



# *SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO*

## **BOARD MEETING HIGHLIGHTS**

### **FEBRUARY 2026**

#### **Annual Global Equity Portfolio Review**

Rather than providing the standard annual performance review of the portfolio, staff focused on recent changes to the allocation that has improved risk and return. Although the portfolio has a long history of solid returns, outperforming the benchmark has been challenging.

Staff started making changes to the equities strategy in 2020 when they began transitioning from long-only positions to long-short. In 2022, they repositioned the portfolio from individual U.S. and non-U.S. holdings with different benchmarks to an all-inclusive global equities portfolio with a single benchmark. This change allowed staff to more easily over/underweight U.S. and non-U.S. exposure based on market conditions. In 2025, staff captured the upside of surging emerging markets returns by increasing global mandates from 16% to 32% of the portfolio.

Also in 2022, portable alpha managers were added in U.S. large cap where excess returns are difficult to achieve. While the portable alpha strategy requires the selection of managers with advanced expertise, the strategy can improve risk and return and generate higher returns on top of the base return. SERS currently has two managers running portable alpha strategies that comprise 11% of the global equities portfolio. Over the last three years, SERS' portable alpha strategy has returned 30.60%, which is 7.88% over the benchmark.

Additional changes included moving to more passive management in U.S. equities, increasing allocations to managers that demonstrated outperformance, and being more benchmark and risk aware when making portfolio changes.

At December 31, 2025, the \$9.7 billion global equities portfolio was 44.6% of the Total Fund, which was 4.6% above target. The net return for the calendar year was 24.70%, which was 2.38% above the benchmark. Over the 3-, 5-, and 10-year periods, the portfolio realized net returns of 21.02%, 11.46%, and 12.12%, and all were above the benchmark.

#### **Quarterly Overview of U.S. Economic Conditions and SERS' Investment Performance**

Joanna Bewick and Chris Tessman of Wilshire Associates provided the Board with an update of current U.S. economic conditions and a review of SERS' October-December 2025 quarterly results.

Bewick reported that the U.S. stock market was up 2.3% for the quarter and 17.1% over the last 12 months. Large cap stocks outperformed small cap stocks and growth stocks outperformed value stocks. Emerging market equities performed even better than U.S. stocks at 4.8% for the quarter and 34.4% over the last 12 months.

In fixed income, the treasury yield curve rotated during the quarter, lifting the 10-year Treasury yield 2 basis points to 4.17% while short to intermediate bonds yields declined. The Federal Reserve lowered

---

#### 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*

the lending rate 50 basis points during the quarter with expectations that only a 0.25% cut will happen in 2026.

There is still uncertainty in the U.S. economy. The U.S. debt burden remains a concern as it continues to grow, especially since interest rates are high, making financing costly for the government. Efforts to rebuild the country's industrial base and continued AI expansion could cause higher inflation, while jobs being replaced by AI are reducing payrolls which could lead to deflation. Another concern is that consumer sentiment measured by the University of Michigan is at a 10-year low which could mean lower economic growth.

For the quarter, Tessman said that SERS' portfolio continued to perform well. All the portfolios were within the established targets with strategic overweights to global equity, opportunistic, and private credit that helped increase quarterly returns for the Total Fund. These were offset by underweights in fixed income, global real estate, infrastructure, and private equity. SERS' Total Fund returned 3.0% net of fees during the quarter and 15.6% for calendar year 2025. For all periods, 1-, 3-, 5-, and 10-year, SERS' net-of-fees returns surpassed the established benchmarks.

SERS continued to manage an efficient portfolio as it realized above-median returns with less risk than 90% of other U.S. pension funds over the last 5 years. The best net-of-fees returning portfolios in calendar year 2025 were global equity at 24.70%, opportunistic and tactical at 16.38%, private equity at 12.33%, and global infrastructure at 9.38%.

### **Overview of Capital Market Assumptions**

This year, SERS will conduct an asset allocation study that shapes the System's investing focus for the next five years. SERS and Wilshire use 10-year assumed return rates for each asset class to guide the asset allocation project. While Wilshire makes their own 10-year predictions, the asset allocation study will consider projections from several different sources researched by Staff.

Joanna Bewick and Chris Tessman of Wilshire Associates provided an educational session to the Board detailing how Wilshire arrives at the 10-year assumed return rates for each asset class.

Wilshire has been formulating long-term asset class return, risk, and correlation assumptions since the 1980s. For returns, they combine historical data with forward looking analysis and update those assumptions quarterly. For risk and correlations, they rely heavily on historical return data and analyze various rolling standard deviations (how much above and below returns were to the assumptions). For the Total Fund, Wilshire projects a 6.35% average return over 10 years with a 13.35% standard deviation, meaning there is a 68% chance that SERS could realize between -7.00% and 19.70% during that time. Wilshire's projection assumes that the current mix of assets is maintained and they do not factor in any value added that can come from active management decisions made within the portfolio.

SERS and Wilshire will model different allocations within SERS' portfolios to see if they can improve potential returns and reduce risk.

### **Board Approves Filing and Final Filing of Amended Administrative Rules**

The Board approved filing of an amended administrative rule regarding the Contribution Based Benefit Cap (CBBC) with the Joint Committee on Agency Rule Review (JCARR).

The rule change amends the CBBC calculation to impute contributions for any years of "free" military service credited under R.C. 3309.02. Receiving additional years of service credit will increase the

member's retirement allowance; however, because SERS receives no contributions for those years, some members could be affected by the CBBC. This amendment ensures military service affects the CBBC calculation in a similar way to the calculation of the retirement allowance.

The Board also approved the final filing of amended administrative rules pertaining to federal taxation and Medicare Part B reimbursement. Changes to the federal taxation rule were needed due to the implementation of the federal SECURE 2.0 Act and changes to the Medicare Part B rule updated a citation to the amended health care rule.

### Investment Committee Approves Five Investments

The SERS Staff Investment Committee approved a commitment to Tree Line Direct Lending IV, a direct lending strategy within the private credit portfolio, of up to \$75 million, as well as a commitment to Demopolis Equity Fund I, a lower middle market buyout strategy within the private equity portfolio, of up to \$30 million.

The committee also approved a commitment to IFM Green Group Data Center Co-investment, a global infrastructure co-investment strategy, of up to 10 million Swiss Francs (approximately \$12.6 million), plus deal-related expenses and fees, a commitment to Blackstone SPE VIII Corebridge Co-invest, a non-core real estate strategy, of up to \$25 million, plus deal-related expenses and fees, and a commitment to Carmel Partners Fund IX, a non-core real estate strategy, of up to \$75 million, all within the real assets portfolio.

These investments will be funded from cash reserves.

### Total Fund Update

TOTAL FUND BALANCE		
November 30	December 31	Difference
\$21.81 billion	\$21.96 billion	▲ \$150 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 7.55%	▲ 15.18%	▲ 11.50%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.60%	▲ 1.80%	▲ 0.68%

### Board Education Session on Actuarial Fundamentals

Todd Green, president and consulting actuary with CavMac, SERS' independent actuary, presented a Board education session on actuarial fundamentals. The objective of this session was to set a foundation for the Board's consideration of the upcoming actuarial experience study by reviewing the actuary's role, the actuarial process, and actuarial terminology.

The five-year experience study will examine SERS' demographic assumptions (rates of service and disability retirement, mortality rates, rates of withdrawal, etc.) and economic assumptions (inflation, salary increases, cost-of-living adjustments, etc.) over the last five years and compare those results with data over longer periods of time.

Based on the results of the study, the actuary may propose changes in actuarial assumptions and determine the impact of those recommended changes on the pension fund.

## **Executive Director's Update**

### ***Staff Compensation Update***

To aid in SERS' FY2027 budgeting process, Joe Rice, a director in the compensation consulting division for CBIZ, provided an annual update to the Board on current labor market salary data that directly affects the salary ranges and salary levels for SERS staff. Reviewing and adjusting the salary ranges and overall salary growth on an annual basis is considered a best practice.

Based on market data, he suggested a 2.6% increase to current salary ranges with an increase in the total salary budget of 4.0%.

Adjusting the salary ranges does not mean that salaries will increase by that amount. The primary source of salary growth at SERS is through the annual merit adjustment. SERS' employees do not receive step increases or cost-of-living adjustments. Total salary budget growth includes annual merit increases, promotions, and salary adjustments.

At SERS, the salary merit component of pay is based on an employee's performance relative to established goals and performance rating. Strong performance results in a higher merit award. Maintaining appropriate salary ranges and an appropriate level of individual salary growth is essential to enabling SERS to be able to attract and retain high-quality employees. It also is important that salary levels continue to remain aligned with market trends to avoid having to make substantial salary increases in subsequent compensation studies.

Staff will return in March to provide the Board with the fiscal impact of various scenarios.

### ***SERS' Annual Pension and Health Care Advocacy Group Roundtable***

On January 16, SERS held its annual SERS Pension and Health Care Advocacy Group Roundtable as a hybrid meeting using Zoom as well as in person.

Several SERS Board members, as well as eight representatives from six different advocacy groups, attended to hear staff presentations about the state of the Retirement System as well as a look forward to key activities in 2026. Annual joint meetings with OASBO and SERO are scheduled for the spring.

### ***eSERS Zoom Live Chat Now Available***

SERS recently added a new feature on eSERS to aid employers: Zoom live chat.

The live chat enables employers to ask questions and get answers, all in real time. It connects the employer representative immediately to an Employer Services representative, who will assist with their questions.

The new feature already has garnered favorable responses from those who have used it.

## **Monthly Retirement and Survivor Benefit Transactions**

For February, the SERS Board approved 409 active members for service retirements, and 28 survivor benefits for spouses and/or dependents.

## **March Meeting Date**

The next Board meeting will take place on Thursday, March 19, at 8:30 a.m.