



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

DECEMBER 2025

SERS' Executive Director to Retire

Executive Director Richard Stensrud announced his intention to retire effective June 30, 2026. The Board acknowledged and accepted his resignation and authorized Hudepohl & Associates, an executive search firm, to begin a national search for SERS' next executive director.

Stensrud was appointed executive director in 2017 and navigated the pension system through multiple changes and challenges, including the COVID-19 pandemic.

During his nine-year tenure, the System enjoyed financial success as it improved from 70% funded over 27 years in FY2017 to 79% funded over 19 years in FY2025 with assets rising from \$14.4 billion in FY2017 to \$21.0 billion in FY2025.

External Auditor Presents FY2025 Analysis

Kristin Hunt, partner, and Jackson Walker, senior auditor, with SERS' independent external auditor, Plante Moran, presented the FY2025 Independent Auditor's Report to the Board.

The results of Plante Moran's audit produced an unmodified opinion, which means that SERS' financial statements are presented, in all material respects, in accordance with applicable financial reporting framework. This is the highest rating possible.

The auditors presented their required communication with those responsible for governance, which included management estimates within the financial statements. The auditors found no difficulties or disagreements with management in performing the audit, and there were no corrected or uncorrected misstatements.

As the annual audit progressed, staff worked to assemble the information contained in the *Annual Comprehensive Financial Report (ACFR)*, which summarizes SERS' financial health, investment performance, and accomplishments of the last fiscal year (July 1-June 30). The ACFR also provides detailed financial statements, statistical information, and in-depth explanations of the numbers. The report is available on [SERS' website](#).

Private Credit Market Overview Education Session

As part of SERS' commitment to Board education, the investment staff invited Avi Korn, managing director, co-head of Asset-Based Finance and Dave Woods, managing director, Global Client Services, from KKR to discuss the private credit asset class. SERS added private credit as an asset class in 2020, and KKR is one of the System's managers in that space. Credit is the largest part of KKR's business model.

Private credit is debt financing by non-bank lenders. Stricter bank regulations following the Great Financial Crisis in 2008 prevent some mid-size and smaller corporate borrowers from getting traditional

RETIREMENT BOARD

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Chair, Appointed Member

DANIEL L. WILSON
Vice-Chair, Appointed Member

JEANINE ALEXANDER
Employee-Member

JEFFREY T. DELEONE
Appointed Member

MATTHEW KING
Employee-Member

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Retiree-Member

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Employee-Member

AIMEE RUSSELL
Employee-Member

FRANK A. WEGLARZ
Retiree-Member

loans. To fill this void, alternative asset managers began offering direct loans. Often, private credit lenders can get financing to borrowers more quickly than a bank and they can tailor solutions specifically for each business.

Woods gave a brief overview of current economic conditions affecting private credit. He noted that economic growth coming out of COVID was sluggish, with payrolls down and significant volatility in the markets.

While growth and payrolls have picked up, there is still volatility in the markets. Manufacturing is ticking up as is consumer confidence although both are still below historical median levels. Private credit continues to thrive as there is nearly \$3 trillion invested in this space.

Korn mentioned one current economic concern is that the U.S. seems to be in a “k-shaped” economy, which means high-income earners are prospering while low-to-middle-income earners are struggling. This has led KKR to focus lending efforts on bigger, well-established businesses with more stable financial foundations.

He also addressed some concerning credit defaults due to fraud that have made headlines recently. While KKR did not have exposure to the companies that defaulted, the fraud revealed that lenders should direct additional scrutiny toward counterparties, collateral, and controls. While KKR prioritizes operational due diligence, the defaults caused them to review their practices with the objective of making them even better to avoid similar situations.

In response to Board questions, Korn discussed how KKR gathers data about potential investments. While the accuracy of government data has been questioned due to workforce reductions and the shutdown, Korn said they supplement government data with private data they gather from the companies in which they have invested. This provides more confidence in the data they use to make decisions.

SERS is currently invested in three private credit funds managed by KKR: KKR Dislocation Opportunities Fund, KKR Opportunities Fund II, and KKR Asset-Based Finance Partners.

KKR is one of only a few managers in asset-based private credit arena, and it has been in that space for 10 years. In asset-based lending, loans are secured by a diversified pool of physical or financial assets with cash flow, rather than solely by the borrower's overall corporate cash flow or earnings. This provides downside protection for the lender and more consistent cash flows for investors.

Global Private Credit Portfolio Review

Investment staff provided the Board an overview of SERS' global private credit portfolio.

The global private credit allocation is set at 5% with a permissible range of 3% to 7%. The portfolio currently has a market value of \$1.2 billion and its allocation was 5.6% of the Total Fund.

The role of private credit in the Total Fund is to provide risk-adjusted returns higher than those provided by publicly traded fixed income securities and to generate a consistent cash yield. Its performance objective is to provide returns 100 basis points above the 90-day SOFR bill rate, plus 4.5% net of fees.

For the one-year period ending September 30, 2025, the portfolio returned 7.7% net of fees, which was below the policy benchmark of 9.4%. This was primarily due to the underperformance in distressed lending, which represents 6% of the private credit portfolio. It generated a portfolio income yield of 10%.

The portfolio's capital commitments totaled \$2.4 billion, with \$100 million deployed to two new funds during the last 12 months.

There are several strategies within private credit investments, each with different risk and return parameters. SERS' private credit portfolio is made up of four different strategies: direct lending, with a current allocation of 58%; opportunistic lending, with a current allocation of 32%; distressed lending, with a current allocation of 6%; and asset-based lending, with a current allocation of 4%.

SERS' direct lending investments target direct loans to small-to-medium sized companies that are secured by cash flows. Opportunistic lending includes loans to companies that are typically unable to access traditional sources of capital; they tend to focus on a mix of capital appreciation and income generation for investors. Distressed lending is comprised of loans made to companies that are financially stressed. These investments typically have longer holding periods where the lender often seeks to take control of the company. Asset-based lending investments include loans backed by financial and hard assets; these types of investments may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types.

For FY2026, staff is focused on maintaining the allocation within the target range while considering the pace of drawdowns for new investments; managing the private credit allocation in line with the implementation guidelines and ensuring that appropriate risk and return characteristics are present; evaluating new investments with a cautious approach given the economic outlook and rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund; evaluating new investment ideas within the asset-based lending strategy to increase the allocation within the portfolio; and reviewing the appropriateness of the benchmark and recommending changes if necessary.

Board Approves Filing of No Change, Amended, and New Administrative Rules

Ohio law requires SERS to review its administrative rules every five years to confirm the accuracy and intent of the rules. SERS staff then makes a recommendation to the Board to keep the reviewed rule as written, or amend or rescind the rule.

Under the five-year review of rules, the Board approved the filing of four no change administrative rules with the Joint Committee on Agency Rule Review (JCARR), as well as one amended administrative rule that contained small grammatical changes.

The Board also approved the final filing of amended administrative rules pertaining to mandatory direct deposit and health care.

Changes to the mandatory direct deposit rule will help SERS identify and prevent fraud, and changes to the health care rule include reorganization of sections to provide better readability as well as clarifying provisions regarding enrollment, waiver, and cancellation of coverage.

Investment Committee Approves Two Opportunistic and Tactical Investments

The SERS Staff Investment Committee approved a commitment to AQR Helix, an alternative trend strategy, of up to \$100 million and a commitment to West Street Strategic Solutions Fund II, a structured credit strategy, of up to \$50 million, both within the opportunistic and tactical portfolio.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
September 30	October 31	Difference
\$21.46 billion	\$21.74 billion	▲ \$280 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 5.99%	▲ 13.52%	▲ 11.63%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.46%	▲ 1.63%	▲ 0.49%

Executive Director's Update

Advocacy Group Roundtable Scheduled

The annual SERS Advocacy Group Roundtable will be held from 10 a.m. to noon on Friday, January 16, 2026. Invitees will be able to attend this year's roundtable virtually via Zoom or in person in the O'Keefe Conference Center of SERS' headquarters, located at 300 E. Broad St., Columbus, 43215.

Members of the SERS staff will give presentations on key issues affecting pensions and health care.

Federal Legislation and Health Care Update

The enhanced Affordable Care Act subsidies are set to expire at the end of the year. It is unclear if a vote will take place before the subsidies expire.

This change could have an impact on SERS' Wraparound plan as some benefit recipients may need to revisit their plan choice if the subsidies are changed.

Michael Steiner, SERS' health care services director, provided the Board with an update of the retiree population under age 65 who are not eligible for Medicare and are enrolled in SERS' Wraparound plan.

As of January 1, 2026, 33 non-Medicare enrollees have switched from SERS' Wraparound plan to SERS' group plan. This represents approximately 5% of SERS' Wraparound plan enrollees. For comparison, only three enrollees made this type of change last year.

As far as non-Medicare enrollees who will retire on January 1, 2026, approximately 20% selected SERS' Wraparound plan. This is comparable to previous years.

For Medicare enrollees, initial enrollment selection has increased to 77% from 68%, likely due to the health care premium surcharge reduction. At the June meeting, the Board approved a

reduction in the premium surcharge to \$15 from \$35. The Health Care Fund is at a historic solvency level, and has been self-sustaining, receiving no share of employer contributions since 2019.

SERS Celebrates Long-Tenured Employees

Last month, Director Richard Stensrud highlighted two SERS employees who achieved 40 years of service in 2025. Every December, executive staff holds a luncheon for employees celebrating anniversaries of 5, 10, 15, 20, 25, and 30 years with SERS.

In 2025, 7 employees celebrated their 5th anniversary with SERS; 7 employees celebrated their 10th anniversary; 8 employees celebrated their 15th anniversary; 5 employees celebrated their 20th anniversary; 7 celebrated their 25th anniversary; and 2 celebrated their 40th anniversary. The average employee tenure across the organization was 12 years in 2025.

As noted by Director Stensrud, the number of employees celebrating anniversaries is a testament to their dedication to the organization, as well as to their enduring commitment to “serving the people who serve our schools.”

SERS' Member Support Team Receives High Marks

Following a recent upgrade to SERS' phone system, Member Services now has the ability to conduct after-call surveys. Callers are asked two questions: How helpful was the service they received; and how would they rate the representative's knowledge and ability to answer questions.

Out of the 492 survey responses in November, with 5 being the highest rating, 90% rated the service they received as a 4 or 5, and 96% rated the representative's knowledge and ability to answer the question as a 4 or 5.

Monthly Retirement and Survivor Benefit Transactions

For December, the SERS Board approved 378 active members for service retirements, and 12 survivor benefits for spouses and/or dependents.

February Meeting Dates

There will not be a Board meeting in January. The next Board meeting will take place on Thursday, February 19, at 8:30 a.m., and the annual Board workshop will take place on Friday, February 20, at 8:30 a.m.