



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

NOVEMBER 2025

Actuary Presents Pension and Health Care Valuations

SERS' actuary, CavMac, presented the results of the FY2025 pension and health care actuarial valuations to the Board.

In FY2025, SERS' funded status for Basic Benefits (Pension, Death Benefit, and Medicare B Funds) increased from 78.99% to 79.00%, and the amortization period (the amount of time it takes to pay off all pension liabilities) of the unfunded actuarial accrued liability decreased from 20 years to 19 years.

Under the four-year smoothing method SERS uses, investment gains and losses are divided into four equal amounts and recognized over a four-year period. This rolling recognition of deferred gains and losses means that the actuarial value of assets may be higher or lower than the market value of assets, which is the current non-smoothed value of the assets.

With the deferred gains from FY2021 dropping off, the recognition of the deferred losses from FY2022 and FY2023 exceeded the deferred gains from FY2024 and FY2025, resulting in a net loss for FY2025. If all deferred gains and losses in the smoothing process were recognized immediately, the pension fund would be 81.93% funded.

Although health care is not funded on an actuarial basis, an annual valuation is performed to fulfill the requirements of GASB 74 and 75. The FY2025 valuation reports that health care experienced a decrease in the funded ratio from 61.59% to 54.53%. Despite the decrease, the funded ratio is 41% higher than in 2012, and the Health Care Fund is projected to remain solvent for another 39 years, until 2064.

The decrease in funded ratio from FY2024 to FY2025 is due to two components. First, the reduction of the premium surcharge from \$35 to \$15 for the Aetna Medicare Advantage Plan increased the actuarial accrued liabilities (AAL). In addition, the AAL increased due to an estimated increase in Medicare plan costs.

At the September Board meeting, the Board voted to allocate 0% of the employer contribution toward health care in FY2026, preferring instead to enhance the funding level for Basic Benefits. At the recommendation of SERS' actuary, the Board allocated the 14% employer contribution for FY2026 with 9.37% to the Pension Fund, 0.02% to the Death Benefit Fund, 0.35% to the Medicare B Fund, and 0.00% to the Health Care Fund.

The remaining 4.26% of the employer contribution will be allocated proportionately to the Pension Fund, Death Benefit Fund, and Medicare B Fund.

Finally, the Board approved an update to the FY2027 health care surcharge.

RETIREMENT BOARD

JAMES A. ROSSLER, JR.
Chair, Appointed Member

DANIEL L. WILSON
Vice-Chair, Appointed Member

JEANINE ALEXANDER
Employee-Member

JEFFREY T. DELEONE
Appointed Member

MATTHEW KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

REBEKAH R. ROE
Employee-Member

AIMEE RUSSELL
Employee-Member

FRANK A. WEGLARZ
Retiree-Member

SERS' health care is funded on a pay-as-you-go basis. SERS funds health care through a combination of investment income generated on the Health Care Fund, federal subsidies, premiums, and employer contributions, including a separate health care surcharge. This surcharge, used exclusively to fund health care, is an important source of health care revenue and avoids shifting a financial burden to members and retirees.

At the recommendation of SERS' actuary, the Board set the minimum compensation amount at \$35,000 for purposes of the FY2027 Health Care surcharge.

Quarterly Overview of U.S. Economic Conditions

Joanna Bewick of Wilshire Associates provided the Board with a quarterly (July-September 2025) economic update. A quarterly report of SERS' investment performance was unavailable as SERS transitions to a new master record keeper and investment accounting software.

Bewick said that Wilshire continues to forecast lower expectations for equity returns over the next 10 years with returns predicted to be lower than fixed income and real assets. However, during the quarter, the U.S. stock market was up 8.2%, which would be a good gain for an entire year. Large cap stocks outperformed small cap stocks and growth stocks outperformed value stocks led by the Magnificent 7: Alphabet (Google), Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla. Emerging market equities performed even better than U.S. stocks at 10.9%.

In fixed income, the treasury yield curve was down with the 10-year Treasury yield finishing at 4.15%, 8 basis points lower than June. The Federal Reserve lowered the lending rate 25 basis points at its September meeting with expectations that further cuts could happen before the end of the year, mainly due to a weakening labor market.

ORSC Investment Performance Report

CIO Farouki Majeed reported on results from the Ohio Retirement Study Council's semi-annual (June 30, 2025) review of the investment performance of Ohio's five statewide public pension plans.

As in past reports, SERS continues to lead in risk-adjusted performance, meaning the best investment return with the lowest risk. Over 5 years, SERS registered the second highest return at 11.30% and lowest standard deviation of 6.90, and over 10 years, SERS had the highest return at 9.26% and the lowest standard deviation of 7.94. SERS' Sharpe ratio, a measure of the portfolio's risk-adjusted performance, ranked first over the 5-year and 10-year time periods at 1.19 and 0.91 respectively.

Compared to a universe of nearly 200 U.S. pension funds with assets exceeding \$1 billion, SERS' 1-year, 11.97% gross-of-fees return ranked 30th, the 5-year 11.30% return ranked 6th, and the 10-year 9.26% return ranked 3rd.

Fixed Income Annual Portfolio Review

Staff presented a review of the fixed income portfolio's structure and performance.

The fixed income portfolio contains investments in three sectors: 47% in core (Treasuries, corporate bonds, and mortgages); 40% in core plus (core securities plus high yield and non-US debt); and 13% in tactical and diversifying (emerging market debt, high yield, and dislocation strategies). Tactical and diversifying does not have any exposure to U.S. Treasuries.

Currently, SERS' fixed income portfolio has a market value of \$2.8 billion and is 4.8% below its 18% target, which is similar to last year's allocation. Over the last 12 months, the portfolio realized a net return of 4.7%, which was 1% higher than the Bloomberg U.S. Aggregate Bond Index benchmark. The long-term net asset returns over the 3-, 5-, and 10-year periods are all positive.

In the current fixed income market, credit is expensive compared to its 30-year history; however, credit yields are in the 4.7%-6.7% range, which is attractive. Interest rates are already pricing in a 1% decline in interest rates through 2026, which should benefit fixed income returns. Staff will continue monitoring the portfolio to determine if/when the allocation should be increased to get closer to the 18% target and if a rebalancing of the core, core plus, and tactical and diversifying sectors could help improve performance.

Board Approves Final Filing of Amended Administrative Rules

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

The first amended administrative rule addresses the procedures for application, initial eligibility criteria, ongoing requirements, and termination process for disability benefits.

To remain eligible for a disability benefit, recipients must undergo an annual medical examination, unless an examination is waived by the Board. If the disability benefit termination standard is whether the recipient can perform "any occupation," this requirement may be waived if the earnings statement indicates the recipient earned 75% or more of their final average salary (FAS) and the Board physician finds no significant decline in their physical or mental health.

Similarly, a disability benefit may be terminated if the recipient provides earnings statements indicating annual earnings of 75% or more of their FAS and the Board physician finds no significant decline in their physical or mental health.

The amendments to this rule would remove the provisions which require the Board's physician to review the recipient's current medical records and conclude that the recipient's physical or mental health has not significantly declined in situations where an earnings statement indicates the benefit recipient earned 75% or more of their FAS. As a result, the required annual medical examination may be waived and the recipient's benefit may be terminated exclusively based on the recipient earning at least 75% of their FAS the previous year.

The second amended administrative rule addresses the guidelines for releasing personal and medical information maintained by SERS.

In March 2025, the Ohio General Assembly amended a SERS statute that identifies which records can be publicly disclosed and which records require written authorization. The amendment permits an individual's medical reports and recommendations to be released, upon written authorization, to a member's personal certified nurse-midwife, clinical nurse specialist, and certified nurse practitioner. SERS' administrative rule amendments align with these changes.

The third amended administrative rule addresses SERS travel, and amendments made to the rule mirror changes made to SERS' Travel Policy.

Executive Director's Update***Two SERS Staff Members Celebrate 40 Years of Service***

Director Richard Stensrud recognized two SERS staff members who reached their 40th anniversary at SERS this month.

Andy Duvall, team lead in the Printing and Mailing, and Elise Voutsaras, senior counselor in Member Services, epitomize the commitment of SERS' employees to the System's mission, vision, and values and exemplify SERS' tagline of "Serving the People Who Serve Our Schools."

Thank you, Andy and Elise, for all you have done and continue to do to serve SERS and our members.

Annual Board Workshop Scheduled for February

SERS' annual Board Workshop will take place on Friday, February 20, 2026.

Director Stensrud noted that, in addition to the annual daylong educational session in February, the Board will begin receiving more topic-specific education at its monthly Board meetings.

Several of SERS' Board members also attended the annual joint trustee training held at the Ohio Public Employees Retirement System earlier this month. Attendees noted the collaboration with other retirement systems was valuable.

Monthly Retirement and Survivor Benefit Transactions

For November, the SERS Board approved 721 active members for service retirements, and 18 survivor benefits for spouses and/or dependents.

December Meeting Dates

The next Board meeting will take place on Thursday, December 18, at 8:30 a.m.