



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

OCTOBER 2026

Global Private Equity Portfolio Review

Staff provided the Board with an overview of SERS' \$2.85 billion global private equity (PE) portfolio.

Currently, the portfolio consists of 30 general partners that manage 76 funds and 19 co-investments. The role of the broadly-diversified portfolio is to provide risk-adjusted returns in excess of those provided by publicly-traded equities.

At the end of August, the PE portfolio was 12.7% of the Total Fund, which is slightly below the 14% target but still within the 11% to 17% range. Staff expects the portfolio to be near the 14% target by the end of this fiscal year.

In FY2026, the PE portfolio generated a 9.46% net-of-fees return, trailing the benchmark by 2.53%. The two causes of underperformance are related to uncertainty in the software sector in which SERS has significant exposure and an underweight to venture capital compared with the benchmark.

The PE portfolio strategy consisted of 75% buyouts, 12% venture, 8% co-investments, and 5% special situations. While buyouts allocation remained the same as last year, venture increased 4% mainly due to strong returns. Staff's long-term goal is to increase venture to 20%.

Geographically, SERS' portfolio is 77% invested in North America, 19% in Europe, and 4% in emerging markets. The sector breakdown is 24% in Information Technology with significant exposure to software, 22% Industrials, 19% Other, which includes energy and distressed assets, 15% Consumer, 13% Healthcare, and 7% Financials.

The PE team has focused on fee reduction for many years. While the standard PE fee structure is 2% of the investment amount and 20% of all returns over 8%, SERS' staff has reduced the 2% to 1% by investing in more co-investments, and getting early investor and large investor discounts.

Over the last 10 years, the PE Portfolio has added \$1.2 billion to the Total Fund. It has also realized gains of \$2.3 billion during the same time period. Despite reports from other investors that PE distributions have declined drastically, SERS' portfolio has remained cash-flow positive. Staff credits this to targeting middle and lower-middle market managers that have been able to sell portfolio companies for less in the current environment of high capital costs.

In FY2027, SERS will continue to actively seek co-investment opportunities where appropriate, review the entire portfolio strategy and structure, and look for opportunities to improve the risk and return characteristics, as well as identify and research new and innovative investment opportunities with managers who offer compelling return expectations.

RETIREMENT BOARD

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SERS' Investment Performance and U.S. Economic Conditions

Second quarter U.S. gross domestic product (GDP) growth was revised up to 2.2% from an earlier 1.5% forecast reflecting higher estimates for investments and consumer spending. The September Blue Chip Economic Indicators forecast 2.1% growth for 2026 driven by artificial intelligence (AI) infrastructure spending and resilient consumer spending.

Chief Investment Officer Farouki Majeed stated that SERS is monitoring its exposure to AI-related investments. The team is working to understand exposure in equities, fixed income, and infrastructure, and determining the downside if AI investments begin to retract.

Labor market job numbers for July and August were revised down by 60,000, and September's gain of 29,000 jobs added was below expectations. Jobs were added in manufacturing, healthcare, and construction while financial services registered losses.

U.S. headline inflation, which measures the overall change in prices across goods and services, remained steady at 3.4% in August. Core inflation, which removes energy and food from the calculation, declined to 2.4% in August, down from 2.5% in July. This is primarily due to stabilizing rent costs.

The University of Michigan consumer sentiment index remains in record low territory, declining 12.7% in September compared to the previous year. This was also 7% lower than the August rating.

Finally, Majeed shared a report from the Ohio Retirement Study Council's independent investment consultant, RVK, that compared investment performance of Ohio's public pension funds for the period ended June 30, 2026. It showed that SERS had the highest net-of-fees return over the 5-year and 10-year periods with lower risk than the other systems.

The entire report is on the ORSC website at <https://www.orsc.org/Assets/EventFiles/1612.pdf>.

Investment Committee Approves Three Investments

The SERS Staff Investment Committee approved a commitment of up to \$75 million to Blackstone Strategic Partners Real Estate IX, a non-core real estate strategy, and a commitment of up to \$50 million to TA Realty Residential Real Estate Fund, L.P., a core real estate strategy, both within the real estate portfolio.

The Committee also approved a commitment of up to \$50 million to TCW Rescue Financing Fund III, a distressed lending strategy within the private credit portfolio.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
July 31	August 31	Difference
\$23.58 billion	\$23.94 billion	▲ \$130 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 2.54%	▲ 10.95%	▲ 13.15%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 1.26%	▲ 3.44%	▲ 2.01%

Executive Director's Update

ORSC Selects Funston to Conduct Fiduciary Audit

At its October meeting, the Ohio Retirement Study Council (ORSC) approved the selection of Funston Advisory Services to perform SERS' 10-year fiduciary performance audit.

The process, which is underway, is estimated to take approximately six months and will focus on organization and staffing, board governance and oversight, risk management, information technology, investment policy, and legal compliance.

Board Adopts Recommended Factor Tables and Rates

At the April 2026 Board Meeting, CavMac, SERS' actuary, presented the results of the 2025 Five-Year Experience Study, which included a comprehensive analysis of the plan's actual experience compared to the actuarial assumptions used over the previous five-year period. The Board approved the recommended changes to the actuarial assumptions as outlined in the study.

Based on the results of the study, the actuary and staff proposed recommendations on the following rates and factors:

- Optional Benefit Plan and Partial Lump-Sum Option Plan Reduction Factors
- Early Retirement Factors
- Contribution Based Benefit Cap Annuity Factors
- Early Retirement Incentive Rates
- Reemployed Retiree Annuity Factors
- Money Purchase Annuity Factors
- Reemployed Annuity – Employer Contributions
- Reemployed Annuity – Interest on Contributions
- School Board Service Credit Purchase Liability Factors
- Interest Rates and Percentages

The Board approved all of the rate and factor recommendations.

[Click here](#) to see the recommendations for actuarial rates and factors presented to the Board.

Results of Five-Year Healthcare Plan Review

Every five years, SERS contracts with an independent consultant to review its healthcare plan model, assist with a procurement strategy, and facilitate certain requests for proposals (RFPs).

Segal was chosen as the result of an RFP issued earlier in the year.

Segal's analysis affirmed that SERS should:

1. Maintain its current self-insured and fully-insured Medicare and non-Medicare arrangements
2. Continue to contract with a Pharmacy Benefit Manager (PBM) vendor separately from a medical plan vendor
3. Preserve the group health insurance option with the Wraparound HRA for non-Medicare enrollees

Segal's procurement strategy recommends that SERS negotiate renewal of both Medicare and non-Medicare contracts with Aetna, as current terms are favorable. In the event negotiations fail, SERS plans to release RFPs this winter for both contracts. This strategy is designed to preserve the best possible terms for SERS and minimize unnecessary costs.

Currently, Express Scripts is under contract to provide PBM services until 2028. Segal suggested that SERS evaluate the Know Your Rx Coalition (KYRx) as a potential partner for purchasing PBM services when the current contract expires.

SERS is already knowledgeable of KYRx's operations, as they provide "Pharm-Assist," a member-facing service that connects SERS retirees with KYRx pharmacists who assist them with pharmacy benefit issues. The pharmacists help retirees identify lower-cost drug options and avoid adverse reactions. KYRx pharmacists also serve as a resource for SERS regarding benefit design and clinical concerns relating to the pharmacy benefit.

SERS will issue RFPs to continue the Wraparound HRA, dental, and vision benefits this winter. Segal's recommendations are based on sustaining fund solvency while retaining SERS' ability to maintain clear and transparent oversight of its healthcare arrangements.

Monthly Retirement and Survivor Benefit Transactions

For October, the SERS Board approved 817 active members for service retirements, and 15 survivor benefits for spouses and/or dependents.

November Meeting Date

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