



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

MARCH 2026

AI in Investing Board Education Session

Ezra Perlman, co-president, Evan Darr, partner application software, and Abigail Johnson, partner investor relations, of Francisco Partners (FP) presented a Board education session on artificial intelligence (AI) in investing.

Founded in 1999, FP has been working professionally with SERS since 2011. Over the last six years, FP has been ranked in the top three of private equity investors by the HEC Paris-Dow Jones Private Equity Performance Ranking. SERS CIO Farouki Majeed said that the firm is the top-performing private equity manager for SERS.

FP's investing focus is on technology in many different sectors, like health care, education, finance, security, and consumer internet. This is the area that has been the most affected by AI advancements. Johnson said that FP's investing philosophy is to "buy complexity at a discount and sell clarity at a premium." The firm expects to make 2-2.5 times its investment with low expectations of capital loss.

Perlman stated that AI seems scary but is following the same trend of previous technological improvements like the introduction of personal computers in the 1980s, the internet in the 1990s, mobile computing in the 2000s, and the cloud in the 2010s. Each period starts with a technology trigger, there is a peak of inflated expectations, a trough of disillusionment, a slope of enlightenment, and a plateau of productivity. He places AI currently near the peak of inflated expectations.

FP began preparing its companies for the impact of AI in 2023 to help them survive and thrive during the rapid implementation period, which seems to be happening now. Oracle, Microsoft, Meta, Alphabet, and Amazon spent almost \$400 billion on AI buildout in 2025 and that is expected to increase to \$658 billion in 2026. In every technological upheaval, some existing companies became dinosaurs and died, others adapted, and new companies emerged.

While AI is making it easier and cheaper to create software, existing companies have an advantage over startups because they have valuable sales networks and relationships already in place.

Darr indicated that FP is still assessing AI threats and opportunities for new and existing companies. While the selloff of software assets has escalated in 2026 and valuations are down, FP sees an opportunity to acquire good companies. They are also optimistic that dealmaking will improve within the next two years.

Asset Allocation Update

Wilshire Associates, SERS' independent investment advisor, and SERS' investment staff have been preparing the Board for their role in determining the System's asset allocation for the next five years through a series of educational workshops. In February, the Board learned about capital market assumptions and the asset allocation process, and this month the focus was on modeling.

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

Joanna Bewick and Chris Tessman of Wilshire Associates provided the Board with several portfolio models to consider based on risk and return. Bewick described the examples as “modest but impactful” as SERS’ current asset allocation is delivering solid returns with modest risk.

Tessman said the development of the scenarios is a quantitatively heavy process. He added that it is a challenging time to be working through the asset allocation process as fixed income is not functioning as a hedge to stocks as it has in the past. To address this, Wilshire and staff have modeled portfolios with increased exposure to commodities and gold. SERS already has exposure to these assets in its opportunistic and tactical portfolio, but the increased exposure would merit giving them their own dedicated portfolios within the Total Fund.

In April, Wilshire and staff will provide a recommendation to the Board, explain how they reached that conclusion, and get Board input.

Global Real Assets Portfolio Review

In 2024, the global real assets portfolio was separated into distinct real estate and infrastructure allocations; however, they continue to be managed in tandem as they both provide diversification, inflation protection, and income return.

The real estate target allocation is 13% with a range of 10-15%, and the infrastructure target allocation is 7% with a range of 5-10%.

Real Estate

Currently, real estate comprises 9.7% of the Total Fund with a market value of \$2.17 billion. The property type composition is 47% industrial, 22% residential, 10% niche (data centers, operating land, entertainment, and parking), 8% office, 7% retail, 4% self-storage, 1% senior housing, and 1% hotel. When compared to the benchmark, SERS is overweight in industrial and niche, and underweight in the office, retail, and residential.

Geographically, 39% of SERS’ real estate exposure is in the west, 31% in the east, 24% in the south, and 6% in the Midwest. SERS’ U.S. real estate geographic exposure is in line with the benchmark.

As of January 31, 2026, SERS’ 1-year net return for real estate was 3.07%, underperforming the 4.39% benchmark. This was primarily due to leverage, which adds to gains in up markets and detracts in down markets. Real estate outperformed the policy benchmarks in the 5- and 10-year periods by 0.79% and 0.90%, respectively.

Looking ahead, Staff believes a medium and long-term income target of 4.0% to 4.5% is achievable due to improved market conditions, managers’ renewed focus on income yield, and SERS’ commitment to funds that have higher income return.

Infrastructure

Infrastructure is 7.1% of the Total Fund with a market value of \$1.59 billion. Transportation is 45.9% of the portfolio, energy is 26.2%, digital is 14.4%, renewable is 8.5%, utilities is 4.2%, and social is 0.7%.

Geographically, most of SERS’ investments are in North America (44.1%) and Western Europe (34.2%) with smaller exposure to Latin America, the Pacific, Asia, Eastern Europe, and the Middle East.

The net return for infrastructure for the 1-year period ended January 31, 2026, was 9.83%, outperforming the benchmark by 2.14%. Over the 3- and 5-year periods, the portfolio returned 8.57% and 9.30% respectively, outperforming the benchmarks by 5.96% and 2.58%.

Co-investments and continuation funds have grown to 7.4% of the asset class, outperforming the benchmark in all periods.

Overall, fees for both real estate and infrastructure have declined as a percentage of net assets. Real estate fees have declined from 82 basis points in 2021 to 72 basis points in 2026; and infrastructure fees have trended down from 89 basis points in 2022 to 73 basis points in 2025.

Goals for the portfolio include evaluating new strategies, exploring additional co-investment opportunities, enhancing sector diversification, and focusing on adding investments with inflation protection characteristics and long-term income potential.

Investment Committee Approves Private Credit Investment

The SERS Staff Investment Committee approved a \$36 million commitment to Barings Perpetual Euro Direct Lending Fund, a direct lending strategy within the private credit portfolio.

This investment will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
December 31	January 31	Difference
\$21.96 billion	\$22.43 billion	▲ \$470 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 10.08%	▲ 2.35%	▲ 11.21%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 1.79%	▲ 1.10%	▲ 1.32%

FY2027 Budget Planning

SERS' FY2027 budget planning is nearing completion. The Board approved CBIZ's personnel budget recommendations presented at last month's Board meeting which included a 4.0% merit assumption with promotions/adjustments of 0.4% resulting in a 4.4% increase in the salary budget.

This is an increase of approximately \$820,115 over the FY2025-26 year-end total. The 4% merit amount is comparable to merit increases planned at the other Ohio retirement systems.

In April, SERS is required to provide a preliminary budget to the Ohio Retirement Study Council (ORSC).

In May, staff will provide the Board with the FY2027 draft budget. A proposed final budget will be presented to the Board for approval in June.

Executive Director's Update

Advocacy Group Outreach

SERS continues to stay in contact with stakeholders regarding key issues.

On February 25, Executive Director Richard Stensrud presented a "State of the System" to the Ohio Federation of Teachers.

Looking ahead, Stensrud and SERS staff will make similar presentations to the Ohio Association of School Business Officials on May 1 and the School Employee Retirees of Ohio on May 6.

Federal Legislation

Earlier this month, SERS staff attended the NASRA/NCTR joint conference. In addition to attending the panels and presentations, staff met with several Ohio legislators, providing updated information regarding SERS' membership and educating them on SERS' Wraparound plan.

eSERS Zoom Live Chat Now Available

On February 11, SERS 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 a SERS representative, who will assist with their questions.

To date, SERS' Employer Services representatives have responded to 62 chats. The new feature already has garnered favorable responses from those who have used it.

Monthly Retirement and Survivor Benefit Transactions

For March, the SERS Board approved 336 active members for service retirements, and 13 survivor benefits for spouses and/or dependents.

April Meeting Date

The next Board meeting will take place on Thursday, April 16, at 8:30 a.m.