have a target allocation to mezzanine due to the structure of investments typically containing a less predictable cash income component than direct lending.

## IMPLEMENTATION GUIDELINES – Global Private Credit

### VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Direct Lending	Y
<del>Mezzanine</del> Opportunistic Lending	<del>Y</del>
<del>Stressed/Distressed</del>	<del>Y</del>
Asset Based Lending/Other	Y
<del>Distressed Lending</del>	<del>Y</del>

#### Direct Lending

Net Expected Return: 8-12%, Moderate Risk

Direct Lending ~~represents~~ includes loans made directly to small to medium size companies; secured by assets/cash flows/contracts, etc. depending on the type of loan. Direct Lending has a target range of 50 – 90% of the Global Private Credit portfolio. ~~is targeted to represent 80% of the Global Private Credit portfolio.~~

#### ~~Mezzanine~~ Opportunistic Lending

Net Expected Return: 10-18%, High Risk

~~Mezzanine debt is subordinated~~ Opportunistic Lending includes loans to companies that are typically unable to access traditional sources of capital or that may be in a transitional period. Opportunistic Lending strategies will allocate across the entire capital structure, including senior debt, junior debt, preferred equity, common equity, and equity-like securities. These strategies tend to focus on a mix of capital appreciation and income generation for investors. ~~to senior loans and typically is structured as an unsecured fixed or floating rate loan with an equity component. Mezzanine is targeted to represent 0% of the Global Private Credit portfolio. Opportunistic Lending has a target range of 10 – 50% of the Global Private Credit portfolio.~~

#### ~~Stressed/Distressed~~

Net Expected Return: 12-25%, High Risk

~~Stressed/Distressed debt represents loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. Stressed/Distressed is targeted to represent 10% of the Global Private Credit portfolio.~~

#### Asset Based Lending/Other

Net Expected Return: 10-15%, Moderate Risk

Asset Based Lending/Other includes ~~investments~~ loans collateralized by financial and hard assets, as well as cash flows generated from differentiated sources other than traditional corporate lending backed by cash flows. These types of investments are typically shorter in duration and may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types. Asset Based Lending/Other ~~is targeted to represent 10%~~ has a target range of 0 – 15% of the Global Private Credit portfolio.

#### ~~Distressed Lending~~

Net Expected Return: 12-25%, High Risk

~~Distressed Lending includes loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods and the lender sometimes seeks to take control of the company. Distressed Lending has a target range of 0 – 15% of the Global Private Credit portfolio.~~

### VII. RISK MANAGEMENT

The primary risk management tool in private credit is extensive due diligence of prospective investments and diversification. The following sections identify the most significant risks of private credit investments and the method of control.

#### **Credit Risk**

Credit risk is the primary risk associated with the asset class. Thorough due diligence of investments will be completed to ensure the general partners have sufficient measures in place to monitor and assess the risks involved with underlying investments, as well as the capabilities to structure loans with adequate covenants to protect the lender.

#### **Interest Rate Risk**

Interest rate risk is inherent within the Private Credit portfolio since investments are typically structured as floating rate credit instruments and interest rates will fluctuate over time. The risk is managed by the general partners through the structuring process to ensure appropriate interest rate floors and other measures are in place to manage an acceptable level of interest income.

#### **Liquidity Risk**

Private credit investments are illiquid but have shorter holding periods than other private security types, with 3 – 5 years being a typical holding period. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed through the portfolio construction process by limiting the amount of exposure to more illiquid areas of private credit, such as distressed debt.

#### **Geographic Risk**

International exposure refers to non-US investments and is limited to 60% of the portfolio.

#### **Vintage Risk**

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private credit commitments over time. The investment-pacing model controls the short and long-term private credit commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

#### **Manager Risk**

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in the Global Private Credit portfolio. Partnership exposure is controlled by limiting the commitment size to 25% of the aggregate commitments to the partnership or master fund if more than one feeder vehicle exists. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 35% of the portfolio. The optimum number of general partners in the portfolio varies with time.

#### **Firm Risk**

Firm risk is the exposure to a private credit general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

#### **Currency Risk**

The Private Credit program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

#### **Industry/Sector Risk**

Typically, private credit partnerships are permitted to invest in a wide variety of industries and sectors. Industry/Sector risk is controlled primarily through appropriate diversification across classes and subclasses.

**Leverage Risk**

The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction. Leverage at an individual fund level is managed through the portfolio construction process.

**Valuation Risk**

The valuation frequency for private credit is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

# IMPLEMENTATION GUIDELINES – Global Real Assets

## I. ROLE

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

## II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global real estate target allocation at 13%, with a permissible range of 10-15% **and the global infrastructure target allocation at 7%, with a permissible range of 5-10%.**

## III. BENCHMARK

The global real estate benchmark is the NCREIF Property Index (NPI), one quarter in arrears. **The global infrastructure benchmark is quarterly (4 qtrs.) smoothed CPI + 1.2% (approximately CPI + 5%).**

## IV. PERFORMANCE OBJECTIVE

The performance objective for Global Real **Estate Assets** is to produce net of fee returns that are 100 bps in excess of the benchmark over a market cycle, with the income component of the return comprising a significant portion of the total return. **The benchmark is a 50/50 blend of NPI and CPI + 5%.**

## V. PORTFOLIO DESIGN AND CONSTRUCTION

Effective January 1, 2024, the Global Real Assets portfolio is segregated into real estate and infrastructure, with the small farmland investment combined with the real estate allocation. The Global Real Assets portfolio is designed to achieve the performance objective, to manage risks and to focus on the overall role of global real assets within the Total Fund. SERS' Global Real **AssetsEstate** Implementation Guidelines set the private market, public market and asset type exposures for Global Real **AssetsEstate**, as shown in the table below. **Farmland is included in Real Estate.**

Strategy	Target	Range	
		Minimum	Maximum
<b>Total Real Estate*</b>	<b>13%</b>	<b>10%</b>	<b>15%</b>
Private Core Real Estate	85%	70%	95%
Private Non-Core Real Estate	10%	0%	20%
Listed REITs / ETFs	3%	0%	10%
Farmland	2%	0%	5%
<b>Total Infrastructure*</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>
Private Core Infra	80%	60%	90%
Private Non-Core Infra	20%	10%	40%

\*The rows below **each asset class Total Real Estate** are meant to represent % of the **Total**.

Example: Private Core Real Estate Target of 85% would represent 85% of the Total Real Estate target of 13%.

Core real estate investments include substantially leased or fully operational institutional quality properties or projects located in developed markets. The revenue streams from core real estate are generally long duration and comprise a majority of the asset's total return. Core real estate strategies are typically implemented through open-end commingled funds.

Non-core real estate investments include value-added and opportunistic strategies in which properties or projects are re-leased, re-developed, or newly constructed, particularly in developing or transitional markets. This strategy has a higher return expectation but has higher reliance on capital appreciation (vs income return). Non-core real estate strategies are typically implemented through closed-end commingled funds.

**Private infrastructure typically involves the movement (and storage or housing) of goods, people, water, energy, and communication signals. The sectors include, but are not limited to, power (including renewables), energy, utilities, transportation, communication, and social infrastructure sectors. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed-end commingled funds, as well as co-investments.**

## IMPLEMENTATION GUIDELINES – Global Real Assets

Public market real ~~assetsestate~~ are securities of companies whose primary source of revenue comes from the operation of ~~listed tangible assets, including, but not limited to,~~ real estate (REITs), ~~listed infrastructure, natural resources, and master limited partnerships.~~ While more liquid in nature, public market real ~~assetsestate~~ exhibits greater volatility than privately held ~~real assetsones~~. ~~Master limited partnerships, or MLPs, are publicly traded limited partnerships that derive most of the partnership's cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly traded company.~~

Private Farmland investments include annual row and permanent crops located throughout the United States. Core farmland will be substantially leased on ~~long term~~~~long-term~~ contracts to top quality growers. Core farmland provides a strong income stream that will comprise the majority of the total return. Core farmland strategies are typically implemented through open-end funds.

Over time, Staff intends to judiciously increase exposure to co-investments in ~~infrastructure and~~ real estate through underwriting of individual assets as well via programmatic sidecar vehicles.

### VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the Global Real ~~Assets-Estateportfolio~~~~Estate portfolio~~ generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments <del>(including sidecars)</del>	Y
Separate Accounts	Y
Commingled Funds	Y
<del>Continuation Funds</del>	<del>Y</del>
Secondaries Vehicles	Y
Secondary Transaction of Real <del>Estate Assets-Funds</del>	Y
Joint Ventures	Y
Real Estate Operating Companies (REOCs)	Y
Private Real Estate Equity and Debt	Y
Real Estate Investment Trusts (REITs)	Y
Exchange Traded Funds	Y
<del>Farmland and Agriculture</del>	<del>Y</del>
<del>Private Infrastructure Equity and Debt</del>	<del>Y</del>
<del>Public Infrastructure Securities and MLPs</del>	<del>Y</del>
<del>Natural Resources and Commodities</del>	<del>Y</del>

### VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the Global Real ~~Estate Assets~~ portfolio. The following sections identify the most significant risks with real ~~asset-estate~~ investments and the method of control.

#### Real Estate Life Cycle Risk

Life cycle risk refers to the stage of an investment's life and generally falls into two categories, operating and non-operating investments. Operating investments are those that are leased or functioning at a level in which the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major releasing. A significant portion of the private

## IMPLEMENTATION GUIDELINES – Global Real Assets

market real assets portfolio will be in operating investments in order to achieve Global Real Assets' Estate's role of providing income.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%

### Real Estate Property Type Risk

Property type risk refers to the level of exposure of the major property type categories in the private market real estate portfolio relative to the NCREIF Property Index. Property type risk will be managed through portfolio design and the use of commingled funds. At least 80% of the private market real estate portfolio will be invested in the four primary property type categories including apartment, industrial, office and retail.

(as of December 31, 20243)	NCREIF Property Index	Range
Apartment	298%	15% - 45%
Industrial	365%	15% - 50%
Office	2022%	5% - 30%
Retail	14%	5% - 25%
Subtotal	99%	80% - 100%
Hotel/Niche/Other	<1%	5% - 3025%
Total	100%	

### Real Estate Geographic Risk

Geographic risk can be broken down into two segments: US regional exposure and non-US exposure. US regional exposure refers to the level of exposure in the four US regions in the private market real estate portfolio relative to the NCREIF Property Index.

(as of December 31, 20243)	NCREIF Property Index	Range
West	40%	20% - 50%
East	2930%	20% - 45%
Midwest	76%	5% - 20%
South	24%	10% - 35%
Total	100%	

### Infrastructure Sector Risk

Infrastructure sector risks refers to the level of exposure to the major infrastructure sectors in the private markets infrastructure portfolio. Sector risk will be managed through portfolio design and the use of commingled funds and co-investments.

(as of December 31, 20234)	Current Portfolio <sup>a</sup>	Range
Communications	13%	5% - 25%
Energy	286%	15% - 35%
Renewables / Sustainability	56%	0% - 15%
Social	5%	0% - 10%
Transportation	457%	25% - 60%
Utilities	43%	0% - 15%
Total	100%	

### Infrastructure Geographic Risk

Infrastructure geographic risks is broken into the regional exposure of the private markets infrastructure portfolio. Geographic risks will be managed through portfolio design and the use of commingled funds and co-investments.

## IMPLEMENTATION GUIDELINES – Global Real Assets

(as of December 31, 2023)	Current Portfolio*	Range
Asia-Pacific	8%	5% – 20%
Europe/U.K.*	35%	25% – 50%
Latin America	11%	5% – 20%
North America	44%	40% – 60%
Other	2%	0% – 5%
<b>Total</b>	<b>100%</b>	

\*Approximately 1% in Eastern Europe

### Global Real Assets Estate Geographic Risk

Non-US exposure refers to the level of exposure of non-US investments in the total Global Real Assets Estate portfolio. The current non-US exposure is about 1%. Non-US exposure will be limited to 35-50% of the private market portfolio.

### Liquidity Risk

Private market real asset-estate investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or longer. Liquidity risk will be managed through target allocations to private and public market real asset-estate as well as vintage year diversification.

### Leverage Risk

Private market real estate-asset investments typically are acquired with a combination of equity capital and mortgage-debt financing. The amount of leverage per asset or pool of assets depends on debt availability, property type, tenant quality, and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external real estate-asset managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market real estate-asset portfolio is 40-50% of the gross asset value of the private market real asset-estate portfolio. Leverage risk will be managed through target allocations and portfolio design.

### Currency Risk

The Global Real Assets Estate program does not actively hedge currency risk in-house and relies upon its external managers to determine if such hedges are appropriate when manager provided hedging solutions exist. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks. Because SERS' portfolio is almost entirely U.S.-based, hedging has not been a major concern.

### Valuation Risk

The valuation frequency for private market real assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

### Manager Concentration Risk

A single manager utilizing core strategies shall not constitute more than 25% of the net assets of the Global Real Estate Assets program. For non-core strategies, a single fund commitment shall not constitute more than 10% of the net assets of the Global Real Estate Assets program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 20% of the net assets of the Global Real Estate Assets program.

## IMPLEMENTATION GUIDELINES – Global Real Assets

### I. ROLE

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

### II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global infrastructure target allocation at 7%, with a permissible range of 5-10%.

### III. BENCHMARK

The global infrastructure benchmark is quarterly (4 qtrs.) smoothed CPI + 1.2% (approximately CPI + 5%).

### IV. PERFORMANCE OBJECTIVE

The performance objective for Global Infrastructure is to produce net of fee returns that are 100 bps in excess of the benchmark, with the income component of the return comprising a significant portion of the total return.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS' Global Infrastructure Implementation Guidelines set the private market, public market and asset type exposures for Global Infrastructures, as shown in the table below.

Strategy	Target	Range	
		Minimum	Maximum
<b>Total Infrastructure</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>
<i>Private Core and Non-Core Infra</i>	<b>90%</b>	<b>85%</b>	<b>100%</b>
<i>Co-Investments; Continuation Funds</i>	<b>10%</b>	<b>0%</b>	<b>15%</b>
<i>Listed Infrastructure ETFs</i>	<b>0%</b>	<b>0%</b>	<b>5%</b>

Private infrastructure typically involves the movement (and storage or housing) of goods, people, water, energy, and communication signals. The sectors include, but are not limited to, power (including renewables), energy, utilities, transportation, communication, and social infrastructure sectors. Infrastructure revenue streams are typically long duration, contractual and inflation linked. Private infrastructure is implemented through both open- and closed-end commingled funds, as well as co-investments.

Public market infrastructure are securities of companies whose primary source of revenue comes from the operation of tangible assets, including, but not limited to, listed infrastructure, natural resources, and master limited partnerships. While more liquid in nature, public market infrastructure exhibits greater volatility than privately held ones. Master limited partnerships, or MLPs, are publicly traded limited partnerships that derive most of the partnership's cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly traded company.

Over time, Staff intends to judiciously increase exposure to co-investments in infrastructure through underwriting of individual assets as well via programmatic sidecar vehicles.

### VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the Global Infrastructure portfolio generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

## IMPLEMENTATION GUIDELINES – Global Real Assets

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments (including sidecars)	Y
Separate Accounts	Y
Commingled Funds	Y
Continuation Funds	Y
Secondaries Vehicles	Y
Secondary Transaction of Real Assets Funds	Y
Joint Ventures	Y
Private Infrastructure Equity and Debt	Y
Exchange Traded Funds	Y
Private Infrastructure Equity and Debt	Y
Public Infrastructure Securities and MLPs	Y
Natural Resources and Commodities	Y

### VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the Global Infrastructure portfolio. The following sections identify the most significant risks with infrastructure investments and the method of control.

#### Infrastructure Life Cycle Risk

Life cycle risk refers to the stage of an investment's life and generally falls into two categories, operating and non-operating investments. Operating investments are those that are leased or functioning at a level where the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major re-leasing. A significant portion of the private market infrastructure portfolio will be in operating investments in order to ensure operating income.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%

Infrastructure sector risks refer to the level of exposure to the major infrastructure sectors in the private markets infrastructure portfolio. Sector risk will be managed through portfolio design and the use of commingled funds and co-investments.

(as of December 31, 2024)	Current Portfolio	Range
Communications	13%	5% - 25%
Energy	28%	15% - 35%
Renewables / Sustainability	5%	0% - 15%
Social	5%	0% - 10%
Transportation	45%	25% - 60%
Utilities	4%	0% - 15%
<b>Total</b>	<b>100%</b>	

## Infrastructure Geographic Risk

Infrastructure geographic risks is broken into the regional exposure of the private market infrastructure portfolio. Geographic risks will be managed through portfolio design and the use of commingled funds and co-investments.

(as of December 31, 2024)	Current Portfolio*	Range
Asia-Pacific	8%	5% - 20%
Europe/U.K.*	35%	25% - 50%
Latin America	11%	5% - 20%
North America	44%	40% - 60%
Other	2%	0% - 5%
<b>Total</b>	<b>100%</b>	

\*Approximately 1% in Eastern Europe

## Global Real Assets-Infrastructure Geographic Risk

Non-US exposure refers to the level of exposure of non-US investments in the total Global Infrastructure portfolio. Non-US exposure will be limited to 50% of the private market portfolio.

## Liquidity Risk

Private market infrastructure investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or longer. Liquidity risk will be managed through target allocations to private and public market infrastructure as well as vintage year diversification.

## Leverage Risk

Private market infrastructure investments typically are acquired with a combination of equity capital and debt financing. The amount of leverage per asset or pool of assets depends on debt availability, property type, tenant or counterparty quality, and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external infrastructure managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market infrastructure portfolio is 50% of the gross asset value of the private market infrastructure portfolio. Leverage risk will be managed through target allocations and portfolio design.

## Currency Risk

The Global Infrastructure program does not actively hedge currency risk in-house and relies upon its external managers to determine if such hedges are appropriate when manager provided hedging solutions exist. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

## Valuation Risk

The valuation frequency for private market infrastructure is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

## Manager Concentration Risk

A single manager utilizing core strategies shall not constitute more than 2560% of the net assets of the Global Infrastructure program. For non-core strategies, a single fund commitment shall not constitute more than 245% of the net assets of the Global Infrastructure program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 520% of the net assets of the Global Infrastructure program.

## IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending

### I. ROLE

Short-Term Cash should provide liquidity for funding investment capital calls and operational expenses. Cash should be invested in conservative, low risk securities/funds to preserve capital for future expenditures and investments.

### II. ASSET ALLOCATION

The Cash allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 3% exposure to cash with a range of 1-5%.

### III. BENCHMARK

The Short-Term cash benchmark is the FTSE 30 Day Treasury Bill.

### IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Short-Term portfolio is five basis points net of fees over the benchmark.

### V. PORTFOLIO DESIGN AND CONSTRUCTION

The Cash portfolio is designed with preservation of capital in mind. A cash balance of one to three months of expenditures is usually maintained. A higher allocation to cash may also be used to preserve capital in volatile markets. The average weighted maturity of the portfolio will not exceed 20 days.

Risk is constantly assessed before investment purchases are made in the portfolio. Only top tier commercial paper is purchased. Money market holdings are also reviewed on a regular basis along with choosing a top tier money market provider with a deep credit analyst team and whose short-term investments are important to the organization.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that can generate additional income for the system. The program is implemented through a third-party lending agent and collateral reinvestment manager. Separately, additional securities lending income is earned by the commingled passive global equity accounts.

### VI. PERMISSIBLE INVESTMENTS

Security Type	
US Treasury Bills	Y
Commercial Paper rated A-1/P-1 or higher	Y
Money Market Funds rated at least A-1/P-1	Y
Unrated Market Funds comparable to an A-1/P-1 equivalent fund	Y
Tri-Party Repurchase Agreements	Y

### VII. RISK MANAGEMENT

#### Liquidity Risk

The weighted average maturity shall not exceed 20 days. All money market funds must provide daily liquidity.

#### Credit Risk

A commercial paper issuer must be on the approved credit list or approved by the Chief Investment Officer before purchasing. Market and issuer news are reviewed daily by the Senior Investment Officer – Global Fixed Income. Money market funds must regularly send a holdings report to SERS, where it is reviewed on a regular basis.

#### Issuer Risk

Single issuer commercial paper investments are limited to \$20 million. Related entity commercial paper investments are limited to the lower of 30% of the short-term account or \$40 million. Overnight commercial paper issuer maturities are limited to \$50 million.

**Securities Lending Risk**

All loans will be collateralized with cash at 102% for US securities and 105% for non-US securities and marked-to-market daily. Collateral will be reinvested in government money market funds and/or repurchase agreements. Loans on fixed income securities will be subject to a ten-basis point minimum spread requirement at loan initiation. Loans to approved borrowers will be limited to 25% of the average monthly market value on loan for the prior calendar year.

# IMPLEMENTATION GUIDELINES – Opportunistic & Tactical

## I. ROLE

The role of SERS' Opportunistic & Tactical portfolio is to enhance the Total Fund return over a three-year period provide net of fee returns of 100 basis points above the Bloomberg US Aggregate Bond Index + 2% by investing in assets and strategies that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities.

## II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the Opportunistic & Tactical portfolio target allocation at 0%, with a range of 0%-5%.

## III. BENCHMARK

The Opportunistic & Tactical portfolio benchmark is the Bloomberg US Aggregate Bond Index + 2%.

## IV. PERFORMANCE OBJECTIVE

The performance objective of the Opportunistic & Tactical portfolio is to provide net of fee returns of 100 basis points above the benchmark, with a meaningful component of the total return coming from current income.

## V. PORTFOLIO DESIGN AND CONSTRUCTION

The Opportunistic & Tactical portfolio may consist of a wide variety of investment types, structures and strategies targeting cash yield as well as price appreciation as well as cash yield. Investment strategies include separate accounts, commingled funds, ETFs, co-investments, and derivatives.

## VI. PERMISSIBLE INVESTMENTS

Permissible investments include, but are not limited to, common stock, preferred stock, debt securities, currencies, commodities, ETFs, exchange traded funds, etc.

## VII. RISK MANAGEMENT

### Leverage Risk

Leverage will be prudent for the given strategy and consistent with the fund's offering memorandum.

### Liquidity Risk

Liquidity will be monitored regularly to ensure the portfolio can be traded or rebalanced within a reasonable timeframe. Liquidity risk will be managed through target allocations to private and public market assets as well as through portfolio design.

### Currency Risk

The Opportunistic portfolio does not directly hedge foreign currency risk and relies upon its external managers to determine if such hedges are appropriate.

### Valuation Risk

The valuation frequency for private market assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

# IMPLEMENTATION GUIDELINES – Overlay Program

## I. ROLE

SERS invests in Overlay strategies that trade derivatives of the Total Fund's underlying asset exposures and currency exchange rates to enhance the Total Fund portfolio's efficiency. The Overlay program includes i) tactical asset allocation, and ii) active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through long and short positions based on short-term relative attractiveness of assets.

The active currency strategies aim to add value to the Total Fund on a risk-adjusted basis by employing long and short positions in various currency pairs based on relative attractiveness of the currencies. The strategies are expected to have low correlation to the major asset classes such as US equity and fixed income.

## II. ASSET ALLOCATION

The target allocation of the tactical asset allocation and Currency **Overlay** program is 0% since long and short positions net out.

The tactical asset allocation program's notional exposure limit is +/-7% of the Total Fund to each of the following assets: US fixed income, US equity and Non-US equity. Since the tactical asset allocation positions are employed for short periods, the notional exposures are not subject to the policy asset allocation ranges set forth in the Statement of Investment Policy; however, the active risk contribution by the overlay program as a whole is subjected to the overall guideline on active risk for the management of the Total Fund specified in the Risk Management Policy.

The notional value of the active currency program is capped at 50% of the Non-US Equity portfolio's value.

## III. BENCHMARK

The benchmark for the tactical asset allocation and Currency Overlay program is 0% since net exposure is 0%.

## IV. PERFORMANCE OBJECTIVE

The Overlay program is expected to add 5 to 10 bps of excess return to the Total Fund's performance on a three to five year horizon.

## V. PORTFOLIO DESIGN AND CONSTRUCTION

The mandates are unfunded. The Overlay strategies buy (long) or sell (short) futures or forwards contracts to get exposures to desired markets in order to exploit shifts in relative valuation of assets and currencies.

The tactical rebalancing strategy's net exposures, sum of long and short positions, **will be net neutral at the time of initiation and the gross notional value may be net long or short up to \$100 million, are valued at zero on the initiating position time.** Active currency strategies can go either net long or net short US dollar. Both tactical rebalancing and active currency aggregate portfolios are constructed to have no dependency on any single risk factor.

## VI. PERMISSIBLE INVESTMENTS

Tactical asset allocation: equity, fixed income, commodity and precious metals futures and options on futures.

Currency Overlay: currency forwards, currency futures, gold forwards, gold futures, and limited currency options.

## VII. RISK MANAGEMENT

### Counter-party risk management

- Futures and exchange traded options are traded at exchanges thus having default risk only to the clearinghouse while having no credit risk to trade counterparties.

## IMPLEMENTATION GUIDELINES – Overlay Program

- Forward contracts and over-the-counter options entail default risk of the counterparties. Counterparty risk of these contracts is managed through ISDA (International Swaps and Derivatives Association) and EMIR (European Market Infrastructure Regulation) umbrella agreements with managers.

### **Volatility management**

- The tactical asset allocation program's tracking error range is 5 to 15 bps.
- All active currency strategies have targeted tracking error equal to or less than 8%; the aggregate active currency program's tracking error is expected to be in the range of 5 to 8%.

### **Liquidity**

- The use of derivatives requires initial margin as well as daily variation margin for futures. Liquidity risk will be managed by ensuring that an adequate reserve of cash is available to meet margin requirements at all times.

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## Glossary

## GLOSSARY

**Active Risk** – see Tracking Error.

**Alpha** – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a return in excess of the index return.

**Asset Allocation** – the practice of allocating a certain percentage of a portfolio between different types of investment assets, such as stocks, bonds, real estate, cash, etc. By diversifying among asset classes, it is expected to create a favorable risk/reward ratio for the portfolio.

**Basis Point** – one hundredth of one percent. For example, an addition of 40 basis points to a yield of 7.50 percent would increase the yield to 7.90 percent. Basis points are normally used when quoting yields or returns, alpha, or fees paid to investment managers.

**Benchmark** – a measurement or standard that serves as a point of reference by which portfolio performance is measured. Benchmarks must meet standard criteria.

**Bloomberg US Aggregate Bond Index** – a market capitalization weighted US bond index published by Bloomberg LLC. Most US traded investment grade bonds are represented in the index. The Bloomberg US Aggregate Bond Index was SERS' global fixed income policy benchmark through June 30, 2024.

**Bloomberg US Universal Bond Index** – a market capitalization index that consists of USD-denominated securities only. The index includes debt issued by the U.S. government and other government-related entities, residential and commercial mortgage-backed securities, investment grade and high yield bonds as well as debt from emerging market countries and other foreign issuers. The policy benchmark for the global fixed income portfolio switched from the US Aggregate index to the US Universal index on July 1, 2024.

**Co-investment** – a direct investment in a single asset of a multi-asset Fund, made alongside the Fund's investment in the asset; typically involves terms that are more attractive and with shorter time frames than those of the Fund.

**Derivatives (Derivative Instruments)** – financial instruments (securities or contracts) whose values are derived from underlying financial assets, indices, or other instruments. Derivative performance is based on the performance of assets, interest rates, currency exchange rates and various domestic and foreign indices underlying the instruments. The common forms of derivatives are forward, futures, swap, and options contracts. The total exposure to the underlying assets is referred to as the notional value.

**Diversification** – the method of reducing risk by distributing investment assets among a variety of investment securities which have different risk/ reward ratios.

**Due Diligence** – an investigation or audit of a potential or existing investment.

**Equity Extension Strategy** – an equity investment strategy that expresses portfolio managers' both positive and negative views on stocks through long and short positions while maintaining a net market exposure close to 100%.

**Equity Investment** – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

**Exchange Traded Funds (ETF)** – publicly traded investment security that provides exposure to a basket of securities.

**Fixed Income Investment** – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. May also be referred to as "debt" or "bonds."

**FTSE 30 Day Treasury Bill** – an index that measures the rate of return for 30-day US Treasury Bills, which are considered representative of the performance of Short-Term money market instruments. The FTSE 30 Day Treasury Bill is SERS' policy benchmark for Cash Equivalents.

**Fund** – fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., private credit fund, private equity fund, or real estate fund).

## GLOSSARY

**Global Equities** – reflects the consolidation of what had been treated by SERS as US Equity and Non-US Equity asset classes; includes equities of US and non-US origin, equities of various capitalizations (e.g., large cap, small cap, mid cap, etc.), equities from developed, emerging and frontier markets, growth and value equities and passive and active strategies. Investments in Global Equities strategies are made in accordance with established investment guidelines, and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

**Guidelines** – refers to an Investment Manager's "Investment Guidelines," established between the Investment Manager and Staff as part in an investment management agreement. Guidelines may be general or specific.

**Investment Committee** – a committee comprised of the Chief investment Officer and Investment Officers from SERS' Investment Department who possess the Ohio State Retirement System Investment Officer (SRSIO) license, with clearly defined structure, rules, and procedures for reviewing and approving investments in a timely and prudent fashion.

**Investment Consultant** – any consultant hired by the Board or by Staff to advise or assist with the Investment Program in accordance with the Statement of Investment Policy. Board investment consultants must be approved by the Board. Staff investment consultants shall be approved by the Executive Director.

**Investment Manager** – a manager or potential manager of SERS assets, both public market and private market. Includes, but is not limited to managers of equity, fixed income, private credit, private equity, real estate, commodities, and cash.

**Investment Staff** – members of the investment department of SERS, including the Chief Investment Officer, Investment Officers, and other department personnel.

**Leverage** – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company's balance sheet in the form of the debt/equity ratio.

**Long a futures contract or a forward contract** – buying exposure to the underlying assets of the contract without actually owing those assets. When the underlying assets deliver a positive return, the long position gains; when the underlying assets deliver a negative return, the reverse is true.

**Morgan Stanley Capital International – All Country World Free ex-USA Index (\$Net)** – an equity index representing 44 developed and emerging countries. "Free" indicates the index reflects actual investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. "Net" indicates that dividends are reinvested after the deduction of withholding taxes applicable to non-resident institutional investors. The MSCI-ACWI ex-USA Index, net of dividends reinvested is SERS' policy benchmark for Non-US Equities.

**MSCI-Burgiss Global Private Equity Funds Index (formerly known as the Burgiss All Private Equity Index)** –The index is comprised of data from more than 5,000 private equity funds contributed by limited partners that are Burgiss clients and use Burgiss' web-based institutional portfolio management platform Private i. The benchmark data is sourced from Burgiss' limited partner clients and includes complete transactional and valuation history between the limited partner and their fund investments. Burgiss publishes a detailed breakdown of the dataset every quarter allowing for increased transparency. MSCI purchased Burgiss in 2023 and rebranded the indices in 2024. The renamed benchmark uses the same construction methodology as the Burgiss All Private Equity Index.

**NCREIF Property Index Classic (NPI Classic)** – a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The five property types of NPI Classic are Apartments, Hotel, Industrial, Office, and Retail. The NCREIF Property Index Classic is a legal component of SERS' Global Real Estate Policy Benchmark.

**NCREIF Property Index Classic (NPI Expanded)** – similar to NPI Classic, NPI Expanded to a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The renamed and new property types of NPI Expanded are Residential, Hotel, Industrial, Office, Retail, Self-Storage, Senior Housing, and Other (Data

## GLOSSARY

Center, Operating Land, Entertainment, Parking, and Other). The NPI Expanded was created to reflect the evolution of the industry and to provide greater transparency. The NCREIF Property Index Expanded will be a component of SERS' Global Real Estate Policy Benchmark.

**Opportunistic and Tactical Investments** – global opportunistic investments are tactical or non-traditional investment opportunities that may be short-term or may not fit within the generally accepted risk/return parameters of specific asset classes or strategy groupings. Such opportunities may involve capitalizing on short-term market dislocations or other such unique situations. Tactical investments may include strategies with dynamic allocations to single assets or across multiple asset types or other innovative approaches.

**Options contract** – a form of financial derivatives. In an options contract, two parties (buyer and seller) agree that the buyer, who pays an option premium to the seller, has the right to exercise an option whether to buy or sell a particular asset at a specified price at a specified future date.

**Portable Alpha Overlay Strategy** – an investment strategy that gains the beta exposure to a targeted market via derivatives and an alpha from a market neutral strategy(es).

**Portfolio** – a collection of investments owned, managed, or overseen by an individual or investment manager, a board, or an organization. Portfolio can mean a manager account or subset thereof (e.g., Goldman Sachs Core Plus account), an asset class (e.g., US Equity), or the entire fund (e.g., SERS' Total Fund).

**Rebalancing** – adjusting asset class or portfolio allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

**Russell 3000 Index** – a market-value weighted equity index published by FTSE Russell. The index measures the performance of the 3,000 largest US companies in terms of market capitalization. The Russell 3000 Index is SERS' Domestic Equity Policy Benchmark.

**Secondaries** – pre-existing investor capital commitments to private funds that are purchased in the secondary market.

**Securities Lending** – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer to support the firm's trading activities. Loaned securities are collateralized with cash at 102-105% of the loan exposure. The lender retains the entitlement to all the benefits of the loaned security, including dividends and interest, except the right to vote proxies. The lender has a right to recall the loan at any time.

**Short a futures contract or forward contract** – selling exposure to the underlying assets of the contract without transferring the ownership of those assets to the buyers. When the underlying assets deliver a positive return, the short position experiences losses; when the underlying assets deliver a negative return, the reverse is true.

**SOFR** – The secured overnight financing rate ("SOFR") is the primary reference rate utilized to determine the interest rate for private loans in the U.S.

**Style** – style refers to an investment product, strategy or style offered by an Investment Management Firm and reflects how the assets are invested. For example, value versus growth; core versus value added; quantitative versus fundamental; etc.

**T-bill** – refers to Treasury Bill. Staff utilizes the 90-day T-bill rate as a reference benchmark.

**Total Fund** – refers to SERS' total investment assets.

**Tracking Error** – standard deviation of the excess return of the portfolio relative to the Benchmark, often measured over rolling three-year periods.

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# Memo

**To:** Retirement Board  
**From:** Richard Stensrud, Executive Director  
**Date:** May 8, 2025  
**Re:** **Proposed Changes to Investment Department Incentive Compensation Plan for FY 2026**

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As you will recall, the amount of any investment staff performance compensation to be paid in the upcoming fiscal year is determined pursuant to the Investment Department Incentive Plan approved by your Board each Spring ('Plan').

The Plan contains a number of provisions that control whether and how much performance compensation has been earned. Those controls include:

- The use of investment benchmarks approved by the Board;
- The performance relative to those benchmarks is determined by an independent performance and analytics consultant (currently BNY Mellon) and verified by SERS' Investment Accounting staff;
- The individual performance compensation is calculated by the Assistant Director of Finance;
- Those calculations are reviewed and verified by the Chief Audit Officer.

Each year the Plan is reviewed by the Incentive Plan Committee, which also proposes potential changes to the Plan. The Incentive Plan Committee is comprised of the Executive Director, the Deputy Executive Director, the General Counsel, the Assistant Director for Financial Accounting, the Director of Administrative Services and the Chief Investment Officer.

This year the Incentive Plan Committee is proposing minor changes to the Plan effective FY2026. Those changes designate who will serve as a backup to parties involved in the calculations. No substantive changes are proposed to the process or calculations.

The proposed Plan is attached for your review. If you are comfortable with the changes, there is a resolution included in your materials for approval of the Plan. Should you need more time for consideration, you may wait until June to vote.

I am happy to answer any questions.

**School Employees Retirement  
System of Ohio**



**Investment Department Incentive Plan  
for Fiscal Year 20265**

**Amended May 186, 20254**

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**School Employees Retirement System of Ohio**  
**Investment Department Incentive Plan**

May 2025<sup>54</sup>

**Section 1: Plan Purpose**

The purpose of the Incentive Plan ("Plan") is to provide a compensation package that allows SERS to recruit and retain talent in the Investment Department that is necessary to maximize investment returns.

**Section 2: Plan Objectives**

The objectives of the Plan are to:

- a. Reinforce a performance philosophy.
- b. Attract and retain high quality talent.

**Section 3: Performance Period**

The performance period for purposes of the Plan will coincide with SERS' fiscal year, i.e. July 1 through June 30 of each year.

**Section 4: Eligibility**

There are five tiers of participation within the Plan and those tiers cover the following job classifications:

**Table 1. Eligibility by Job Title**

TIER	JOB TITLES
I	Chief Investment Officer
II	Assistant Director
III	Senior Investment Officer Investment Officer
IV	Associate Investment Officer Senior Investment Analyst
V	Associate Risk Officer
VI	Investment Analyst

In order to be eligible to receive incentive compensation, a participant must meet performance expectations (including goals and competencies) on the most recent SERS annual performance evaluation, and the fund must meet certain performance standards. A participant who fails to achieve an overall rating of "Expected Performance" on the annual performance evaluation will be ineligible for incentive compensation for the corresponding year of the evaluation, as will a participant who is no longer in good standing at SERS at the time the incentive compensation is paid.

**Section 5: Incentive Compensation Criteria**

Incentive compensation will be earned if the Investment Department achieves positive net of fees investment returns in excess of the Board-approved benchmark on the overall fund or specific asset classes.

The incentive compensation amount will be calculated on the number, level, and salaries of eligible participants in the Plan as of July 1 of the fiscal year in which the incentive is earned. The Assistant Director of Financial Accounting verifies the abovementioned information with Human Resources. The Chief Audit Officer reviews the calculations before incentive compensation earnings are approved by the Executive Director.

In the event of the absence of either the Assistant Director of Financial Accounting or the Chief Audit Officer, the following backup arrangements will be in place:

- Assistant Director of Financial Accounting: The Chief Financial Officer will assume the responsibilities and duties of this role.
- Chief Audit Officer: The Chief Risk Officer will assume the responsibilities and duties of this role.

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**Fund Performance**

Fund performance reflects the planned total fund or asset class goal. Individual incentive compensation may be earned upon achievement of positive excess returns.

## School Employees Retirement System of Ohio Investment Department Incentive Plan

May 2025<sup>54</sup>

For purposes of the Plan, the fund performance goal is positive excess returns relative to the Board-approved benchmark. If the total fund performance or specific asset class performance net of fees is above its respective benchmark that portion of incentive compensation will be earned and conversely, if the total fund performance or specific asset class performance is equal to or below its respective benchmark, that portion of incentive compensation will not be earned.

For purposes of this Plan, the maximum performance goal over the Board-approved benchmark is as follows:

- Global Equity: 40 basis points
- Global Fixed Income: 60 basis points
- Real Estate, Infrastructure, Private Credit, Opportunistic & Tactical: 100 basis points
- Global Private Equity: 150 basis points
- Total Fund: 70 basis points

### Section 6: Incentive Compensation Opportunity

Distribution under the Plan to eligible participants is determined by performance goals as outlined in Section 7. Incentive compensation is managed within the range of opportunity noted below.

Based on level of performance, a participant has the opportunity to earn incentive compensation as follows:

**Table 2: Opportunity by Level (% applied to Base Salary)**

TIER	JOB TITLE	MAXIMUM DISTRIBUTION
I	Chief Investment Officer	90%
II	Assistant Director	70%
III	Senior Investment Officer Investment Officer	60%
IV	Associate Investment Officer Senior Investment Analyst	30%
V	Associate Risk Officer	20%
VI	Investment Analyst	10%

Except as provided in Section 10, incentive compensation is calculated based on the salary in effect on July 1 of the fiscal year in which the incentive is earned. Compensation for performance above the benchmark is based on defined performance goals and is prorated on a linear basis.

### Section 7: Performance Goals

The incentive compensation is based on a combination of individual and department performance goals in reference to the Board-approved benchmark. Portfolio performance is calculated by SERS' third-party performance and analytics consultant based on SERS' annual returns net of investment manager fees and certified by Investment Accounting Division within SERS' Finance Department. Two primary performance measures noted below are defined as critical to the success of the Investment Department.

#### Individual Goals

##### Portfolio Performance

Portfolio performance is based on results relative to the Board-approved performance benchmark for each asset class. Performance goals for each asset class are calculated based on annual returns net of investment manager fees for that particular asset class as described in the previous paragraph. The Board-approved benchmarks are stated in the current Statement of Investment Policy (SIP).

## School Employees Retirement System of Ohio Investment Department Incentive Plan

May 2025<sup>54</sup>

### Department Goals

#### Total Fund

The performance benchmark for the total fund is a weighted average of the performance benchmarks and the policy allocation of each asset class as stated in the SIP.

### **Section 8: Incentive Compensation Calculation**

In determining the appropriate percent applied to an individual's base salary, the calculation by the Assistant Director – Financial Accounting includes the achievement of both individual and department goals as described in Section 7. The performance goals are weighted as follows:

**Table 3. Performance Goal Weights**

TIER	JOB TITLE	INDIVIDUAL GOALS	DEPARTMENT GOALS
		Portfolio Performance	Overall Fund
I	Chief Investment Officer		100%
II	Assistant Director	60%	40%
III	Senior Investment Officer Investment Officer	70%	30%
IV	Associate Investment Officer Senior Investment Analyst	70%	30%
V	Associate Risk Officer	70%	30%
VI	Investment Analyst	75%	25%

The portfolio performance portion of the incentive compensation for the Chief Investment Officer and the Associate Investment Officer – Risk Management and Analytics is based on aggregate performance in each asset class and strategy on an equally weighted basis. If an incentive eligible employee covers two asset classes, his/her portfolio performance is weighted 50%/50% for both asset classes.

### Multiple Year Results

Incentive compensation for portfolio performance and overall fund performance considers both current year results and results over multiple years. During year one of an individual's participation in the Plan, incentive compensation is based solely on the performance for the first year. In year two of participation in the Plan, 50% of the incentive compensation is based on performance for the current year and 50% on the performance for the two-year period. In years three and beyond, 25% of the incentive compensation is based on performance for the current year and 75% on the performance for the three-year period or on a rolling three-year period. When employees become eligible for the Plan, their compensation will be calculated as described above, based on their years of participation in the Plan.

**Table 4. Plan Year Weights**

Plan Year Weighting	Employee's Year of Participation		
	Year 1	Year 2	Year 3 /Subsequent Years
Current Year	100%	50%	25%
Second Year		50%	
Third Year/Subsequent Years			75%
<b>Total Weighting</b>	100%	100%	100%

### Asset Class Assignments

If an incentive-eligible employee transfers to a different asset class at the beginning of the fiscal year, he/she is phased into the new asset class performance cycle over a 3-year period, based on the following table:

**Table 5. Asset Class Weights by Plan Year**

	Returns	Weights
Current Year	1-Year	100% current asset class
	3-Year	33% current asset class, 67% previous asset class
Second Year	1-Year	100% current asset class
	3-Year	67% current asset class, 33% previous asset class
Third Year/Subsequent Years	1-Year	100% current asset class
	3-Year	100% current asset class

If an incentive-eligible employee transfers from one asset class to another mid-year, performance is calculated on a pro-rata basis for the number of whole months worked in each asset class.

#### Section 9: Incentive Compensation Adjustment

If the total fund's total return (net of fees) in the current fiscal year is negative (less than 0%) then the total incentive compensation will be calculated according to the foregoing methodology and the total payout will be reduced as follows:

**Table 6. Incentive Compensation Adjustments**

Total Fund 1-Year Returns	Incentive Adjustment
0%	0%
-.01% to -2%	-10%
-2.01% to -4%	-15%
-4.01% to -6%	-20%
-6.01% to -8%	-25%
-8.01% to -10%	-35%
-10.01% or lower	-50%

Additionally, if the five-year annualized return of the total fund (net of fees) is less than the actuarial assumed rate of return (currently 7.0%), the total incentive compensation for each incentive-eligible employee will be reduced by 10%. For example, if the total fund one-year net return is negative 5%, and the five-year annualized return of the total fund is less than the actuarial assumed rate of return, then the incentive compensation for each incentive eligible employee will be reduced by a total of 30%.

#### Section 10: Plan Administration

The Board of Trustees of SERS adopts, modifies, and monitors the Plan, and delegates to the Executive Director the administration of the Plan. The Executive Director shall have the right to interpret the plan and may administer the plan through the Incentive Plan Committee, which is a staff committee comprised of the Executive Director, Deputy Executive Director, General Counsel, Assistant Director – Financial Accounting, Director – Administrative Services and the Chief Investment Officer.

##### Calculation of Performance

An independent third party calculates annual, two-, three- and five-year Portfolio Performance and Overall Fund results.

##### Termination of Employment

In order to be compensated under this Plan, a participant must be employed and considered an active employee on the date the incentive compensation is paid. If a participant terminates from SERS for any reason other than death, disability, or normal retirement prior to the date of the incentive payment, that employee is ineligible to receive compensation under the Plan. If a participant terminates from SERS for reasons of death, permanent or total disability, or normal retirement, then pro-rata compensation is payable for the period of time the participant was employed based on the number of whole

months worked during the performance period divided by 12. The pro-rata compensation is paid at the same time all other payments are made under the Plan. The target compensation payment date is September following the end of the performance period.

New Hires, Promotions and Salary Adjustments

If an employee is hired or promoted into an incentive-eligible job during the first nine months of the performance period, he or she is eligible for a pro-rata payment based on the number of whole months he or she worked during the performance period.

If, during the first nine months of the performance period, a current incentive-eligible employee's base salary is adjusted and/or incentive level changes, he or she is eligible for a pro-rata payment based on the number of whole months worked at each salary and/or incentive level during the performance period.

Other Adjustments

If an incentive-eligible employee is away from work for an extended period of time such that he or she is not able to contribute to the management of the fund during the performance period, adjustments to that employee's incentive compensation may be made to reflect the period of time away. These situations will be considered on a case-by-case basis and handled at the discretion of the Incentive Plan Committee.

Plan Amendment, Suspension, or Termination

The Board shall review the Plan annually. The Plan may be amended, suspended or terminated at any time by the Board without advance notice. Further, nothing in the Plan shall confer on the participant the right to continued employment or affect SERS' right to terminate a participant's employment at any time and for any reason.

Deferral of Compensation

The Board may from time to time adopt a resolution or take other action to amend or otherwise modify this Plan to approve and provide for a deferral of payment of all or any part of any compensation earned under the Plan (a "Deferral").

Regardless of whether expressly so stated in the resolution or other action of the Board approving the Deferral (the "Deferral Action"), unless a different form of deferred compensation agreement is adopted, every Deferral shall be structured, administered and paid in a manner consistent with the provisions of Treas. Reg. § 1.409A-1(b)(4) concerning short-term deferrals and Code section 457, including specifically,

- a. the action shall specify a date of payment of the Deferrals that satisfies the requirements of the applicable two and one-half (2 ½) month period specified in Treas. Reg. § 1.409A-1(b)(4) (the "Payment Date");
- b. the action shall state:
  - (i) the period of substantial services to be performed and/or the business condition(s) to be satisfied prior to any payment of a Deferral, however, if satisfaction of such a business condition is not required prior to deferral, the period of services required shall be at least as long as reasonably required under then applicable statutory, regulatory or other requirements or guidance so as to constitute a substantial risk of forfeiture; and
  - (ii) the requirement that the person eligible for payment of the Deferral must be in the employment of SERS as of the Payment Date in order to be eligible to receive the Deferral payment.

Dispute Resolution

The Executive Director, in consultation with the Board, resolves all disputes, and such resolution is final.

**School Employees Retirement System of Ohio  
Investment Department Incentive Plan**

May 202~~5~~<sup>4</sup>

**Exhibit A HISTORY**

Action	Approval Period
Adopted by the Retirement Board on March 15, 2001	July 1, 2001 through June 30, 2002
Amended by the Retirement Board on June 25, 2004	July 1, 2004 through June 30, 2005
Amended by the Retirement Board on October 20, 2005	July 1, 2005 through June 30, 2006
Amended by the Retirement Board on May 19, 2006	July 1, 2006 through June 30, 2007
Unchanged by the Retirement Board on May 17, 2007	July 1, 2007 through June 30, 2008
Amended by the Retirement Board on May 22, 2008	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on March 19, 2009	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on July 23, 2009	July 1, 2009 through June 30, 2010
Amended by the Retirement Board on May 19, 2010	July 1, 2010 through June 30, 2011
Amended by the Retirement Board on June 16, 2011	July 1, 2011 through June 30, 2012
Amended by the Retirement Board on May 14, 2012	July 1, 2012 through June 30, 2013
Amended by the Retirement Board on May 16, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on Nov. 21, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on May 15, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on September 18, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on May 22, 2015	July 1, 2015 through June 30, 2016
Amended by the Retirement Board on June 16, 2016	July 1, 2016 through June 30, 2017
Amended by the Retirement Board on May 18, 2017	July 1, 2017 through June 30, 2018
Amended by the Retirement Board on May 24, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on December 20, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on May 16, 2019	July 1, 2019 through June 30, 2020
Amended by the Retirement Board on May 21, 2020	July 1, 2020 through June 30, 2021
Amended by the Retirement Board on May 20, 2021	July 1, 2021 through June 30, 2022
Amended by the Retirement Board on May 19, 2022	July 1, 2022 through June 30, 2023
Amended by the Retirement Board on May 18, 2023	July 1, 2023 through June 30, 2024
<u>Amended by the Retirement Board on May 16, 2024</u>	<u>July 1, 2024 through June 30, 2025</u>
Amended by the Retirement Board on May 1 <del>8</del> <sup>6</sup> , 202 <del>5</del> <sup>4</sup>	July 1, 202 <del>5</del> <sup>4</sup> through June 30, 202 <del>6</del> <sup>5</sup>

**School Employees Retirement System of Ohio**  
**Investment Department Incentive Plan**

May 2025<sup>4</sup>

**Attachment 1: Sample Calculation**

Scenario (values used are fictional and are not based on actual results):

Fiscal Year being calculated: 2026<sup>4</sup>

Job Title: Sr. Investment Officer

Individual met all incentive compensation eligibility factors and length of time in current position is 4 years. Responsibilities for the 4 years have been oversight of a single asset class (Global Private Equity)

Base Salary as of July 1, 2025<sup>3</sup> = \$160,000

Discounts requirements were not met.

**Commented [MH1]:** Should probably update the example to say 2025

**Commented [SE2R1]:** I updated this to be FY26 in align with the plan

**Commented [MH3]:** Since this plan is for FY26, should this date be July 1, 2025

**Commented [SE4R3]:** Updated


Category	Actual Performance	Benchmark	Return Difference	Max	Payout % Tier 3	x Perf Category Weight	x Plan Year Weight	= Incentive %
<b>Portfolio Performance</b>								
Asset Class Current Year	3.45%	1.12%	2.33%	1.50%	60.00%	70.0%	25.0%	10.50%
3-Year Return	22.14%	21.98%	0.16%	1.50%	6.40%	70.0%	75.0%	3.36%
<b>Overall Fund Performance 1-yr performance</b>	6.21%	5.89%	0.32%	0.70%	27.43%	30.0%	25.0%	2.06%
<b>Overall Fund Performance 3-yr performance</b>	10.84%	9.04%	1.80%	0.70%	60.00%	30.0%	75.0%	13.50%
							<b>Total:</b>	29.42%
							<b>Incentive \$</b>	\$47,067.43
<b>Payout Percentage Calculation = Opportunity by Level (Table 2)/Max Performance Goal (Section 5) x Return Difference (capped as Max Performance Goal)</b>								
<b>Payout Percentage Calculation</b>	<b>Opportunity by Level (Table 2)</b>	<b>Max Performance Goal (Section 5)</b>	<b>Return Difference</b>	<b>Payout %</b>				
<b>Sample of how the Portfolio Performance 3-Year was calculated for the above sample</b>	60%	1.50%	0.16%	6.40%				

**INVESTMENT DEPARTMENT INCENTIVE PLAN FISCAL YEAR 2026**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2026, which replaces the Fiscal Year 2025 Investment Department Incentive Plan approved May 16, 2024.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Matthew King	_____	_____	_____



# HEALTH INSURANCE COST ESTIMATES FOR SELF FUNDED PLANS

Alisa Bennett, FSA, EA, FCA, MAAA  
May 15, 2025

**Preliminary for  
Plan Year 2026**



# Cost Estimate Design Process



**Rate Setting Data**

**Assumptions and Methods**

**Non-Medicare Plan Costs**

**Medicare Plan Costs**

# Rate Setting Data



PAID CLAIMS AND ENROLLMENT DATA PROVIDED BY SERS

## Summarized Separately For

- Medical and prescription drug
- Medicare and non-Medicare
- Medical Plans and Medicare Part D reimbursements

## Medical Data Period

- Using 2023 and 2024 medical data.
- Long-term impact of COVID still unknown.

## Prescription Drug Data Period

- Used calendar year 2023 and 2024 Express Scripts prescription drug data
- Dramatic changes to Medicare Part D in 2025, impact on Federal reimbursements in 2025 and beyond still uncertain.

# Inflation Reduction Act

## DRUG NEGOTIATIONS



Allows the Secretary of Health and Human Services to negotiate prices of certain Medicare drugs each year. Negotiations will take effect in 2026 for 10 drugs covered by Medicare, increasing to 20 drugs in 2029.

## INSULIN COST CAPPED



Beginning 2023, insulin cost capped at \$35/month for people enrolled in Medicare. Anticipated changes to insulin cost for active and pre-Medicare retiree commercial market.

## ADDITIONAL CHANGES



Beginning in 2025, out-of-pocket prescription drug costs will be capped at \$2,000 per year for Medicare beneficiaries. \$2,100 for 2026.

# Inflation Reduction Act

## DIRECT SUBSIDIES



Health plans will receive increased Direct Subsidy payments from CMS. Amounts were higher than expected for 2025 and are expected to continue for 2026.

## PREMIUM STABILIZATION



Increased payments include a premium stabilization contribution of \$15 per member per month for stand-alone Part D prescription drug plan.

## LIMITATIONS



Risk scores for group plans appear to be lower, leading to lower reimbursements. \$15 PMPM contribution is temporary.

# Assumptions and Methods



## Used Industry Projections for Future Trend

- Industry projections suggest that projected medical plan cost increases for 2025 and 2026 will be similar or even slightly higher than projected for 2023 and 2024.
- Double-digit specialty Rx cost trend, mostly driven by price increases and new specialty drugs and biologics.

**HEALTH PLAN COST INCREASES CONTINUE TO  
SIGNIFICANTLY OUTPACE GENERAL INFLATION AND  
AVERAGE WAGE INCREASES.**



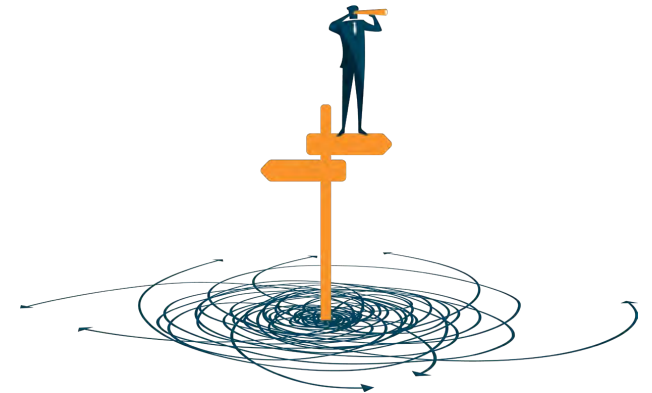
## Trend From Mid-Point of Experience Period to Mid-Point of Rate Setting Period (6/30/2026)

### Medical

- Plan trend has been stable, so we are recommending staying with 7% for future medical trend for pre-Medicare retirees despite some trend surveys coming in higher.
- Used 7% in first year stepping down to 6.5%.

### Prescription Drug

- 7% for Medicare and Non-Medicare.



# Spouses and Child(ren)

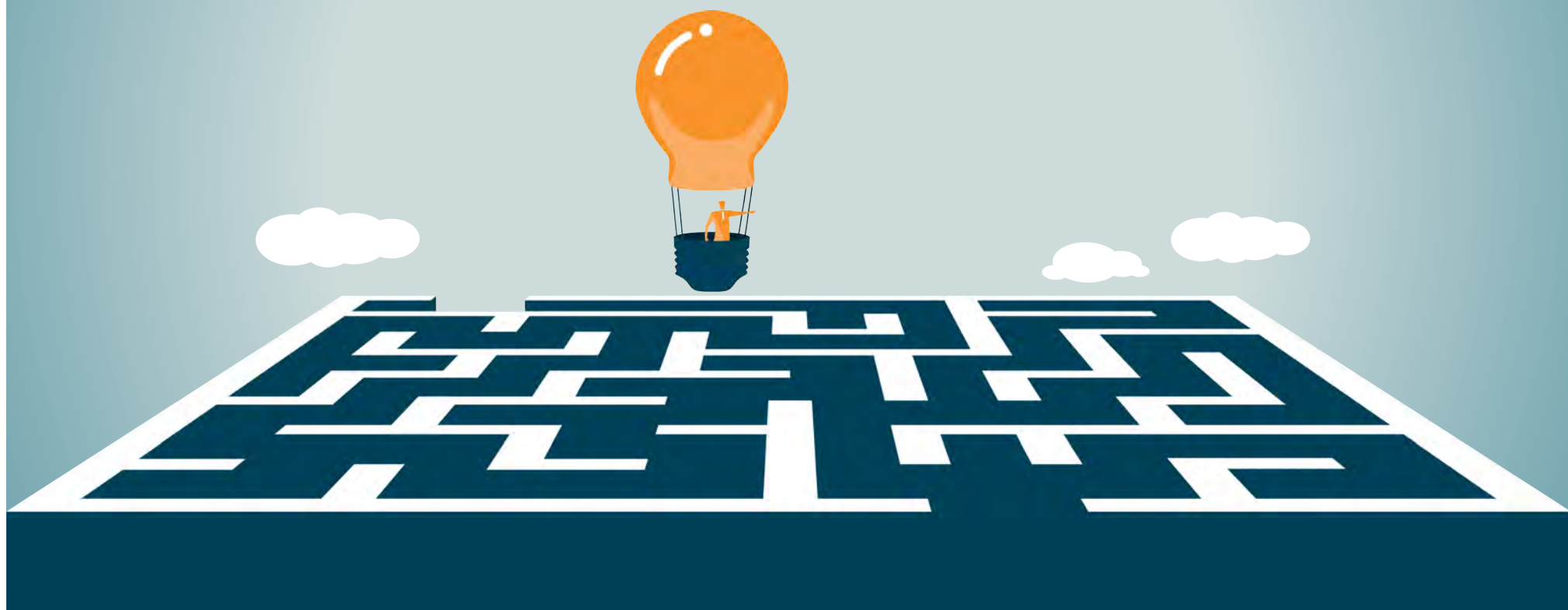
**Current recommendation is ratio of:**

- 30% of retiree cost for child(ren)
- 90% of retiree cost for spouse

**Data fluctuates since the spouse and dependent coverage is a relatively small group, but data supports maintaining these ratios.**



# 2026 Non-Medicare Medical Plan



# 2026 Non-Medicare Medical Plan



## PLAN CHANGES

In 2024 reduced physician co-pays from \$20 to \$10 & specialist co-pays from \$40 to \$25

In 2025 changed ambulance from 20% coinsurance to \$150 co-pay

No changes for 2026

	2025	Proposed Medical 2026
Deductible (Annual)	\$2,000/person \$4,000/family	\$2,000/person \$4,000/family
Co-insurance maximum	none	none
Out-of-Pocket Maximum	\$7,350/\$14,700	\$7,350/\$14,700
Office visit primary care	\$10 co-pay	\$10 co-pay
Specialist	\$25 co-pay	\$25 co-pay
Surgeon fee	20% coinsurance	20% coinsurance
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay
Emergency Room	\$150 co-pay	\$150 co-pay
Ambulance	\$150 co-pay	\$150 co-pay
Urgent Care	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray	20% coinsurance	20% coinsurance
Outpatient Diagnostic Lab	20% coinsurance	20% coinsurance
Outpatient Surgery/Procedures	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	20% coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance
Skilled Nursing Facility	20% coinsurance (100-day max)	20% coinsurance (100-day max)
Home Health Care	20% coinsurance	20% coinsurance
Hospice	100% coverage	100% coverage

# Results – Monthly Costs and Rates



Self Funded Non-Medicare				
		<u>Projected 2025</u>	<u>Projected 2026</u>	
4.1% increase in retiree medical costs	<b>Medical</b>			
	Retiree	\$1,319.00	\$1,373.00	
	Spouse	\$1,187.00	\$1,236.00	
4.7% decrease in retiree prescription drug costs	Child	\$396.00	\$412.00	
	<b>Prescription Drug</b>			
	Retiree	\$276.00	\$263.00	
2.6% increase in retiree total cost	Spouse	\$248.00	\$237.00	
	Child	\$83.00	\$79.00	
	<b>Total</b>			
	Retiree	\$1,595.00	\$1,636.00	
	Spouse	\$1,435.00	\$1,473.00	
	Child	\$479.00	\$491.00	

12% decrease in headcount – late retirements and possibility that lower cost pre-Medicare retirees choosing Wrap Plan

# SERS Wraparound HRA Plan



## NON-MEDICARE ELIGIBLE SERS WRAPAROUND HRA PLAN

- The SERS Marketplace Wraparound HRA Plan offers additional benefits to help pay for deductibles, co-pays, and other costs.
- There is no additional premium for the SERS Wraparound Plan.

Marketplace Wraparound HRA Plan - Participants choose insurance from any insurer offering coverage in the federal Marketplace, and if eligible, receive a federal subsidy to lower the premium and cost-sharing amounts.

# SERS Wraparound HRA Plan



2026 reimbursement cap is expected to be \$2,200 per participating family per calendar year in accordance with federal limits. This amount will index with inflation for future years.

2019 through 2024 claims experience has been well below cost threshold.



## NON-MEDICARE ELIGIBLE SERS WRAPAROUND HRA PLAN

- The American Rescue Plan Act of 2021 (COVID-19 relief) law passed in March 2021 expands Marketplace subsidies. The expansion was extended by the Inflation Reduction Act through 2025.
- Concern this expansion will not be renewed for 2026 and beyond.
- Current plan costs is approximately \$75 PMPM, cost to member is \$0.

# 2026 Medicare Medical Plan



# Medicare Part D Plan (PDP)

Medicare Part D is undergoing dramatic changes starting in 2025 due to the Inflation Reduction Act.



## **MEDICARE PDP EXPRESS SCRIPTS FOR MEDICARE ELIGIBLE**

- Out of pocket maximum is \$2,000 for 2025 and will be \$2,100 for 2026.
- Standard Part D plan design changing to put more catastrophic claims liability on plan.
- Once OOP max reached, potentially less incentive to use less expensive drugs.
- Direct Subsidies for 2025 are higher than was expected. Expected to continue in 2026.
- Concern that risk scores for group plans may be lower than previously.

# Medicare Part D Plan (PDP)



## MEDICARE PDP EXPRESS SCRIPTS FOR MEDICARE ELIGIBLE

- Medicare Part D Prescription Drug Plan (PDP) will continue to receive other subsidies but in different amounts:
  - CMS catastrophic reinsurance
  - Manufacturer coverage gap reimbursements

## ESI REBATES

- ESI rebates will continue, but Medicare Part D drug negotiations could alter amounts.
- For now, assume rebates and federal reimbursements will cover same proportion of Medicare PDP costs.
- Note that ESI has projected larger reimbursements and larger savings over 2024.

# Results – Monthly Costs and Rates

## MONTHLY MEDICARE ELIGIBLE DRUG COSTS



**PROJECTED 2026 RATE  
BASED ON 2024 NET  
COSTS TRENDING AT 7%**

**RETIREE**

**\$163.00**

**SPOUSE**

**\$163.00**

**CHILD**

**\$163.00**

# Traditional Choice Plan



## **Historically Volatile**

- Historical medical data for this group was very volatile and PMPM costs were high, so we had been holding the medical rates steady from year to year.

## **Data Stabilized**

- Data has stabilized over the past few years, but the group remains a mix between long time members and members who use the plan for a short time before moving to Medicare Advantage.

## **Recommend No Increase to Medical**

- 2024 PMPM costs up from prior years, but averages over several years remain stable. Therefore, we recommend keeping the medical portion of the Medicare Traditional Choice rates the same as last year and will continue to monitor the rates.

# Development of Rates



## **Medicare Eligible in Medicare Advantage**

- Medicare eligible retirees (including those enrolled in Medicare Part B only) will continue to be enrolled in the fully insured Medicare Advantage Plan.

## **Medicare Eligible Not in Medicare Advantage**

- However, some retirees (less than 1% of total) are not enrolled in the Medicare Advantage plan for various reasons. Medicare Traditional Choice rates are available for Medicare eligible members not in the Medicare Advantage Plan.

## **Prescription Benefits for Traditional Choice**

- Prescription drug rates for this group are the same as for other Medicare eligible members.

# Results – Monthly Costs and Rates



## Self Funded Medicare Traditional Choice Rates

	<u>Projected 2025</u>	<u>Projected 2026</u>
<b>Medical</b>		
Retiree	\$300.00	\$300.00
Spouse	\$300.00	\$300.00
Child	\$300.00	\$300.00
<b>Prescription Drug</b>		
Retiree	\$131.00	\$163.00
Spouse	\$131.00	\$163.00
Child	\$131.00	\$163.00
<b>Total</b>		
Retiree	\$431.00	\$463.00
Spouse	\$431.00	\$463.00
Child	\$431.00	\$463.00



THANK  
YOU



# Health Care

May 15, 2025

**Mike Steiner, PhD**

Director - Health Care Services



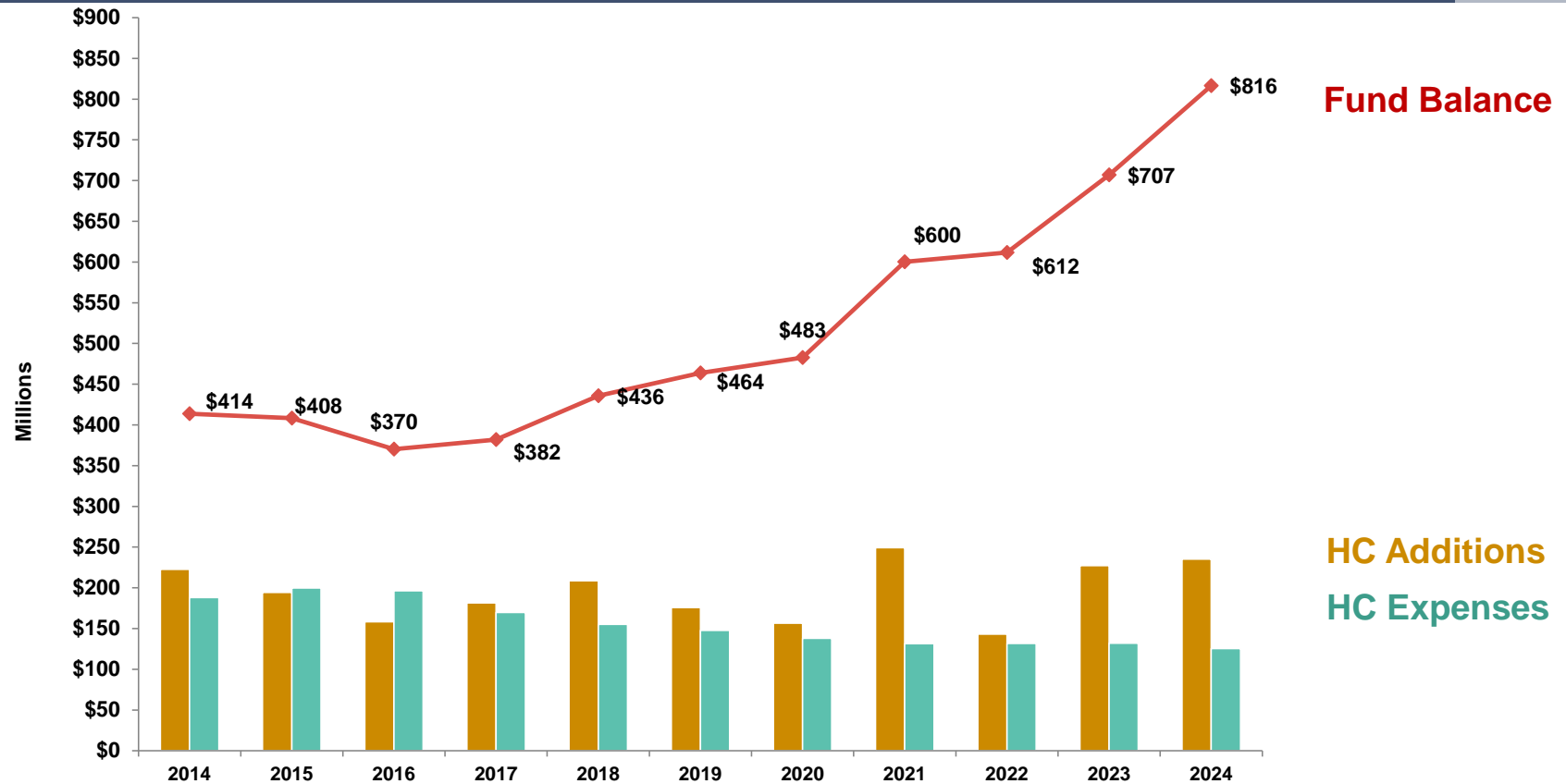
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# Agenda

- Program Update
- Medical and Pharmacy Plans
  - 2026 draft premiums and benefits
- Dental and Vision Plans
  - 2026 draft premiums and benefits
  - Board Resolutions: Dental and Vision Services Contracts



# Health Care Fund Net Position



# Enrollment / January 2025

Non-Medicare	
Aetna Choice	2,451
AultCare	119
Wraparound HRA	618
<b>TOTAL</b>	<b>3,069</b>

Medicare	
Aetna Medicare	36,101
Aetna Traditional Choice	150
<b>TOTAL</b>	<b>36,251</b>

Optional Coverage	
Delta Dental	<b>45,792</b>
VSP Vision	<b>37,889</b>



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# Premium Expectations: Medical and Rx

## **Aetna Medicare Plan (PPO)**

- \$20 premium surcharge reduction with no base premium change

## **Aetna Traditional Choice**

- No proposed premium changes
- 

## **Aetna Choice POS II**

- 3% increase for base premium

## **AultCare PPO**

- 4% increase for base premium



# Proposed 2026 Benefit Changes: Medical and Rx

## **Aetna Medicare Plan (PPO)**

- Part D Drug Plan OOP max will increase from \$2,000 to \$2,100 to match the basic benefit

## **Aetna Choice POS II**

- No proposed changes

## **Marketplace Wraparound HRA**

- Increase to federally authorized per family maximum reimbursement amount, which will be \$2,200



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# Premium Expectations: Dental and Vision

## VSP Vision Care

- 10% increase for two-year premium
- No proposed benefits changes

## Delta Dental

- 12% increase for two-year premium
- No proposed benefits changes



## Dental and Vision Services Contracts

- SERS began using biennial enrollment periods for the Dental and Vision Plans in 2024 – 2025.
- As presented to the Board in March 2023, SERS requires authority to negotiate one-year extensions with Delta Dental and VSP to accommodate the upcoming 2026 – 2027 enrollment period.
  - Resolutions are before you today.

# Thank You



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

# Memo

To: SERS Board

From: Michael Steiner, Health Care Director

CC: Richard Stensrud, Executive Director, Karen Roggenkamp, Deputy  
Executive Director, Joe Marotta, SERS General Counsel

Date: May 15, 2025

Re: Contract for Dental Services

---

This memo outlines staff's recommendation that SERS extend the current contract with Delta Dental to provide dental benefits and administration to eligible SERS benefit recipients for one year.

SERS has offered a dental benefit with Delta Dental since 2000. The current contract with Delta Dental began January 1, 2022, and terminates December 31, 2026. For the period 2022 to 2025, SERS dental plan enrollment increased by 8%, from 42,500 to over 45,800. Enrollee satisfaction with the benefit and with Delta Dental has been high and enrollment has increased each year.

Whereas SERS' enrollment period originally extended for single year periods, SERS began operating the dental services benefit using two-year enrollment periods on January 1, 2024. The current contract expires halfway through the upcoming two-year enrollment period beginning January 1, 2026. Therefore, SERS staff is requesting authority to extend the current contract for one year beginning January 1, 2027, and expiring December 31, 2027. SERS staff will publish a Request for Proposals (RFP) for a six-year term beginning January 1, 2028. This six-year term will include three two-year enrollment periods.

A resolution to authorize staff to negotiate an extension with Delta Dental is included in the Board packet.

**APPROVAL TO NEGOTIATE DENTAL SERVICES CONTRACT EXTENSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded approval to authorize staff to extend the current contract with Delta Dental for provision of dental services benefits and administration to eligible SERS participants. The extension shall be for a term of one year beginning January 1, 2027. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Matthew King	_____	_____	_____

# Memo

To: SERS Board

From: Michael Steiner, Health Care Director

CC: Richard Stensrud, Executive Director, Karen Roggenkamp, Deputy  
Executive Director, Joe Marotta, SERS General Counsel

Date: May 15, 2025

Re: Contract for Vision Services

---

This memo outlines staff's recommendation that SERS extend the current contract with Vision Services Plan (VSP) to provide vision benefits and administration to eligible SERS benefit recipients for one year.

SERS has offered a vision benefit with VSP since 2014. The current contract with VSP began January 1, 2022 and terminates December 31, 2026. For the period 2022 to 2025, SERS vision plan enrollment increased by 15%, from 32,850 to over 37,900. Enrollee satisfaction with the benefit and with VSP has been high and enrollment has increased each year.

Whereas SERS' enrollment period originally extended for single year periods, SERS began operating the dental services benefit using two-year enrollment periods on January 1, 2024. The current contract expires halfway through the upcoming two-year enrollment period beginning January 1, 2026. Therefore, SERS staff is requesting authority to extend the current contract for one year beginning January 1, 2027 and expiring December 31, 2027. SERS staff will publish a Request for Proposals (RFP) for a six-year term beginning January 1, 2028. This six-year term will include three two-year enrollment periods.

A resolution to authorize staff to negotiate an extension with VSP is included in the Board packet.

**APPROVAL TO NEGOTIATE VISION SERVICES CONTRACT EXTENSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded approval to authorize staff to extend the current contract with Vision Service Plan (VSP) for provision of vision services benefits and administration to eligible SERS participants. The extension shall be for a term of one year beginning January 1, 2027. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Matthew King	_____	_____	_____

# Memo

**To:** Retirement Board  
**From:** Chris Collins  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** May 2, 2025  
**Re:** Federal Legislative Report

---

## **TRUMP ADMINISTRATION FY26 BUDGET PROPOSAL**

President Donald Trump is proposing steep cuts to domestic and foreign aid spending for the fiscal year that begins October 1<sup>st</sup> coupled with hefty increases for defense and border security, with the help of GOP lawmakers already writing separate legislation outside of the annual appropriations process.

The “skinny” version of the White House’s budget blueprint released Friday, May 2<sup>nd</sup> envisions a more than 13 percent increase to defense and related spending, topping \$1 trillion in that category for the first time. That \$119 billion increase, which includes \$6 billion for the Energy Department’s nuclear programs, would come entirely through the budget reconciliation package Republicans have begun drafting.

As a result, appropriators could simply keep discretionary funding for the Pentagon and other national security accounts flat from what was provided in the fiscal 2025 full-year stopgap package.

The \$119 billion boost to defense is entirely offset by equal cuts to non-defense programs in fiscal 2026, amounting to a nearly 17 percent reduction on average, keeping overall agency budgets flat at a little over \$1.6 trillion next year, according to Office of Management and Budget documents.

And that’s after an assumed \$42 billion increase for the Department of Homeland Security, stemming from the agency’s own reconciliation boost. Excluding border and immigration enforcement funding from the calculation, the rest of the non-defense budget would be cut by roughly \$162 billion, or nearly 25 percent next year if Congress follows the Trump blueprint.

Nearly every non-defense agency would face deep cuts under the proposal, which would provide \$601.2 billion in non-defense funding, including the reconciliation money going to DHS. Most prominent are a nearly 48 percent cut to the State Department, a 44 percent cut to the Department of Housing and Urban Development and an over 26 percent cut to the Department of Health and Human Services.

The Pentagon and DHS are the biggest beneficiaries in a budget with very few winners overall, with 13 percent and 65 percent increases, respectively, after including reconciliation funds.

The administration believes the simple-majority Senate vote that the reconciliation process allows will let Trump get defense and border funding boosts without “being held hostage by Democrats for wasteful nondefense spending increases as was the case in President Trump’s first term,” the administration said in a statement.

“The resources provided would allow DHS to implement the President’s mass removal campaign and secure the border,” the statement says.

The Transportation and Veterans Affairs departments are poised for increases under the proposal. Transportation’s budget would grow by \$1.5 billion, or just under 6 percent, while the VA’s would grow by \$27.6 billion, or over 17 percent, after accounting for mandatory funds provided under the 2022 toxic exposure benefits law. The VA’s discretionary spending level would increase by \$5.4 billion, or just over 4 percent, under the request.

Excluding DHS and the VA, overall nondefense agency budgets are facing a 32 percent cut, as Trump, OMB Director Russ Vought and the Elon Musk-led “Department of Government Efficiency” seek to dramatically shrink the size of government.

The State Department’s actual funding level would dip to \$31.2 billion, from the \$59.6 billion current level. A large portion of that funding would be offset by cancellations of prior spending, however, and the administration is proposing just \$9.6 billion in new appropriations for State.

“The budget ensures that foreign aid spending is efficient and consistent with U.S. foreign policy under the America First agenda,” the fact sheet says.

Cuts to other Cabinet departments range from 8 percent for the Justice Department to 35 percent for Labor, according to a funding table provided by the White House budget office.

The proposal would also decimate some smaller agencies like the EPA, which is facing a nearly 55 percent cut, from \$9.1 billion to \$4.2 billion. The National Science Foundation is looking at a similar fate, with a nearly 56 percent cut, from \$8.8 billion to \$3.9 billion under the proposal.

The White House also released related fact sheets on the following:

- Cuts to programs the administration labels as promoting “racial and gender ideologies” and “cultural Marxism” the president wants to eliminate.
- Border enforcement and deportation efforts.
- “Ending weaponization of the federal government.”
- Climate programs and energy production.

## **RECONCILIATION HEARINGS CONTINUE**

Following its two-week recess, Congress returned on Monday, April 28<sup>th</sup>, to focus on passing a large budget reconciliation package with key tax provisions. Committee-level markups are expected to occur in the House throughout the coming weeks as congressional Republicans aim to move the bill through the House before Memorial Day. As such, Committee chairs have met with House and Senate leadership over the past few weeks to determine their respective budget cuts and expenditure alterations.

The House Ways and Means Committee may try to hold a markup the week of May 5<sup>th</sup>, or other reports suggest the following week (May 12<sup>th</sup>), because additional work needed to coordinate with the Senate and putting final touches on tax provisions. Similarly, the House Energy and Commerce Committee, which is expected to cover more controversial matters like potential changes to Medicaid, is likely to hold its meeting either the week of May 5<sup>th</sup> or May 12<sup>th</sup>.

A reconciliation package is likely to include provisions that extend or make permanent expiring Tax Cuts and Jobs Act (TCJA) provisions. In addition, it may include provisions that extend beyond the original scope of the TCJA – concerns among some Republicans about the \$10,000 cap on state and local tax (SALT) deductions, and changes to Inflation Reduction Act (IRA) energy tax credits.

Specifically, House Republican tax writers have reportedly been considering a new business SALT cap, despite expected opposition from major corporations. House Republican tax writers are also considering a provision to increase taxes for sports team owners by limiting tax benefits related to stadiums or other changes. They may also choose to raise the endowment tax on higher education institutions and increase the excise tax on the stock buybacks of public companies.

If the House Republican Leadership maintains their current schedule, they would have the reconciliation bill on the floor the week of May 19<sup>th</sup> and send it to the Senate before the Memorial Day. Of course, these schedules may change. The Senate is expected to consider the reconciliation bill in June and July, after the House acts.

### **CUTS TO MEDICAID PROGRAM CONSIDERED**

House Republicans are considering upending the way some states fund their Medicaid programs as they scour for ways to find billions of dollars in savings from the health program.

They are looking at states' practice of taxing health care providers, which allows the states to leverage more Medicaid funding from the federal government. Supporters say that helps states increase rates for underpaid health care providers, but critics say it is akin to legal "money laundering."

States can use these taxes to pay for their share of Medicaid spending, which the federal government then matches. But critics say the state's share should come from their general funds, not from health care providers, who ultimately benefit from higher Medicaid spending.

The discussions about the state-directed payments are part of efforts to find up to \$880 billion in Medicaid savings to pay for an extension of President Donald Trump's tax cuts, border security and other priorities.

Medicaid, the \$900 billion program that pays for health care for low-income children, adults and people with disabilities, is jointly funded by the states and the federal government. Any change in the federal share of spending would likely shift costs to states, which would then have to make hard decisions about what to cut or how to find additional money to fund their programs.

The directed payments have become a major way states increase payments to providers. Medicaid managed care plans are directed to increase payments to certain providers, typically with the goal of increasing access to care for beneficiaries.

Many states tax providers to finance their share of these payments, which the federal government matches at a certain rate. Ohio uses such provider taxes to help draw down additional federal dollars for their Medicaid program.

It's a completely legal arrangement, but one that needs more transparency, according to the Medicaid and CHIP Payment and Access Commission, or MACPAC, which advises Congress on policy. And it has become a target for Republicans seeking ways to cut Medicaid, though the financing arrangements have been questioned by Democrats in the past as well.

Critics of this arrangement question whether it is fair for states to use provider taxes to leverage more money from the federal government because providers can eventually get that money back through the increased payments.

Health officials and state leaders have defended the practice, particularly in states that haven't expanded Medicaid under the 2010 health care law, arguing that Medicaid programs often underpay providers.

A state can tax providers to finance their share of these payments, but only up to 6 percent of a provider's net patient revenues — the so-called safe harbor rate. Republicans are considering dropping that percentage to 5 percent, which the Congressional Budget Office estimates would save the federal government about \$48 billion over 10 years.

The ultimate decision depends on whether Republicans can reach agreement on other Medicaid savings. They are also considering Medicaid work requirements, more frequent eligibility checks, and reducing the federal share of spending for the expansion population.

But lowering the safe harbor rate wouldn't be without controversy. State hospital associations have quietly lobbied their congressional delegations, warning about potential cuts, especially in states that have not expanded Medicaid.

Hospitals have been among the groups lobbying hard against changing the ability of states to use provider taxes to fund state directed payments, particularly in states that haven't expanded Medicaid.

The warnings from hospitals will likely unsettle the 12 Republicans who have raised concerns with House leadership about Medicaid cuts. "Cuts to Medicaid also threaten the viability of hospitals, nursing homes, and safety-net providers nationwide," the members said in their letter to Chairman Guthrie, Speaker Mike Johnson and others.

The Energy and Commerce Committee aims to markup its portion of the reconciliation package next week.

#### **WINDFALL ELIMINATION PROVISION (WEP) AND GOVERNMENT PENSION OFFSET (GPO) UPDATE**

Social Security continues to pay retroactive benefits and increasing monthly benefit payments to people whose benefits have been affected by the WEP and GPO due to the Social Security Fairness Act.

To date over 209,000 Ohioans have received retroactive Social Security payments in the amount of \$1.52 billion. That is the third most of any state behind only California and Texas. Social Security indicates that 82% of total expected benefit adjustments have been made.

#### **FEDERAL EMPLOYEE RETIREMENT SYSTEM CHANGES PROPOSED**

Republicans on the House Oversight and Government Reform Committee advanced their portion of the GOP's massive budget reconciliation package Wednesday, April 30<sup>th</sup>, but not without dissent from one of their own.

After a six-hour markup, the panel voted 22-21, with Rep. Michael Turner (R-OH) joining all Democrats in opposition.

The legislation would cut federal employees' take-home pay, trim their pensions and shrink their job protections to reduce national deficits by more than \$50 billion over 10 years.

In his opening remarks, Turner outlined his objections. "I don't believe it represents Republican values or American values," he said. "I believe making changes to pension benefits in the middle of employment is wrong. Employee benefits are not a gift. They are earned."

The largest proposed change would increase revenues by \$30.7 billion by requiring long-serving federal workers to increase their contributions into the Federal Employees Retirement System, or FERS, to 4.4 percent. Currently, those hired before 2014 pay lower rates. (FERS members also contribute towards Social Security.)

The reconciliation text would also change how pension benefits would be calculated for federal retirees, using an average of an employee's five highest-earning years instead of three. That could reduce payouts by \$4.75 billion over 10 years, according to a summary provided by committee Republicans. The measure would also eliminate an annuity payment that federal retirees may collect before they reach eligibility for Social Security if they retire before turning 62. That cut could save around \$10.1 billion.

Another provision in the legislation would require new federal employees to contribute an additional 5 percent of their paychecks into FERS, effectively raising their contribution rate to 9.4 percent, unless they agreed to waive their civil service protections and work as at-will employees.

Republicans on the Oversight committee described the cuts as necessary to right the nation's listing fiscal ship. Democrats on the committee argued that the overall reconciliation package puts "the richest Americans" over everyone else and that the cost of Republicans' desired tax cuts would dwarf the size of the potential spending reductions.

American Federation of Government Employees union mobilized against the proposals as yet another attack on a beleaguered workforce. Federal worker unions say they are organizing their members to lobby lawmakers against the reconciliation package and expect to continue the fight as the proposals advance to the House floor and are taken up in the Senate.

## **HEALTH CARE**

### **President Trump Signs Executive Order to Lower Drug Prices**

On April 15<sup>th</sup>, President Trump issued a wide-ranging Executive Order (EO) to address prescription drug prices, pharmacy benefit managers (PBMs) and several other health care issues. Much of the order is an outline and will require further rulemaking or other actions.

The EO instructs the Secretary of Health and Human Services (HHS) to work with Congress to fix the IRA's "pill penalty" by addressing the differential treatment of small molecule drugs and biologics. The EO also directs HHS to improve upon the savings found in the first year of the Program and propose new guidance within 60 days to enhance the Medicare Drug Price Negotiation Program; and instructs HHS and CMMI to develop and implement a payment model to improve the ability of the Medicare program to obtain better value for high-cost prescription drugs and biological products covered by Medicare, including those not subject to the Medicare Drug Price Negotiation Program.

The EO encourages the FDA to develop a plan to increase prescription drug imports within 90 days to approve more importation proposals and directs the FDA to provide a report to Congress with recommendations to streamline the approval of generic drugs, biosimilars, combination products, and second-in-class brand name medications.

The executive order addresses pharmacy benefit managers (PBMs). The Department of Labor (DOL) is directed to draft rules to improve the disclosure of fees that PBMs pay to brokers for steering employers to utilize their services. The EO also directs the Domestic Policy Council (DPC), the Office of Budget and Management (OMB) and HHS to develop recommendations on reforms to promote a more competitive, transparent, efficient, and resilient prescription drug value chain.

OMB and the DPC are also directed to develop recommendations to reduce and stabilize Medicare Part D premiums and to ensure manufacturers pay accurate Medicaid drug rebates, promote innovation in Medicaid drug payment methodologies, link payments for drugs to the value obtained, and support States in managing drug spending. These recommendations are due within 180 days of the EO.

The EO revisits President Trump's prior effort to align hospital payments with 340B prices that was overturned in court due to a technicality in the rulemaking process. This EO corrects that technicality and orders a survey within 180 days to determine the hospital acquisition cost for covered outpatient drugs at hospital outpatient departments. The EO also requires federally qualified health centers (FQHCs) to pass along the discounts they receive on insulin and injectable epinephrine to certain low-income patients.

The EO also address site neutrality payments and directs HHS, through rulemaking, to ensure Medicare's payment policies are not inadvertently sending patients to more expensive settings.

#### Public Sector HealthCare Roundtable Submits Letter to CMS Administrator

The Public Sector HealthCare Roundtable submitted a letter to CMS Administrator Dr. Mehmet Oz, outlining its key health policy priorities on behalf of millions of public sector employees, retirees, and their dependents. The letter urges CMS to ensure Employer Group Waiver Plans (EGWPs) remain a viable, cost-effective option and emphasizes the need for transparency in rate-setting, support for value-based care, and expanded access to affordable mental health and prescription drug services.

**FEDERAL LEGISLATION BOARD REPORT**  
**119<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of May 2, 2025)**

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**H.Con.Res.14**

SPONSOR: Rep. Arrington, Jodey C. [R-TX-19]

LAST ACTIONS: House - 04/10/2025 Motion to reconsider laid on the table Agreed to without objection. (All Actions)

CAPTION: Establishing the congressional budget for the United States Government.

COMMENT: This concurrent resolution establishes the congressional budget for the federal government for FY2025, sets forth budgetary levels for FY2026-FY2034, and provides reconciliation instructions for legislation that increases or decreases the deficit and increases the statutory debt limit by specified amounts.

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**S.526**

SPONSOR: Sen. Grassley, Chuck [R-IA]

LAST ACTIONS: Senate - 02/11/2025 Read twice and referred to the Committee on Commerce, Science, and Transportation.

CAPTION: Pharmacy Benefit Manager (PBM) Transparency Act:

COMMENT: A bill to prevent unfair and deceptive acts or practices and the dissemination of false information related to pharmacy benefit management services for prescription drugs, and for other purposes.

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**H.R.950**

SPONSOR: Rep. Landsman, Greg [D-OH-1]

LAST ACTIONS: House - 02/04/2025 Referred to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

CAPTION: Saving Seniors Money on Prescriptions Act

COMMENT: To amend title XVIII of the Social Security Act to establish pharmacy benefit manager reporting requirements with respect to prescription drug plans and MA-PD plans under Medicare part D.

**STATE LEGISLATION BOARD REPORT**  
**(Prepared by Chris Collins as of May 2, 2025)**

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**136<sup>th</sup> General Assembly**

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**SB69** INTENTION TO REFORM-STATE PUBLIC RETIREMENT SYSTEMS (Romanchuk, M) - To declare the General Assembly's intent to enact legislation to reform the law governing the state's public retirement systems.

Current Status: 02/12/2025 Referred to Financial Institutions, Insurance and Technology Committee

**HB96** OPERATING BUDGET (Stewart, B) - To make operating appropriations for the biennium beginning July 1, 2025, and ending June 30, 2027, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 04/09/2025 PASSED BY HOUSE; Amended on Floor, Bill Vote 60-39

**HB116** DIGITAL ASSET MINING, TAXATION, REGULATION (Demetriou, S) - To address mining, taxation, and regulation of digital assets and digital asset investments by the state retirement systems.

Current Status: 03/25/2025 House Technology and Innovation, (Second Hearing)

# Finance Headline News – May 2025



- Budget Administration
  - FY26 draft budget presentation
  - SERS administrative expenses are expected to finish FY25 under budget with close monitoring
- The following detailed reports are attached for further analysis:
  - FY25 Budget Administrative expense reports
    - Budget Analysis for SERS and OSERS Broad Street through March 2025
    - Administrative expense summary for April 2025
    - Administrative expense detail for April 2025
    - Parameters report for April 2025
  - Financial highlights
    - As of March 2025

**School Employees Retirement System of Ohio**  
**SERS Detail Admin Expenses**  
**Apr 2025**

Financial Row	Vendor Bill Name	Amount
<b>Detail Admin Expenses</b>		
<b>Expense</b>		
53100.0 - Staff Salaries Expense		
53100 - Salaries & Wages		
	0133 ADP, LLC	\$1,289,819.02
<b>Total - 53100 - Salaries &amp; Wages</b>		<b>\$1,289,819.02</b>
53110 - Salaries & Wages - Overtime		
	0133 ADP, LLC	\$8,636.28
<b>Total - 53110 - Salaries &amp; Wages - Overtime</b>		<b>\$8,636.28</b>
53111 - Staff Vacation Leave Expense		
	0133 ADP, LLC	\$128,370.59
<b>Total - 53111 - Staff Vacation Leave Expense</b>		<b>\$128,370.59</b>
53112 - Staff Sick Leave Expense		
	0133 ADP, LLC	\$62,769.93
<b>Total - 53112 - Staff Sick Leave Expense</b>		<b>\$62,769.93</b>
53113 - Staff Voluntary Life Insurance Reimbursement		
	0133 ADP, LLC	\$119.58
<b>Total - 53113 - Staff Voluntary Life Insurance Reimbursement</b>		<b>\$119.58</b>
<b>Total - 53100.0 - Staff Salaries Expense</b>		<b>\$1,489,715.40</b>
53200.0 - Staff Retirement Contribution Expense		
53200 - Staff Employer Contributions - PERS		
	0133 ADP, LLC	\$193,293.26
<b>Total - 53200 - Staff Employer Contributions - PERS</b>		<b>\$193,293.26</b>
<b>Total - 53200.0 - Staff Retirement Contribution Expense</b>		<b>\$193,293.26</b>
53300.0 - Staff Benefit Expenses		
53300 - Staff Group Life		
	0267 American United Life Insurance Company	\$10,194.24
<b>Total - 53300 - Staff Group Life</b>		<b>\$10,194.24</b>
53310 - Staff Long Term Disability		
	0267 American United Life Insurance Company	\$3,649.09
<b>Total - 53310 - Staff Long Term Disability</b>		<b>\$3,649.09</b>
53315 - Staff Short Term Disability		
	0267 American United Life Insurance Company	\$3,241.93
<b>Total - 53315 - Staff Short Term Disability</b>		<b>\$3,241.93</b>
53320 - Staff Group Health Claims		
	3555 Aetna Daily Wires - ESERS	\$393,636.63
<b>Total - 53320 - Staff Group Health Claims</b>		<b>\$393,636.63</b>
53321 - Staff Group Health - Admin Fees		
	3552 Aetna Admin - ESERS	\$8,031.39
<b>Total - 53321 - Staff Group Health - Admin Fees</b>		<b>\$8,031.39</b>
53322 - Staff Prescription Claims		
	5271 SaveonSP, LLC	\$5,291.66
	2811 Express Scripts - ESERS	\$89,577.66
<b>Total - 53322 - Staff Prescription Claims</b>		<b>\$94,869.32</b>
53323 - Staff Prescription Admin fees		
	5448 Beyond Blue Corporation	\$1,064.00
<b>Total - 53323 - Staff Prescription Admin fees</b>		<b>\$1,064.00</b>
53324 - Staff Group Health - Stop Loss Admin		
	3552 Aetna Admin - ESERS	\$24,964.20
<b>Total - 53324 - Staff Group Health - Stop Loss Admin</b>		<b>\$24,964.20</b>
53325 - Staff Group Health - Stop Loss Claims		
	3555 Aetna Daily Wires - ESERS	(\$27,863.53)
<b>Total - 53325 - Staff Group Health - Stop Loss Claims</b>		<b>(\$27,863.53)</b>
53326 - Staff Vision Claims		
	0266 VSP - (OH)	\$3,124.43
<b>Total - 53326 - Staff Vision Claims</b>		<b>\$3,124.43</b>
53327 - Staff Vision Admin Fees		
	0266 VSP - (OH)	\$128.16
<b>Total - 53327 - Staff Vision Admin Fees</b>		<b>\$128.16</b>
53330 - Staff Group Health - Employee Cost		
	Employee Premiums	(\$38,035.69)
<b>Total - 53330 - Staff Group Health - Employee Cost</b>		<b>(\$38,035.69)</b>
53331 - Staff Group Health - Wellness Incentive		
	0133 ADP, LLC	\$3,990.00
<b>Total - 53331 - Staff Group Health - Wellness Incentive</b>		<b>\$3,990.00</b>
53332 - Staff Group Health - Tobacco Premiums		
	0133 ADP, LLC	(\$560.00)
<b>Total - 53332 - Staff Group Health - Tobacco Premiums</b>		<b>(\$560.00)</b>
53340 - Staff Medicare Premium - Employer		
	0133 ADP, LLC	\$19,491.18
<b>Total - 53340 - Staff Medicare Premium - Employer</b>		<b>\$19,491.18</b>
53350 - Staff Workers Compensation		
	1123 Ohio Bureau Of Workers Compensation	\$2,736.00

<b>Total - 53350 - Staff Workers Compensation</b>		<b>\$2,736.00</b>
<b>53380 - Staff Deferred Compensation Match</b>		
	0133 ADP, LLC	\$5,025.00
<b>Total - 53380 - Staff Deferred Compensation Match</b>		<b>\$5,025.00</b>
<b>Total - 53300.0 - Staff Benefit Expenses</b>		<b>\$507,686.35</b>
<b>54100 - Actuarial Services</b>		
	3241 CavMac	\$12,000.00
	0040 Ohio Retirement Study Council	\$53,818.75
<b>Total - 54100 - Actuarial Services</b>		<b>\$65,818.75</b>
<b>54200 - Audit Services</b>		
	5222 Plante & Moran, PLLC	\$8,640.00
<b>Total - 54200 - Audit Services</b>		<b>\$8,640.00</b>
<b>54300.0 - Banking Fee Expenses</b>		
<b>54310 - Custodial Fees</b>		
	5482 Fifth Third - Investments	\$42,901.80
	0273 BNY Mellon Asset Servicing	\$11,847.93
<b>Total - 54310 - Custodial Fees</b>		<b>\$54,749.73</b>
<b>54320 - Custodial Banking</b>		
	0125 Treasurer of State - Warrants	\$68.46
	0386 Huntington National Bank	\$11,564.81
<b>Total - 54320 - Custodial Banking</b>		<b>\$11,633.27</b>
<b>Total - 54300.0 - Banking Fee Expenses</b>		<b>\$66,383.00</b>
<b>54400.0 - Investment Related Expenses</b>		
<b>54410 - Master Recordkeeper Fees</b>		
	0273 BNY Mellon Asset Servicing	\$103,000.00
	5916 FactSet Research Systems Inc	\$18,000.00
<b>Total - 54410 - Master Recordkeeper Fees</b>		<b>\$121,000.00</b>
<b>54430 - Performance/Analytics Fee</b>		
	5914 Nasdaq Evestment	\$11,250.00
	0743 Frank Russell Company	\$14.63
	0273 BNY Mellon Asset Servicing	\$34,401.66
	5917 S&P Dow Jones Indices LLC	\$10,000.00
<b>Total - 54430 - Performance/Analytics Fee</b>		<b>\$55,666.29</b>
<b>Total - 54400.0 - Investment Related Expenses</b>		<b>\$176,666.29</b>
<b>54520 - Medical Consultant</b>		
	1021 Glen G Borchers, M.D.	\$3,750.00
<b>Total - 54520 - Medical Consultant</b>		<b>\$3,750.00</b>
<b>54600.0 - Technical Expenses</b>		
<b>54610 - Special Counsel</b>		
	3361 Seyfarth Shaw LLP	\$53,105.00
	0276 Ice Miller LLP	\$953.74
<b>Total - 54610 - Special Counsel</b>		<b>\$54,058.74</b>
<b>54620 - Technical</b>		
	5345 Sigital, LLC	\$462.50
	5215 ComResource	\$4,111.25
	4518 Sagitec Solutions, LLC	\$35,610.50
	3296 LexisNexis Risk Data Management, Inc	\$1,769.09
	4983 Hyland Software, Inc.	\$500.00
	5516 Buck Global, LLC	\$9,812.40
	0413 CDW-Government, Inc.	\$4,233.60
	5613 Revelwood Incorporated	\$1,265.00
<b>Total - 54620 - Technical</b>		<b>\$57,764.34</b>
<b>54630 - Other Professional Services</b>		
	5877 Nossaman LLP	\$3,300.00
	5031 Vorys Advisors LLC	\$3,666.66
	0476 Attorney General	\$17,424.00
	1098 Hudepohl & Associates Inc.	\$16,250.00
	5060 Kimberly Wickert	\$486.00
<b>Total - 54630 - Other Professional Services</b>		<b>\$41,126.66</b>
<b>Total - 54600.0 - Technical Expenses</b>		<b>\$152,949.74</b>
<b>55100 - Postage</b>		
	2489 FedEx	\$32.67
	0060 Pitney Bowes Inc.	\$2,187.43
	0254 Unishippers Association	\$42.58
<b>Total - 55100 - Postage</b>		<b>\$2,262.68</b>
<b>55200 - Telecommunications Services</b>		
	5555 Everstream Solutions LLC	\$1,227.68
	0277 XO Verizon	\$1,860.97
	5543 Spectrum AWS	\$1,230.00
	1605 AT&T - 7258	\$40.10
	0087 Spectrum	\$252.31
	0253 T-Mobile	\$59.40
	4732 Verizon Wireless	\$161.70
<b>Total - 55200 - Telecommunications Services</b>		<b>\$4,832.16</b>
<b>55300 - Member/Employer Education</b>		
	4116 Cameron Vaughan	\$152.40
	4395 Katie Talbert	\$350.71
	0020 Carlisa Holman	\$339.97
	5570 Michelle Richards	\$2,869.15
<b>Total - 55300 - Member/Employer Education</b>		<b>\$3,712.23</b>

<b>55400.0 - Printing &amp; Publication Expenses</b>		
55400 - Printing Paper		
	0407 Sterling Paper Company	\$4,925.20
<b>Total - 55400 - Printing Paper</b>		<b>\$4,925.20</b>
<b>Total - 55400.0 - Printing &amp; Publication Expenses</b>		<b>\$4,925.20</b>
<b>56000.0 - Computer Support Service Expenses</b>		
56030 - Software Maintenance		
	4518 Sagitec Solutions, LLC	\$35,000.00
	2263 Dell Marketing LP	\$532.44
	5591 Presidio	\$10,825.09
<b>Total - 56030 - Software Maintenance</b>		<b>\$46,357.53</b>
56035 - Software Subscriptions		
	5501 Expedient	\$12,235.58
	5473 Wellable LLC	\$483.60
	4895 CarahSoft Technology Corp	\$6,115.62
	4430 DigiCert, Inc	\$984.00
	4139 Shi International Corp.	\$45,710.79
	5648 Oracle America, Inc.	\$11,969.80
	0133 ADP, LLC	\$3,019.03
	0316 Insight	\$6,727.50
	5609 Blackline Systems, Inc.	\$107,132.08
<b>Total - 56035 - Software Subscriptions</b>		<b>\$194,378.00</b>
56040 - Hardware < \$5,000		
	0411 Amazon.com	\$149.90
	1025 Radiant Technology	\$3,730.00
<b>Total - 56040 - Hardware &lt; \$5,000</b>		<b>\$3,879.90</b>
<b>Total - 56000.0 - Computer Support Service Expenses</b>		<b>\$244,615.43</b>
<b>56100.0 - Office Equipment &amp; Supply Expenses</b>		
56110 - Equipment Repairs & Maintenance		
	5332 Canon Financial Services, Inc	\$544.00
	5542 BPS Technologies	\$2,343.75
	0411 Amazon.com	\$599.88
	4620 Ricoh USA, Inc	\$982.53
	5340 Digital Print Solutions	\$1,106.48
	4849 US Bank Equipment Finance	\$3,259.94
<b>Total - 56110 - Equipment Repairs &amp; Maintenance</b>		<b>\$8,836.58</b>
56130 - Office Supplies & Expenses		
	0411 Amazon.com	\$75.96
	5903 OfficeCrave.com	\$228.49
	2098 Institute of Internal Auditors	\$176.69
<b>Total - 56130 - Office Supplies &amp; Expenses</b>		<b>\$481.14</b>
56160 - Records Storage		
	0007 Vital Records Holdings, LLC	\$250.00
<b>Total - 56160 - Records Storage</b>		<b>\$250.00</b>
<b>Total - 56100.0 - Office Equipment &amp; Supply Expenses</b>		<b>\$9,567.72</b>
<b>56200.0 - Staff Training Expenses</b>		
56210 - Seminars & Conferences		
	4885 ServiceNow, Inc	\$2,700.00
	5912 Harmony Healthcare Services	\$38.00
	1812 CAIA Association	\$795.00
	0886 Public Retirement Information Systems Management	\$2,798.00
	5876 Human Resource Certification Institute	\$299.00
	0330 Columbus Bar Association	\$45.00
	5908 INR Seminars	\$89.00
	1535 Ohio State University	\$250.00
	4834 Event Brite	(\$656.01)
<b>Total - 56210 - Seminars &amp; Conferences</b>		<b>\$6,357.99</b>
56220 - In House Training		
	0133 ADP, LLC	\$666.00
<b>Total - 56220 - In House Training</b>		<b>\$666.00</b>
<b>Total - 56200.0 - Staff Training Expenses</b>		<b>\$7,023.99</b>
<b>56300.0 - Transportation &amp; Travel Expenses</b>		
56310 - Travel & Transportation		
	5380 Chris Collins	\$954.04
	0564 Kroger	\$119.30
	0757 Giant Eagle	\$25.47
	4790 Jay Patel	\$1,629.21
	0024 James Rossler	\$47.61
	5639 Aimee Russell	\$372.83
	5669 Veera Podila	\$362.06
	3675 City Barbeque, Inc.	\$700.52
	5100 James Haller	\$336.25
	5199 Richard Stensrud	\$1,392.64
	5889 Jeanine Alexander	\$194.25
	1217 Steve Price	\$3,775.02
	5437 Adam Messerschmitt	\$1,557.27
	5512 Paul Cheng	\$12.00
	5418 Matt King	\$131.00
	4824 Frank Weglarz	\$356.32
	0017 Daniel L Wilson	\$131.00
	0243 Scott Murta	\$1,544.57
<b>Total - 56310 - Travel &amp; Transportation</b>		<b>\$13,641.36</b>

<b>56311 - Mileage</b>		
	5437 Adam Messerschmitt	\$8.68
	4824 Frank Weglarz	\$223.31
	0017 Daniel L Wilson	\$208.60
	5418 Matt King	\$168.00
	0024 James Rossler	\$198.80
	5889 Jeanine Alexander	\$275.80
	5100 James Haller	\$135.52
	5639 Aimee Russell	\$114.94
	1217 Steve Price	\$14.00
<b>Total - 56311 - Mileage</b>		<b>\$1,347.65</b>
<b>Total - 56300.0 - Transportation &amp; Travel Expenses</b>		<b>\$14,989.01</b>
<b>56400.0 - Membership &amp; Subscription Expenses</b>		
<b>56410 - Subscriptions</b>		
	5511 Toledo Blade	\$12.99
	5865 Cleveland.Com	\$10.00
	0304 Wall Street Journal	\$125.73
	4810 Shutterstock, Inc.	\$29.00
	0305 Columbus Dispatch	\$35.00
	4547 Constant Contact	\$545.00
	2012 Dow Jones & Company, Inc.	\$2,277.49
<b>Total - 56410 - Subscriptions</b>		<b>\$3,035.21</b>
<b>56420 - Memberships</b>		
	0680 Association of Government Accountants	\$145.00
	0473 Public Pension Financial Forum	\$300.00
	4253 International Institute of Business Analysis	\$139.00
	5545 Human Resources Association of Columubs	\$125.00
	0680 Association of Government Accountants	\$105.00
	0307 Ohio Society of CPAs	\$489.25
	5913 Scrum Alliance	\$100.00
	5918 Ryan Daniels	\$285.00
<b>Total - 56420 - Memberships</b>		<b>\$1,688.25</b>
<b>Total - 56400.0 - Membership &amp; Subscription Expenses</b>		<b>\$4,723.46</b>
<b>56600.0 - Maintenance Expenses</b>		
<b>56630 - Interior Landscaping</b>		
	3039 Ambius Inc. (05)	\$1,396.37
<b>Total - 56630 - Interior Landscaping</b>		<b>\$1,396.37</b>
<b>56640 - Vehicle Expense</b>		
	5069 Moo Moo Car Wash	\$24.00
	0070 BP Oil Company	\$46.01
<b>Total - 56640 - Vehicle Expense</b>		<b>\$70.01</b>
<b>Total - 56600.0 - Maintenance Expenses</b>		<b>\$1,466.38</b>
<b>56650.0 - Staff Support Expenses</b>		
<b>56620 - Staff Support</b>		
	0564 Kroger	\$25.00
	5574 Aetna Behavioral Health, LLC	\$282.60
	0411 Amazon.com	\$390.00
	4637 Buckeye Donuts	\$221.89
	0757 Giant Eagle	\$80.99
	1683 Premier ProduceOne	\$412.45
	5303 Culligan Bottled Water of Columbus	\$72.93
	4750 Inspira Financial	\$339.50
	0133 ADP, LLC	\$2,215.00
<b>Total - 56620 - Staff Support</b>		<b>\$4,040.36</b>
<b>56621 - Recruiting Expenses</b>		
	5915 YourMembership.com	\$528.00
	0311 Government Finance Officers Association	\$200.00
	5430 ADP Screening & Selection Services	\$234.26
<b>Total - 56621 - Recruiting Expenses</b>		<b>\$962.26</b>
<b>Total - 56650.0 - Staff Support Expenses</b>		<b>\$5,002.62</b>
<b>56800.0 - Mandatory Costs</b>		
<b>56820 - Ohio Retirement Study Council</b>		
	0040 Ohio Retirement Study Council	\$15,278.08
<b>Total - 56820 - Ohio Retirement Study Council</b>		<b>\$15,278.08</b>
<b>Total - 56800.0 - Mandatory Costs</b>		<b>\$15,278.08</b>
<b>56900 - Reimbursement of Leased Svcs from OSERS Broad St</b>		
	Reimbursement of leased services	(\$25,416.67)
<b>Total - 56900 - Reimbursement of Leased Svcs from OSERS Broad St</b>		<b>(\$25,416.67)</b>
<b>Total - Expense</b>		<b>\$2,957,885.08</b>
<b>Total Admin Expenses</b>		<b>\$2,957,885.08</b>

**School Employees Retirement System of Ohio**  
**SERS Summary Admin Expenses**  
**Apr 2025**

Financial Row	Amount
<b>Summary Admin Expenses</b>	
<b>Expense</b>	
<b>53100.0 - Staff Salaries Expense</b>	
53100 - Salaries & Wages	\$1,289,819.02
53110 - Salaries & Wages - Overtime	\$8,636.28
53111 - Staff Vacation Leave Expense	\$128,370.59
53112 - Staff Sick Leave Expense	\$62,769.93
53113 - Staff Voluntary Life Insurance Reimbursement	\$119.58
<b>Total - 53100.0 - Staff Salaries Expense</b>	<b>\$1,489,715.40</b>
<b>53200.0 - Staff Retirement Contribution Expense</b>	
53200 - Staff Employer Contributions - PERS	\$193,293.26
<b>Total - 53200.0 - Staff Retirement Contribution Expense</b>	<b>\$193,293.26</b>
<b>53300.0 - Staff Benefit Expenses</b>	
53300 - Staff Group Life	\$10,194.24
53310 - Staff Long Term Disability	\$3,649.09
53315 - Staff Short Term Disability	\$3,241.93
53320 - Staff Group Health Claims	\$393,636.63
53321 - Staff Group Health - Admin Fees	\$8,031.39
53322 - Staff Prescription Claims	\$94,869.32
53323 - Staff Prescription Admin fees	\$1,064.00
53324 - Staff Group Health - Stop Loss Admin	\$24,964.20
53325 - Staff Group Health - Stop Loss Claims	(\$27,863.53)
53326 - Staff Vision Claims	\$3,124.43
53327 - Staff Vision Admin Fees	\$128.16
53330 - Staff Group Health - Employee Cost	(\$38,035.69)
53331 - Staff Group Health - Wellness Incentive	\$3,990.00
53332 - Staff Group Health - Tobacco Premiums	(\$560.00)
53340 - Staff Medicare Premium - Employer	\$19,491.18
53350 - Staff Workers Compensation	\$2,736.00
53380 - Staff Deferred Compensation Match	\$5,025.00
<b>Total - 53300.0 - Staff Benefit Expenses</b>	<b>\$507,686.35</b>
54100 - Actuarial Services	\$65,818.75
54200 - Audit Services	\$8,640.00
<b>54300.0 - Banking Fee Expenses</b>	
54310 - Custodial Fees	\$54,749.73
54320 - Custodial Banking	\$11,633.27
<b>Total - 54300.0 - Banking Fee Expenses</b>	<b>\$66,383.00</b>
<b>54400.0 - Investment Related Expenses</b>	
54410 - Master Recordkeeper Fees	\$121,000.00
54430 - Performance/Analytics Fee	\$55,666.29
<b>Total - 54400.0 - Investment Related Expenses</b>	<b>\$176,666.29</b>
54520 - Medical Consultant	\$3,750.00
<b>54600.0 - Technical Expenses</b>	
54610 - Special Counsel	\$54,058.74
54620 - Technical	\$57,764.34
54630 - Other Professional Services	\$41,126.66
<b>Total - 54600.0 - Technical Expenses</b>	<b>\$152,949.74</b>
55100 - Postage	\$2,262.68
55200 - Telecommunications Services	\$4,832.16
55300 - Member/Employer Education	\$3,712.23
<b>55400.0 - Printing &amp; Publication Expenses</b>	
55400 - Printing Paper	\$4,925.20
<b>Total - 55400.0 - Printing &amp; Publication Expenses</b>	<b>\$4,925.20</b>

<b>56000.0 - Computer Support Service Expenses</b>	
56030 - Software Maintenance	\$46,357.53
56035 - Software Subscriptions	\$194,378.00
56040 - Hardware < \$5,000	\$3,879.90
<b>Total - 56000.0 - Computer Support Service Expenses</b>	<b>\$244,615.43</b>
<b>56100.0 - Office Equipment &amp; Supply Expenses</b>	
56110 - Equipment Repairs & Maintenance	\$8,836.58
56130 - Office Supplies & Expenses	\$481.14
56160 - Records Storage	\$250.00
<b>Total - 56100.0 - Office Equipment &amp; Supply Expenses</b>	<b>\$9,567.72</b>
<b>56200.0 - Staff Training Expenses</b>	
56210 - Seminars & Conferences	\$6,357.99
56220 - In House Training	\$666.00
<b>Total - 56200.0 - Staff Training Expenses</b>	<b>\$7,023.99</b>
<b>56300.0 - Transportation &amp; Travel Expenses</b>	
56310 - Travel & Transportation	\$13,641.36
56311 - Mileage	\$1,347.65
<b>Total - 56300.0 - Transportation &amp; Travel Expenses</b>	<b>\$14,989.01</b>
<b>56400.0 - Membership &amp; Subscription Expenses</b>	
56410 - Subscriptions	\$3,035.21
56420 - Memberships	\$1,688.25
<b>Total - 56400.0 - Membership &amp; Subscription Expenses</b>	<b>\$4,723.46</b>
<b>56600.0 - Maintenance Expenses</b>	
56630 - Interior Landscaping	\$1,396.37
56640 - Vehicle Expense	\$70.01
<b>Total - 56600.0 - Maintenance Expenses</b>	<b>\$1,466.38</b>
<b>56650.0 - Staff Support Expenses</b>	
56620 - Staff Support	\$4,040.36
56621 - Recruiting Expenses	\$962.26
<b>Total - 56650.0 - Staff Support Expenses</b>	<b>\$5,002.62</b>
<b>56800.0 - Mandatory Costs</b>	
56820 - Ohio Retirement Study Council	\$15,278.08
<b>Total - 56800.0 - Mandatory Costs</b>	<b>\$15,278.08</b>
56900 - Reimbursement of Leased Svcs from OSERS Broad St	(\$25,416.67)
<b>Total - Expense</b>	<b>\$2,957,885.08</b>
<b>Total Admin Expenses</b>	<b>\$2,957,885.08</b>

**School Employees Retirement System of Ohio**  
**Broad Street Detail Admin Expenses**  
**Apr 2025**

Financial Row	Vendor Bill Name	Amount
Ordinary Income/Expense		
Income		
41010 - Suite Income - OSERS Broad St		
		\$25,468.42
Total - 41010 - Suite Income - OSERS Broad St		\$25,468.42
41205.0 - Parking Income		
41206 - Parking Income - OSERS Broad St		
		\$1,950.00
Total - 41206 - Parking Income - OSERS Broad St		\$1,950.00
41210 - Parking Income - Other - OSERS Broad St		
		\$22,000.00
Total - 41210 - Parking Income - Other - OSERS Broad St		\$22,000.00
Total - 41205.0 - Parking Income		\$23,950.00
41600 - Miscellaneous Income - OSERS Broad St		
		\$150.00
Total - 41600 - Miscellaneous Income - OSERS Broad St		\$150.00
Total - Income		\$49,568.42
Gross Profit		\$49,568.42
Expense		
50110.0 - Property Management & Labor		
50110 - Admin. Service Contracts - OSERS Broad St		
	0041 SERS	\$25,416.67
Total - 50110 - Admin. Service Contracts - OSERS Broad St		\$25,416.67
Total - 50110.0 - Property Management & Labor		\$25,416.67
50200.0 - Administrative Expenses		
50241 - Bank Fees - OSERS Broad St		
	Park National Bank	\$77.98
Total - 50241 - Bank Fees - OSERS Broad St		\$77.98
Total - 50200.0 - Administrative Expenses		\$77.98
50300.0 - Building Operations		
50302 - Signage - OSERS Broad St		
	5919 Columbus Sign Company	\$316.00
Total - 50302 - Signage - OSERS Broad St		\$316.00
50305 - HVAC Repairs & Maintenance - OSERS Broad St		
	5698 Metro Group, Inc.	\$533.07
	5769 DeBra-Kuempel	\$1,406.50
Total - 50305 - HVAC Repairs & Maintenance - OSERS Broad St		\$1,939.57
50307 - Plumbing Repairs & Maintenance - OSERS Broad St		
	5720 Rescue Rooter	\$410.00
Total - 50307 - Plumbing Repairs & Maintenance - OSERS Broad St		\$410.00
50310 - Maintenance Uniforms - OSERS Broad St		
	0411 Amazon.com	\$149.99
Total - 50310 - Maintenance Uniforms - OSERS Broad St		\$149.99
50311 - Window Cleaning - OSERS Broad St		
	5736 Columbus Window Cleaning	\$16,764.80
Total - 50311 - Window Cleaning - OSERS Broad St		\$16,764.80
50317 - Janitorial Services - OSERS Broad St		
	0411 Amazon.com	\$197.15
Total - 50317 - Janitorial Services - OSERS Broad St		\$197.15
50318 - Lighting - Bulbs, Fixtures - OSERS Broad St		
	0391 Grainger	\$3,742.16
	5737 Consolidated Electrical Distributors, Inc.	\$195.00
Total - 50318 - Lighting - Bulbs, Fixtures - OSERS Broad St		\$3,937.16
50319 - Parking Garage Repairs & Maintenance - OSERS Broad St		
	5927 Konkus Marble and Granite	\$1,300.00
Total - 50319 - Parking Garage Repairs & Maintenance - OSERS Broad St		\$1,300.00
50321 - Generator Repairs & Maintenance - OSERS Broad St		
	5699 Ohio CAT	\$1,343.91
Total - 50321 - Generator Repairs & Maintenance - OSERS Broad St		\$1,343.91

50325 - Security - OSERS Broad St		
	0411 Amazon.com	\$26.39
	5751 Kyle Kincade	\$2,835.00
	5682 Johnson Controls Fire Protection LP	\$1,353.32
	5754 Stephen Galentine Jr.	\$2,261.25
	5778 Joshua Milstead	\$1,620.00
	5856 Shayne McAndrew	\$1,805.63
	5800 Cheston Jones	\$810.00
	5677 Allied Universal Security Services	\$34,027.99
	5879 Joel George	\$810.00
	5749 Remus Borcila	\$270.00
	5883 Trenton Kincade	\$1,215.00
Total - 50325 - Security - OSERS Broad St		\$47,034.58
50327 - Elevator Repairs & Maintenance - OSERS Broad St		
	5690 Fujitec America, Inc.	\$6,320.57
Total - 50327 - Elevator Repairs & Maintenance - OSERS Broad St		\$6,320.57
50328 - Pest Control - OSERS Broad St		
	5689 Terminix International Company, LP	\$153.83
Total - 50328 - Pest Control - OSERS Broad St		\$153.83
50329 - Life Safety - OSERS Broad St		
	5693 T. P. Mechanical Contractors	\$1,536.00
Total - 50329 - Life Safety - OSERS Broad St		\$1,536.00
50330 - Trash & Refuse - OSERS Broad St		
	5770 Rumpke of Ohio Inc	\$560.46
Total - 50330 - Trash & Refuse - OSERS Broad St		\$560.46
50350 - Landscaping & Grounds - OSERS Broad St		
	0411 Amazon.com	\$109.44
Total - 50350 - Landscaping & Grounds - OSERS Broad St		\$109.44
Total - 50300.0 - Building Operations		\$82,073.46
50400.0 - Utilities		
50400 - Telephone - OSERS Broad St		
	5715 AT&T - 8836	\$307.34
Total - 50400 - Telephone - OSERS Broad St		\$307.34
50405 - Heat & Gas - OSERS Broad St		
	5686 Columbia Gas	\$4,736.84
Total - 50405 - Heat & Gas - OSERS Broad St		\$4,736.84
50410 - Electricity - OSERS Broad St		
	5795 American Electric Power - 16108	\$53.90
	5794 American Electric Power - 87617	\$153.24
	5678 American Electric Power - 23018	\$23,236.86
Total - 50410 - Electricity - OSERS Broad St		\$23,444.00
50415 - Water & Sewer - OSERS Broad St		
	5681 Columbus City Treasurer	\$3,232.81
Total - 50415 - Water & Sewer - OSERS Broad St		\$3,232.81
Total - 50400.0 - Utilities		\$31,720.99
51000 - Lease Commission Fees - OSERS Broad St		
	5894 Newmark Partners LP	\$35,506.90
Total - 51000 - Lease Commission Fees - OSERS Broad St		\$35,506.90
51010.0 - Other Fees		
51010 - Special Counsel - OSERS Broad St		
	3514 Bailey Cavalieri, LLC	\$1,062.50
Total - 51010 - Special Counsel - OSERS Broad St		\$1,062.50
51013 - Building Remodeling - OSERS Broad St		
	5881 ACCI Design Build	\$152,350.78
Total - 51013 - Building Remodeling - OSERS Broad St		\$152,350.78
Total - 51010.0 - Other Fees		\$153,413.28
Total - Expense		\$328,209.28
Net Budgeted Expenses		\$278,640.86
Net Building Occupancy		\$253,224.19

FY2025 Administrative Budget  
Board Expense to Budget Reporting  
Year-to-Date Through April 30, 2025

Major Category/Sub-Major Category	Line Item	Vendor	FY2025 Budget Approved	Year to Date Expense	Additional Information
<b>PROFESSIONAL SERVICES</b>			<b>\$ 6,493,858.00</b>	<b>\$ 5,192,416.30</b>	
ACTUARIAL ADVISORS			\$ 425,500.00	\$ 310,348.50	
	Actuarial	Cavanaugh Macdonald	\$ 325,500.00	\$ 246,573.50	Actuarial Consultant
	Actuarial	Audit PTA/KMS/Bolton	100,000.00	63,775.00	Actuarial Audit
AUDITING			\$ 220,000.00	\$ 161,528.00	
	Auditing	Plante Moran	180,000.00	160,520.00	External Auditor
BANKING FEES			\$ 1,213,380.00	\$ 973,358.21	
	Custodial Banking		1,020,000.00	868,033.79	
		Fifth Third	360,000.00	310,245.84	Domestic Custodian
		BNYM	660,000.00	557,787.95	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	193,380.00	105,324.42	Banking Services
INVESTMENT RELATED			\$ 2,530,364.00	\$ 1,945,228.35	
	Master Recordkeeper	BNYM	1,056,000.00	952,573.78	
	Investment Consulting & Advisory Services		525,000.00	337,500.05	
		Wilshire	450,000.00	337,500.05	Investment Consulting
	Performance Analytics Services		704,765.00	487,412.98	
		Barra-One Risk Mgmt Sys	238,445.00	178,833.75	Investment Risk Analytics
		BNY Mellon GRS	412,820.00	344,016.60	Investment Performance Analytics
TECHNICAL			\$ 2,059,614.00	\$ 1,764,453.24	
	Special Counsel		301,000.00	524,522.29	
	Technical		1,285,720.00	828,351.08	
		Merative	124,000.00	93,000.00	Data Warehouse
		Sagitec	573,440.00	396,857.50	SMART Development Resources
		Board Initiative	100,000.00	-	Board Initiatives
	Other Professional Services		472,894.00	411,579.87	
		Gartner	109,230.00	101,359.00	Management Consulting
<b>OTHER OPERATING EXPENSE</b>			<b>\$ 4,350,782.00</b>	<b>\$ 3,265,665.41</b>	
COMPUTER SUPPORT SERVICES			\$ 3,003,345.00	\$ 2,255,717.76	
	Software Maintenance		1,013,621.00	803,916.78	
		Dell	300,000.00	248,976.58	Microsoft Enterprise Agreement/ True Up
		Sagitec	420,000.00	350,000.00	SMART Silver Support
		Hyland	119,061.00	121,454.36	ImageNow
	Software Subscriptions		1,732,520.00	1,371,048.76	
		DRaaS	163,332.00	142,378.08	Expedient
		Dynamo	207,686.00	224,477.76	Dynamo Software, INC
		Carahsoft	163,830.00	135,266.32	ServiceNow System
		Zoom	100,000.00	101,553.59	Telecommunication Services
PROPERTY MANAGEMENT LIABILITY INSURANCE			\$ 566,375.00	\$ 512,467.00	
	Management Liability Insurance		566,375.00	512,467.00	
		Cyber Liability Insurance	166,805.00	152,374.75	ARC Excess & Surplus, LLC
		Crime Fiduciary D&O Insurance	372,182.00	360,092.25	ARC Excess & Surplus, LLC

PROJECT ITEMS					
Major Category/Sub-Major Category	Line Item	Project	FY2025 Budget	YTD Expense	Additional Information
PROFESSIONAL SERVICES					
	TECHNICAL				

SERS					
UNBUDGETED PROJECT ITEMS					
Major Category/Sub-Major Category	Line Item	Project	FY2025 Budget	YTD Expense	Additional Information
Professional Services	Other Professional Services	Chief Risk Officer recruiting	\$ -	\$ 35,450.00	Hudepohl & Associates Inc.
Professional Services	Other Professional Services	Member Account Fraud Assessment	\$ -	\$ 20,000.00	Linea Solutions, Inc.

OSERS BROAD STREET, LLC					
UNBUDGETED PROJECT ITEMS					
Major Category	Line Item	Project	FY2025 Budget	YTD Expense	

# SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

## FINANCIAL HIGHLIGHTS

As of March 31, 2025 and 2024

(unaudited)

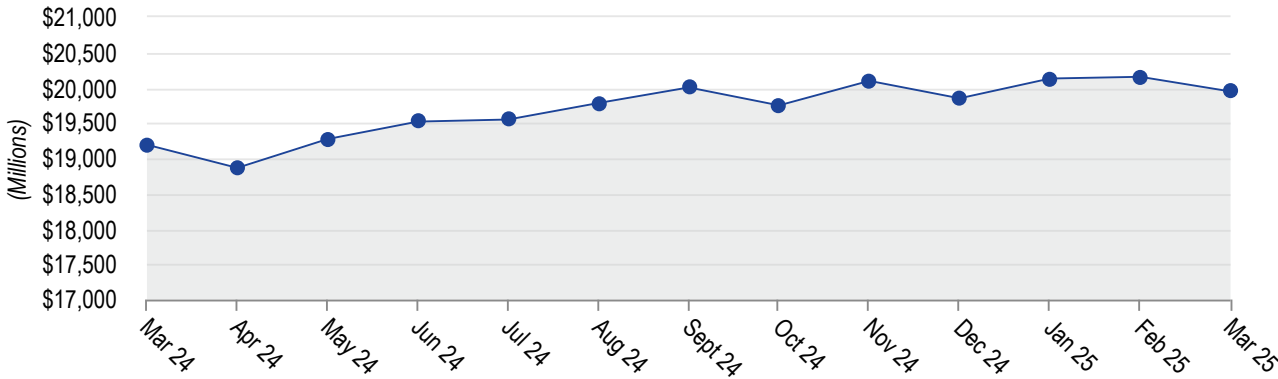
<b>SERS (All Funds)</b>	<b>3/31/25 YTD</b>	<b>3/31/24 YTD</b>	<b>Comparative Difference</b>	<b>% Difference</b>
<b><u>ADDITIONS</u></b>				
Employer Contributions	\$503,615,892	\$478,172,481	\$25,443,411	5%
Member Contributions	328,151,081	312,611,274	15,539,807	5
Other Income	101,046,385	104,264,001	(3,217,616)	(3)
Total Investment Income, Net	818,364,881	1,293,640,101	(475,275,220)	(37)
<b>TOTAL ADDITIONS</b>	<b>1,751,178,239</b>	<b>2,188,687,857</b>	<b>(437,509,618)</b>	<b>(20)</b>
<b><u>DEDUCTIONS</u></b>				
Retirement, Disability, Survivor & Death Benefits	1,108,768,500	1,062,905,333	45,863,167	4
Health Care Expenses	122,080,969	104,941,072	17,139,897	16
Refunds & Transfers	67,729,736	70,881,801	(3,152,065)	(4)
Administrative Expenses (excluding Investments)	24,414,236	22,609,259	1,804,977	8
<b>TOTAL DEDUCTIONS</b>	<b>1,322,993,441</b>	<b>1,261,337,465</b>	<b>61,655,976</b>	<b>5</b>
Changes in Net Position	428,184,798	927,350,392	(499,165,594)	54
Net Position - Beginning	19,521,138,893	18,265,722,222	1,255,416,671	7
<b>SERS Net Position - Ending</b>	<b>\$19,949,323,691</b>	<b>\$19,193,072,614</b>	<b>\$756,251,077</b>	<b>4%</b>

## HEALTH CARE FUND

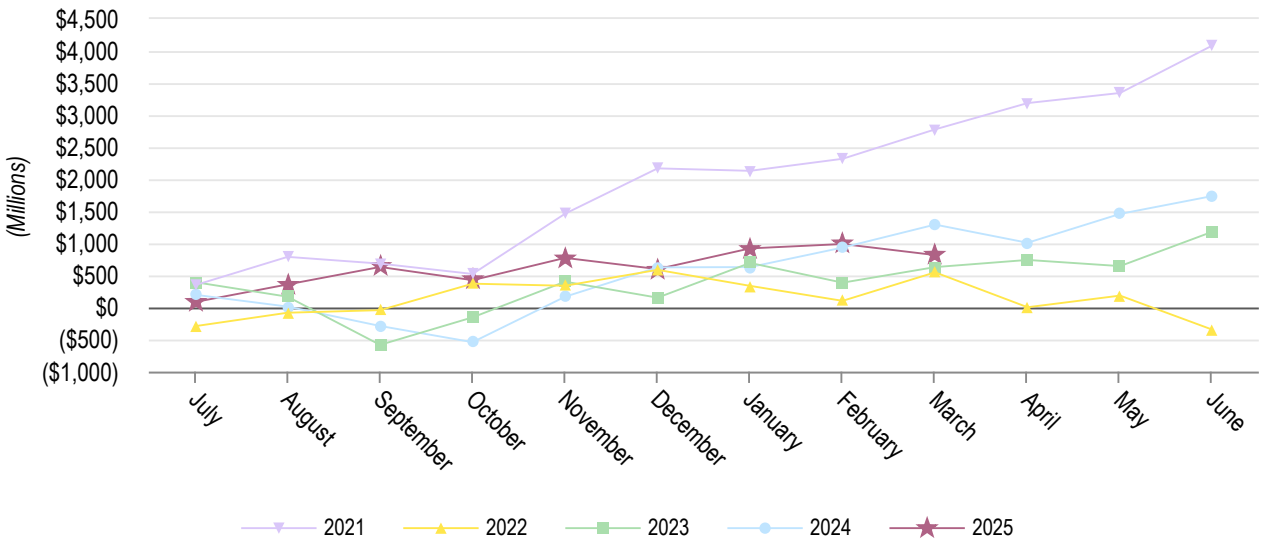
### HEALTH CARE ADDITIONS

Employer Contributions	\$44,999,990	\$42,298,923	\$2,701,067	6%
Health Care Premiums	42,649,535	43,914,012	(1,264,477)	(3)
Federal Subsidies & Other Receipts	57,156,854	60,309,458	(3,152,604)	(5)
Total Investment Income, Net	28,849,520	43,561,861	(14,712,341)	(34)
<b>TOTAL HEALTH CARE ADDITIONS</b>	<b>173,655,899</b>	<b>190,084,254</b>	<b>(16,428,355)</b>	<b>(9)</b>
<b>TOTAL HEALTH CARE DEDUCTIONS</b>	<b>124,508,199</b>	<b>107,118,654</b>	<b>17,389,545</b>	<b>16</b>
Changes in Net Position	49,147,700	82,965,600	(33,817,900)	(41)
Net Position - Beginning	816,468,867	706,785,561	109,683,306	16
<b>SERS Health Care Fund Net Position - Ending</b>	<b>\$865,616,567</b>	<b>\$789,751,161</b>	<b>\$75,865,406</b>	<b>10%</b>

**Total SERS Fund Balance for Previous 12 Months**



**Investment Income (includes realized and unrealized gains & losses)**



**Health Care Fund Balance Trend**



**School Employees Retirement System of Ohio**  
**System Year-to-Date Budget Analysis**  
**Through March 31, 2025**

	FYTD25					
	FYTD24 Actual	Actual	Budget	Actual to Budget %	Budget to Actual Under/(Over)	Notes
PERSONNEL SERVICES	\$ 19,099,054	\$ 20,437,228	\$ 20,098,798	101.7%	\$ (338,430)	
Salaries & Wages	14,096,864	14,821,144	14,890,491	99.5%	69,347	
PERS Retirement Contributions	1,868,414	1,975,557	1,987,826	99.4%	12,269	
Benefits	3,133,776	3,640,527	3,220,481	113.0%	(420,046)	Note 1
PROFESSIONAL SERVICES	4,328,462	4,718,209	4,951,040	95.3%	232,831	
Actuarial Advisors	228,916	244,530	248,875	98.3%	4,345	
Audit Services	164,465	152,888	220,000	69.5%	67,112	
Banking Fees	830,141	906,975	910,035	99.7%	3,060	
Investment Related	1,939,690	1,768,562	1,920,697	92.1%	152,135	Note 2
Medical	33,750	33,750	33,750	100.0%	-	
Technical	1,131,500	1,611,504	1,617,683	99.6%	6,179	
COMMUNICATIONS EXPENSE	558,141	702,242	806,698	87.1%	104,456	
Postage	336,229	535,137	560,038	95.6%	24,901	
Telecommunications Services	136,571	54,080	96,910	55.8%	42,830	Note 3
Member/Employer Education	5,087	17,799	20,850	85.4%	3,051	
Printing & Publications	80,254	95,226	128,900	73.9%	33,674	Note 4
OTHER OPERATING EXPENSE	2,995,971	3,217,165	3,927,510	81.9%	710,345	
Computer Support Services	1,858,826	2,011,102	2,503,244	80.3%	492,142	Note 5
Office Equipment & Supplies	124,239	118,310	121,343	97.5%	3,033	
Training	96,481	122,661	203,235	60.4%	80,574	Note 6
Transportation & Travel	116,532	123,350	178,620	69.1%	55,270	
Memberships Subscriptions	134,000	184,708	174,960	105.6%	(9,748)	Note 7
Property & Mgmt. Liability Insurance	504,501	512,467	566,375	90.5%	53,908	
Maintenance	23,858	23,864	30,325	78.7%	6,461	
Staff Support	84,139	69,970	90,228	77.5%	20,258	
School District Reimbursement	5,776	4,899	8,180	59.9%	3,281	
Mandatory Costs- ORSC	47,619	45,834	51,000	89.9%	5,166	
TOTAL DEPARTMENT EXPENSES	26,981,628	29,074,844	29,784,046	97.6%	709,202	
TOTAL SERS ADMIN EXPENSES	26,981,628	29,074,844	29,784,046	97.6%	709,202	
NET BUILDING EXPENSE	677,100	1,184,374	1,602,577	73.9%	418,203	Note 8
TOTAL ADMINISTRATIVE EXPENSES	\$ 27,658,728	\$ 30,259,218	\$ 31,386,623	96.4%	\$ 1,127,405	

See notes on following page

FYTD = Fiscal Year To Date

## Notes to System Year-to-Date Budget Analysis

### Year to Date FY2025 March 31, 2025

- Note 1: **Benefits** continue to trend over budget in both Group Health Claims and Prescription Claims through the month of March. Stop loss coverage has helped offset the overage slightly. 3 participants reached the \$250,000 stop loss cap in calendar year 2024, when the average is 0-1 participants in any given calendar year.
- Note 2: **Telecommunication Services** is under budget due to timing and contract negotiations. The full year for Zoom phone carrier was budgeted for July but expenses are billed monthly. Additionally, building internet services were renegotiated and are less than budgeted.
- Note 3: **Investment Related** realized savings through March 31, 2025 will be consumed in the 4<sup>th</sup> quarter. SERS is subject to duplicate master record keeper fees during the Clearwater implementation.
- Note 4: **Printing & Publications** consists of printing paper, printing supplies, and other publication materials. The variance is due to timing. Some envelopes and other publication materials that were budgeted earlier in the fiscal year have not been purchased yet.
- Note 5: **Computer Support Services** are under due to timing and realized savings. There are several hardware maintenance, software maintenance, and software subscriptions that will not be renewed this fiscal year. Additionally, there were several software subscriptions budgeted for March that have not been expensed yet. The Microsoft enterprise agreement and true up and Zoom enterprise agreement and true up came in under budget.
- Note 6: **Training and Travel** are budgeted evenly throughout the fiscal year and the timing of staff training and travel can vary.
- Note 7: **Memberships/Subscriptions** are over due to timing of renewal. This will even out during the last quarter of the fiscal year.
- Note 8: **Net Building Occupancy** is under budget year to date. Projects budgeted to date, such as the garage charging station refresh and building remodeling, have been delayed or are still in process. The tenant improvement and SERS consolidation projects won't be fully invoiced until after the projects are completed. Additionally, the fitness equipment that was budgeted has not yet been purchased. The timing of invoices for utilities and security has resulted in temporary budget savings.

**OSERS Broad Street, LLC**  
**Year-to-Date Budget Analysis**  
**Through February 28, 2025**

		FYTD 2025					
		FY2024	FY2025			Budget to	
		Actuals	Budget	Budget	Actuals	Actual	Notes
						Under/(Over)	
<b>OPERATING INCOME</b>							
	Suite Income	\$ 537,291	\$ 430,400	\$ 376,765	\$ 384,352	(7,587)	
	Parking Income	236,265	228,480	173,760	208,900	(35,140)	Note 1
	Miscellaneous Income	2,314	-	-	1,398	(1,398)	
		775,870	658,880	550,525	594,650	(44,125)	
<b>OPERATING EXPENSES</b>							
	Property Management & Labor	305,000	305,000	228,750	228,750	-	
	Administrative Services	7,062	6,900	1,050	808	242	
	Building Maintenance	1,018,992	1,231,822	915,076	801,411	113,665	Note 2
	Utilities	354,728	409,060	307,295	260,508	46,787	Note 3
	Building & Equipment Insurance	75,496	78,000	78,000	73,057	4,943	
	Real Estate Taxes	280,811	287,550	151,550	150,297	1,253	
		2,042,089	2,318,332	1,681,721	1,514,831	166,890	
<b>NON-OPERATING EXPENSES</b>							
	Lease Commission Fees	2,657	125,131	60,131	65,553	(5,422)	
	Special Counsel Fees	213	5,000	5,000	5,250	(250)	
	Building Remodeling	14,718	750,000	635,000	422,141	212,859	Note 4
		17,588	880,131	700,131	492,944	207,187	
<b>CAPITAL</b>							
	Leasehold Improvements	58,798	-	-	-	-	
		58,798	-	-	-	-	
	<b>TOTAL</b>	<b>\$ 1,342,605</b>	<b>\$ 2,539,583</b>	<b>\$ 1,831,327</b>	<b>\$ 1,413,125</b>	<b>418,202</b>	

FY - Fiscal Year

FYTD - Fiscal Year To Date

## Notes to OSERS Broad Street, LLC Year-to-Date Budget Analysis Through March 31, 2025

Note 1: **Parking Income** is higher for FY2025 due to an increase in parking tenants.

Note 2: **Building Operations & Maintenance** are under budget mainly due to timing. The garage charging station refresh project is delayed. Fitness equipment was budgeted but has not been purchased yet. The timing of security invoices has created a variance year to date. Additionally, janitorial and several other maintenance accounts have been under budget year to date.

Note 3: **Utilities** are below budget mainly due to timing. The electricity invoice for March was received and paid in April.

Note 4: **Building Remodeling** is under due to timing. The remodeling project has begun but will not be fully billed until the project is complete. The expense represents the cost of plans, permits, and completed work to date.

# Memo

To: Retirement Board  
From: Richard Stensrud, Executive Director  
CC: Karen Roggenkamp, Deputy Executive Director  
Date: May 8, 2025  
Re: FY2025 Budget Review

---

At the May Board Meeting the proposed FY2026 Administrative Budgets for SERS and OSERS Holdings, LLC will be presented for your preliminary consideration. At the June Board Meeting, you will be asked to approve the final version of these budgets through separate resolutions – one for SERS' operating budget and one for the transfer of funds to OSERS Holdings, LLC to cover the net operating expenses of OSERS Broad Street, LLC.

The attached Budget Book provides extensive detail regarding the proposed budget. As noted in the letter to the Board found in the front of the Budget Book, the proposed budget reflects an increase of 4.8% over the FY2025 budget and a 5.0% increase over the FY2025 projected expenses.

Chief Finance Officer Marni Hall will review the Budget Book with you and answer any questions that may arise.



# ADMINISTRATIVE BUDGET

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

**SERS is a public defined benefit pension fund that provides pensions and access to health care coverage for the people who serve our schools.**



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



## **CORE BELIEFS**

We are here to serve.  
We are open and honest.  
We are professional.  
We are dedicated.  
We are enthusiastic.  
We are high performers.  
We are valuable partners.  
We are member advocates.  
We are innovators.  
**We are SERS.**

## SERS AT A GLANCE



9

### MEMBERS OF THE RETIREMENT BOARD

with fiduciary responsibility for the oversight of general administration and management of the Retirement System



163,350

**ACTIVE MEMBERS** (person contributing to or with contributions on account at SERS)



1,075

**EMPLOYERS** (an entity whose employees are required by law to contribute to SERS)



185

**SERS EMPLOYEES**



\$1,398

**AVERAGE MONTHLY BENEFIT**



82,490

**ALL BENEFIT RECIPIENTS**



1937

**THE YEAR** School Employees Retirement System of Ohio was established.

SERS is located at 300 East Broad Street, Columbus, Ohio, or online at [www.ohsers.org](http://www.ohsers.org).  
All statistical information obtained from SERS' 2024 Annual Financial Report publication.



## ***SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO***

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746  
614-222-5853 • Toll-Free 800-878-5853 • [www.ohsers.org](http://www.ohsers.org)

RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

May 15, 2025

Dear Chairperson King and SERS Retirement Board Members:

We are pleased to present the Retirement Board with the proposed FY2026 Administrative Budget, which supports our approximately 246,000 active members, retirees, and beneficiaries with valuable pension benefit programs and health care services.

### **FY2025 Recap**

The Contribution Based Benefit Cap (CBBC) became effective on August 1, 2024. We completed the third year of the Five-Year Technology Roadmap budget to ensure IT infrastructure and SMART enhancements meet the needs of our members. Furthermore, fiscal year 2025 was the first year of the 5-year strategic plan that was developed in FY2024.

House Bill 257, permitting retirement systems to create a policy allowing remote participation by Board members, was approved by the Ohio Senate and concurred with by the Ohio House on December 18, 2024. Additionally, the actuarial audit of SERS commissioned by the Ohio Retirement Study Council, commenced and is expected to be completed by the end of the fiscal year.

The total budget for FY 2025 was \$41.23 million. We anticipate closing the year at \$41.15 million or 0.20% below budget.

### **Administration**

- Completed comprehensive audits of investment compensation, conflicts of interest and initiated an outsourced audit of our IT infrastructure.
- Initiated the transition of Master Recordkeeper vendor to utilize emerging technologies, improve reporting, consolidate systems, and increase efficiency.
- Launched a new cloud-based accounting and general ledger system on July 1, 2024.
- The SERS Health Care Fund increased the funded ratio by 15.45% and increased solvency to 45 years beginning in FY2025.
- Health Care Services secured an additional \$750,000 in savings for calendar year 2025 with a follow-up Pharmacy Benefit Manager (PBM) Market Check.
- Completed the document storage conversion project, transitioning all employees to Microsoft OneDrive. This provides automated retention and facilitates efficient collaboration.
- Completed the 'legal hold' project, updating practices and optimizing technology use.



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RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

- Planned and executed space consolidation and tenant improvement projects to increase leasable space and grow tenant revenue.

### **Technology/Information Security**

- Invested in Risk Management talent: Appointed a new Chief Risk Officer and added a Senior Information Security Analyst position to improve the monitoring and investigation of system vulnerabilities and cyber security alerts.
- Enhancing efficiency with AI tools: Efforts to improve operations through AI, including testing Microsoft Copilot and Zoom Meeting AI, under the AI Oversight Committee's guidance for responsible use.
- Monitored cyber security and conducted risk assessments: Conducted disaster recovery tests and cyber security tabletop exercises. Provided security awareness training sessions and reviewed identity fraud prevention capabilities. Implemented and piloted new tools to enhance fraud prevention and safeguard member data.

### **Employers and Membership**

- Member Services continued their pattern of exceptional service, receiving a score of 9.56 out of 10 in all major service categories from the Cobalt survey.
- Implemented FAQ bot for easy access to information on website.

- Employer Outreach restructured their communication plan, which led to a 27% increase in participation levels.

### **Five-Year Technology Enhancement Project**

- Completed enhancements to the network and server infrastructure.
- Completed the SMART Business Process Management (BPM) migration project, upgrading workflows to current Microsoft technology.
- Completed the Refund Reimagination project, allowing refund applications to be performed online through the member portal. Upgraded technology in the Board Room and O'Keefe conference room.
- Upgraded electronic repository solution.
- Completed several phases for eDelivery and Finance General Ledger mapping projects.
- Continued work on the Portal Vision Re-imagination project that focused on enhancing security.

### **FY2026 Budget Request**

The proposed FY2026 budget of \$43.2 million reflects a 4.8% increase over the FY2025 budget and a 5.0% increase over the FY2025 projected expenses. The significant drivers include a budgeted salary merit pool increase of 3.9%, salary adjustments based on CBIZ recommendations to align with current market conditions, an expected increase in employee health care expenses based on actuarial rates derived from



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RICHARD STENSRUD  
*Executive Director*

KAREN D. ROGGENKAMP  
*Deputy Executive Director*

actual plan claims and health care cost trends, a transition to a new Master Recordkeeper vendor, cyclical professional services, additional security software and one additional Information Technology FTE.

Additional budget adjustments include:

- Quinquennial experience study.
- Recruitment of a Chief Audit Officer.
- Implementation of new security tools to better protect SERS data and systems, which includes a bi-annual penetration test.
- Updates and redesign of SERS website.
- Member portal improvements to protect against identity theft and fraud.
- Continued expansion of information governance project.
- Second-year implementation costs for initiatives included in the new five-year strategic plan.

The financials include the fourth year of the five-year Technology Project Enhancement Roadmap approved in FY2023. Forecasted FY2026 projects total \$1.9 million. Projects slated for FY2026 are as follows:

- Security enhancements to the SMART portals.
- Configuration and build of self-service capabilities for vendors in SMART.
- Next phase of eDelivery enhancements and Finance General Ledger mapping projects.
- Upgrade of the communication engine in SMART to the current Microsoft technology.

Implementation of Live Chat in SMART through utilization of Zoom.

Incorporation of GenAI tools to be integrated within the systems.

We appreciate your consideration of this budget and look forward to discussions regarding its contents.

Respectfully,

Richard Stensrud  
Executive Director

Marni Hall, CPA  
Chief Financial Officer



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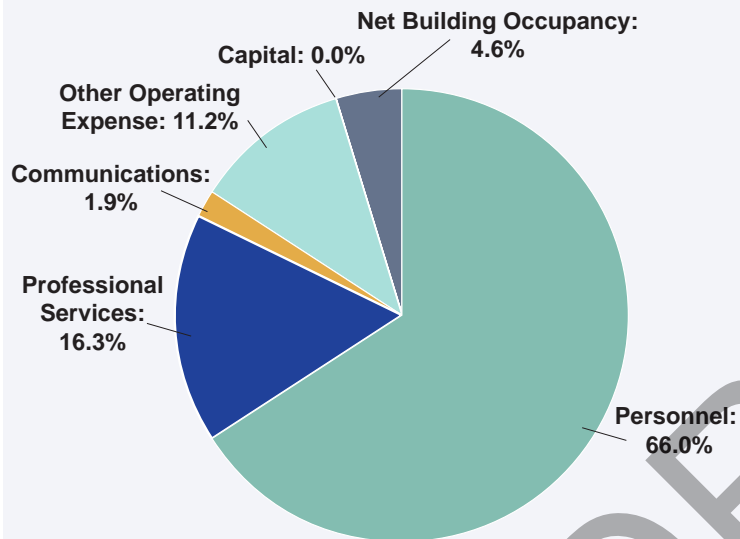


## BUDGET OVERVIEW

Category and Description	FY2026 Budget	\$ 43,205,294
<b>PERSONNEL</b>		<b>\$ 28,514,219</b>
A performance-based merit pool of 3.9%, salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions, one additional FTE, retirement contributions, Investment Staff professional incentive, and actuarial derived insurance-related staff benefits are included in this category.		
<b>Operational Impact</b>		<b>66.0%</b>
<b>PROFESSIONAL SERVICES</b>		<b>\$ 7044466</b>
Investment-related fees are analogous to expected investment performance. Also in this category are infrastructure third-party services, health care medical and pharmacy claims data repository, medical/pharmacy pricing advisement, external auditing services, actuarial consulting, and other consulting services across the organization.		
<b>Operational Impact</b>		<b>16.3%</b>
<b>COMMUNICATIONS</b>		<b>\$ 821,240</b>
Member Services, Health Care, and Employer Services will continue to provide the same standard of service to members and retirees. Telecommunications, printing and publications across the organization. Postage savings occur in the absence of board elections.		
<b>Operational Impact</b>		<b>1.9%</b>
<b>OTHER OPERATING EXPENSE</b>		<b>\$ 4,853,745</b>
This includes annual requisite computer technology-related support for SERS' network and cloud based applications, Board and staff training and education, insurance, and mandatory legislative oversight.		
<b>Operational Impact</b>		<b>11.2%</b>
<b>CAPITAL</b>		<b>\$ 13,000</b>
Replacement of an end of life digital scanner for record retention purposes is included in Capital for FY2026.		
<b>Operational Impact</b>		<b>0.0%</b>
<b>NET BUILDING OCCUPANCY-OSERS BROAD STREET, LLC</b>		<b>\$ 1,958,624</b>
OSERS Broad Street, LLC will notice a slight increase in revenue due to increased parking income. This budget includes routine maintenance, upkeep, and tenant alterations. It also includes remodeling anticipated for tenant improvements.		
<b>Operational Impact</b>		<b>4.6%</b>

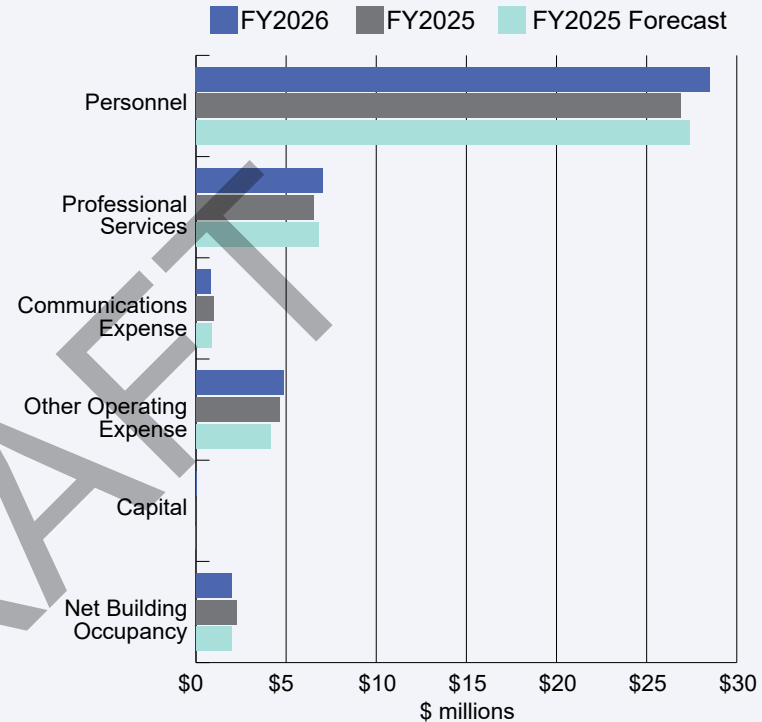
## FY2026 Operating Budget by Category

Total: \$ 43,205,294



Category	Amount
Personnel	\$ 28,514,219
Professional Services	\$ 7,044,466
Communications	\$ 821,240
Other Operating Expense	\$ 4,853,745
Capital	\$ 13,000
Net Building Occupancy	\$ 1,958,624

## Budget Comparison by Category



BUDGET CATEGORY	BUDGET		FORECAST
	FY2026	FY2025	FY2025
Personnel	\$ 28,514,219	\$ 26,904,494	\$ 27,399,875
Professional Services	7,044,466	6,493,858	6,790,683
Communications Expense	821,240	944,448	867,817
Other Operating Expense	4,853,745	4,655,782	4,119,734
Capital	13,000	-	-
Net Building Occupancy	1,958,624	2,234,583	1,972,484
<b>TOTAL OPERATING</b>	<b>\$ 43,205,294</b>	<b>\$ 41,233,165</b>	<b>\$ 41,150,593</b>

## FY2026 BUDGET SUMMARY

Budget Category	FY2026 Budget	FY2025 Budget	FY2025 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 21,172,870	\$ 19,925,657	\$ 19,765,932	6.3%
OPERS Retirement Contributions	2,791,267	2,683,322	2,650,213	4.0%
Benefits	4,550,082	4,295,515	4,983,730	5.9%
<b>PERSONNEL</b>	<b>28,514,219</b>	<b>26,904,494</b>	<b>27,399,875</b>	<b>6.0%</b>
Actuarial	357,700	425,500	447,155	-15.9%
Audit Services	220,000	220,000	207,528	0.0%
Custodial Banking Fees	1,188,000	1,020,000	1,090,784	16.5%
Master Recordkeeper	1,532,000	1,056,000	1,445,574	45.1%
Investment Consulting	1,162,215	1,474,364	1,270,171	-21.2%
Other Consulting	2,429,551	2,104,614	2,187,520	15.4%
Banking Expense	155,000	193,380	141,951	-19.8%
<b>PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS</b>	<b>7,044,466</b>	<b>6,493,858</b>	<b>6,790,683</b>	<b>8.5%</b>
Printing & Postage	718,610	801,150	772,676	-10.3%
Telecommunications	90,040	120,868	74,092	-25.5%
Member/Employer Education	12,590	22,430	21,049	-43.9%
<b>COMMUNICATIONS</b>	<b>821,240</b>	<b>944,448</b>	<b>867,817</b>	<b>-13.0%</b>
Conferences & Education	266,409	257,030	144,536	3.6%
Travel	231,120	240,360	165,130	-3.8%
Computer Support Services	3,195,613	3,003,345	2,765,014	6.4%
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,091,603	1,087,047	983,942	0.4%
Ohio Retirement Study Council	69,000	68,000	61,112	1.5%
<b>OTHER OPERATING</b>	<b>4,853,745</b>	<b>4,655,782</b>	<b>4,119,734</b>	<b>4.3%</b>
<b>TOTAL OPERATING</b>	<b>41,233,670</b>	<b>38,998,582</b>	<b>39,178,109</b>	<b>5.7%</b>
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	13,000	-	-	100%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
<b>CAPITAL</b>	<b>13,000</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>NET BUILDING OCCUPANCY EXPENSE</b>	<b>1,958,624</b>	<b>2,234,583</b>	<b>1,972,484</b>	<b>-12.3%</b>
<b>TOTAL OPERATING AND CAPITAL BUDGETS</b>	<b>\$ 43,205,294</b>	<b>\$ 41,233,165</b>	<b>\$ 41,150,593</b>	<b>4.8%</b>

## THREE-YEAR REVIEW FY2024 – FY2026 BUDGET PRESENTATION

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Description	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 18,975,416	\$ 19,765,932	\$ 790,516	4.2%	Salaries & Wages	\$ 21,172,870	\$ 1,406,938	7.1%
2,503,299	2,650,213	146,914	5.9%	OPERS Retirement Contributions	2,791,267	141,054	5.3%
4,284,341	4,983,730	699,389	16.3%	Benefits	4,550,082	(433,648)	-8.7%
<b>25,763,056</b>	<b>27,399,875</b>	<b>1,636,819</b>	<b>6.4%</b>	<b>PERSONNEL</b>	<b>28,514,219</b>	<b>1,114,344</b>	<b>4.1%</b>
306,604	447,155	140,551	45.8%	Actuarial	357,700	(89,455)	-20.0%
225,837	207,528	(18,309)	-8.1%	Audit Services	220,000	12,472	6.0%
1,142,340	1,232,735	90,395	7.9%	Banking Fees	1,343,000	110,265	8.9%
2,555,878	2,715,745	159,867	6.3%	Investment Related	2,694,215	(21,530)	-0.8%
45,000	45,000	-	0.0%	Medical	46,125	1,125	2.5%
1,937,595	2,142,520	204,925	10.6%	Technical	2,383,426	240,906	11.2%
<b>6,213,254</b>	<b>6,790,683</b>	<b>577,429</b>	<b>9.3%</b>	<b>PROFESSIONAL SERVICES</b>	<b>7,044,466</b>	<b>253,783</b>	<b>3.7%</b>
444,848	629,000	184,152	41.4%	Postage	578,110	(50,890)	-8.1%
158,151	74,092	(84,059)	-53.2%	Telecommunication Services	90,040	15,948	21.5%
7,980	21,049	13,069	163.8%	Member/Employer Education	12,590	(8,459)	-40.2%
103,086	143,676	40,590	39.4%	Printing & Publication	140,500	(3,176)	-2.2%
<b>714,065</b>	<b>867,817</b>	<b>153,752</b>	<b>21.5%</b>	<b>COMMUNICATIONS</b>	<b>821,240</b>	<b>(46,577)</b>	<b>-5.4%</b>
2,233,808	2,765,014	531,206	23.8%	Computer Support Services	3,195,613	430,599	15.6%
166,056	145,194	(20,862)	-12.6%	Office Equipment & Supplies	149,013	3,819	2.6%
134,282	144,536	10,254	7.6%	Conferences & Education	266,409	121,873	84.3%
183,177	165,130	(18,047)	-9.9%	Transportation & Travel	231,120	65,990	40.0%
157,415	199,231	41,816	26.6%	Memberships & Subscriptions	265,157	65,926	33.1%
504,501	512,467	7,966	1.6%	Property & Management Liability Insurance	518,428	5,961	1.2%
30,634	28,402	(2,232)	-7.3%	Maintenance	36,325	7,923	27.9%
111,193	91,832	(19,361)	-17.4%	Staff Support	113,180	21,348	23.2%
9,382	6,816	(2,566)	-27.4%	School District Reimbursement	9,500	2,684	39.4%
63,492	61,112	(2,380)	-3.7%	Mandatory Costs - ORSC	69,000	7,888	12.9%
(305,000)	(305,000)	(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	0	0.0%
<b>3,288,940</b>	<b>3,814,734</b>	<b>525,794</b>	<b>16.0%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>4,548,745</b>	<b>734,011</b>	<b>19.2%</b>
<b>35,979,315</b>	<b>38,873,109</b>	<b>2,893,794</b>	<b>8.0%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>40,928,670</b>	<b>2,055,561</b>	<b>5.3%</b>
-	-	-	0.0%	Furniture & Equipment > \$ 5,000	-	-	0.0%
-	-	-	0.0%	Computer Hardware > \$ 5,000	13,000	13,000	100.0%
-	-	-	0.0%	Computer Software > \$ 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
-	-	-	0.0%	<b>ADMINISTRATIVE CAPITAL</b>	<b>13,000</b>	<b>13,000</b>	<b>0.0%</b>
<b>35,979,315</b>	<b>38,873,109</b>	<b>2,893,794</b>	<b>8.0%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>40,941,670</b>	<b>2,068,561</b>	<b>5.3%</b>
<b>1,342,602</b>	<b>2,277,484</b>	<b>934,882</b>	<b>69.6%</b>	<b>OSERS BROAD STREET, LLC</b>	<b>2,263,624</b>	<b>(13,860)</b>	<b>-0.6%</b>
<b>\$ 37,321,917</b>	<b>\$ 41,150,593</b>	<b>\$ 3,828,676</b>	<b>10.3%</b>	<b>TOTAL OPERATING AND CAPITAL EXPENSES</b>	<b>\$ 43,205,294</b>	<b>\$ 2,054,701</b>	<b>5.0%</b>



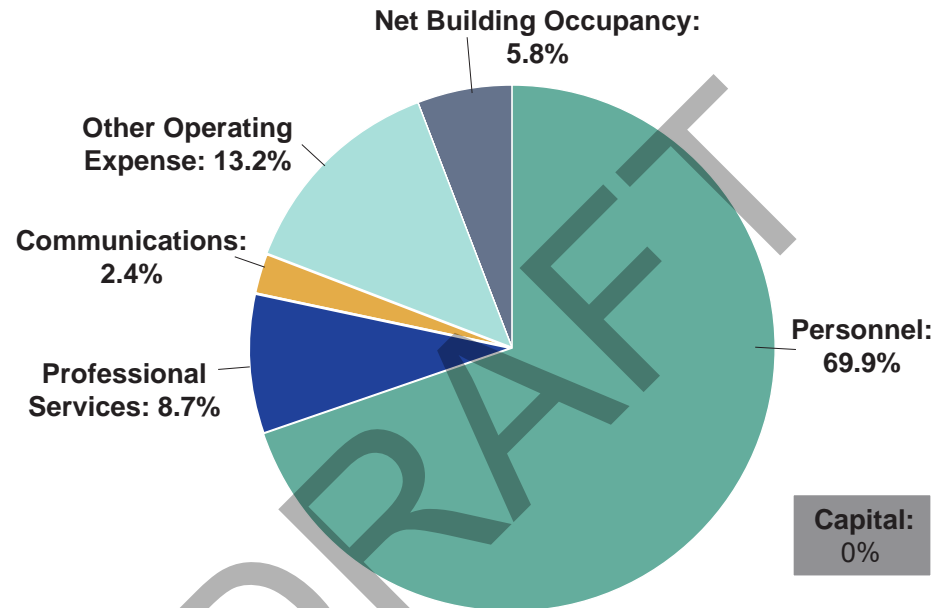
## SERS OPERATING BUDGET DETAIL



## FY2026 SERS OPERATING BUDGET BY CATEGORY

EXCLUDING INVESTMENTS

**Total: \$33,937,065**



BUDGET CATEGORY	BUDGET		FORECAST
	FY2026	FY2025	FY2025
Personnel	\$ 23,727,984	\$ 22,213,579	\$ 22,594,392
Professional Services	2,943,450	2,794,693	2,736,074
Communications	821,240	944,448	867,817
Other Operating Expense	4,472,767	4,241,449	3,747,935
Capital	13,000	-	-
Net Building Occupancy	1,958,624	2,234,583	1,972,484
<b>TOTAL OPERATING</b>	<b>\$ 33,937,065</b>	<b>\$ 32,428,752</b>	<b>\$ 31,918,702</b>

## THREE-YEAR REVIEW FY2024 – FY2026 SERS BUDGET PRESENTATION

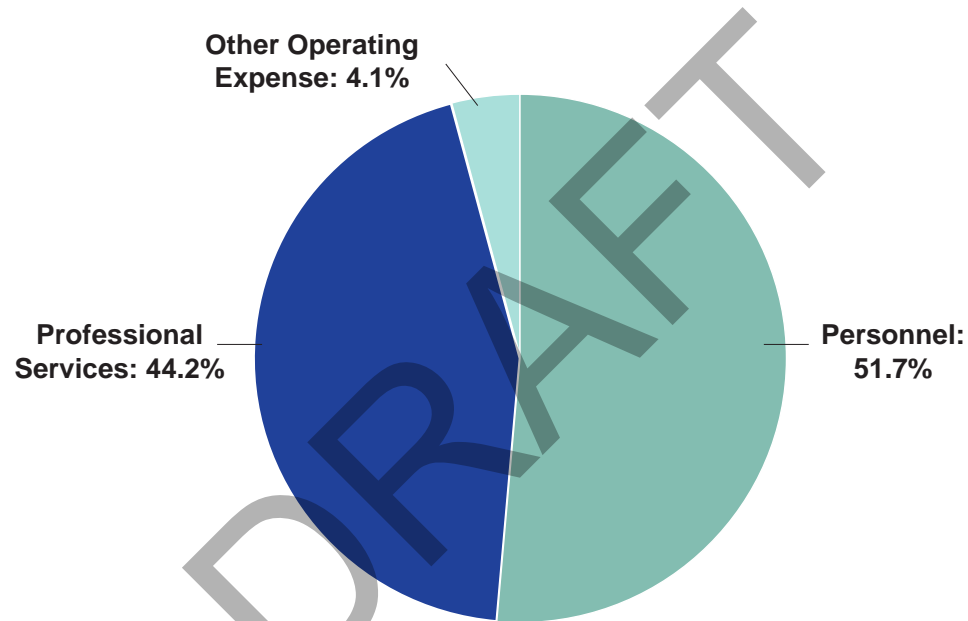
### EXCLUDING INVESTMENTS

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Description	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 15,419,937	\$15,935,793	\$ 515,856	3.3%	Salaries & Wages	\$17,356,068	\$ 1,420,275	8.9%
2,065,852	2,179,201	113,349	5.5%	OPERS Retirement Contributions	2,309,903	130,702	6.0%
3,870,648	4,479,398	608,750	15.7%	Benefits	4,062,013	(417,385)	-9.3%
<b>21,356,437</b>	<b>22,594,392</b>	<b>1,237,955</b>	<b>5.8%</b>	<b>PERSONNEL</b>	<b>23,727,984</b>	<b>1,133,592</b>	<b>5.0%</b>
306,604	447,155	140,551	45.8%	Actuarial	357,700	(89,455)	-20.0%
225,837	207,528	(18,309)	-8.1%	Audit Services	220,000	12,472	6.0%
167,450	141,951	(25,499)	-15.2%	Banking Fees	155,000	13,049	9.2%
60,213	60,213	-	0.0%	Investment Related	61,199	986	1.6%
45,000	45,000	-	0.0%	Medical	46,125	1,125	2.5%
1,652,599	1,834,227	181,628	11.0%	Technical	2,103,426	269,199	14.7%
<b>2,457,703</b>	<b>2,736,074</b>	<b>278,371</b>	<b>11.3%</b>	<b>PROFESSIONAL SERVICES</b>	<b>2,943,450</b>	<b>207,376</b>	<b>7.6%</b>
444,848	629,000	184,152	41.4%	Postage	578,110	(50,890)	-8.1%
158,151	74,092	(84,059)	-53.2%	Telecommunication Services	90,040	15,948	21.5%
7,980	21,049	13,069	163.8%	Member/Employer Education	12,590	(8,459)	-40.2%
103,086	143,676	40,590	39.4%	Printing & Publication	140,500	(3,176)	-2.2%
<b>714,065</b>	<b>867,817</b>	<b>153,752</b>	<b>21.5%</b>	<b>COMMUNICATIONS</b>	<b>821,240</b>	<b>(46,577)</b>	<b>-5.4%</b>
2,039,992	2,548,857	508,865	24.9%	Computer Support Services	3,057,613	508,756	20.0%
165,887	144,820	(21,067)	-12.7%	Office Equipment & Supplies	148,305	3,485	2.4%
125,633	133,215	7,582	6.0%	Conferences & Education	249,419	116,204	87.2%
115,826	103,859	(11,967)	-10.3%	Transportation & Travel	146,720	42,861	41.3%
106,686	116,615	9,929	9.3%	Memberships & Subscriptions	124,457	7,842	6.7%
504,501	512,467	7,966	1.6%	Property & Management Liability Insurance	518,428	5,961	1.2%
30,634	28,402	(2,232)	-7.3%	Maintenance	36,325	7,923	27.9%
111,119	91,771	(19,348)	-17.4%	Staff Support	113,000	21,229	23.1%
9,382	6,816	(2,566)	-27.4%	School District Reimbursement	9,500	2,684	39.4%
63,492	61,112	(2,380)	-3.7%	Mandatory Costs - ORSC	69,000	7,888	12.9%
(305,000)	(305,000)	(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	(305,000)	0	0.0%
<b>2,968,152</b>	<b>3,442,935</b>	<b>474,783</b>	<b>16.0%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>4,167,767</b>	<b>724,832</b>	<b>21.1%</b>
<b>27,496,357</b>	<b>29,641,218</b>	<b>2,144,861</b>	<b>7.8%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>31,660,441</b>	<b>2,019,223</b>	<b>6.8%</b>
-	-	-	0.0%	Furniture & Equipment > 5,000	-	-	0.0%
-	-	-	0.0%	Computer Hardware > 5,000	13,000	13,000	100%
-	-	-	0.0%	Computer Software > 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
-	-	-	<b>0.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>13,000</b>	<b>13,000</b>	<b>0.0%</b>
<b>\$ 27,496,357</b>	<b>\$29,641,218</b>	<b>\$ 2,144,861</b>	<b>7.8%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$31,673,441</b>	<b>\$ 2,032,223</b>	<b>6.9%</b>



## FY2026 INVESTMENTS OPERATING BUDGET BY CATEGORY

**Total: \$9,268,229**



BUDGET CATEGORY	BUDGET		FORECAST
	FY2026	FY2025	FY2025
Personnel	\$ 4,786,235	\$ 4,690,915	\$ 4,805,483
Professional Services	4,101,016	3,699,165	4,054,609
Other Operating Expense	380,978	414,333	371,799
TOTAL OPERATING	\$ 9,268,229	\$ 8,804,413	\$ 9,231,891

## THREE-YEAR REVIEW FY2024 – FY2026 INVESTMENTS BUDGET PRESENTATION

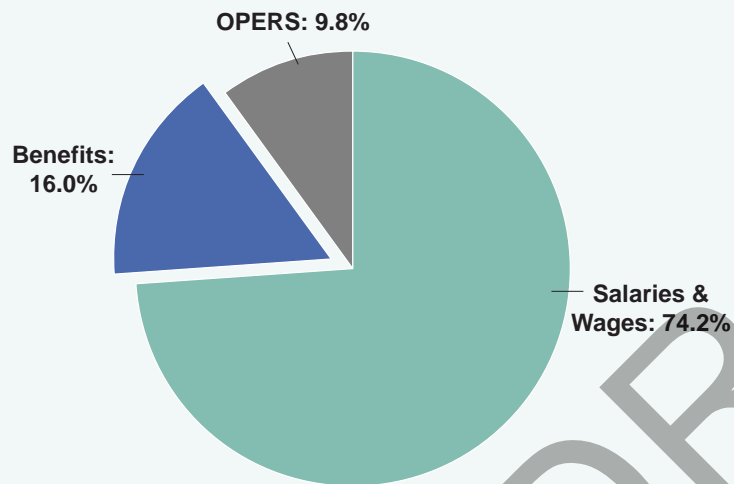
FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Description	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 3,555,479	\$ 3,830,139	\$ 274,660	7.7%	Salaries & Wages	\$ 3,816,802	\$ (13,337)	-0.3%
437,447	471,012	33,565	7.7%	OPERS Retirement Contributions	481,364	10,352	2.2%
413,693	504,332	90,639	21.9%	Benefits	488,069	(16,263)	-3.2%
<b>4,406,619</b>	<b>4,805,483</b>	<b>398,864</b>	<b>9.1%</b>	<b>PERSONNEL</b>	<b>4,786,235</b>	<b>(19,248)</b>	<b>-0.4%</b>
-	-	-	0.0%	Actuarial	-	-	0.0%
-	-	-	0.0%	Audit Services	-	-	0.0%
974,890	1,090,784	115,894	11.9%	Banking Fees	1,188,000	97,216	8.9%
2,495,665	2,655,532	159,867	6.4%	Investment Related	2,633,016	(22,516)	-0.8%
-	-	-	0.0%	Medical	-	-	0.0%
284,996	308,293	23,297	8.2%	Technical	280,000	(28,293)	-9.2%
<b>3,755,551</b>	<b>4,054,609</b>	<b>299,058</b>	<b>8.0%</b>	<b>PROFESSIONAL SERVICES</b>	<b>4,101,016</b>	<b>46,407</b>	<b>1.1%</b>
-	-	-	0.0%	Postage	-	-	0.0%
-	-	-	0.0%	Telecommunication Services	-	-	0.0%
-	-	-	0.0%	Member/Employer Education	-	-	0.0%
-	-	-	0.0%	Printing & Publication	-	-	0.0%
-	-	-	<b>0.0%</b>	<b>COMMUNICATIONS</b>	-	-	<b>0.0%</b>
193,816	216,157	22,341	11.5%	Computer Support Services	138,000	(78,157)	-36.2%
169	374	205	121.2%	Office Equipment & Supplies	708	334	89.3%
8,649	11,321	2,672	30.9%	Conferences & Education	16,990	5,669	50.1%
67,351	61,271	(6,080)	-9.0%	Transportation & Travel	84,400	23,129	37.7%
50,729	82,616	31,887	62.9%	Memberships & Subscriptions	140,700	58,084	70.3%
-	-	-	0.0%	Property & Management Liability Insurance	-	-	0.0%
-	-	-	0.0%	Maintenance	-	-	0.0%
74	60	(14)	-18.4%	Staff Support	180	120	198.5%
-	-	-	0.0%	School District Reimbursement	-	-	0.0%
-	-	-	0.0%	Mandatory Costs - ORSC	-	-	0.0%
-	-	-	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	-	-	0.0%
<b>320,788</b>	<b>371,799</b>	<b>51,011</b>	<b>15.9%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>380,978</b>	<b>9,179</b>	<b>2.5%</b>
<b>8,482,958</b>	<b>9,231,891</b>	<b>748,933</b>	<b>8.8%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>9,268,229</b>	<b>36,338</b>	<b>0.4%</b>
-	-	-	0.0%	Furniture & Equipment > 5,000	-	-	0.0%
-	-	-	0.0%	Computer Hardware > 5,000	-	-	0.0%
-	-	-	0.0%	Computer Software > 25,000	-	-	0.0%
-	-	-	0.0%	Vehicles	-	-	0.0%
-	-	-	<b>0.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	-	-	<b>0.0%</b>
<b>\$ 8,482,958</b>	<b>\$ 9,231,891</b>	<b>\$ 748,933</b>	<b>8.8%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 9,268,229</b>	<b>\$ 36,338</b>	<b>0.4%</b>



## PERSONNEL

### PERSONNEL FY2026 BUDGET

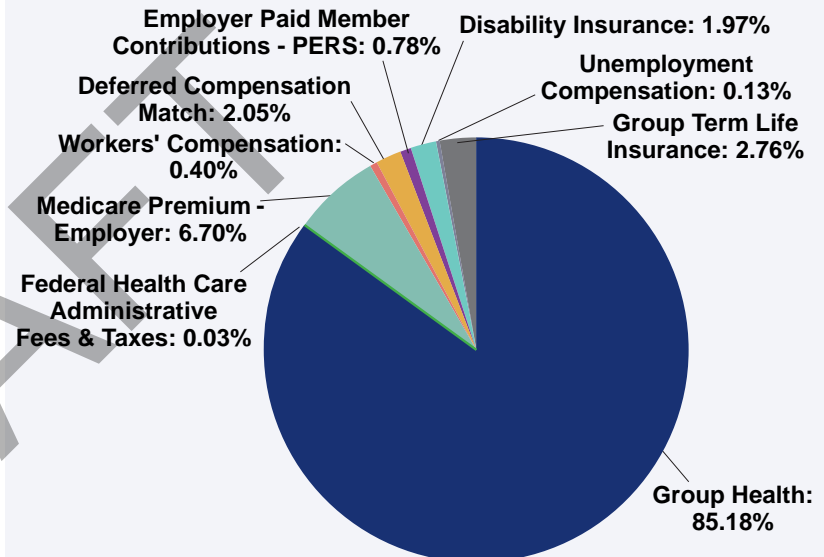
**TOTAL: \$28,514,219**



Personnel Budget		FY2026
Salaries & Wages		\$ 21,172,870
Benefits		4,550,082
OPERS Retirement Contributions		2,791,267
<b>TOTAL</b>		<b>\$ 28,514,219</b>

### BENEFITS

**(16% OF TOTAL)**




Benefits	FY2026
Group Health	\$ 3,875,700
Federal Health Care Administrative Fees & Taxes	1,488
Medicare Premium- Employer	305,009
Workers' Compensation	18,317
Deferred Compensation Match	93,252
Employer Paid Member Contributions - PERS	35,000
Disability Insurance	89,532
Unemployment Compensation	6,000
Group Term Life Insurance	125,784
<b>TOTAL</b>	<b>\$ 4,550,082</b>

## PERSONNEL

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 18,070,340	\$ 18,684,729	\$ 614,389	3.4%	Salaries & Wages	\$ 20,235,870	\$ 1,551,141	8.3%
905,076	1,081,203	176,127	19.5%	Incentive Payout	937,000	(144,203)	-13.3%
<b>18,975,416</b>	<b>19,765,932</b>	<b>790,516</b>	<b>4.2%</b>	<b>Salaries &amp; Wages</b>	<b>21,172,870</b>	<b>1,406,938</b>	<b>7.1%</b>
<b>2,503,299</b>	<b>2,650,213</b>	<b>146,914</b>	<b>5.9%</b>	<b>OPERS Retirement Contributions</b>	<b>2,791,267</b>	<b>141,054</b>	<b>5.3%</b>
-	1,286	1,286	0.0%	Unemployment Compensation	6,000	4,714	0.0%
113,453	121,193	7,740	6.8%	Group Term Life Insurance	125,784	4,591	3.8%
76,002	81,651	5,649	7.4%	Disability Insurance	89,532	7,881	9.7%
3,758,064	4,424,226	666,162	17.7%	Group Health	3,875,700	(548,526)	-12.4%
1,269	1,717	448	35.3%	Federal Health Care Administrative Fees & Taxes	1,488	(229)	-13.3%
261,106	280,545	19,439	7.4%	Medicare Premium- Employer	305,009	24,464	8.7%
11,222	10,817	(405)	-3.6%	Workers' Compensation	18,317	7,500	69.3%
63,225	62,295	(930)	-1.5%	Deferred Compensation Match	93,252	30,957	49.7%
-	-	-	0.0%	Employer Paid Member Contributions - PERS	35,000	35,000	100.0%
<b>4,284,341</b>	<b>4,983,730</b>	<b>699,389</b>	<b>16.3%</b>	<b>Benefits</b>	<b>4,550,082</b>	<b>(433,648)</b>	<b>-8.7%</b>
<b>\$ 25,763,056</b>	<b>\$ 27,399,875</b>	<b>\$ 1,636,819</b>	<b>6.4%</b>	<b>PERSONNEL</b>	<b>\$ 28,514,219</b>	<b>\$ 1,114,344</b>	<b>4.1%</b>


### PERSONNEL

 Salaries and Wages - The Personnel budget is based on 185 full-time equivalent personnel. This budget includes a performance-based merit pool of 3.9% and salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions.

Incentive Payouts are payments for specified Investment professionals according to Retirement Board policy and are calculated based on FY2025 Investment portfolio performance.

Retirement Contributions - OPERS Retirement Contributions are based on the portion of Salaries & Wages and incentive payments subject to OPERS coverage.

### BENEFITS

 Employee Group Health expenses have been budgeted based on rates supplied by SERS' actuary, considering the number of lives covered on the plan, national trends, and SERS' experience.

SERS holds a stop-loss insurance policy for group medical and prescription claims. It provides protection for the self-insured plan that serves as a

reimbursement mechanism for catastrophic claims that exceed a certain level.

Employee Health Plan Premiums offset the cost of group claims and increased slightly this fiscal year. The increase is attributed to the additional FTE.

SERS' Unemployment Compensation is self-funded. In FY2026, there are no anticipated reductions in staff or on-going unemployment claims.

Salary-based benefits include Group Term Life Insurance, Disability Insurance, and Medicare. The level of benefits remains unchanged for FY2026.

As mandated by the Affordable Care Act, SERS is required to pay Federal Health Care Administrative Fees & Taxes.

Worker's Compensation premium is calculated on rates set by the Bureau of Worker's Compensation and applied to total payroll.

SERS' per-pay match contribution to the Ohio Public Employees Deferred Compensation Match program are made on behalf of the SERS' employees who are actively enrolled in the program.

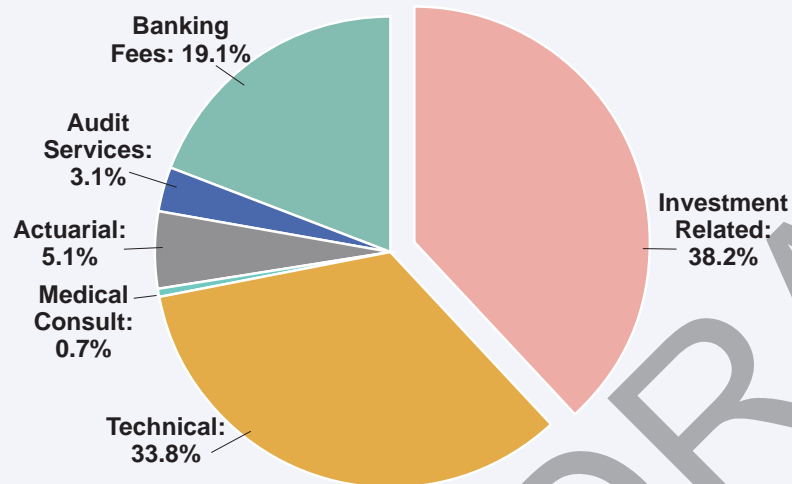
Employer Paid Member Contributions - PERS is a SERS provided fringe benefit that covers the statutorily required member contributions for a select employee class.



## PROFESSIONAL SERVICES

### PROFESSIONAL SERVICES FY2026 BUDGET

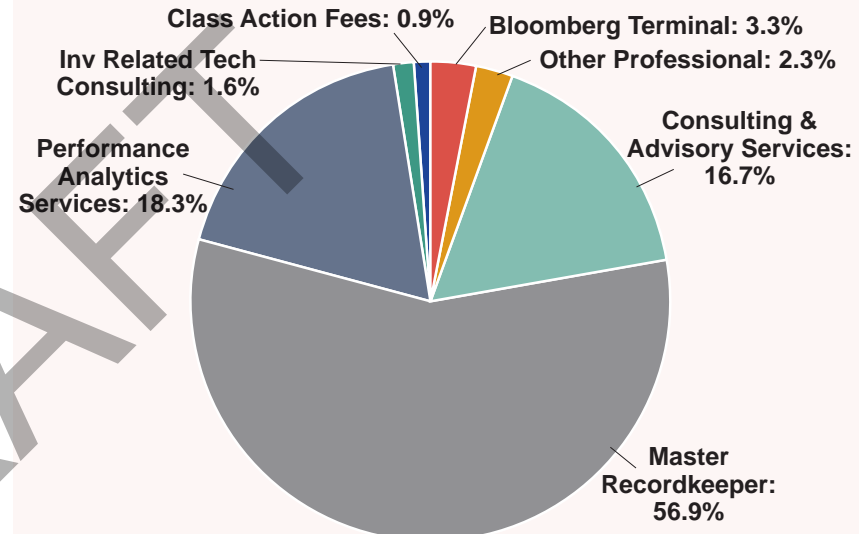
TOTAL: \$7,044,466



SERS Professional Services Budget	FY2026
Investment Related	\$ 2,694,215
Technical	2,383,426
Medical Consult	46,125
Actuarial	357,700
Audit Services	220,000
Banking Fees	1,343,000
<b>TOTAL</b>	<b>\$ 7,044,466</b>

### INVESTMENT-RELATED

(38.2% OF TOTAL)




Investment-Related Professional Services Budget	FY2026
Bloomberg Terminal	\$ 89,000
Other Professional	62,799
Consulting & Advisory Services	450,000
Master Recordkeeper	1,532,000
Performance Analytics Services	492,416
Inv Related Tech Consulting	43,000
Class Action Fees	25,000
<b>TOTAL</b>	<b>\$ 2,694,215</b>


## PROFESSIONAL SERVICES

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 306,604	\$ 447,155	\$ 140,551	45.8%	<b>Actuarial</b>	\$ 357,700	\$ (89,455)	-20.0%
225,837	207,528	(18,309)	-8.1%	<b>Audit Services</b>	220,000	12,472	6.0%
974,890	1,090,784	115,894	11.9%	Custodial Banking	1,188,000	97,216	8.9%
167,450	141,951	(25,499)	-15.2%	Administrative Banking Expense	155,000	13,049	9.2%
<b>1,142,340</b>	<b>1,232,735</b>	<b>90,395</b>	<b>7.9%</b>	<b>Banking Fees</b>	<b>1,343,000</b>	<b>110,265</b>	<b>8.9%</b>
1,030,797	1,445,574	414,777	40.2%	Master Recordkeeper	1,532,000	86,426	6.0%
525,000	450,000	(75,000)	-14.3%	Investment Consulting & Advisory Services	450,000	(0)	0.0%
704,577	610,080	(94,497)	-13.4%	Performance Analytics Services	492,416	(117,664)	-19.3%
30,100	40,531	10,431	34.7%	Investment-Related Technical Consulting	43,000	2,469	6.1%
61,553	61,849	296	0.5%	Other Professional Investment-Related	62,799	950	1.5%
84,426	87,027	2,601	3.1%	Bloomberg Terminal Rental	89,000	1,973	2.3%
119,425	20,684	(98,741)	-82.7%	Class Action Fees	25,000	4,316	20.9%
<b>2,555,878</b>	<b>2,715,745</b>	<b>159,867</b>	<b>6.3%</b>	<b>Investment -Related</b>	<b>2,694,215</b>	<b>(21,530)</b>	<b>-0.8%</b>
<b>45,000</b>	<b>45,000</b>	<b>-</b>	<b>0.0%</b>	<b>Medical Consultant</b>	<b>46,125</b>	<b>1,125</b>	<b>2.5%</b>
397,319	545,714	148,395	37.3%	Special Counsel	396,000	(149,714)	-27.4%
1,082,917	1,100,487	17,570	1.6%	Technical	1,400,912	300,425	27.3%
457,359	496,319	38,960	8.5%	Other Professional Services	586,514	90,195	18.2%
<b>1,937,595</b>	<b>2,142,520</b>	<b>204,925</b>	<b>10.6%</b>	<b>Technical</b>	<b>2,383,426</b>	<b>240,906</b>	<b>11.2%</b>
<b>\$ 6,213,254</b>	<b>\$ 6,790,683</b>	<b>\$ 577,429</b>	<b>9.3%</b>	<b>PROFESSIONAL SERVICES</b>	<b>\$ 7,044,466</b>	<b>\$ 253,783</b>	<b>3.7%</b>


### ACTUARIAL

 Actuarial fees include amounts for studies on calculations of joint retirement system transfers, special analyses, and legislative analyses. In addition, SERS' health care plan and actuarial premiums calculations will occur, along with Government Accounting Standards Board (GASB) Statement evaluations for pension reporting requirements. Included in FY2026 is the quinquennial experience study.


### AUDIT SERVICES

 FY2026 Audits include an outsourced IT Audit and year-end financial audit.

### BANKING FEES

 Custodial Banking fees have decreased due to transaction volume and associated costs.

### INVESTMENT-RELATED PROFESSIONAL SERVICES

 Master Recordkeeper fees increase in FY26 due to a change in the Master Recordkeeper vendor. The change results in provisional duplicate fees during the transition period, but costs will stabilize in the latter part of the fiscal year.

Investment Consulting & Advisory Services include contracted services with Wilshire

## PROFESSIONAL SERVICES, *CONTINUED*

Performance Analytics Services decreases in FY26 as some services are included with the new Master Recordkeeper vendor.

Investment-Related Technical Consulting includes investment-related databases and local tax advisors in countries that require special tax consultants.

Other Professional Investment-Related Consulting includes proxy and divestiture services.

Bloomberg Terminal Rental fees are for the licenses to use the Bloomberg information systems.

### MEDICAL



The Medical Consultant reviews about 1,500 cases per year with the Disability Section staff, participates in the monthly meetings of the Medical Advisory Committee, and attends Board Meetings as needed.

### TECHNICAL



Special Counsel are contingent amounts for the costs of outside legal counsel. Anticipated legal fees for investment contracts comprise approximately 70% of the FY2026 Special Counsel budget.

The Technical account includes the cost of outside consultants that provide computer security, health care data warehouse services, medical and prescription program pricing, specialized benefit system support, and website administration and design. The increase in FY2026 is due to cyclical technical resources for security testing, website enhancements, and annual increases to general support.

Other Professional Services includes the cost for other consultants and advisory services, such as legislative news and political consulting providers, organizational leadership and development, surveying and focus groups, and Attorney General Staff reimbursement. FY2026 also includes placement fees associated with a new Chief Audit Officer search.

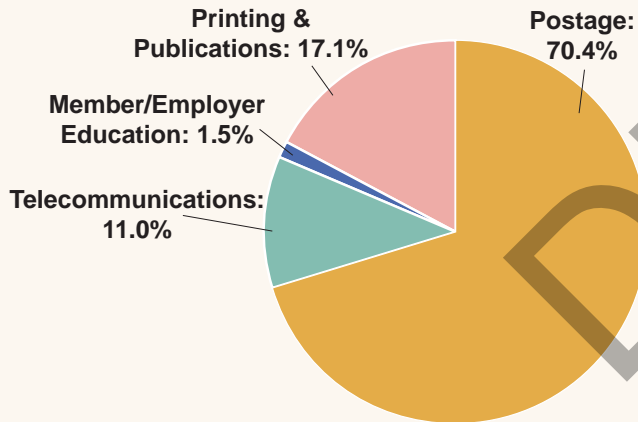


## COMMUNICATIONS

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 444,848	\$ 629,000	\$ 184,152	41.4%	Postage	\$ 578,110	\$ (50,890)	-8.1%
158,151	74,092	(84,059)	-53.2%	Telecommunications	90,040	15,948	21.5%
7,980	21,049	13,069	163.8%	Member/Employer Education	12,590	(8,459)	-40.2%
36,423	44,060	7,637	21.0%	Printing Paper & Supplies	45,600	1,540	3.5%
66,663	99,616	32,953	49.4%	Communications & Publications	94,900	(4,716)	-4.7%
103,086	143,676	40,590	39.4%	Printing & Publications	140,500	(3,176)	-2.2%
\$ 714,065	\$ 867,817	\$ 153,752	21.5%	COMMUNICATIONS	\$ 821,240	\$ (46,577)	-5.4%

### Communications FY2026 Budget

TOTAL: \$821,240



Communications	FY2026
Postage	\$ 578,110
Telecommunications	90,040
Member/Employer Education	12,590
Printing & Publications	140,500
Total	\$ 821,240

#### POSTAGE



The Postage budget decreased due to no planned board elections. This was offset by an increase in the cost of postage.

#### TELECOMMUNICATIONS



The Telecommunications budget reflects monthly services for websites, point-to-point connection, hybrid work environment video/audio communication resources and web hosting. A recent contract renegotiation for building internet services has decreased the budget for FY26.

#### MEMBER/EMPLOYER EDUCATION



SERS continues to maintain its outstanding service to members and retirees and plans to continue in-person meetings, conducting membership meetings in school facilities, and remaining in partnership with organizations that benefit SERS' member population. Member Services and Health Care plan to conduct in-house counseling, remote sessions, and virtual open enrollment conferences based upon need and membership requests. In FY2026, Member Services plans to continue to offer retirement conferences and counseling sessions virtually in response to positive member feedback and outreach. Employer Services will continue to provide outreach services and group training for the member benefits system in-person and virtually.

#### PRINTING & PUBLICATIONS

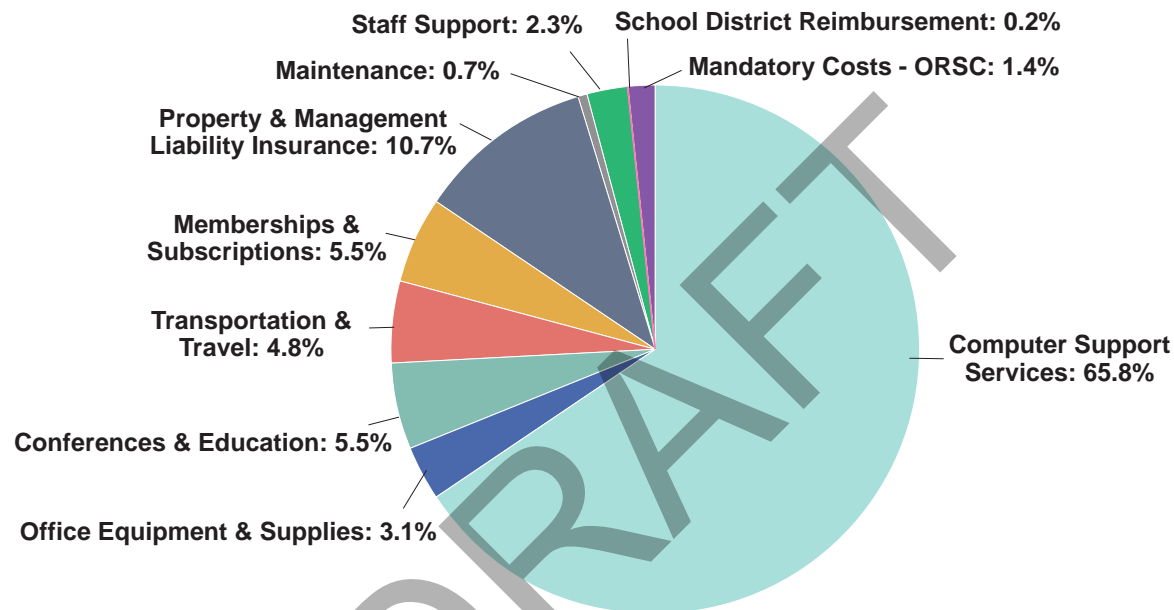


This category includes the costs of paper and supplies, and large-quantity specific outsourced printing jobs. The Print Shop continually increases SERS' internal printing capabilities by producing items such as the Open Enrollment Guide booklets, Member Benefit and Disability Guides, and member benefit statements.



## OTHER OPERATING EXPENSE

### Other Operating Expense FY2026 Budget



Other Operating Expense		FY2026
Computer Support Services	\$	3,195,613
Office Equipment & Supplies		149,013
Conferences & Education		266,409
Transportation & Travel		231,120
Memberships & Subscriptions		265,157
Property & Management Liability Insurance		518,428
Maintenance		36,325
Staff Support		113,180
School District Reimbursement		9,500
Mandatory Costs - ORSC		69,000
Reimbursement of Leased Services		(305,000)
<b>Total</b>	<b>\$</b>	<b>4,548,745</b>

## OTHER OPERATING EXPENSE

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 55,408	\$ 160,555	\$ 105,147	189.8%	Hardware Maintenance	\$ 226,889	\$ 66,334	41.3%
818,986	903,209	84,223	10.3%	Software Maintenance	1,023,833	120,624	13.4%
1,328,320	1,690,183	361,863	27.2%	Software Subscriptions	1,905,891	215,708	12.8%
28,124	11,067	(17,057)	-60.6%	Hardware < 5,000	24,000	12,933	116.9%
2,970	-	(2,970)	-100.0%	Software < 25,000	15,000	15,000	100.0%
<b>2,233,808</b>	<b>2,765,014</b>	<b>531,206</b>	<b>23.8%</b>	<b>Computer Support Services</b>	<b>3,195,613</b>	<b>430,599</b>	<b>15.6%</b>
<b>166,056</b>	<b>145,194</b>	<b>(20,862)</b>	<b>-12.6%</b>	<b>Office Equipment &amp; Supplies</b>	<b>149,013</b>	<b>3,819</b>	<b>2.6%</b>
<b>134,282</b>	<b>144,536</b>	<b>10,254</b>	<b>7.6%</b>	<b>Conferences &amp; Education</b>	<b>266,409</b>	<b>121,873</b>	<b>84.3%</b>
<b>183,177</b>	<b>165,130</b>	<b>(18,047)</b>	<b>-9.9%</b>	<b>Transportation &amp; Travel</b>	<b>231,120</b>	<b>65,990</b>	<b>40.0%</b>
<b>157,415</b>	<b>199,231</b>	<b>41,816</b>	<b>26.6%</b>	<b>Memberships &amp; Subscriptions</b>	<b>265,157</b>	<b>65,926</b>	<b>33.1%</b>
<b>504,501</b>	<b>512,467</b>	<b>7,966</b>	<b>1.6%</b>	<b>Property &amp; Management Liability Insurance</b>	<b>518,428</b>	<b>5,961</b>	<b>1.2%</b>
<b>30,634</b>	<b>28,402</b>	<b>(2,232)</b>	<b>-7.3%</b>	<b>Maintenance</b>	<b>36,325</b>	<b>7,923</b>	<b>27.9%</b>
<b>111,193</b>	<b>91,832</b>	<b>(19,361)</b>	<b>-17.4%</b>	<b>Staff Support</b>	<b>113,180</b>	<b>21,348</b>	<b>23.2%</b>
<b>9,382</b>	<b>6,816</b>	<b>(2,566)</b>	<b>-27.4%</b>	<b>School District Reimbursement</b>	<b>9,500</b>	<b>2,684</b>	<b>39.4%</b>
<b>63,492</b>	<b>61,112</b>	<b>(2,380)</b>	<b>-3.7%</b>	<b>Mandatory Costs- ORSC</b>	<b>69,000</b>	<b>7,888</b>	<b>12.9%</b>
<b>(305,000)</b>	<b>(305,000)</b>	<b>(0)</b>	<b>0.0%</b>	<b>Reimbursement from OSERS Broad Street, LLC, for Leased Services</b>	<b>(305,000)</b>	<b>0</b>	<b>0.0%</b>
<b>\$ 3,288,940</b>	<b>\$ 3,814,734</b>	<b>\$ 525,794</b>	<b>16.0%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>\$ 4,548,745</b>	<b>\$ 734,011</b>	<b>19.2%</b>

### COMPUTER SUPPORT SERVICES



Hardware Maintenance - category contains annual maintenance contracts to support SERS' computer servers.

Software Maintenance - account includes licenses to use specific software products. SERS maintains a master list of these licenses, which is reviewed each year as part of the budgeting process.

Software Subscriptions - cover software used by SERS that is provided as a service and hosted locally on SERS servers. Annual renewed subscriptions include the Human Resources management system, ServiceNow, comprehensive Microsoft product license, member benefits system performance and stress testing, conferencing services, financial and investment accounting system and tools, ERM risk repository, USPS data feeds, media and publishing licenses, security compliance, e-Discovery litigation services, monthly phone services, a software as a

service model for disaster recovery and cloud storage for system back-ups.

Hardware less than 5,000 - account is comprised of routine maintenance and repair and unplanned hardware needs that may arise throughout the fiscal year.

Software less than 25,000 - category includes routine software purchases and unplanned software needs that may arise throughout the fiscal year.

### TRANSPORTATION & TRAVEL



Travel costs are associated with both in-state and out-of-state conferences, and due diligence trips to current and prospective investment managers. Whenever possible, staff access training either virtually or via teleconferences instead of travel and combine trips.

## OTHER OPERATING EXPENSE, CONTINUED

### MEMBERSHIPS & SUBSCRIPTIONS



SERS holds memberships in several national organizations that advocate and educate on issues that affect our members and retirees. The major organizations are:

- Coalition to Preserve Retirement Security
- Council of Institutional Investors
- International Foundation of Employee Benefit Plans (IFEBP)
- National Association of State Retirement Administrators
- National Council for Real Estate Investment Fiduciaries
- Professional Resources in Information Systems Management (PRISM)
- Public Pension Financial Forum
- Public Sector Health Care Roundtable
- State and Local Government Benefits Association

In addition to attending conferences and receiving publications from these organizations, SERS' staff serves on the boards of some of these industry organizations.

### PROPERTY & FIDUCIARY INSURANCE



SERS' insurance policies cover fiduciary liability, directors and officers liability, crime, cyber liability, auto, property, and general liability.

### MAINTENANCE



This category includes interior plant maintenance and SERS' vehicle maintenance.

### OFFICE EQUIPMENT & SUPPLIES



The majority of this category consists of equipment repairs and maintenance. Furniture and office supplies are purchased to meet staff needs.

### CONFERENCES & EDUCATION



This category includes both staff and Board training. This includes out-of-state conferences, courses included in the Learning Management System within the ADP platform, and continuing education for professional designations.

### STAFF SUPPORT



Staff Support includes kitchen supplies, cleaning supplies, and first-aid items. This account also includes SERS' staff wellness program, employee assistance program, innovation awards, the administrative expenses associated with employee flexible spending accounts (health and dependent care), employee recruitment and onboarding, and cellular phone reimbursement.

### BOARD MEMBER REIMBURSEMENT



Employers of SERS' Board may receive reimbursement for compensation paid while Board Members attend to Board business.

### MANDATORY COSTS - ORSC



The five Ohio retirement systems are required to pay a proportionate share of the Ohio Retirement Study Council's (ORSC) expenses based on their respective assets under management.

### REIMBURSEMENT FROM OSERS BROAD STREET, LLC, FOR LEASED SERVICES



SERS' Administrative Services staff provides building management services to OSERS Broad Street. To allow OSERS Broad Street expenses to reflect the value of these services and to pass the proportionate costs to tenants, OSERS Broad Street pays a monthly fee to SERS for the use of these services. This amount is accounted for under Facilities Expense in SERS' Annual Financial Report.



## ADMINISTRATIVE CAPITAL

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ -	\$ -	\$ -	0.0%	Computer Hardware > \$5,000	\$ 13,000	\$ 13,000	100.0%
-	-	-	0.0%	Computer Software > 25,000	-	-	0%
\$ -	\$ -	\$ -	0.0%	<b>CAPITAL</b>	\$ 13,000	\$ 13,000	100.0%

### ADMINISTRATIVE CAPITAL

The Capital expense for FY2026 replaces an end of life digital scanner that is used for record retention.

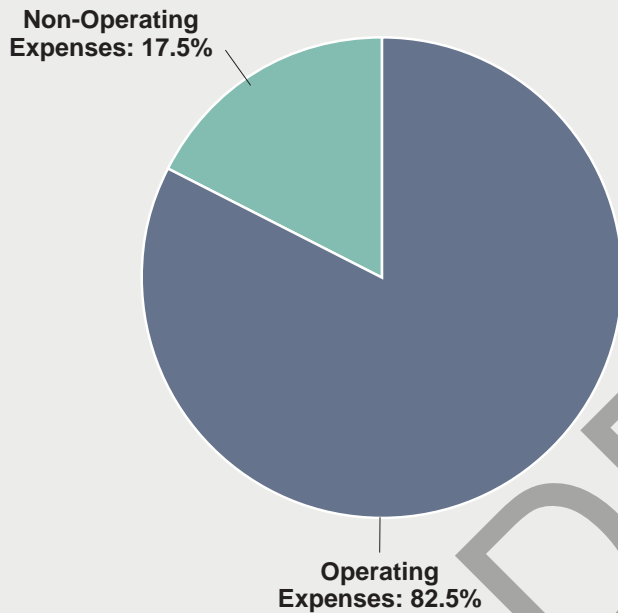


## OSERS BROAD STREET, LLC AND OSERS HOLDINGS, LLC BUDGET



## BUILDING OCCUPANCY BUDGET / OSERS HOLDINGS, LLC

### OSERS Broad Street, LLC FY2026 Budget



OSERS Broad Street, LLC	FY2026
Operating Expenses	\$ 2,340,452
Non-Operating Expenses	498,000
<b>TOTAL</b>	<b>\$ 2,838,452.00</b>

OSERS Holdings is a limited liability company set up to own and oversee the property of its subsidiary, OSERS Broad Street, LLC, which holds the title to and operates 300 East Broad Street, a class "A" office building with 168,632 square feet of rentable space. SERS occupies 71.1% of the rentable space (119,823 square feet).

SERS does not pay rent to OSERS Broad Street, LLC; however, net expenses and operating capital in excess of rental income are funded by SERS upon request from OSERS.


The Board of Directors of SERS Broad Street, LLC, requests operating contributions from SERS to cover the OSERS Broad Street, LLC, Operating Budget, not to exceed \$1,814,452.

Net building occupancy is \$1,509,452 after deducting budgeted operating revenue and reimbursement of leases services.

## OSERS BROAD STREET, LLC


FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 537,291	\$ 460,757	\$ (76,534)	-14.2%	Suite Leases	\$ 424,653	\$ (36,104)	-7.8%
236,265	266,095	29,830	12.6%	Parking	275,175	9,080	3.4%
2,314	1,398	(916)	-39.6%	Miscellaneous	-	(1,398)	-100.0%
<b>775,870</b>	<b>728,250</b>	<b>(47,620)</b>	<b>-6.1%</b>	<b>Operating Revenue</b>	<b>699,828</b>	<b>(28,422)</b>	<b>-3.9%</b>
305,000	305,000	-	0.0%	Property Management & Labor	305,000	-	0.0%
7,061	7,317	256	3.6%	Other Administrative Expenses	8,350	1,033	14.1%
1,018,992	1,107,511	88,519	8.7%	Building Operations & Maintenance	1,247,542	140,031	12.6%
354,728	364,608	9,880	2.8%	Utilities	414,060	49,452	13.6%
75,495	73,057	(2,438)	-3.2%	Building/ Equipment Insurance	78,000	4,943	6.8%
280,811	286,297	5,486	2.0%	Real Estate Taxes	287,500	1,203	0.4%
<b>2,042,087</b>	<b>2,143,790</b>	<b>101,704</b>	<b>5.0%</b>	<b>Operating Expenses</b>	<b>2,340,452</b>	<b>196,662</b>	<b>9.2%</b>
2,657	130,553	127,896	4814.5%	Lease Commission Fees	56,000	(74,553)	-57.1%
212	5,250	5,038	2371.8%	Special Counsel & Other Fees	5,000	(250)	-4.8%
14,718	726,141	711,423	4833.9%	Remodeling for Tenants	437,000	(289,141)	-39.8%
<b>17,587</b>	<b>861,944</b>	<b>844,357</b>	<b>4801.2%</b>	<b>Non-Operating Expenses</b>	<b>498,000</b>	<b>(363,944)</b>	<b>-42.2%</b>
58,798	-	(58,798)	-100.0%	Capital Improvements	125,000	125,000	100.0%
<b>58,798</b>	<b>-</b>	<b>(58,798)</b>	<b>-100.0%</b>	<b>Capital Improvements</b>	<b>125,000</b>	<b>125,000</b>	<b>0.0%</b>
<b>1,342,602</b>	<b>2,277,484</b>	<b>934,882</b>	<b>69.6%</b>	<b>OSERS Broad Street, LLC Budget</b>	<b>2,263,624</b>	<b>(13,860)</b>	<b>-0.6%</b>
(305,000)	(305,000)	-	0.0%	Less Reimbursement to SERS for Leased Services	(305,000)	-	0.0%
<b>\$ 1,037,602</b>	<b>\$ 1,972,484</b>	<b>\$ 934,882</b>	<b>90.1%</b>	<b>Net Building Occupancy Expense</b>	<b>\$ 1,958,624</b>	<b>\$ (13,860)</b>	<b>-0.7%</b>

### OPERATING REVENUE

 Suite Lease - revenue is based on contracted occupancy. Parking - includes currently contracted tenant monthly parking and outside contracts.

Miscellaneous - includes contracted storage space rental for tenants and telecommunications.

### OPERATING EXPENSES


 Property Management & Labor - is a reimbursement to SERS for leased services - the services provided to OSERS Broad Street, LLC by SERS' Administrative Services staff. The amount is based on a service agreement between OSERS Broad Street, LLC and SERS, that sets the reimbursement to a fair, reasonable and consistent market value rate.

The Other Administrative Expenses category includes expenses budgeted to run the facility administrative offices, including the costs of office supplies and banking fees.

The Building Operations & Maintenance category includes maintenance, supplies needed for the upkeep of the facility and its public spaces, the cost of janitorial and building security services, and an emergency notification system for life safety.

Building/Equipment Insurance includes some policies that are shared with SERS. The FY2026 budget is based on general market rates and an estimate of the replacement cost of the building. Real Estate Taxes are based on the rates and assessed commercial value published by the Franklin County Auditor.

### NON-OPERATING EXPENSES


 Special Counsel is budgeted for potential outside counsel needs regarding existing tenant lease agreements.

Remodeling includes expenses for tenant improvements, and new tenant renovations.

## OSERS BROAD STREET, LLC CAPITAL IMPROVEMENTS

FY2024 Actual	FY2025 Forecast	FY2025-FY2024 Difference	Change % (+/-)	Budget Category	FY2026 Budget	FY2026 Budget-FY2025 Forecast Difference	Change % (+/-)
\$ 58,798	\$ -	\$ (58,798)	-100.0%	CAPITAL IMPROVEMENTS	\$ 125,000	\$ 125,000	100.0%

### CAPITAL IMPROVEMENTS:

 The leasehold improvements planned for FY2026 include the replacement of the chiller towers within the HVAC system.

DRAFT



## FIVE YEAR TECHNOLOGY ROADMAP



## FIVE YEAR TECHNOLOGY ROADMAP BUDGET


Description	Total 5-Year Plan	FY2023-FY2024 Actuals	FY2025 Forecast	Total Projected Spend FY2023-FY2025	FY2023, FY2024, & FY2025 Forecast % of Plan Spend	FY2026 Plan*	Remaining Roadmap Amount
Telecommunications	\$ 250,000	\$ 308,040	\$ 19,617	\$ 327,657	131.1%	\$ 50,000	\$ (127,657)
Security Stack	899,600	70,977	-	70,977	7.9%	73,000	755,623
Network Infrastructure Refresh	886,000	653,297	11,000	664,297	75.0%	75,000	146,703
Hybrid Technology Replacement	419,000	123,499	329,251	452,750	108.1%	87,000	(120,750)
Server Infrastructure	1,216,700	-	278,109	278,109	22.9%	86,000	852,591
Backup and Recovery	532,754	140,455	43,573	184,028	34.5%	565,250	(216,524)
SMART Portals	196,000	82,500	-	82,500	42.1%	-	113,500
SMART Framework	760,000	482,500	172,500	655,000	86.2%	100,000	5,000
SMART Enhancements	2,623,000	231,344	468,538	699,882	26.7%	810,000	1,113,118
SMART Business Tools	500,000	334,414	48,415	382,829	76.6%	50,000	67,171
<b>SMART total</b>	<b>4,079,000</b>	<b>1,130,758</b>	<b>689,453</b>	<b>1,820,211</b>	<b>44.6%</b>	<b>960,000</b>	<b>1,298,789</b>
<b>Infrastructure Total</b>	<b>4,204,054</b>	<b>1,296,268</b>	<b>681,550</b>	<b>1,977,818</b>	<b>47.0%</b>	<b>936,250</b>	<b>1,289,986</b>
<b>Total Budget</b>	<b>\$ 8,283,054</b>	<b>\$ 2,427,026</b>	<b>\$ 1,371,003</b>	<b>\$ 3,798,029</b>	<b>45.9%</b>	<b>\$ 1,896,250</b>	<b>\$ 2,588,775</b>

\*Projects in FY26 include the continuation of projects from FY25 as well as new initiatives in FY26


**Technology plays an important and extensive role in delivering on the mission of the SERS.** The Technology Enhancement Plan provides a framework of needed investments in Technology over the next five years. It is a series of well planned initiatives that will enhance SERS' digital capabilities around SMART, add expanded tools for operational efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, employers, and employees. This is not an operating budget, but a framework of carefully planned annual projects that are in alignment with the SERS Strategic Plan goals with oversight by the SERS Technology Committee. The overall projects are intended to remain flexible/agile within the guardrails of SERS' strategic direction, while accommodating the fast pace of technology evolution so that our technology and operations continue to stay fresh and relevant as we support SERS' mission.

## FIVE YEAR TECHNOLOGY ROADMAP BUDGET, *CONTINUED*


### SMART

 SERS Member and Retiree Tracking is the enterprise-wide integrated system that enables SERS staff to service all customers.

### SMART FRAMEWORK

 The technology and software layers underlying the Pension Administration Software. The Sagitec Framework includes the Sagitec Enterprise Application Management Services, the Sagitec Framework Services, and the .NET Foundation services as well as the development tool. The Sagitec Framework may sometimes be referred to as the “Neospin Framework.” Included in the project budget are mandated upgrades.


### SMART PORTALS

 SERS SMART application has a portal for the Employers and a different portal for Members and Retirees. The portals allow SERS to put out Alerts and Messages specific to an Employer or Person.


The Employer Self-Serve provides Employers with an effective, time-saving way to submit and view critical financial and employee information online. Employers can upload files for enrolling new Employees as well as submit Contribution Reporting files.

Member Self-Serve is a resource for Member and Retirees to access and manage their account with SERS. Features available include reviewing the account balance and service credit, creating estimates, completing applications for Service and Disability benefits, and updating personal information such as address, beneficiary, direct deposit and tax withholding. Members and Retirees can also review documents like Monthly Pay Statement, Member Annual Statements, and Tax Documents.

### SMART ENHANCEMENT


 SMART Enhancement is a category to expand the features of the core business application. Exploring the next phase of SMART's evolution. The enhancements are the product of SERS re-imagining and re-engineering the SMART functionality to assist staff to provide better support to Employers and Members and Retirees. The goal is to preserve and enrich high touch engagement and outcomes.

### BUSINESS TOOLS


 Included in this category are applications to improve the effectiveness and efficiency of financial processes: Replacement

of the financial software to a software-as-a-service cloud solution and a reconciliation tool to gain efficiencies in the reconciliation process.


### TELECOMMUNICATIONS

 Refers to the technology supporting voice and other multi-modal communications, including fax, web chat and web conferencing. The modern phone system consists of software and hardware and physical connections to a phone service provider via fiber or copper trunks.


### SECURITY STACK

 Security is an integrated set of services and cyber security tools used to protect the hardware, systems and data on SERS network. It includes both physical appliances such as a perimeter firewall and software appliances to scan documents for potential threats.


### NETWORK INFRASTRUCTURE

 Refers to the hardware, software and wiring that provides a physical or wireless connection to the network and keeps the network running, allowing devices to communicate with each other and the outside world via the internet.


### HYBRID TECHNOLOGY REPLACEMENT

 Technology deployed for end-users to support the hybrid work model at SERS, including laptops that can be used when working on-site or remote and conference room equipment for improved virtual meeting experiences.

### SERVER INFRASTRUCTURE

 Servers are comprised of hardware and software, on-site or in the cloud that provide functionality for multiple programs or clients to perform work. Examples of typical servers are web, application, database, and file servers.

### BACKUP AND RECOVERY

 Technology used to create multi-level backups of SERS data in compliance with information governance retention policies and support business continuity of critical processes in the event of a catastrophic failure of the onsite network and server infrastructure. Examples include Disaster Recovery as a Service or DRaaS and cloud storage of data backed up daily.



# **FY2026**

## **ADMINISTRATIVE BUDGET**

May 15, 2025



# GOALS & OBJECTIVES

- Budget Policy/Process
- Review the Proposed FY2026 Budget
- Questions / requests for future meetings
- No action required today



# BUDGET POLICY



## **The Retirement Board shall be responsible for:**

- Approving the Administrative Budget before the start of the budget fiscal year.
- Approving authority levels for capital contributions to any SERS-controlled LLCs.
- Expenditures exceeding 110% of the approved Administrative Budget for any Major Category **or** total expenditures over the approved budget require prior approval from the Retirement Board
- The approved Administrative Budget is the expenditure authority given to the Executive Director by the Retirement Board.

# MAJOR CATEGORIES



## Personnel

- Salaries & Wages
- Employee benefits



## Other Operating Expenses

- Computer Support Services
- Network Security
- Travel & Transportation
- Liability Insurance
- Employee Professional Growth
- Office Equipment & Supplies



## Professional Services

- Audit
- Actuarial
- Investment related services
- Technical consulting services



## Capital Items

- Computer Hardware > \$5k
- Computer Software > \$25k
- Other Equipment



## Communications

- Printing & Postage
- Member/Employer Education
- Telecommunications



## Broad St. LLC

- Operating Expenses
- Capital Items

# BUDGET MONITORING



- **Administrative Expense Report**  
Detailed information of all expenses in that month. Provided to the Board, monthly agenda item, and posted to SERS website.
- **Parameters Report**  
All budgeted purchases in excess of \$100,000 and all unbudgeted projects. Provided to the Board monthly and a quarterly agenda item.
- **Monthly Financial Reports**  
Financial reports including a budget-to-actual and year-to-date Administrative Budget report provided to the Board monthly.
- **Quarterly Financial Updates**  
Financial reports presented to the Board which includes review of budget-to-actual and year-to-date administrative expenses.



# BUDGET PROCESS

- Zero-based expense justification – clean slate
- FY2025 financial review and FY2026 carryover
- Strategic Planning
  - How are ongoing and new projects related to the strategic plan?
- New Capital Projects
- Projected Business Area needs – identification by month



# ACCOMPLISHMENTS IN FY2025



- Initiated the transition of Master Recordkeeper vendor to utilize emerging technologies, improve reporting, consolidate systems, and increase efficiency
- Completed Member fraud protection evaluation to enhance security for member portal
- Continued the expansion of risk management integration into all business processes including fraud prevention and security tools
- Established an oversight committee for artificial intelligence to evaluate AI initiatives
- Completed comprehensive audits of investment compensation and conflicts of interest
- Implemented FAQ bot which allows Members to easily access valuable information on website with less searching
- Completed enhancements to the network and server infrastructure
- Planned and executed several space consolidation and tenant improvement projects to increase leasable space and grow tenant revenue
- Implemented year one of the updated 5-year strategic plan

# FY2026 PROPOSED PROJECTS



- Implementation of new security tools to better protect SERS data and systems, which includes a bi-annual penetration test
- Updates and redesign of SERS website to enhance user experience and security
- Member portal enhancements to protect against identity theft and fraud
- Continued expansion of information governance project
- Year two implementation of the 5-year strategic plan
- Quinquennial experience study
- Continued investment to modernize the master recordkeeper services

# CALENDAR



<b>First Draft</b>	Early February
<b>Review by Executive Mgmt.</b>	Early March
<b>ORSC Draft ready for Board</b>	Early April
<b>Presentation of ORSC info</b>	Late April
<b>Initial Board Presentation</b>	May
<b>Vote by Board</b>	June



# FY2026 BUDGET SUMMARY



Budget Category	FY2026 Budget	FY2025 Budget	FY2025 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 21,172,870	\$ 19,925,657	\$ 19,765,932	6.3%
OPERS Retirement Contributions	2,791,267	2,683,322	2,650,213	4.0%
Benefits	4,550,082	4,295,515	4,983,730	5.9%
<b>PERSONNEL</b>	<b>28,514,219</b>	<b>26,904,494</b>	<b>27,399,875</b>	<b>6.0%</b>
Actuarial	357,700	425,500	447,155	-15.9%
Audit Services	220,000	220,000	207,528	0.0%
Custodial Banking Fees	1,188,000	1,020,000	1,090,784	16.5%
Master Recordkeeper	1,532,000	1,056,000	1,445,574	45.1%
Investment Consulting	1,162,215	1,474,364	1,270,171	-21.2%
Other Consulting	2,429,551	2,104,614	2,187,520	15.4%
Banking Expense	155,000	193,380	141,951	-19.8%
<b>PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS</b>	<b>7,044,466</b>	<b>6,493,858</b>	<b>6,790,683</b>	<b>8.5%</b>
Printing & Postage	718,610	801,150	772,676	-10.3%
Telecommunications	90,040	120,868	74,092	-25.5%
Member/Employer Education	12,590	22,430	21,049	-43.9%
<b>COMMUNICATIONS</b>	<b>821,240</b>	<b>944,448</b>	<b>867,817</b>	<b>-13.0%</b>
Conferences & Education	266,409	257,030	144,536	3.6%
Travel	231,120	240,360	165,130	-3.8%
Computer Support Services	3,195,613	3,003,345	2,765,014	6.4%
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,091,603	1,087,047	983,942	0.4%
Ohio Retirement Study Council	69,000	68,000	61,112	1.5%
<b>OTHER OPERATING</b>	<b>4,853,745</b>	<b>4,655,782</b>	<b>4,119,734</b>	<b>4.3%</b>
<b>TOTAL OPERATING</b>	<b>41,233,670</b>	<b>38,998,582</b>	<b>39,178,109</b>	<b>5.7%</b>
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	13,000	-	-	100%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
<b>CAPITAL</b>	<b>13,000</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>NET BUILDING OCCUPANCY EXPENSE</b>	<b>1,958,624</b>	<b>2,234,583</b>	<b>1,972,484</b>	<b>-12.3%</b>
<b>TOTAL OPERATING AND CAPITAL BUDGETS</b>	<b>\$ 43,205,294</b>	<b>\$ 41,233,165</b>	<b>\$ 41,150,593</b>	<b>4.8%</b>

# PROPOSED FY2026 DRAFT BUDGET



Comparison of FY2026 proposed to FY2025 budget and FY2025 forecast

	Budget		Forecast
Budget Category	FY2026	FY2025	FY2025
Personnel	\$ 28,514,219	\$ 26,904,494	\$ 27,399,875
Professional Services	\$ 7,044,466	\$ 6,493,858	\$ 6,790,683
Communications	\$ 821,240	\$ 944,448	\$ 867,817
Other Operating Expense	\$ 4,853,745	\$ 4,655,782	\$ 4,119,734
Capital	\$ 13,000	\$ 0	\$ 0
Net Building Occupancy	\$ 1,958,624	\$ 2,234,583	\$ 1,972,484
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 43,205,294</b>	<b>\$ 41,233,165</b>	<b>\$ 41,150,593</b>

# RECONCILIATION OF CHANGES FROM FY2025 BUDGET TO FY2026 BUDGET



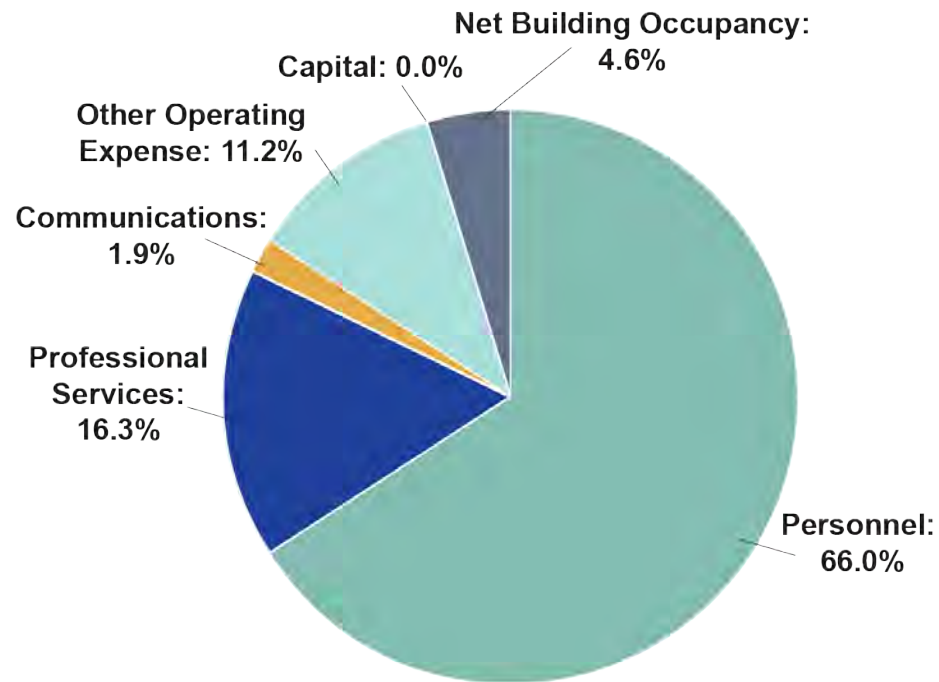
FY2025 Budget	\$41,233,165	
<b>Personnel Services</b>	\$ 1,609,725	<ul style="list-style-type: none"> <li>▪ Increase due to salary adjustments and recommended 3.9% performance-based merit pool</li> <li>▪ Increase in requisite retirement contributions</li> <li>▪ Increase in actuarial derived benefits based on claims and previous years experience</li> <li>▪ Additional full-time employee</li> <li>▪ Additional sick leave expense as more employees move to within five years of retirement – as required by GASB</li> </ul>
<b>Professional Services</b>	\$ 550,608	<ul style="list-style-type: none"> <li>▪ Increase in custodial banking fees due to transactions volumes and new fee schedule after recent RFP cycle</li> <li>▪ Increase in Master Recordkeeper due to duplicate fees during transition to new vendor offset by decrease in analytics fees that are bundled with the new vendor</li> <li>▪ Increase in investment related legal counsel</li> <li>▪ Increase due to cyclical technical resources for security testing and website enhancements</li> <li>▪ Increase due to renewed consulting for federal government affairs and placement fees associated with new Chief Audit Officer search</li> </ul>
<b>Communications</b>	\$ (123,208)	<ul style="list-style-type: none"> <li>▪ Decrease in postage due to no planned board elections in FY26</li> <li>▪ Decrease in telecommunications due to favorable contract negotiation for internet services</li> <li>▪ Anticipated decrease in postage due to eDelivery project</li> </ul>
<b>Other Operating</b>	\$ 197,964	<ul style="list-style-type: none"> <li>▪ Increase due to cost of annual software subscriptions and licenses</li> <li>▪ Increase due to expansion of cyber security tools to protect hardware, systems, and data. Protects against fraud, requires additional authentication, improves threat monitoring, and manages vulnerabilities</li> <li>▪ Increase in software subscriptions as SERS continues to migrate to cloud based solutions, reducing need for capital purchases.</li> </ul>
<b>Capital</b>	\$ 13,000	<ul style="list-style-type: none"> <li>▪ Increase due to replacement of end-of-life digital scanner used for record retention</li> </ul>
<b>OSERS Broad Street LLC</b>	\$ (275,960)	<ul style="list-style-type: none"> <li>▪ Decrease due to completion of several building consolidation and tenant improvement projects to increase tenant revenue</li> </ul>
<b>FY2026 Budget Requested</b>	<b>\$ 43,205,294</b>	<b>\$1.97 million or 4.8% increase</b>

# RECONCILIATION OF CHANGES FROM FY2025 FORECAST TO FY2026 BUDGET



<b>FY2025 Forecast</b>	<b>\$41,150,593</b>	
<b>Personnel Services</b>	<b>\$ 1,114,344</b>	<ul style="list-style-type: none"> <li>▪ Increase due to salary adjustments and performance-based merit pool of 3.9%</li> <li>▪ Increase in requisite retirement contributions</li> <li>▪ Additional sick leave expense as more employees move to within five years of retirement</li> </ul>
<b>Professional Services</b>	<b>\$ 253,783</b>	<ul style="list-style-type: none"> <li>▪ Increase in custodial banking due to transaction volumes and new fee schedule due to recent RFP cycle</li> <li>▪ Increase in cyclical technical resources for security testing and website enhancements</li> <li>▪ Increase due to renewed federal government affairs consulting, placement fees for new Chief Audit Officer, continuation of Information Governance project</li> </ul>
<b>Communications</b>	<b>\$ (46,577)</b>	<ul style="list-style-type: none"> <li>▪ Decrease due to no planned board elections</li> </ul>
<b>Other Operating</b>	<b>\$ 734,011</b>	<ul style="list-style-type: none"> <li>▪ Increase in hardware and software maintenance for support</li> <li>▪ Increase due to cost of annual software subscriptions and licenses</li> <li>▪ Increase due to expansion of cyber security tools</li> <li>▪ Savings was realized on some FY25 projects where more cost-effective solutions were found</li> </ul>
<b>Capital</b>	<b>\$ 13,000</b>	<ul style="list-style-type: none"> <li>▪ Increase due to replacement of end-of-life digital scanner used for record retention</li> </ul>
<b>OSERS Broad Street LLC</b>	<b>\$ (13,860)</b>	<ul style="list-style-type: none"> <li>▪ Decrease due to completion of consolidation and tenant improvement projects</li> </ul>
<b>FY2026 Budget Requested</b>	<b>\$ 43,205,294</b>	<b>\$2.05 million or 5.0% increase</b>

# FY2026 OPERATING BUDGET BY CATEGORY

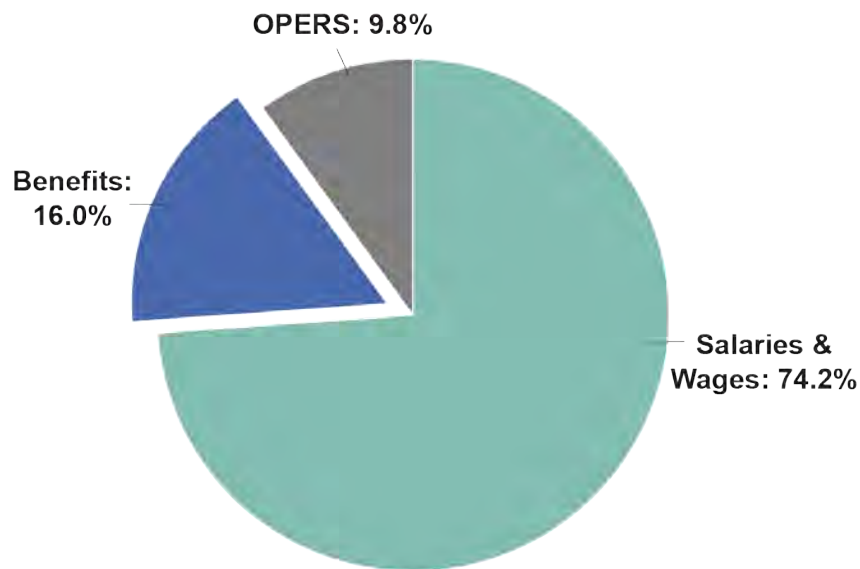


Budget Category	FY2026
Personnel	\$23,727,984
Professional Services	\$2,943,450
Communications	\$821,240
Other Operating Expense	\$4,472,767
Capital	\$13,000
Net Building Occupancy	\$1,958,624
<b>TOTAL OPERATING</b>	<b>\$33,937,065</b>

# PROPOSED FY2026 DRAFT BUDGET



## Personnel



Personnel Budget	FY2026
Salaries & Wages	\$ 21,172,870
Benefits	\$ 4,550,082
OPERS Retirement Contributions	\$ 2,791,267
<b>TOTAL</b>	<b>\$ 28,514,219</b>

### 66.0% of the Total Budget

- (6.0% increase)

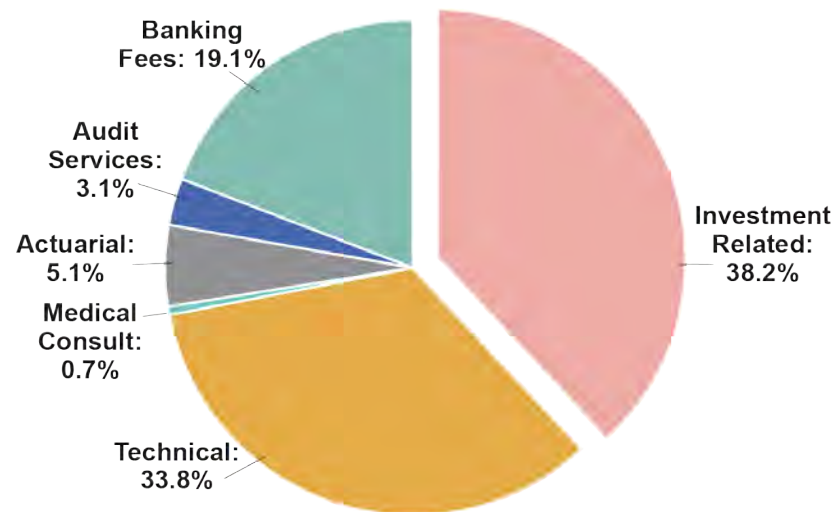
### FY2026 Budget Summary:

- One new position (FTE = 185)
- Performance-based merit
- Increase in benefits due to rising health care costs
- Increase in sick leave expense as more people are within five years of retirement

# PROPOSED FY2026 DRAFT BUDGET



## Professional Services



SERS Professional Services Budget	FY2026
Investment Related	\$ 2,694,215
Technical	\$ 2,383,426
Medical Consult	\$ 46,125
Actuarial	\$ 357,700
Audit Services	\$ 220,000
Banking Fees	\$ 1,343,000
<b>TOTAL</b>	<b>\$ 7,044,466</b>

## 16.3% of the Total Budget

- (8.5% increase)

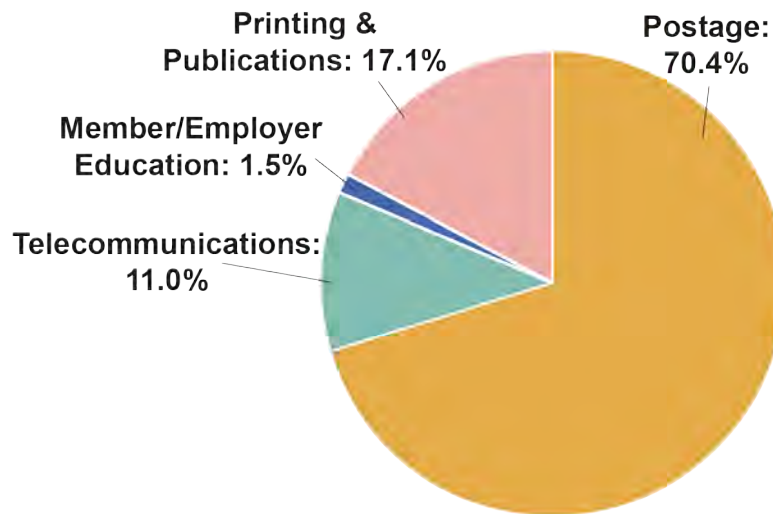
## FY2026 Budget Summary:

- Actuarial and Audit fees – Experience study
- Banking and Custodial fees – increase due to asset values and transaction costs
- Change in Master Recordkeeper - Performance Analytics bundled under new contract
- Investment Special Counsel increase due to alternative investment transactions
- Technical Consulting includes safeguarding data\systems, website redesign and annual increase in support costs
- Other Professional Services includes federal lobbyist, recruitment of a Chief Audit Officer

# PROPOSED FY2026 DRAFT BUDGET



## Communications



Communications	FY2026
Postage	\$ 578,110
Telecommunications	\$ 90,040
Member/Employer Education	\$ 12,590
Printing & Publications	\$ 140,500
Total	\$ 821,240

### 1.9% of the Total Budget

- (13.0% decrease)

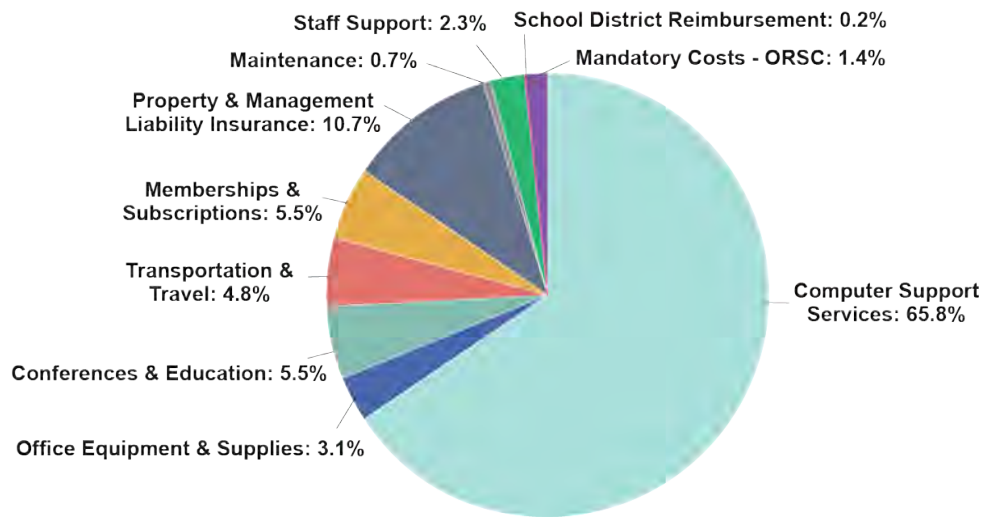
### FY2026 Budget Summary:

- **Printing and Postage:**
  - Decrease due to no planned board elections
- **Telecommunication** - includes web services, video/audio communication resources
  - Decrease due to favorable contract negotiations for internet services
- **Member/Employer Education** - includes costs associated with conducting meetings and outreach services

# PROPOSED FY2026 DRAFT BUDGET



## Other Operating Expense



Other Operating Expense	FY2026
Computer Support Services	\$ 3,195,613
Office Equipment & Supplies	\$ 149,013
Conferences & Education	\$ 266,409
Transportation & Travel	\$ 231,120
Memberships & Subscriptions	\$ 265,157
Property & Management Liability Insurance	\$ 518,428
Maintenance	\$ 36,325
Staff Support	\$ 113,180
School District Reimbursement	\$ 9,500
Mandatory Costs- ORSC	\$ 69,000
Reimbursement of Leased Services	\$ (305,000)
<b>Total</b>	<b>\$ 4,548,745</b>

## 11.2% of the Total Budget

- (4.3% increase)

## FY2026 Budget Summary:

- Computer Support Services – includes Hardware and Software Maintenance as well as Software Subscriptions
  - New Information security tools
- Conferences, Education and Travel
- Memberships and Subscriptions
  - Increase for Investment research subscription
- Property and Fiduciary Insurance
- Staff Support
- Mandatory ORSC costs
- Reimbursement from OSERS Broad Street, LLC for Leased Services

# PROPOSED FY2026 DRAFT BUDGET



## ADMINISTRATIVE CAPITAL

**0.0% of the Total Budget**

### **FY2026 Budget Summary:**

- **Capital Priorities** - replacement of end-of-life digital scanner used for record retention

## BROAD STREET CAPITAL

**0.29% of the Total Budget**

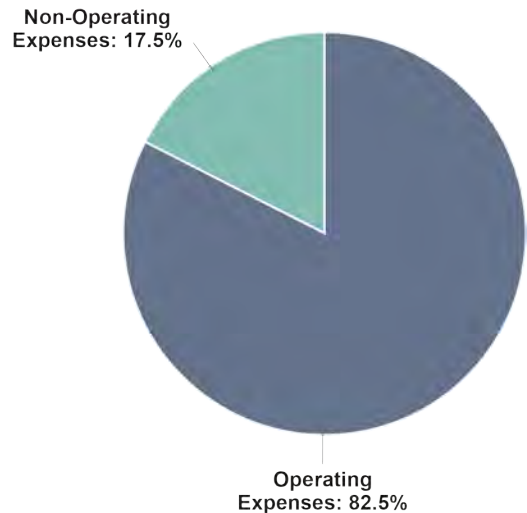
### **Capital Priorities for FY2026-FY2029**

- Cooling Tower (FY2026)
- Generator
- Roof

# PROPOSED FY2026 DRAFT BUDGET



## OSERS Broad Street



OSERS Broad Street, LLC	FY2026
Operating Expenses	\$ 2,340,452
Non-Operating Expenses	\$ 498,000
<b>TOTAL</b>	<b>\$ 2,838,452.00</b>

### 4.6% of the Total Budget

- (12.3% decrease)

### FY2026 Budget Summary:

- Operating Revenue – includes Suite Lease revenue for tenants and parking
  - increase in parking income
- **Operating Expenses**
  - Property Management and Labor
  - Other Administrative Expenses
  - Building Operations and Maintenance
  - Utilities and Building/Equipment Insurance
- **Non-Operating Expenses**
  - Special Counsel
  - Remodeling – includes anticipated cost for tenant improvements

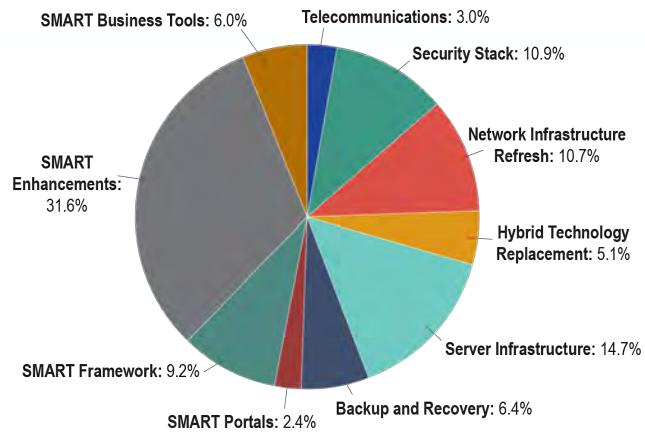
# OSERS BROAD STREET LEASING



- In FY25 space consolidation completed, which added 9,795 square feet available for leasing
- Growth in parking revenue, but now at capacity for outside customers
- Space available for tenants is 57,974 square feet:
  - Currently occupied 48%
  - Anticipated with current contract negotiations 75%
- Several additional interested parties
- Draft FY26 budget might change if new contracts are signed prior to June 2025



# FIVE-YEAR TECHNOLOGY ROADMAP BUDGET



Description	FY2023 - FY2027
Telecommunications	\$ 250,000
Security Stack	\$ 899,600
Network Infrastructure Refresh	\$ 886,000
Hybrid Technology Replacement	\$ 419,000
Server Infrastructure	\$ 1,216,700
Backup and Recovery	\$ 532,754
SMART Portals	\$ 196,000
SMART Framework	\$ 760,000
SMART Enhancements	\$ 2,623,000
SMART Business Tools	\$ 500,000
<b>SMART total</b>	<b>\$ 4,079,000</b>
<b>Infrastructure Total</b>	<b>\$ 4,204,054</b>
<b>Total Project Budget</b>	<b>\$ 8,283,054</b>

Planned FY2026 Technology Enhancement Projects	
Description	Amount
Telecommunications	\$50,000
Security Stack	\$73,000
Network Infrastructure Refresh	\$75,000
Hybrid Technology Replacement	\$87,000
Server Infrastructure	\$86,000
Backup and Recovery	\$565,250
SMART Portals	-
SMART Framework	\$100,000
SMART Enhancements	\$810,000
SMART Business Tools	\$50,000
<b>SMART total</b>	<b>\$960,000</b>
<b>Infrastructure Total</b>	<b>\$936,250</b>
<b>Total FY2026 Budget</b>	<b>\$1,896,250</b>

- 45.9% forecasted spend through FY2025
- 23% planned for FY2025
- 31% of the total project remaining
- Progress is reported quarterly at the board technology committee

## **FY2026 PROPOSED TECHNOLOGY ENHANCEMENT PROJECTS**



- Security enhancements to the SMART portals
- Configuration and build of self-service capabilities for vendors in SMART to reduce manual work acuties for staff
- Next phase of eDelivery enhancements and Finance General Ledger mapping projects
- Upgrade of the communication engine in SMART to the current Microsoft technology
- Implementation of Live Chat in SMART through utilization of Zoom
- Incorporation of GenAI tools to be integrated within the systems
- Network monitoring software
- VXRail configuration and migration

**QUESTIONS?**



## **FINAL FILING OF PROPOSED AMENDED ADMINISTRATIVE RULES**

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rules: 3309-1-20 Validity of marriage, and 3309-1-29 Purchase of Service Credit; out-of-state and other that have been reviewed by JCARR and are ready for final adoption by the Board.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed amended rules 3309-1-20 Validity of marriage and 3309-1-29 Purchase of Service Credit; out-of-state and other, be adopted.

### **3309-1-20 Validity of marriage.**

(A) For purposes of this rule, "age and service retirant" and "disability benefit recipient" have the same meaning as defined in rule 3309-1-35 of the Administrative Code, and "retirant" has the same meaning as defined in division (G) of section 3309.01 of the Revised Code.

(B) For the purpose of qualifying for, or receiving, any benefit as a spouse under Chapter 3309. of the Revised Code, the member's or retirant's marriage must be recognized by the state of Ohio. The school employees retirement board shall accept the following as proof of marriage:

(1) A valid marriage certificate, abstract of marriage or marriage record; or

(2) In the absence of a valid marriage certificate, abstract of marriage or marriage record, a decision rendered by a court, having jurisdiction in the state in which the member or retirant was domiciled at the time of death, that the relationship constituted a valid marriage at time of death, or the "spouse" would have the same status as a widow or widower for purposes of sharing in the distribution of the member's or retirant's intestate personal property if not otherwise prohibited by section 3105.12 of the Revised Code.

(C) For purposes of this rule, the school employees retirement board shall not accept marriage licenses as proof of marriage.

~~(C) For any retirant or disability benefit recipient legally married in another state before June 26, 2015 whose marriage became recognized in the state of Ohio beginning on that date, the following rules apply:~~

~~(1) If a retirant makes an election under division (E)(3) of section 3309.46 of the Revised Code, the election must be made before June 26, 2016;~~

~~(2) An eligible age and service retirant or disability benefit recipient may enroll himself and may enroll a spouse in the system's health care plan at any time between August 1, 2015 and November 30, 2015.~~

~~(3) The surviving spouse of a deceased age and service retirant who is receiving a benefit pursuant to section 3309.46 of the Revised Code may enroll in the system's health care plan at any time between August 1, 2015 and November 30, 2015.~~

HISTORY: 10/4/15, 4/10/14, 4/3/09, 8/14/04, 5/8/04, 12/24/76

Promulgated Under:	111.15
Statutory Authority:	3309.04
Rule Amplifies:	3309.44, 3309.45
Prior Effective Dates:	12/24/1976, 05/08/2004, 08/14/2004, 04/03/2009, 04/10/2014, 10/04/2015

**3309-1-29 Purchase of Service Credit; out-of-state and other**

(A) All service in public or private schools, colleges and universities or public service with another state or the United States government which is to be purchased shall be subject to the following requirements, governing eligibility and cost:

(1) To be eligible to purchase service under this rule, after termination of the service to be purchased, a member must have one year of Ohio service in a year as defined in division (R) of section 3309.01 of the Revised Code.

(2) The service credit must be properly certified by the official employer or custodian of records on a form acceptable to the retirement board. The certification should be taken from a legitimate source of documentation such as payroll or retirement records. When records have been destroyed, affidavits may be used, but only in conjunction with other documented evidence as proof of service.

(3) Accrued interest shall be calculated from the date of membership in the school employees retirement system of Ohio following service to be purchased to the date of payment.

(4) The member will be entitled to purchase any portion of the service credit under this rule not to exceed five years, or the total accumulated number of years of Ohio contributing service credit, whichever is less.

(5) Service credit to be purchased shall be granted in accordance with the law and policy of the school employees retirement board current at the time each portion of service to be purchased was performed.

(6) School service purchased under this rule shall receive .125 per cent of a year service credit per month of service rendered prior to July 1, 1955, and .111 per cent of a year service credit per month of service rendered after June 30, 1955 and before July 1, 1977. School service performed after June 30, 1977 shall be determined by dividing the number of days paid by one hundred eighty, if the employee worked less than one hundred twenty days in the partial year to be purchased. All service other than school service purchased under this rule shall receive .083 per cent of a year service credit per month of service rendered.

(7) The Ohio service used for the purpose of establishing the purchase price of service under this rule shall be the first year of continuous full-time Ohio service following termination of the service to be purchased.

(8) No more than one year of service credit may be granted for any twelve-month period.

(B) The following types of service may be purchased under this rule:

(1) Employment in a public or private school, college or university, located in or out of Ohio and ~~service employment~~ in any school operated by or for the United States government, provided any such school, college or university is recognized by an accrediting association approved by:

(a) The U.S. office of education;

(b) The appropriate state department of education; or

(c) The appropriate state department of higher education, and acceptable to the retirement board.

For purposes of this section, employment includes the performance of services that would qualify the individual to be an "employee" under division (B)(2) of section 3309.01 of the Revised Code.

(2) Employment with a public governmental entity of a state or of the United States government which would have been covered by the school employees retirement system, state teachers retirement system, Ohio police and fire pension fund, state highway patrol retirement system, or the public employees retirement system, if served in a comparable position in Ohio; and

(3) Except as provided in division (C) of section 3309.31 of the Revised Code, service for which contributions were made to a municipal retirement system in Ohio.

(C) For purposes of section 3309.31 of the Revised Code and this rule, "Ohio contributing service" and "Ohio service" means contributing service in this retirement system.

HISTORY: 4/1/24, 4/28/13, 4/2/10, 5/14/05, 2/11/02, 11/19/01 (emer), 5/14/87, 6/29/78, 12/16/77, 12/14/76

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.31  
Review Date: 2/1/29

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Catherine Moss	_____	_____	_____
Jeanine Alexander	_____	_____	_____

Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Frank Weglarz	_____	_____	_____
Daniel Wilson	_____	_____	_____
Matthew King	_____	_____	_____

# Memo

**To:** SERS Board

**From:** Richard Stensrud, Executive Director

**Date:** May 8, 2025

**Re:** Travel Handbook Considerations

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SERS' Travel Handbook provides guidelines for travel-related expenses and reimbursement for both the Board and Staff. Given recent changes in travel industry practices, and the reference parameters used for measuring reimbursement, it is advisable to consider whether any changes should be made to existing Travel Handbook provisions, and to assure that the provisions are clearly expressed so that travelers understand their application.

Please note that the Travel Handbook provides guidance on how to implement the Travel Policy, which is a separate document approved by the Board. Any changes to the Travel Policy must also be submitted to the ORSC for review and approval. No changes are being recommended to the Travel Policy, only the guidance expressed in the Travel Handbook.

With those objectives in mind, the Board Chair requested that the Compensation Committee review and consider changes to Board-applicable provisions in the Travel Handbook and make recommendations for their potential acknowledgement by the full Board.

In undertaking its review, the Compensation Committee was guided by three key principles:

- Consistent with fiduciary responsibilities, SERS' business travel should be undertaken in a cost-conscious manner.
- SERS should support addressing ongoing business needs, as well as Board Member education and training, through reasonable travel parameters and reasonable travel expense reimbursement.
- SERS should approach travel parameters and travel cost reimbursement in a transparent and accountable manner, with the goal of maintaining the trust and confidence of SERS' membership and stakeholders.

In December a list of potential travel expense topics were presented for input from the Compensation Committee. The Committee was provided with information regarding proposed travel expense topics that should be addressed; an explanation of the changes being considered and the reasons why; and

how those provisions will be applied. In March, the Compensation Committee was provided with information describing the proposed changes, the business justification for the changes, and the proposed language in the Travel Handbook.

The Compensation Committee has completed its review and has endorsed the changes to the Travel Handbook set forth in this memorandum, which are being presented for acknowledgement by the full Board.

## 1. **Daily Meal Per Diem – Partial travel days**

**Description** – SERS Travel Policy states business meals are reimbursed up to the daily U.S. General Services Administration (GSA) per diem for the city traveled. GSA updates the per diem by city annually to keep pace with inflation. The GSA per diem is broken down by meal and incidentals. SERS Travel Handbook should address meal reimbursement when a partial day is traveled.

**Business justification** – SERS travelers should only be reimbursed for meals incurred during business travel. The GSA per diem meal breakdown can be used to deduct meals not incurred during travel. For example, if the traveler leaves at noon for her/his destination, breakfast was not missed and would not be reimbursed. If the GSA per diem allocates \$20 of the \$80 daily per diem toward breakfast, the traveler would have \$60 remaining for the rest of the day's meals.

### **Proposed language**

**Meal Reimbursement for Partial Travel Days** - When a SERS employee or Board Member is traveling on official business and the travel day is considered a partial travel day, meal reimbursements will be calculated based on the GSA per diem rates. The following guidelines apply:

**Departure and Return Days:** Travelers are reimbursed for meals incurred while traveling to/from the destination city using the appropriate GSA per diem rate. Meals not incurred during travel times are proportionately deducted from the daily per diem rate. For example, if the traveler departs at noon and the GSA per diem allocates \$20 of the \$80 daily per diem toward breakfast, the traveler will have \$60 remaining for that day's meals after breakfast was deducted.

## 2. **Daily Meal Per Diem – Meal Provided at Meeting or Conference**

**Description** – SERS Travel Policy states business meals are reimbursed up to the daily GSA per diem for the city traveled. The GSA per diem is broken down by meal and incidentals. SERS Travel Handbook should address meal reimbursement when a meal is provided at a meeting or paid via a conference registration fee.

**Business justification** – Lunch is often provided via a paid conference registration fee. In order to limit the taxability of a meal reimbursement, SERS' daily reimbursement is capped at the GSA per diem per destination city. If the traveler receives lunch as part of their registration and also submit receipts equal to the full daily per diem, they have received value greater than the GSA limit. The excess is considered taxable income. The GSA per diem meal breakdown

can be used to deduct meals provided during a meeting or conference. For example, if a conference sponsor provided lunch and the GSA per diem allocates \$22 of the \$80 daily per diem toward lunch, the traveler would have \$58 remaining for that days meals. If the traveler chooses not to take for the conference provided meal, they are welcome to purchase one elsewhere. However, they will not be reimbursed unless the conference meal did not meet their dietary requirements.

#### **Proposed language**

**Meals Provided During a Meeting or Conference** - When an employee or Board Member is traveling for a meeting or conference, the meal reimbursements will be calculated based on the GSA per diem rates. If a meal is provided by the meeting host or included in a conference fee, the corresponding amount will be deducted from the per diem rate. For example, if a conference sponsor provided lunch and the GSA per diem allocates \$22 of the \$80 daily per diem toward lunch, the traveler would have \$58 remaining for that days meals. For business meetings, if an entity other than SERS provided the meal during the meeting, the traveler must request the meeting host invoice the SERS traveler for the cost of the meal.

### **3. In State (or neighboring state) Travel for Meetings or Conferences**

**Description** – The Travel Handbook does not address travel limits for nearby (Ohio or neighboring states) work or conference events. For out of state events, the handbook allows for a travel day before and after the event. SERS is adding clarity to the Handbook that nearby (within Ohio or a 3-hour radius) meetings/conferences that end mid day do not allow for overnight accommodations or additional meals following the end of the event.

**Business justification** – Travel days before and after out-of-state conferences allow the traveler to arrive and return at reasonable hours. Travelers should not be expected to return home at midnight if their conference ends mid afternoon. In addition, some cross-country flights do not accommodate later afternoon flights. However, for events within a three-hour drive, travelers can return home by dinner when the conference ends by mid-afternoon.

#### **Proposed language**

#### **Meals and Lodging Limitations for Conference/Meetings Within a Three-Hour Car Ride**

To ensure efficient use of system resources, the following guidelines apply to meal and lodging reimbursements for conferences within a three-hour car ride:

- **Meals** – Travelers will not be reimbursed for meals before or after the conference dates if the location is within a three-hour car ride. Meal reimbursements are limited to the conference/meeting dates only.
- **Lodging** - Lodging expenses will only be reimbursed for the duration of the conference. No additional lodging will be covered for nights before or after the conference dates if the location is within a three-hour car ride.

Exceptions may be made for situations where the conference starts early or ends late, making same day travel impractical.

These measures aim to optimize travel expenses while ensuring that travelers are adequately supported during their business trips.

#### 4. Airfare – Extra Fees

**Description** – The traveler should seek the lowest price based on coach, main cabin, or economy class. The Handbook does not clearly address extra fees to reserve seats or board early.

**Business justification** – Changes in air travel make it challenging to find available overhead storage. Travelers that board early can secure overhead space for their carry-on luggage more easily, reducing the likelihood of delays caused by searching for space or gate-checking bags. SERS is updating the Handbook to allow for fees to reserve seats and board early. By supporting these additional travel expenses, SERS can ensure that its travelers are more comfortable, efficient, and prepared to handle business tasks effectively.

#### Proposed language

##### Reserved Seating and Early Boarding Reimbursement

To enhance the travel experience and ensure travelers arrive at their destinations well-rested and prepared for business activities, SERS will provide reimbursement for reserved seating and early boarding fees under the following guidelines:

- Reserved Seating – For trips longer than three hours, travelers may be reimbursed for the cost of reserving seats that provide additional comfort, such as extra legroom. The selection of reserved seating should be within reasonable price limits. Travelers are encouraged to choose cost-effective options that balance comfort and expense.
- Early Boarding – Travelers may be reimbursed for early boarding fees to ensure timely and efficient boarding. Early boarding allows travelers to secure overhead storage for their carry-on luggage and settle in without unnecessary delays.

#### 5. Airfare – Purchase Timing and Flight Times

**Description** – Travelers should seek the lowest price based on main cabin or economy class. Currently, the Handbook requires the purchase of a ticket between 21-60 days prior to the trip. In addition, there is no requirement to adjust flight times when significant savings can be achieved by leaving or arriving 2-3 hours differently without compromising the business to be conducted.

**Business justification** – Staff researched when to purchase airfare at the best price, and 21-60 days prior to travel does not guarantee the lowest price. In addition, it is expected that the travel be flexible on flight times to take advantage of lower fares. The recommendation is to update the language to allow flexibility in the timing of the purchase with the focus on seeking the most cost-effective airfare.

## **Proposed language**

### **Cost-Effective Airfare**

To ensure prudent use of system resources and to maintain cost-effective business travel, all travelers are expected to adhere to the following guidelines when booking airfare:

- **Advance Booking** – SERS travelers are encouraged to book airfare as early as possible to take advantage of lower fares and early booking discounts. When feasible, airfare should be booked at least 14 days in advance of the travel date.
- **Flight Selection** – SERS travelers should seek the most economical fare available, considering both direct and connecting flights. Main cabin or Economy class should be selected for all domestic and international flights unless otherwise approved by the employee's supervisor.
- **Flexible Travel Dates** – SERS travelers should consider flexible travel times and dates to take advantage of lower fares.

## **6. Airfare – Parking**

**Description** – SERS Handbook recommends remote airport lots with the main garage parking limited to a couple of days. The main garage is more than twice the cost of remote airport lots. Travelers should be cost conscious when choosing airport parking, but SERS also recognizes the convenience and safety of parking in the main garage.

**Business justification** – Main garage parking is more expensive compared to other parking options. However, the Handbook is being revised to limit the reimbursement for the main garage within stated parameters. The cost of the main garage will be fully reimbursed the first two days, and then the traveler and SERS will split the cost 50/50 for subsequent days. By limiting reimbursement, SERS travelers are incentivized to use more cost-effective parking options, while giving them flexibility to park based on personal preferences.

## **Proposed language**

### **Airport Parking Reimbursement Policy**

SERS travelers are eligible for reimbursement of airport parking expenses incurred during authorized business travel. Reimbursement is limited to the actual cost of parking, up to the maximum allowable rate specified.

Types of Parking:

- **Main Garage Parking** - Parking in the main garage is the most expensive option and is intended for short-term parking needs.
- **Long-Term and Off-Site Parking** – SERS travelers are encouraged to use long-term or off-site remote parking lots, which are more cost-effective.

#### Reimbursement Limits

- Main Garage Parking - Reimbursement for main garage parking is limited to two days at full cost. Additional days will be reimbursed at 50%. Travelers should use main garage parking only when necessary for short-term trips.
- Long-Term and Off-Site Parking - Reimbursement for long-term and off-site parking is reimbursed at actual cost incurred.

## 7. Short Term Rentals versus Hotel Lodging

**Description** – The Handbook does not address the use of short-term rentals for potential lodging during business or conference travel. SERS is updating the Handbook to exclude short term rentals such as Airbnb or VRBO as reimbursable lodging.

**Business justification** – Hotels and other traditional lodging options often have standardized amenities, services, and safety measures. Hotels have comprehensive insurance policies that cover guests and in case of accidents or emergencies. Short-term rentals can vary widely in price, making it harder to control and forecast travel expenses. Hotels provide itemized receipts, while short-term rentals typically don't. Hotels have better cancellation policies with short notice, while short-term rentals often have cancellation fees.

#### Proposed language

#### Lodging Policy for Business Travel

This section outlines the guidelines for reimbursing lodging expenses incurred by SERS travelers during business travel.

- Eligible Lodging Options – Travelers are eligible for reimbursement of lodging expenses incurred during authorized business travel. Eligible lodging options include hotels, motels, and other traditional lodging establishments that provide itemized receipts and comply with the SERS' travel policies.
- Prohibited Lodging Options - Short-term rentals, such as those booked through platforms like Airbnb, Vrbo, and similar services, are not eligible for reimbursement. Travelers should not book short-term rentals for business travel purposes, regardless of the duration of the stay. These restrictions are based on safety, security, standardization, liability, and cost control.

## 8. Tipping

**Description** – The Handbook limits meal tipping to 20% and taxi tipping to 15%. These different limits causes confusion for travelers. The Handbook is being updated to make all tip limits consistent at 20%.

**Business justification** – Keeping tipping within a 20% limit helps manage expenses, ensuring travel costs remain within budget. Establishing a 20% tipping limit for all services creates a consistent tipping practice and simplifies expense reporting.

## **Proposed language**

### **Tipping Guidelines for Business Travel**

Consistent and fair tipping practices during business travel ensures SERS manages expenses effectively.

- **Tipping Limit** - The maximum allowable tip for any service during business travel is set at 20% of the total bill. This applies to all meals, transportation, and other services that customarily receive tips.

## **9. In-State Travel**

**Description** – The Handbook currently requires the use of a SERS fleet vehicle for in-state travel. The Handbook is being revised to make the use of SERS' fleet optional. The traveler would have the option to be reimbursed for mileage on a person vehicle in lieu of using the SERS fleet.

**Business justification** – SERS has a small fleet consisting of one sedan and one minivan. A company vehicle might not always be available and SERS travelers might prefer the comfort of their own vehicle. Both options have their benefits. Efficiently managing a fleet allows SERS to make the most of its assets, ensuring that vehicles are used to their full potential and not left idle. Allowing travelers to use their personal cars for business travel offers flexibility and convenience, enabling them to travel on their own schedule and in their preferred vehicle. Ultimately, offering both options allows SERS to accommodate different scenarios and preferences, balancing cost control, flexibility, and employee satisfaction.

## **Proposed language**

### **Vehicle Use for In-State Business Travel**

SERS travelers may choose to use either a company fleet vehicle or their personal vehicle for in-state business travel. The choice of vehicle should be based on travel requirements, convenience, and cost considerations.

- **SERS' Fleet** – Travelers opting to use a fleet vehicle must reserve the vehicle in advance. Travelers must follow all SERS' guidelines for vehicle use, including proper care, fuel management, and returning the vehicle in good condition.
- **Use of Personal Vehicle:** - Travelers choosing to use their personal vehicles for business travel must maintain adequate insurance coverage and ensure their vehicle is in good working condition. SERS will reimburse travelers for mileage at the standard reimbursement rate. Mileage reimbursement requests must be submitted with detailed logs. Travelers are responsible for any maintenance, insurance, and operating costs associated with their personal vehicles.

Providing flexibility in travel options aims to accommodate employees' preferences and travel needs while maintaining cost control and promoting efficient use of resources.

## 10. Transportation Between Home and Airport

**Description** – The Handbook does not address the reimbursement of taxi, Uber, or similar hired transportation from one's home to the airport and back. Language is being added to provide guidance to travelers on how to be cost conscious when planning airport logistics.

**Business justification** – Whether a SERS traveler drives themselves to the airport and pays for parking or hires an Uber or similar service to get to the airport, the costs can vary based on the circumstances. Paying for airport parking and reimbursing mileage can sometimes be more cost-effective, especially for longer trips where car hire costs may accumulate significantly. Mileage reimbursement rates are typically standardized, making it easier to predict and manage travel costs compared to the variable rates of car hire services. For shorter business trips, using a car hire service can often be more cost-effective than paying for airport parking and mileage reimbursement. Using a car hire service eliminates the need for airport parking fees. Ultimately, the decision between paying for airport parking with mileage reimbursement versus using a car for hire should be based on factors such as trip length, cost considerations, and employee convenience.

### Proposed language

#### Airport Parking and Transportation Reimbursement

Employees or Board Members traveling for business have the option to either use airport parking with mileage reimbursement or hire transportation services to and from the airport. The choice should be based on cost-effectiveness, convenience, and the specific requirements of the trip.

- Airport Parking with Mileage Reimbursement – SERS travelers who choose to drive their personal vehicles to the airport will be reimbursed for parking fees and mileage at the standard reimbursement rate. Mileage reimbursement requests must include detailed logs.
- Hired Transportation – SERS travelers may use hired transportation services (e.g., taxis, ride-sharing services) to travel to and from the airport. SERS will reimburse reasonable transportation expenses, provided they are cost-effective compared to parking and mileage reimbursement. Receipts for hired transportation services must be submitted with the expense report.

SERS travelers should consider the duration of the trip, cost of parking, and availability of cost-effective transportation options when deciding between airport parking and hired transportation. Travelers are encouraged to choose the most economical option that meets their travel needs. Providing flexibility in transportation options aims to accommodate employees' preferences and travel needs while maintaining cost control and promoting efficient use of resources.

## 11. Rewards Points

**Description** – The Handbook states SERS travelers are prohibited from using points earned during SERS business for personal use. However, the language is being clarified.

**Business justification** – Government employees and Board members are expected to adhere to high ethical standards and avoid conflict of interest. Using points accrued from taxpayer funded travel for person use could be perceived as unethical or an abuse of government resources. SERS Travel Policy states “In accordance with Ohio Ethics Commission Advisory Opinion No. 91-010, airline frequent flyer miles accrued in connection with SERS-paid travel shall not be used for personal travel or benefit.”

### **Proposed language**

#### **Airline Frequent Flyer/Member Reward Programs**

In accordance with Ohio Ethics Commission Advisory Opinion No. 91-010, airline frequent flier miles accrued in connection with SERS-paid travel shall not be used for personal travel or benefit, but they can be used for SERS business travel. Travel liaisons will not include frequent flier or member reward identifications when purchasing air travel. This policy aims to promote fairness, maintain public trust, and align with government regulations. Employees are encouraged to seek guidance from their supervisor or Board Members are encouraged to seek guidance from the designated travel coordinator if they have any questions regarding the use of travel points.

***ONLY IF NEEDED***

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

**ROLL CALL:**

**YEA**

**NAY**

**ABSTAIN**

Catherine Moss  
Jeanine Alexander  
Jeffrey DeLeone  
James Haller  
James Rossler  
Aimee Russell  
Frank Weglarz  
Daniel Wilson  
Matthew King

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**CONVENED IN EXECUTIVE SESSION AT \_\_\_\_\_A.M./P.M.**

**RETURNED TO OPEN SESSION AT \_\_\_\_\_A.M. / P.M.**

## **CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2025 \*\***

### **AUDIT COMMITTEE MEETINGS**

June 17, 2025 – 2:30 p.m. (Tues.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 17, 2025 - 2:30 p.m. (Weds.)  
December 17, 2025 – 2:30 p.m. (Weds.)

### **COMPENSATION COMMITTEE MEETINGS**

June 18, 2025 – 7:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17, 2025 – 7:30 a.m. (Thurs.) **\*\* Special Meeting \*\***  
September 18, 2025 – 7:30 a.m. (Thurs.)  
December 18, 2025 – 7:30 a.m. (Thurs.)

### **TECHNOLOGY COMMITTEE MEETINGS**

June 18, 2025 – 12:30 p.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
September 19, 2025 – 12:30 p.m. (Thurs.)  
December 19, 2025 – 12:30 p.m. (Thurs.)

### **BOARD MEETINGS**

June 18, 2025 – 8:30 a.m. (Weds.) **\*\* Moved due to Juneteenth Holiday \*\***  
July 17 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)  
September 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 16 – 17, 2025 – 8:30 a.m. (Thurs. and Fri.)  
November 20 – 21, 2025 – 8:30 a.m. (Thurs. and Fri.)  
December 18 – 19, 2025 – 8:30 a.m. (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

**CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2026 \*\***

**AUDIT COMMITTEE MEETINGS**

March 18, 2026 – 2:30 p.m. (Weds.)  
June 17, 2026 – 2:30 p.m. (Weds.)  
September 16, 2026 - 2:30 p.m. (Weds.)  
December 16, 2026 – 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

March 19, 2026 – 7:30 a.m. (Thurs.)  
June 18, 2026 – 7:30 a.m. (Thurs.)  
July 16, 2026 – 7:30 a.m. (Thurs.) **\*\* Special Meeting \*\***  
September 17, 2026 – 7:30 a.m. (Thurs.)  
December 17, 2026 – 7:30 a.m. (Thurs.)

**TECHNOLOGY COMMITTEE MEETINGS**

March 19, 2026 – 12:30 p.m. (Thurs.)  
June 18, 2026 – 12:30 p.m. (Thurs.)  
September 17, 2026 – 12:30 p.m. (Thurs.)  
December 17, 2026 – 12:30 p.m. (Thurs.)

**BOARD MEETINGS**

February 19 – 20, 2026 – 8:30 a.m. (Thurs. and Fri.)  
March 19 – 20, 2026 - 8:30 a.m. (Thurs. and Fri.)  
April 16 – 17, 2026 – 8:30 a.m. (Thurs. and Fri.)  
May 21 – 22, 2026 – 8:30 a.m. (Thurs. and Fri.)  
June 18, 2026 – 8:30 a.m. (Thurs.)  
July 16 – 17, 2026 – 8:30 a.m. (Thurs. and Fri.)  
September 17 – 18, 2026 – 8:30 a.m. (Thurs. and Fri.) **\*\* Board Picture Day \*\***  
October 15 – 16, 2026 – 8:30 a.m. (Thurs. and Fri.)  
November 19 – 20, 2026 – 8:30 a.m. (Thurs. and Fri.)  
December 17 – 18, 2026 – 8:30 a.m. (Thurs. and Fri.)

**\*\* Please note that these dates and times are tentative.**

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**

**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

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**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the SERS Retirement board adjourn to meet on Thursday, June 19, 2025, for the next regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ a.m./p.m.

\_\_\_\_\_  
Matthew King – Chair

\_\_\_\_\_  
Richard Stensrud, Secretary