



**Retirement Board Agenda
May 16, 2024**

Click Link to Join Zoom Meeting:

<https://ohsers.zoom.us/j/97797939024?pwd=eIR4SUZTWW1yRWtWTUxmODJFTWRvdz09>

Meeting ID: 977 9793 9024

Password: 12345

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **977 9793 9024** and password: **12345**

PLEDGE OF ALLEGIANCE

1. Roll Call

CONSENT AGENDA (R)

2. Minutes of the **April 18, 2024**, Retirement Board meeting
3. Summary of Investment Transactions – **March 1, 2024 through March 31, 2024**
4. Retirement Report
 - Superannuations, Survivor Benefits & Transfers
 - Special Cases
5. Disability Report
 - Approval of Disability Benefits
 - Disapproval of Disability Benefits
 - Termination of Disability Benefits – Any Occupation
 - Disapproval of Appeal for Disability Benefits on Personal Appearance

INVESTMENT REPORT

6. Asset Class Benchmark Review, presented by Wilshire Associates
7. Quarterly Performance Report - Wilshire Associates
8. Quarterly Investment Report
9. Annual Investment Plan – FY25 Draft - Discussion
10. Investment Department Incentive Program – Draft (possible vote) (R)

HEALTH CARE REPORT

11. Presentation of 2025 Self-Insured Rates – Cavanaugh Macdonald
12. 2025 Health Care Review and Benefit Considerations
13. PBM Contract Renewal (R)

EXECUTIVE DIRECTOR'S REPORT

14. Executive Director's Update
15. Review of Administrative Expenses
16. SERS FY2025 Administrative Budget Review
17. Pensionable Compensation Discussion

RETIREMENT REPORT

18. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (*if needed*) (R)

BOARD COMMUNICATION AND POLICY ISSUES

19. Calendar Dates for Future Board Meetings
20. Continued or New Business
 - Board Information Requests and Follow-up Items

ADJOURNMENT (R)

FY2024 SERS Board Roll Call

Frank Weglarz	_____
Matthew King	_____
Jeffrey DeLeone	_____
James Haller	_____
Catherine Moss	_____
Barbra Phillips	_____
James Rossler	_____
Aimee Russell	_____
Daniel Wilson	_____

APRIL 2024 CONSENT AGENDA

1. Minutes of the
 - a. **April 18, 2024**, Retirement Board meeting
2. Summary of Investment Transactions – **March 1, 2024 to March 31, 2024**
3. Retirement Report
 - a. Superannuations and Survivor Benefits and Transfers
 - b. Special Cases
4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Termination of Disability Benefits – Any Occupation
 - d. Disapproval of Appeal for Disability Benefits on Personal Appearance

APPROVAL OF CONSENT AGENDA

_____ moved and _____ seconded the motion to approve the Consent Agenda, which includes the following items:

- 1. Minutes of the
 - a. **April 18, 2024**, Retirement Board meeting
- 2. Summary of Investment Transactions – **March 1, 2024 to March 31, 2024**
- 3. Retirement Report
 - a. Superannuations and Survivor Benefits and Transfers
 - b. Special Cases
- 4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Termination of Disability Benefits – Any Occupation
 - d. Disapproval of Appeal for Disability Benefits on Personal Appearance

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

SERS Retirement Board Meeting Minutes

April 18, 2024

The nine hundredth and sixty-ninth meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, April 18, 2024.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:40 a.m. with the Pledge of Allegiance.

Roll Call

The roll call was as follows: Frank Weglarz, Matthew King, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Catherine Moss. Also attending (remotely) was Lisa Reid, representative of the Ohio Attorney General's Office. Various members of the SERS staff attended in person. Several SERS staff members and members of the public attended virtually.

Consent Agenda

The consent agenda for **April 18, 2024**, included:

- ∑ Minutes of the **March 21, 2024**, Retirement Board meeting
- ∑ Summary of Investment Transactions for the period of **February 1, 2024**, to **February 29, 2024**
- ∑ Retirement Report – Superannuations, Survivor Benefits, and Transfers
- ∑ Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, and Approval of Appeal of Termination – Any Occupation

Matthew King moved and Aimee Russell seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, April 18, 2024. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Catherine Moss. The motion carried.

Investment Report

Annual Portfolio Review – Private Credit

SERS Chief Investment Officer, Farouki Majeed, introduced Adam Messerschmitt and Brad Carr, SERS Investment staff members, who provided the Board with an overview of SERS' Private Credit investment portfolio.

Mr. Messerschmitt reported the private credit portfolio has a current market value of \$1.1B with 12 managers, 21 funds, and 1 co-investment. The Global Private Credit allocation is currently 6.2% of the total SERS retirement fund.

Mr. Messerschmitt continued, stating the private credit has a net return of 10.1% for the one-year period ending February 29, 2024, which outperformed the policy benchmark by 23 basis points. SERS invests in private credit to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent cash yield. The performance objective is to provide returns in excess of the 90-day Treasury bill rate + 4.5%, net of fees. The Global Private Credit allocation is set at 5% with a permissible range of 3% to 7%.

Mr. Carr reported that the objectives for the private credit portfolio for 2024 are to:

- ∑ Manage the private credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.
- ∑ Build the private credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.

SERS Retirement Board Meeting Minutes

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- ∑ Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the total fund.
- ∑ Consider adding differentiated strategies to the portfolio if capacity permits that could add further diversification to the portfolio, while also contributing to the portfolio's return and cash yield.
- ∑ Review the appropriateness of the benchmark and recommend changes if necessary.

Following a robust discussion, the board thanked Mr. Messerschmitt and Mr. Carr for their presentation.

Monthly Investment Report

SERS Chief Investment Officer, Farouki Majeed, followed up and provided an investment presentation. Mr. Majeed reported that the US economy exceeded expectations increasing 3.4% in Q4, and 2.5% in 2023. The strong growth was due to continued personal and governmental spending. The US labor market continues to be resilient, adding 303,000 jobs in March. The unemployment rate decreased by 0.1% to 3.8%.

Mr. Majeed reviewed SERS allocation classes and closed his report stating the total SERS fund is currently at \$18.5B for the period ending February 29, 2024.

Following several questions and a brief discussion, the board thanked Mr. Majeed and the investment staff for their presentations.

Executive Director's Report

ORSC

SERS Executive Director, Richard Stensrud, began his report stating the ORSC met on April 11, 2024. The ORSC discussed an upcoming SERS actuarial audit and approved an RFP with a June response deadline for submissions. This actuarial audit is a part of the regular cycle of audits the ORSC performs and is different from the external audit SERS commissioned last year. The ORSC auditor will work with Cavanaugh Macdonald, SERS' actuary, to review previous audit findings and to complete the audit.

Mr. Stensrud also reported that the ORSC reported on data collected from the five Ohio retirement systems. The report focused on key metrics and the evolution of each pension system over time. The report used system data going back to 1998 up to now and focused on key elements that were in control of the legislature and the retirement systems. The report acknowledged investment experiences, growth and liabilities, 30-year amortization periods, pension reform efforts, diversion of pension contributions to healthcare, COLA, and long-term performance of each fund. SERS is identified as having a better 2nd half experience than the 1st half of the period between 1998 and 2022.

Mr. Stensrud continued, stating investment performance is why SERS has been outperforming benchmarks in recent years. SERS is also in a positive ratio, meaning it currently has more active members than retirees, which isn't the case with all Ohio retirement systems.

Mr. Stensrud noted that the executive directors in attendance were given an opportunity to comment on the report. Mr. Stensrud felt the report was a good report that further dispelled several misconceptions, and the report is a good resource to compare and contrast Ohio retirement systems. The report also shows that SERS focus on sustainability has had positive results over the life of the retirement fund. Although SERS members receive the smallest benefit payments, SERS benefit is still valuable and worth more than SSI would be, with similar income.

The board thanked Mr. Stensrud for differentiating SERS from other pension systems. The board wants to do a better job of educating employers on the importance of educating members on their retirement options when they enter the workforce. Because there is no way to mandate retirement training without making statutory changes, Mr. Stensrud will investigate ways to engage with more employees as they are hired rather than waiting until they are ready to leave the workforce.

SERS Retirement Board Meeting Minutes

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The next ORSC meeting is scheduled for May 9, 2024 or at the call of the chair.

The board took a break at 10:19 a.m.

Jeffrey DeLeone excused himself from the meeting at 10:19 a.m.

The board reconvened at 10:31 a.m.

Personal Appearance

James Rossler moved and James Haller seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Catherine Moss and Jeffrey DeLeone. The motion carried.

The board convened into executive session at 10:31 a.m.

The board reconvened in open session at 11:15 a.m.

Advocacy Groups

Mr. Stensrud continued his report stating that SERS continues to prepare content for two upcoming stakeholder events. SERS will have an annual joint meeting with OASBO on Friday, May 3. One of the likely discussion topics will be pensionable compensation.

Mr. Stensrud also reported that SERO's annual meeting is scheduled for May 7th at Villa Milano. SERO will provide an opportunity for SERS to report on all business areas, but specifically healthcare.

Ohio General Assembly

Mr. Stensrud continued his report stating HCR 6, a bill urging Congress to repeal the WEP and GPO, received another hearing in the Senate Government Oversight Committee. SERS leaders are optimistic this will move forward and be passed by the senate.

Mr. Stensrud continued, stating that SERS leadership is also hopeful that the Senate Government Oversight Committee will schedule proponent testimony soon for HB257, which would provide authority for retirement systems to establish policies to allow board members to participate in meetings remotely. This was a valuable provision and SERS is hoping to have this provision again soon.

Strategic Plan

Mr. Stensrud stated that work on the updated SERS strategic plan has been going as planned and is on schedule to be completed by June. The strategic plan consultant team met with SERS staff recently to request input and those results will be shared with SERS leadership. SERS leadership will summarize the results and share the results with the full board once they are finalized.

Board Governance Charter

Mr. Stensrud continued his report with a proposal that the board create a governance charter to memorialize the decisions made by the board members. Mr. Stensrud believes now is a good time to adopt this type of charter to lock in place some of the best practices this current board has implemented. After proposing this idea to the board, the board agreed this is a good idea and requested that a structure be put in place to review this charter periodically. Mr. Stensrud advised the board that he will begin working on this project.

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Review of Administrative Expenses

SERS Chief Financial Officer, Marni Hall, provided a report of administrative expenses for this fiscal year and stated SERS should end the fiscal year under budget.

Ms. Hall also reviewed the draft ORSC budget that was submitted in the requested ORSC format. Ms. Hall mentioned that there was \$1.4M in savings due to an elevator repair, rather than a replacement, and the negated need to remodel space for new tenants.

Ms. Hall continued, stating that the ORSC has a requirement that each system receives an actuarial audit every ten (10) years. Although the ORSC drives the process, the systems pay for their own actuarial audits and this cost is driving the increase in the FY2025 budget. After several questions and a robust discussion, the board thanked Ms. Hall for her report.

Filing of Proposed New Administrative Rule

Associate General Counsel, Susan Russell, introduced Senior Staff Counsel Brittani Galloway, who introduced two new administrative rules for consideration. Ms. Galloway explained the rules proposed are in response to a growing cybersecurity risk for SERS and employers. The purpose of the new rules is to minimize this risk to SERS data. Ms. Galloway advised there will be monetary penalties for SERS employers who don't comply, but these requirements can be waived with good cause.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-69 Cybersecurity incident notification responsibilities. James Haller moved and Matthew King seconded that proposed new rule 3309-1-69 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

Filing of Proposed New Administrative Rule

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-70 Contribution Based Benefit Cap. Barbra Phillips moved and Aimee Russell seconded that proposed new rule 3309-1-70 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

Pensionable Compensation Discussion

Mr. Stensrud began the discussion by providing the board with a list of items that could be considered compensation. The board was then asked to review each item to determine if it should or should not be included as pensionable compensation. Following a robust discussion, the board agreed that next steps include reviewing the language of the potential new rule and performing an analysis to see how the new rule would potentially affect the sustainability of the retirement fund. The board agreed that this is not an effort to move away from final average salary calculations for retirement benefits, but rather an effort to clarify what compensation counts towards retirement benefits. With no further questions, Mr. Stensrud thanked the board for the robust discussion.

Executive Session

Barbra Phillips moved and Aimee Russell seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(3) to discuss pending litigation. Upon roll call, the vote was as follows: Yea: Matthew King, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Jeffrey DeLeone. The motion carried.

The board convened in executive session at 12:35 p.m.

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The board returned to open session at 12:48 p.m.

Compensation Committee Update

Compensation Committee Chair, Daniel Wilson, reported that the committee met this morning to review proposed changes to the investment incentive compensation policy. The committee also had further discussions and will bring forward a draft retire rehire policy to the full board at the next board meeting. With no questions, the board thanked Mr. Wilson for his report.

Retirement Report

There was no executive session for the retirement report.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

There were no additional requests. James Rossler and Frank Weglarz both provided the board with brief summaries of the conferences they attended last month.

Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2024 and noted that James Rossler will not be attending the July board meeting.

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 **

AUDIT COMMITTEE MEETINGS

June 20, 2024 – 2:30 p.m. **(Thurs.) ** New Date ****
September 18, 2024 - 2:30 p.m. (Weds.)
December 18, 2024 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 21, 2024 – 7:30 a.m. **(Fri.) ** New Date ****
July 18, 2024 – 7:30 a.m. (Thurs.) * **Special Meeting ***
September 19, 2024 – 7:30 a.m. (Thurs.)
December 19, 2024 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

June 20, 2024 – 1:30 p.m. **(Thurs.) ** New Time ****
September 19, 2024 – 12:30 p.m. (Thurs.)
December 19, 2024 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

May 16 – 17, 2024 – 8:30 a.m. (Thurs. and Fri.)
June 21, 2024 - 8:30 a.m. **(Fri.) ** New Date ****
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)
November 21 – 22, 2024 – 8:30 a.m. (Thurs. and Fri.)
December 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)
**** Please note that these dates and times are tentative.**

SERS Retirement Board Meeting Minutes

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Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, May 16, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:52 p.m.

Frank Weglarz, Board Chair

Richard Stensrud, Secretary

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be
Reported to the Retirement Board for
Ratification in May

The following is a summary of the investment transactions made during the period of March 1, 2024, through March 31, 2024. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$164.7
Fixed Income	287.2
Private Equity Capital Calls	54.9
Real Estate Capital Calls	0.1
Infrastructure Capital Calls	9.5
Opportunistic & Tactical	1.3
Global Private Credit	26.7
Cash Equivalents	159.2

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$151.2	22.5
Fixed Income	287.9	(2.3)
Private Equity Distributions	27.0	n/a
Real Estate Distributions	13.3	n/a
Infrastructure Distributions	0.7	n/a
Opportunistic & Tactical	1.0	0.2
Global Private Credit	n/a	n/a
Cash Equivalents	176.4	n/a

Memo

To: Retirement Board
From: Farouki Majeed
cc: Richard Stensrud, Karen Roggenkamp
Date: May 3, 2024
Re: **Investment Report for the May Board Meeting**

The Investment Report for the Board includes the following agenda items:

- Σ Asset Class Benchmark Review, presented by Wilshire Associates.
- Σ Quarterly performance report for the period ended March 31, 2024, presented by Wilshire Associates.
- Σ Investment report and economic update for the period ended March 31, 2024.
- Σ Draft Annual Investment Plan for fiscal year 2025 will be discussed at the May Board meeting. If acceptable to the Board, a motion will be prepared for a vote to approve the Plan during the June Board meeting.
- Σ The Investment Department Incentive Plan for fiscal year 2025 will be presented for the Board's review. If acceptable to the Board, a motion has been prepared for a vote to approve during the May Board meeting.

Included with the advance Board materials are the following reports prepared by Staff:

- Monthly Top 20 Equity and Fixed Income Holdings Reports – March 31, 2024
- Monthly Compliance Update memo – March 31, 2024
- Quarterly Iran/Sudan Investment Activity Report – March 31, 2024
- Quarterly Securities Lending Review Report – March 31, 2024
- Quarterly Proxy Voting memo - March 31, 2024

If anyone has any questions prior to the Board meeting, please email me at fmajeed@ohsers.org.

Wilshire

Prepared for

School Employees Retirement System of Ohio

Benchmark Review



April 2024

Purpose of Benchmarking

Serves as a clear and objective means of evaluating performance

Benchmarks provide investors a realistic and achievable starting point

The purpose of benchmarking can be summarized as follows:

Performance Attribution

Decomposition of sources of return, such as asset allocation, active vs. passive management, manager skill, etc.

Insight on Risk/Returns

Insight into level of risk being taken to generate return and the volatility of return over time

Manager Evaluation

Measure against which manager performance can be evaluated to assist in retention/termination decisions

Benchmarking: At What Level?



Total Fund
Benchmark

Does it appropriately match the plan sponsor’s Investment philosophy and objectives and reflect the overall structure of the fund?

Asset Class
Benchmark

Does it reflect a broad universe of investment opportunities in an asset class and offer a “target” for combining multiple managers within the asset class?

Manager
Benchmark

Does it appropriately reflect the objective of the strategy and is it consistent with the asset class objective?

Total Fund Benchmark

- Weighted blend of diversified asset class portfolios
- Targets the same diversified beta exposures as adopted in the asset allocation study
- Serves as a clear and objective means of evaluating total fund performance over a long-term time horizon.
- Used as a benchmark to measure effective implementation

Asset Class	Target	Benchmark
Global Equities	41%	MSCI All-Country World Net Total Return Index (USD) (MSCI ACWI)
Global Private Equity	13%	Burgiss All Private Equity Benchmark, one quarter in arrears
Global Fixed Income	18%	Bloomberg US Aggregate Bond Index
Global Private Credit	5%	90-day Treasury Bill Rate + 4.5%, one quarter in arrears
Real Estate	13%	NCREIF Property Index
Infrastructure	7%	CPI + 1.20% per quarter
Opportunistic & Tactical	0%	Bloomberg US Aggregate Bond Index + 2%.
Cash Equivalents	3%	FTSE 30 Day Treasury Bill Index
Total	100%	Weighted Average of the Above

Ideal Benchmark Characteristics

The appropriate benchmark is a function of the return and risk characteristics of the asset class or portfolio being measured. According to the CFA Institute, a valid benchmark should possess the following characteristics, aligning the benchmark's style and risk with the asset class or manager:

- **Specified in advance:** *The benchmark should be known at the start of the period*
- **Appropriate/Relevant:** *The benchmark should be consistent with the investment approach and style*
- **Measurable:** *Its value and return can be determined on a reasonably frequent basis*
- **Unambiguous:** *Clearly defined identities and weights of securities constituting the benchmark*
- **Reflective of the current investment options:** *The managers have current knowledge and expertise of the securities in the benchmark*
- **Accountable:** *The manager(s) should accept the applicability of the benchmark and agree to accept differences in performance between the portfolio and benchmark as caused only by active management*
- **Investable:** *The benchmark should be possible to replicate and forgo active management*

Benchmarks: Unique Considerations

Benchmarking is often an art and a science!

- Timing mismatch for illiquid/alternative investments
- “Misfit” risk is the return difference attributable to the benchmark characteristics that are not reflected in the portfolio and vice versa

EXAMPLES:

- All cap equity portfolio benchmarked to the S&P 500 Index
- Core Plus bond portfolio benchmarked to the Bloomberg U.S. Aggregate Index
- Opportunistic portfolio tilts (security selection and asset allocation) can cause dispersion in returns versus the benchmark
- Benchmarks may be published market benchmarks or custom benchmarks
 - Published benchmarks are preferable; however, custom benchmarks may be optimal for some unique portfolio strategies

Benchmarking Overview

	Global Equity	Global Private Equity	Global Fixed Income	Global Private Credit	Real Estate	Infrastructure	Opportunistic & Tactical	Cash Equivalents
Current Benchmark	MSCI ACWI	Burgiss All Private Equity Index	Bloomberg US Aggregate	90 Day US Treasury Bill + 4.5%	NCREIF Property Index	CPI + 1.20% per quarter	Bloomberg US Aggregate + 2.0%	30 Day US Treasury Bill
Benchmarking Criteria								
Specified in Advance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Appropriate	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Measurable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unambiguous	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Investable	Yes	No	Yes	No	No	No	No	Yes
Commonly Used?	Yes	Yes*	Yes	Yes*	Yes	Yes*	No	Yes
Viable Alternative Benchmark to Consider?	MSCI ACWI IMI		Bloomberg Universal	Morningstar/ LSTA Leveraged Loan Index	NCREIF ODCE			

* Peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread are all common approaches to benchmarking private assets, though OH SERS specific implementation may be unique.

Global Equity Overview

The current Ohio SERS Global Equity benchmark is the MSCI All Country World Index

- Captures large and mid-cap components across 23 developed countries and 24 emerging countries representing 85% of the free float-adjusted market capitalization in each market.

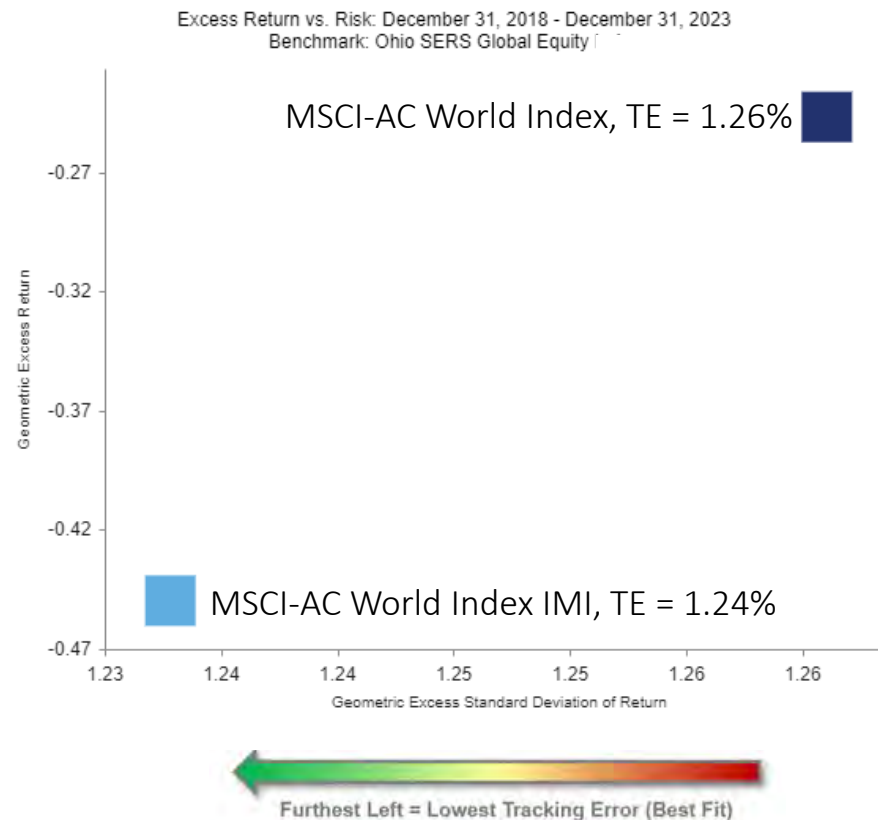
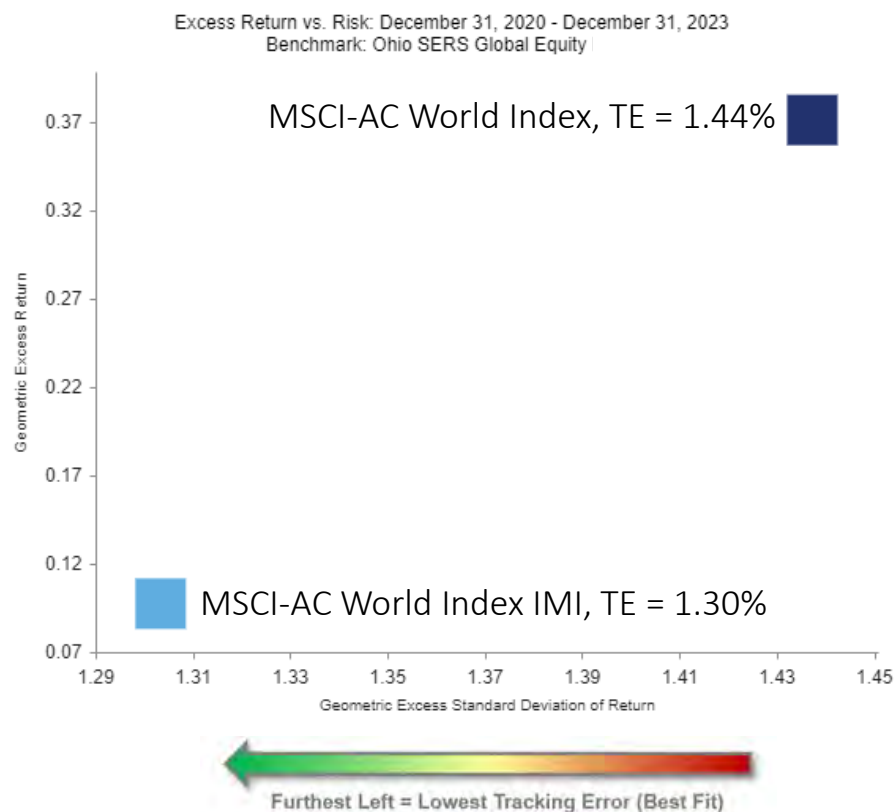
There has been a continued increase in the availability of tradeable small cap securities in the Non-U.S. marketplace

- Ohio SERS has already recognized the added diversification benefit of including an allocation to international small cap in the Non-U.S. Equity portfolio

The MSCI All Country World Investable Market Index (IMI) benchmark is an alternative benchmark to consider for the Ohio SERS Global Equity portfolio given the allocation to small cap stocks

- Captures large, mid and small-cap securities over the same countries, but represents nearly 99% of the global equity investment opportunity set
- Statistically, the “Best Fit” for the Global Equity portfolio, as measured by the lowest tracking error, is the MSCI ACWI IMI

Global Equity: Benchmark Fit Analysis as Measured by Tracking Error (TE)



Global Equity: MSCI ACWI vs MSCI ACWI IMI

As of Dec-31-2023: Total Return (%)	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	22.20	5.75	11.72	7.92
MSCI ACWI IMI	21.58	5.46	11.49	7.77

As of Dec-31-2023: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	15.62	16.50	17.94	14.81
MSCI ACWI IMI	15.96	16.61	18.27	15.02

As of Dec-31-2023: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
MSCI ACWI	1.05	0.21	0.54	0.44
MSCI ACWI IMI	0.99	0.19	0.52	0.43

Global Equity: MSCI ACWI vs MSCI ACWI IMI

As of March 2024	MSCI ACWI	MSCI ACWI IMI
Market Cap Representation	Large & Mid Cap	Large, Mid & Small Cap
Median Market Cap (USD Millions)	6,398	1,156
% of Global Equity Opportunity Set	85%	99%
Number of Constituents	2,841	9,033
Dividend Yield	1.92%	1.94%
P/E	21.11	21.32
P/E Forward	17.77	17.62
P/BV	3.07	2.84

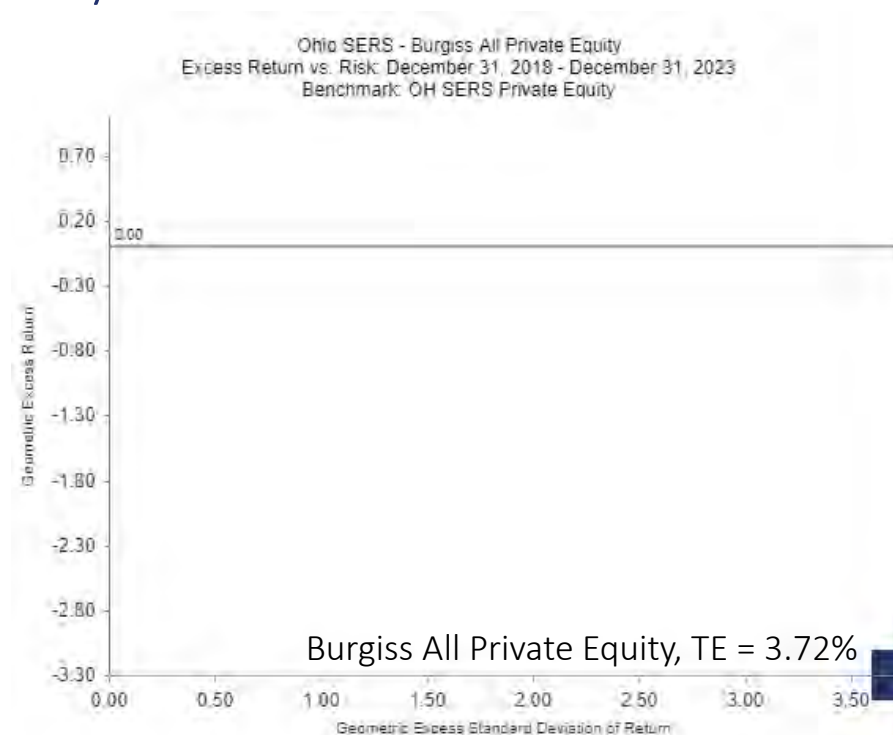
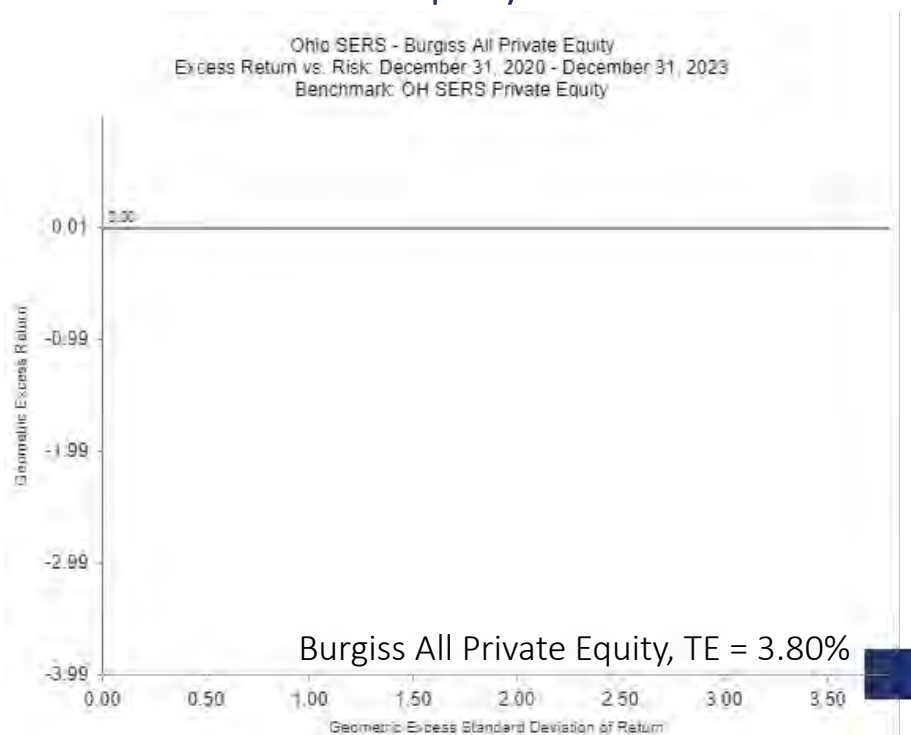
Common Characteristics: identical top 10, same countries (47 total, 23 DM, 24 EM), sector and country weights are within ~100 bp difference

Global Private Equity Overview

Global Private Equity

- The current Ohio SERS Global Private Equity benchmark is the [Burgiss All Private Equity benchmark, lagged one quarter](#)
 - Index is a collection of funds within the private equity markets
 - Commonly utilized by institutional investors with broad private equity programs
- **Wilshire supports** the use of the Burgiss All Private Equity benchmark as it serves as an acceptable benchmark as returns roll up into Total Fund Benchmark returns
 - Better alternative to using public equity markets plus a premium, particularly over shorter time periods where tracking error can be substantial
 - Additionally, [dollar-weighted IRRs are an important](#) element of measuring private equity returns
 - IRRs should also be compared to a Public Market Equivalent (PME) benchmark for measuring success of private market investments vs. public markets

Global Private Equity: Benchmark Fit Analysis



Global Fixed Income Overview

The current Ohio SERS Global Fixed Income benchmark is the [Bloomberg U.S. Aggregate Index](#)

- Intermediate-term, broad index representing investment grade bonds traded within the U.S.

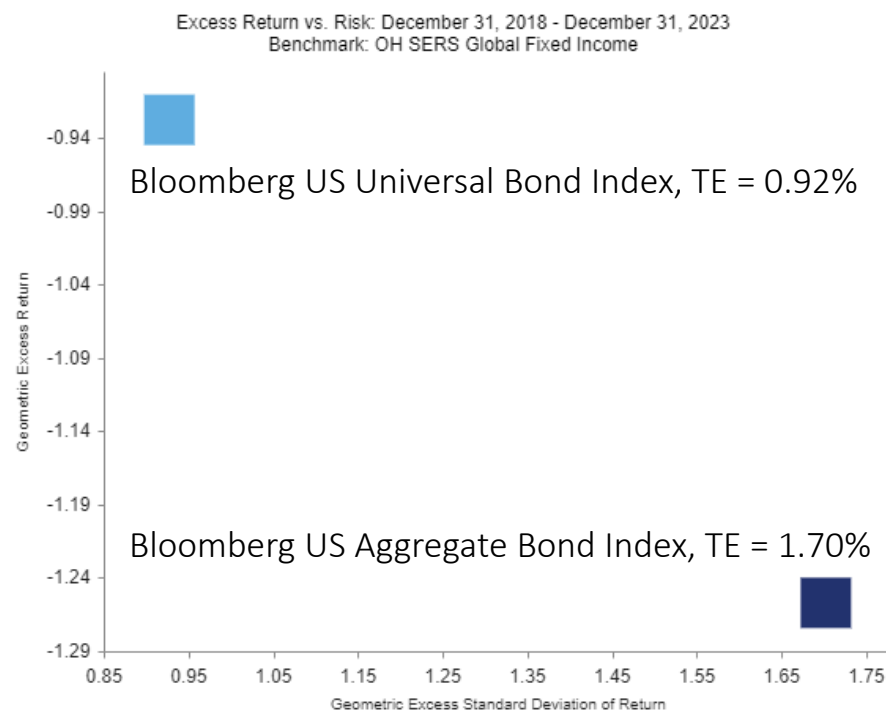
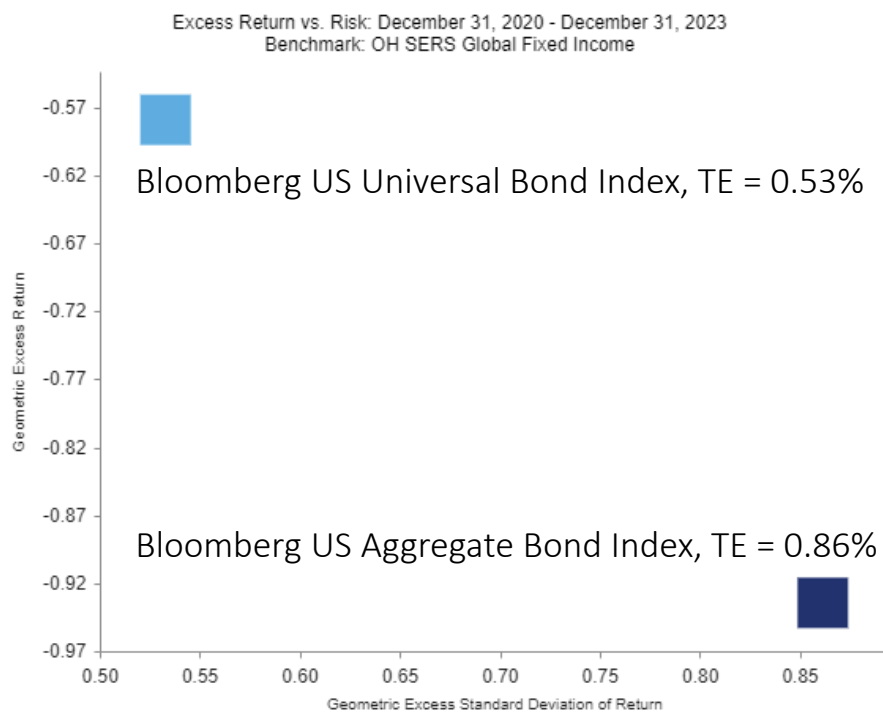
Ohio SERS' Global Fixed Income asset class holds some out of out-of-benchmark exposure to [High Yield and Emerging Markets Debt](#)

- Reflects SERS' approach to include opportunistic fixed income as a complement to traditional core mandates
- Bloomberg U.S. Aggregate index represents an acceptable benchmark with the understanding that excess risk (tracking error) is expected to be rewarded commensurately with excess return
 - Historical 5-year tracking error has ranged between 1.50-1.75%

The [Bloomberg US Universal Index](#) is an alternative benchmark to consider for the Ohio SERS Global Fixed Income portfolio given that the Universal allocates up to 10% of exposure to [High Yield and Emerging Markets Debt](#)

- Statistically, the "Best Fit" for the Global Fixed Income portfolio, as measured by the lowest tracking error is the Bloomberg U.S. Universal Index.

Global Fixed Income: Benchmark Fit Analysis



Global Fixed Income: Bloomberg Aggregate vs Bloomberg Universal

As of Dec-31-2023: Total Return (%)	1-Year	3-Year	5-Year	10-Year
Bloomberg Aggregate	5.53	-3.31	1.10	1.81
Bloomberg Universal	6.17	-2.97	1.44	2.08

As of Dec-31-2023: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
Bloomberg Aggregate	8.49	7.24	6.16	4.76
Bloomberg Universal	8.24	7.15	6.14	4.71

As of Dec-31-2023: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
Bloomberg Aggregate	0.06	-0.74	-0.12	0.12
Bloomberg Universal	0.13	-0.70	-0.07	0.17

Global Fixed Income: Bloomberg Aggregate vs Bloomberg Universal

As of March 31, 2024	Bloomberg Aggregate	Bloomberg Universal
Yield to Worst	4.85%	5.12%
Duration	6.21	5.97
AAA-Rated	4%	4%
AA-Rated	72%	63%
A-Rated	12%	13%
BBB-Rated	12%	14%
<BBB-Rated	0%	6%
Investment Grade & Cash	100%	94%
High Yield, EM Debt & Other	0%	6%

Global Private Credit Overview

The current Ohio SERS Global Private Credit benchmark is the 90 Day US Treasury Bill + 4.5%

- T-Bill component captures variability in the short-term interest rate environment
- Includes a premium to compensate for credit risk and illiquidity

The current Global Private Credit benchmark is not investable

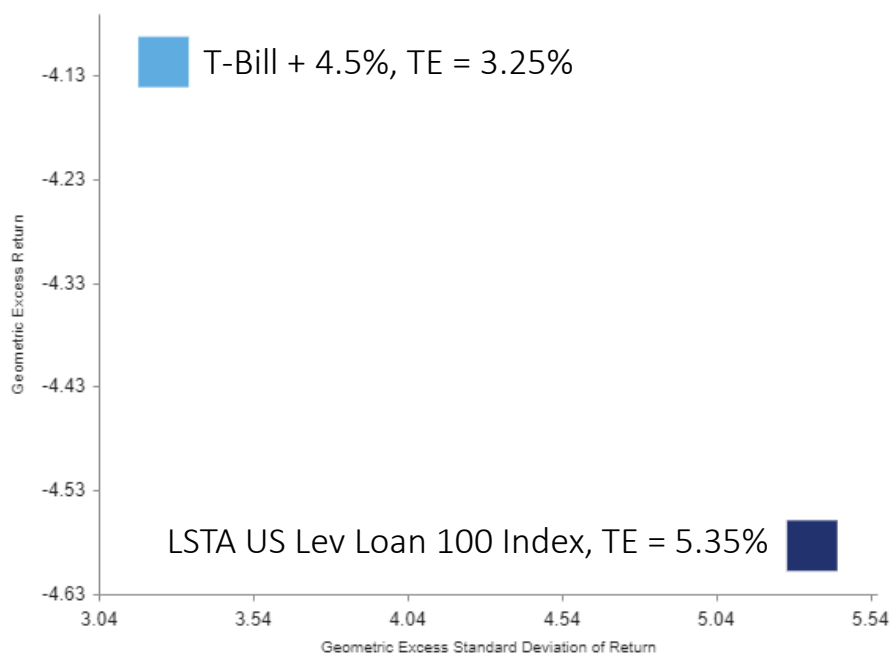
- The benchmark is, in effect, an absolute return benchmark
- May not be representative of private credit market volatility and credit risk

The Morningstar/LSTA Leveraged Loan 100 Index is an alternative benchmark to consider for the Ohio SERS Global Private Credit portfolio

- Market based benchmark which will reflect volatility in the credit markets
- The Global Private Credit portfolio has ~3-year of returns, but over this shorter time horizon, the current benchmark has been a better fit than the Morningstar/LSTA Leverage Loan 100 Index

Global Private Credit: Benchmark Fit Analysis

Excess Return vs. Risk: July 31, 2020 - December 31, 2023
 Benchmark: OH SERS Global Private Credit



July 31, 2020-December 31, 2023	
Benchmark	Annualized Returns
90 Day U.S. T-Bill + 4.5%	6.46%
Morningstar/LSTA US Lev Loans	5.97%

Real Estate Overview

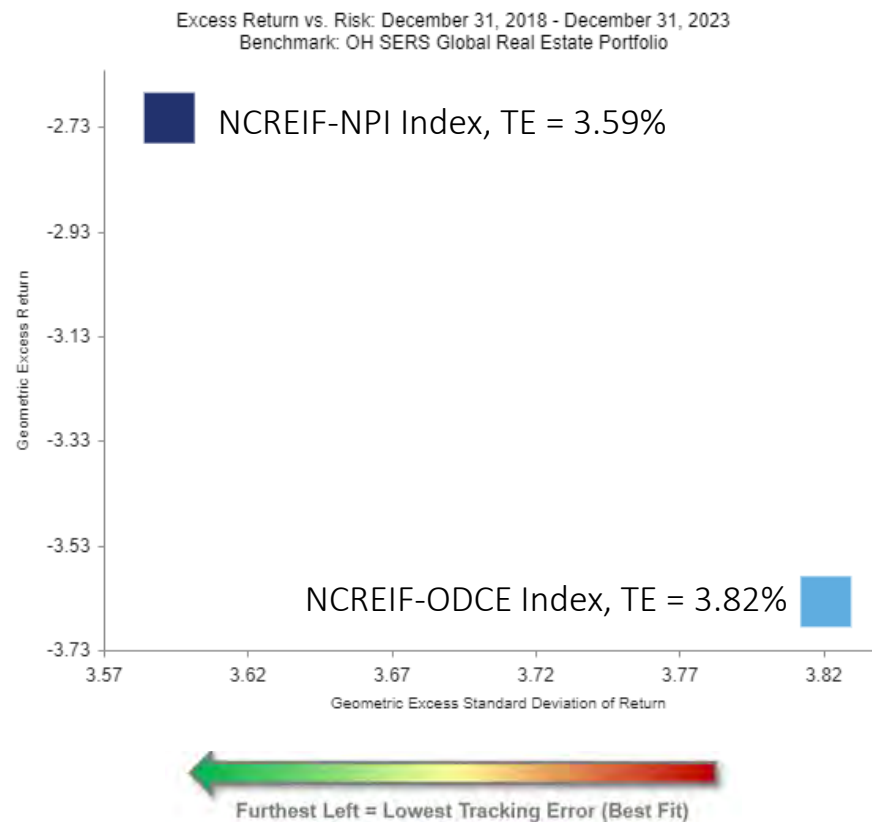
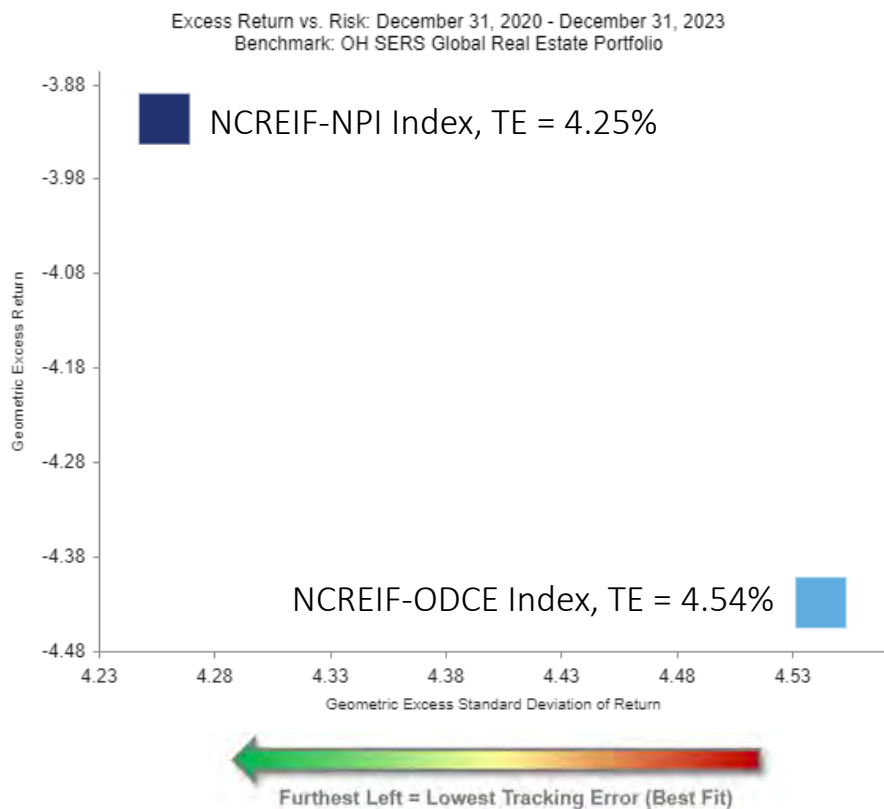
The current Ohio SERS Global Real Estate benchmark is the NCREIF Property Index, lagged one quarter

- Index is representative of private commercial real estate properties held for investment purposes only and 100% operating properties (core real estate)
- Ohio SERS' Global Real Estate portfolio emphasizes income returns from core properties, also the portfolio includes some (minimal) non-private real estate investments.

For the real estate allocation, the NCREIF ODCE Index is a viable alternative to the NPI for the current investment profile

- A greater proportion of Wilshire's consulting clients use the NCREIF ODCE (Open-End Diversified Core Equity) Index to benchmark their Private Real Estate portfolio
- The NCREIF ODCE Index is a capitalization-weighted, aggregate index of investment returns of 36 open-ended commingled funds

Real Estate: Benchmark Fit Analysis



Real Estate: NCREIF Property Index vs NCREIF ODCE

As of Dec-31-2023: Total Return (%)	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	-7.94	4.57	4.33	6.80
NCREIF ODCE	-12.73	4.01	3.34	6.33

As of Dec-31-2023: Standard Deviation (%)	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	NA	6.98	5.42	4.07
NCREIF ODCE	NA	9.54	7.37	5.42

As of Dec-31-2023: Sharpe Ratio	1-Year	3-Year	5-Year	10-Year
NCREIF Property Index	NA	0.34	0.44	1.35
NCREIF ODCE	NA	0.19	0.19	0.93

Defining the Indexes

Key questions to answer: What are the differences between the NCREIF Property Index (“NPI”) and the NCREIF ODCE Index (“ODCE”) ? And why is there a difference between the returns these indexes?

What are these indexes and what are some differences?

- NCREIF Property Index
 - Quarterly, **unlevered** composite total return for private commercial real estate properties held for investment purposes only
 - Only operating **apartment, hotel, industrial, office** and **retail** properties leased at 60% or more are included in the NPI. Properties can be wholly owned or held in joint venture (“JV”) structure
- NCREIF ODCE Index
 - Capitalization-weighted, **aggregate index** of investment returns of 36 **open-ended commingled funds** pursuing a core investment strategy primarily in private real estate properties (20% of assets can be invested in cash or real estate debt)
 - Properties outside of apartment, hotel, industrial, office and retail can make up 20% (senior housing, student housing, etc.). Can also invest up to 20% in **non-operating properties** (predevelopment, redevelopment, etc.)
 - **Leverage** can be utilized at the fund level up to 40%

Source: NCREIF website

NCREIF Property Index vs. NCREIF ODCE Index

	NCREIF Property Index	NCREIF ODCE Index
Index Construction	Composite total return of private real estate properties held for investment purposes only	Capitalization-weighted, aggregate index of investment returns of 36 open-ended commingled funds
Real Estate	100% of market value of net assets must be invested in private real estate properties	80% of market value of net assets must be invested in private real estate properties, and no more than 20% in real estate debt or cash
Property Types	Apartment, hotel, industrial, office and retail	80% of market value must be invested in apartment, hotel, industrial, office and retail. No more than 20% in additional property types including senior housing, student housing, etc.
Life Cycle	100% of market value must be invested in operating properties (at least 60% leased)	80% of market value must be invested in operating properties (at least 60% leased), and no more than 20% invested in (pre)development/redevelopment or initial leasing
Leverage & Debt	No leverage included in NPI calculation	Leverage is limited to 40% of market value of net assets
Additional Differences	Property count for NPI vs ODCE is often different (NPI<ODCE) Regional differences occur – ODCE holds more properties in the West Average building size differs – ODCE is larger on average compared to NPI	

Source: NCREIF website

Return Differences Examined

Why are returns different when comparing NPI vs. ODCE?

- Include all forms of return – income, appreciation and total return
 - Not all ODCE properties and **property types** are included in the NPI
 - **Leverage** is included in fund level calculations, but not in the NPI
 - **Joint-venture properties** in ODCE may not be included in NPI
 - Fund level **expenses** (legal, accounting, etc.) impact fund level returns, but may not be passed down to the property level
 - **Waterfall distributions** from JV properties may impact fund level differently than property level
 - **Cash** held at the fund level is a drag relative to property income
 - Differences in **regional** distribution and **average building size**

Global Infrastructure

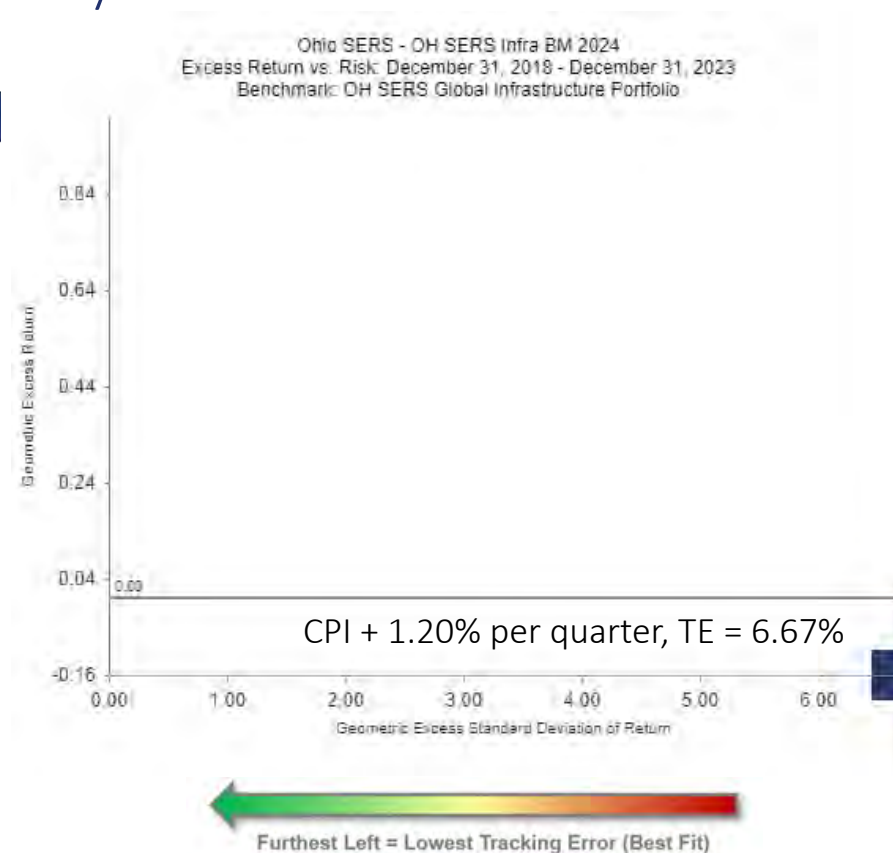
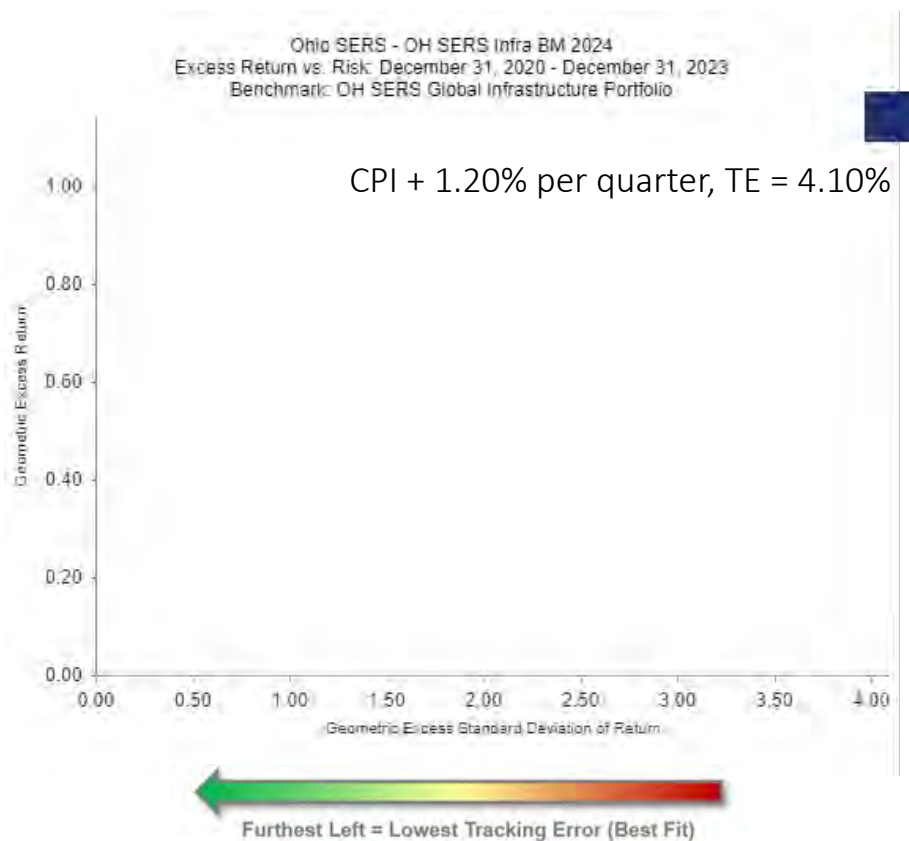
The current Ohio SERS Global Infrastructure benchmark is CPI + 1.2% per quarter

- Infrastructure has historically been part of the Real Assets asset class, benchmarked to the NCREIF Property Index.
- As of January 1, 2024, Infrastructure was recognized as a standalone asset class with its own benchmark.

OH SERS Staff, in consult with Wilshire, considered multiple benchmark approaches to infrastructure

- Options included Listed Market Indices, Peer-Based Private Indices, and Inflation-Based Indices
- The inflation-based index aligns with the portfolio's role of inflation protection, is transparent, and unambiguous
- The benchmark is, in effect, an absolute return benchmark and may not be representative of private infrastructure market volatility
- Note among those clients who use a CPI based benchmark, the most common premium is +300-400 bp

Global Infrastructure: Benchmark Fit Analysis



Alternative Asset Classes Overview

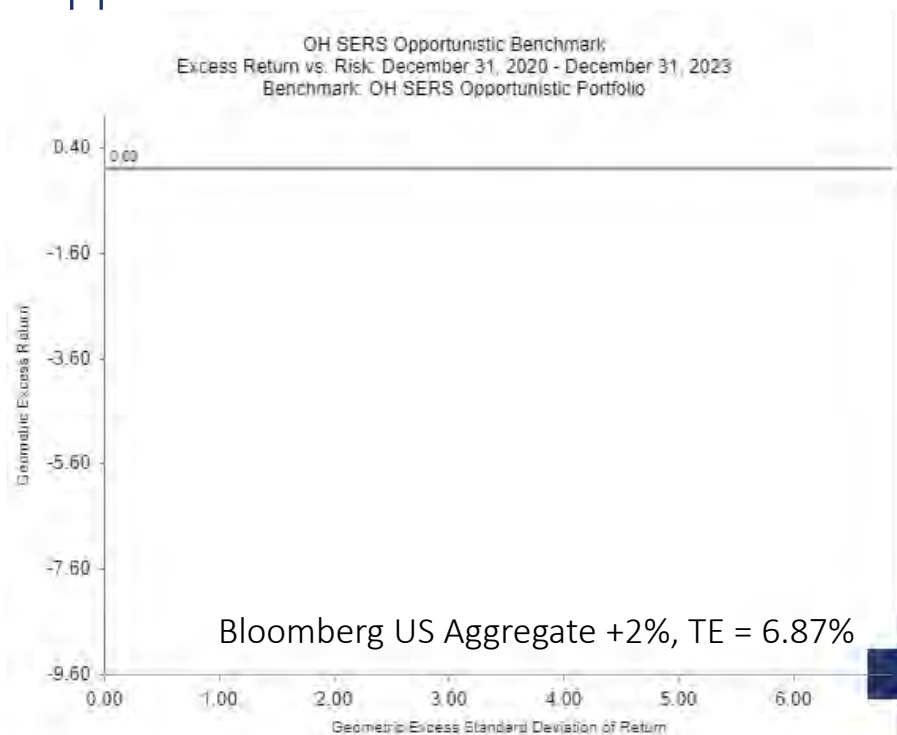
Opportunistic & Tactical Investments

- The current Ohio SERS benchmark for the Opportunistic & Tactical investments is the [Bloomberg US Aggregate + 2.0%](#)
- The Opportunistic & Tactical portfolio includes investments that do not fit within the existing asset classes. Per the AIP, opportunistic investments are selected with an emphasis on high yielding strategies, hence the use of a fixed income-based benchmark.
- The tracking error of the Opportunistic & Tactical portfolio is relatively high at 7-8.5%. The eclectic nature of the portfolio does not lend itself to a traditional index. The current benchmark may not be representative of non-fixed income-like investments that could comprise the allocation.

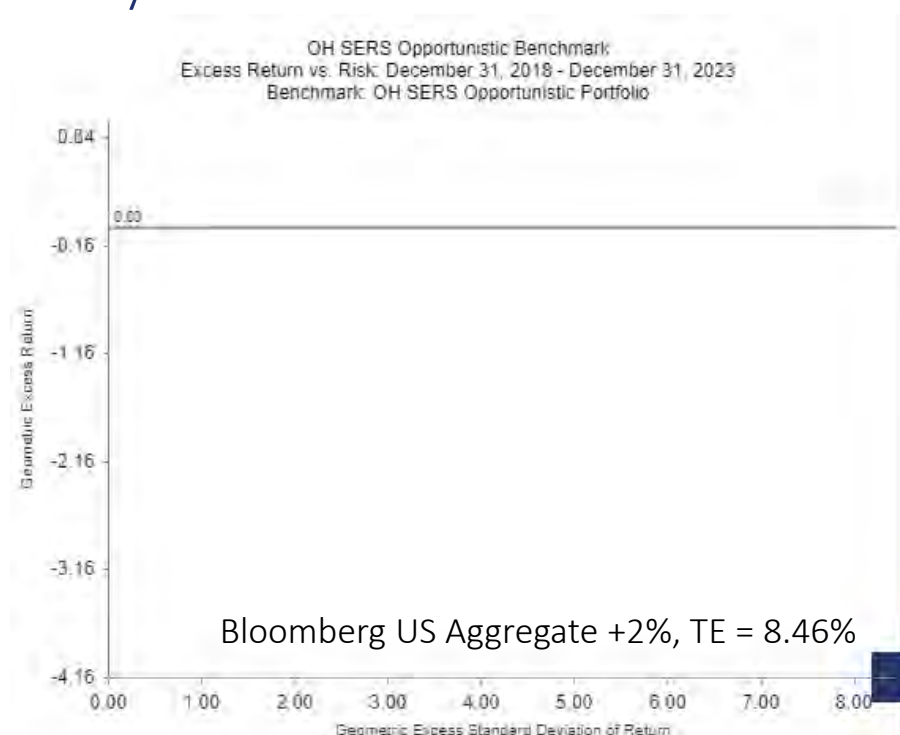
Cash Equivalents & Securities Lending

- The current Ohio SERS benchmark for the Cash Equivalents & Securities Lending portfolio is the [FTSE 30 Day US Treasury Bill](#) and [Wilshire supports](#) the use of the FTSE 30 Day US Treasury Bill as an acceptable benchmark for cash equivalents
- The tracking error of this portfolio versus the benchmark is significant and reflects the discretionary implementation and use of overlays and securities lending.

Opportunistic & Tactical: Benchmark Fit Analysis

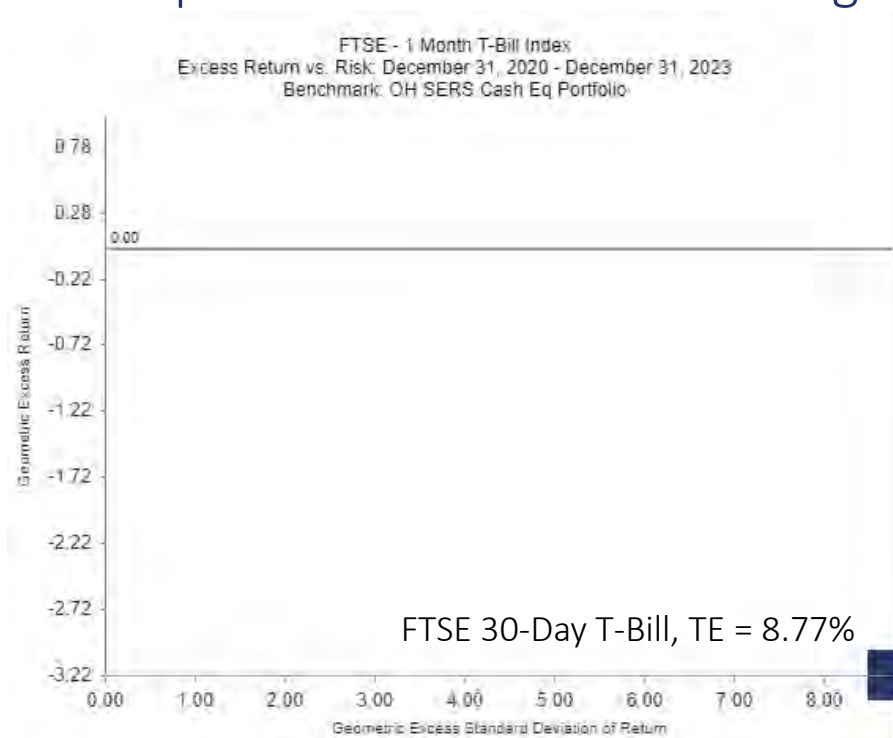


← Furthest Left = Lowest Tracking Error (Best Fit)

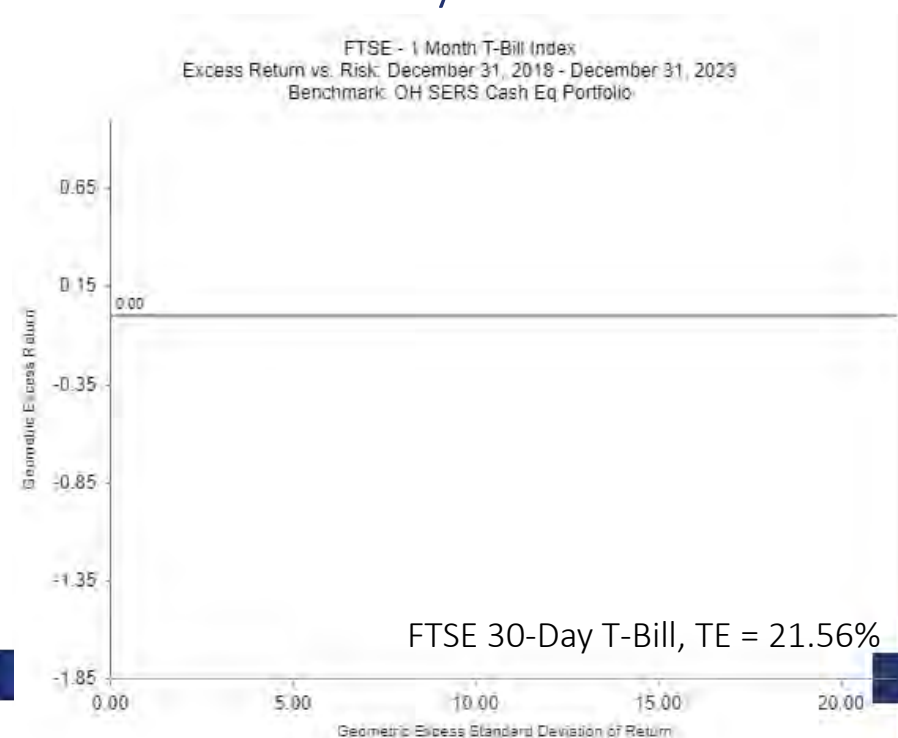


← Furthest Left = Lowest Tracking Error (Best Fit)

Cash Equivalents & Securities Lending: Benchmark Fit Analysis



← Furthest Left = Lowest Tracking Error (Best Fit)



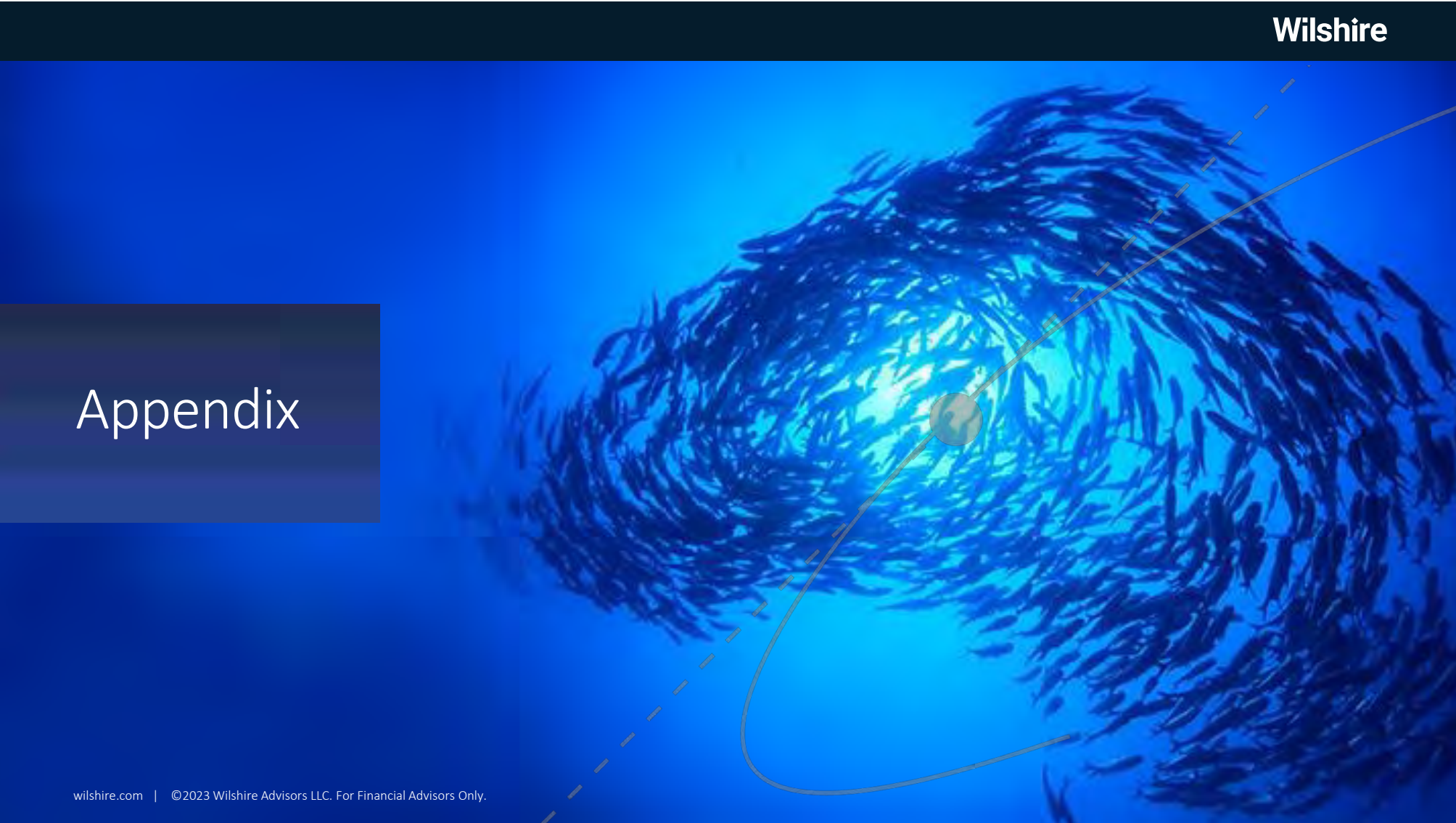
← Furthest Left = Lowest Tracking Error (Best Fit)

Benchmarking Overview

	Global Equity	Global Private Equity	Global Fixed Income	Global Private Credit	Real Estate	Infrastructure	Opportunistic & Tactical	Cash Equivalents
Current Benchmark	MSCI ACWI	Burgiss All Private Equity Index	Bloomberg US Aggregate	90 Day US Treasury Bill + 4.5%	NCREIF Property Index	CPI + 1.20% per quarter	Bloomberg US Aggregate + 2.0%	30 Day US Treasury Bill
Benchmarking Criteria								
Specified in Advance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Appropriate	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Measurable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unambiguous	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Investable	Yes	No	Yes	No	No	No	No	Yes
Commonly Used?	Yes	Yes*	Yes	Yes*	Yes	Yes*	No	Yes
Viable Alternative Benchmark to Consider?	MSCI ACWI IMI		Bloomberg Universal	Morningstar/ LSTA Leveraged Loan Index	NCREIF ODCE			

* Peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread are all common approaches to benchmarking private assets, though OH SERS specific implementation may be unique.

Appendix



Benchmarking Private Assets

Benchmarking Private Assets is *not* as straightforward as Public Assets

- Available private asset “benchmarks” from multiple providers are actually universe comparisons, either of private market funds or other plan sponsor private asset programs
 - Not Investable in the same manner as public indexes
 - Underlying constituents can shift depending on data availability
- Valuation and pricing of private assets occurs quarterly vs daily for public assets
 - Valuation availability lags that of public assets, typically by three months, due to the time it takes to compile and translate financial statement information into an estimate of fair market value
 - Public market appraisals adjust much more quickly (both up and down) than private market appraisal
- Common benchmark categories include peer-based indices, absolute return (including inflation-based) benchmarks, and public markets indices with a spread.

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Wilshire



Executive Summary of Investment Performance

As of March 31, 2024

Market Commentary

U.S. Equity

The U.S. stock market was up 9.9% for the first quarter and is up 29.3% for the past year. Nearly every sector was positive with the best performing being communication services (+14.3%) and energy (+13.0%). The worst performing and only negative sector was real estate (-1.2%). Small-cap underperformed large-cap by 230 basis points while growth stocks generally outperformed value. Large-cap growth stocks hold a massive advantage over large-cap value for the past 12 months.

The first cryptocurrency, Bitcoin, came into existence in 2009. It was to be the first truly decentralized global currency, driven by the technological breakthrough called blockchain. Adoption and scalability – including the tension between the speed of transactions and security and decentralization – have always been critical components to the maturation story of digital assets. In 2024, the U.S. SEC approved the first U.S.-listed exchange traded funds (ETFs) to track bitcoin. Since trading started in January, the four largest have grown to a combined \$33.5 billion in total assets while the price of bitcoin has grown by 66% during the first quarter.

Non-U.S. Equity

The European economy remains weak with consumers hesitant to spend, fewer exports and lower investment, all reflecting diminished economic demand. Recent data in England confirmed that their economy entered a technical recession during 2023. The outlook in China is improving due to stronger industrial activity and retail spending. Manufacturing saw growth in production and domestic orders during the quarter, but export orders fell.

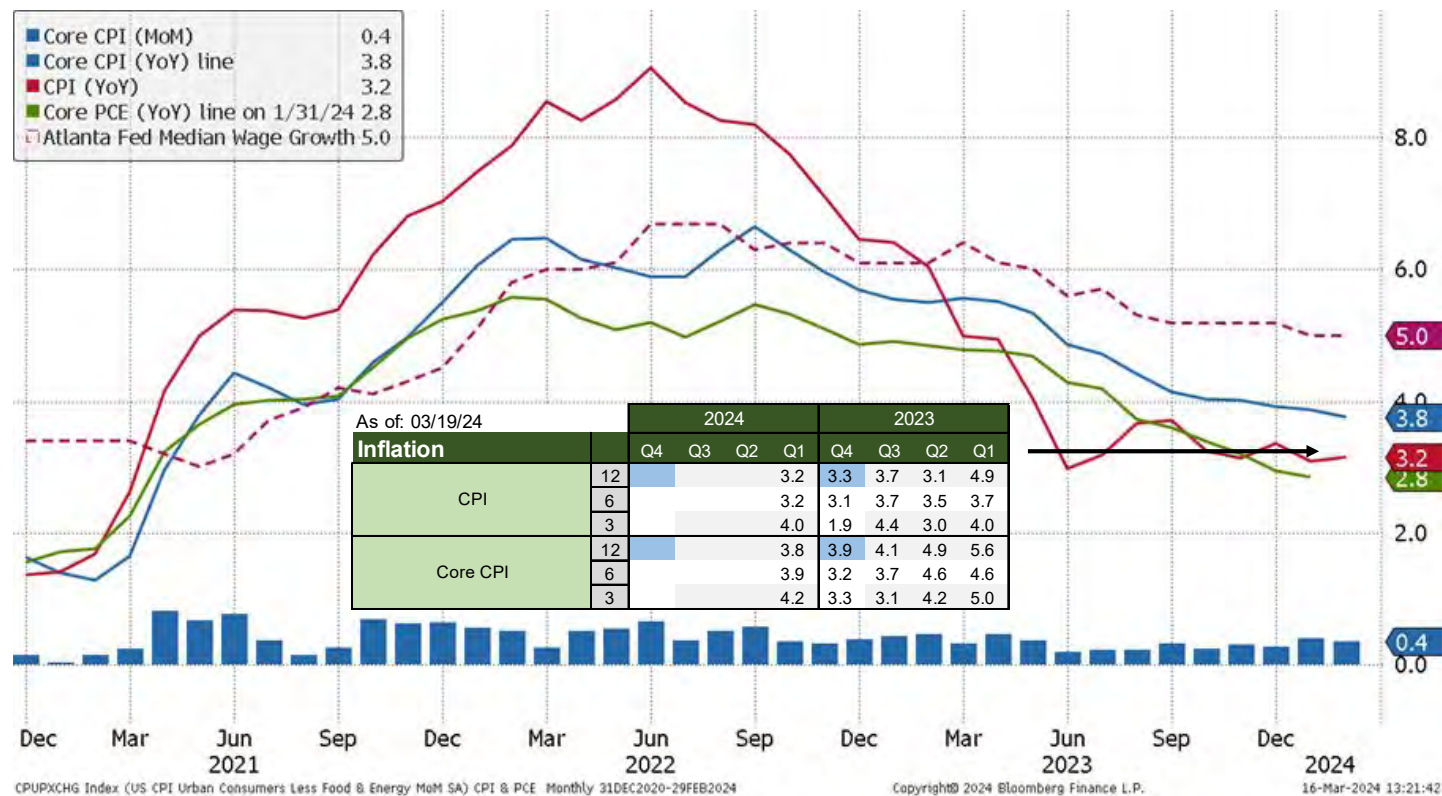
Fixed Income

The U.S. Treasury yield curve was up across nearly the entire maturity spectrum, and to a greater degree in the long end of the curve. The 10-year Treasury yield ended the quarter at 4.20%, up 32 basis points from December. High yield bond spreads were down -24 basis points, the lowest level in more than a year. The FOMC left the overnight rate unchanged, targeting a range of 5.25% to 5.50%. During a recent speech, Fed Chair Jerome Powell said that the central bank is in no hurry to raise rates, "This is an economy that doesn't feel like it's suffering from the current level of rates."

March 2024 Asset Class Assumptions

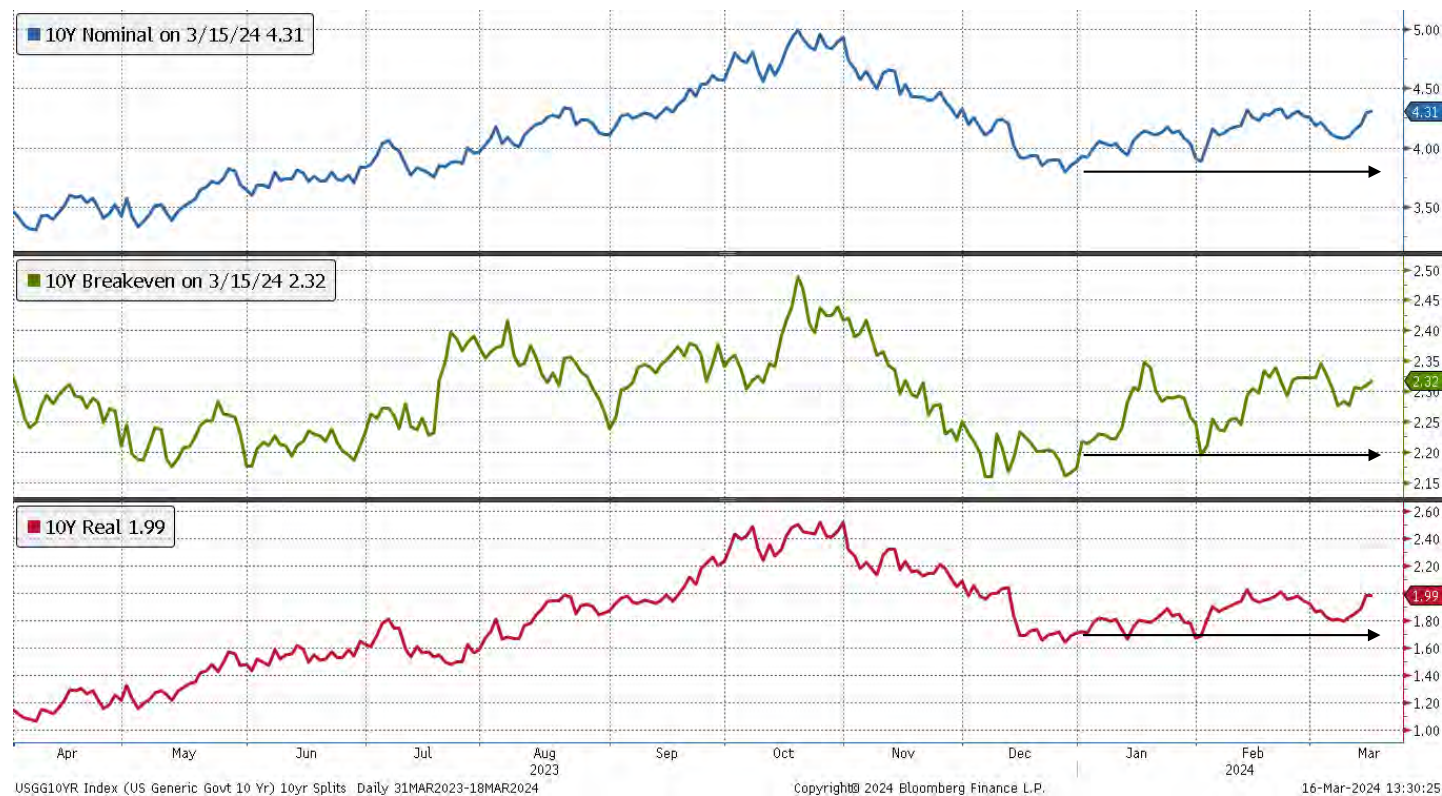
	EQUITY						FIXED INCOME							REAL ASSETS					
	US Stock	Dev ex-US Stock	Emg Stock	Global ex-US Stock	Global Stock	Private Equity	Cash	Core Bond	LT Core Bond	TIPS	High Yield	Private Credit	Dev ex-US Bond (Hdg)	US RES	Global RES	Private RE	Cmdty	Real Assets	US CPI
Compound Return (%)	4.50	5.50	5.75	5.85	5.10	7.65	4.00	5.05	5.00	4.35	6.25	8.20	3.05	5.80	5.95	6.15	6.30	6.90	2.30
Arithmetic Return (%)	5.85	7.00	8.75	7.50	6.45	11.40	4.00	5.15	5.45	4.50	6.70	8.95	3.15	7.20	7.20	7.05	7.45	7.65	2.30
Risk (%)	17.00	18.00	26.00	19.00	17.05	29.65	0.75	4.70	9.85	6.00	10.00	12.75	4.00	17.50	16.45	13.90	16.00	12.60	1.75
Yield (%)	1.35	2.90	2.45	2.75	1.90	0.00	4.00	5.35	5.40	4.65	9.70	5.10	3.95	4.05	4.05	2.60	4.00	3.60	0.00
Growth Factor Exposure	8.00	8.00	8.00	8.00	8.00	14.00	0.00	-0.90	-2.40	-3.00	4.00	5.10	-1.00	6.00	6.00	3.50	0.00	2.70	0.00
Inflation Factor Exposure	-3.00	-1.00	3.00	0.10	-1.85	-4.25	0.00	-2.55	-6.85	2.50	-1.00	-1.50	-3.00	1.00	1.80	1.00	12.00	5.25	1.00
CORRELATIONS																			
US Stock	1.00																		
Dev ex-US Stock (USD)	0.81	1.00																	
Emerging Mkt Stock	0.74	0.74	1.00																
Global ex-US Stock	0.84	0.95	0.89	1.00															
Global Stock	0.95	0.91	0.84	0.94	1.00														
Private Equity	0.72	0.63	0.61	0.67	0.73	1.00													
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.06	0.00	1.00												
Core Bond	0.28	0.13	0.00	0.08	0.20	0.30	0.18	1.00											
LT Core Bond	0.31	0.15	0.01	0.11	0.24	0.31	0.11	0.94	1.00										
TIPS	-0.05	0.00	0.15	0.06	-0.01	-0.03	0.20	0.60	0.48	1.00									
High Yield Bond	0.54	0.39	0.49	0.46	0.53	0.31	-0.10	0.24	0.32	0.05	1.00								
Private Credit	0.67	0.55	0.57	0.59	0.67	0.44	0.00	0.24	0.30	0.00	0.75	1.00							
Dev ex-US Bond (Hdg)	0.16	0.25	-0.01	0.16	0.17	0.26	0.10	0.67	0.65	0.39	0.26	0.22	1.00						
US RE Securities	0.57	0.47	0.44	0.49	0.56	0.49	-0.05	0.17	0.22	0.10	0.56	0.61	0.05	1.00					
Global RE Securities	0.63	0.56	0.54	0.59	0.64	0.55	-0.05	0.17	0.21	0.11	0.60	0.67	0.04	0.97	1.00				
Private Real Estate	0.55	0.45	0.45	0.49	0.54	0.50	-0.05	0.19	0.25	0.09	0.57	0.62	0.05	0.78	0.77	1.00			
Commodities	0.25	0.34	0.39	0.38	0.32	0.28	0.00	-0.03	-0.03	0.25	0.29	0.29	-0.10	0.25	0.28	0.25	1.00		
Real Assets	0.61	0.62	0.66	0.68	0.66	0.56	-0.03	0.24	0.26	0.32	0.64	0.69	0.05	0.78	0.83	0.76	0.62	1.00	
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	0.00	-0.08	0.05	0.04	0.05	0.44	0.21	1.00

Inflation Stubbornly Settling Near 3%



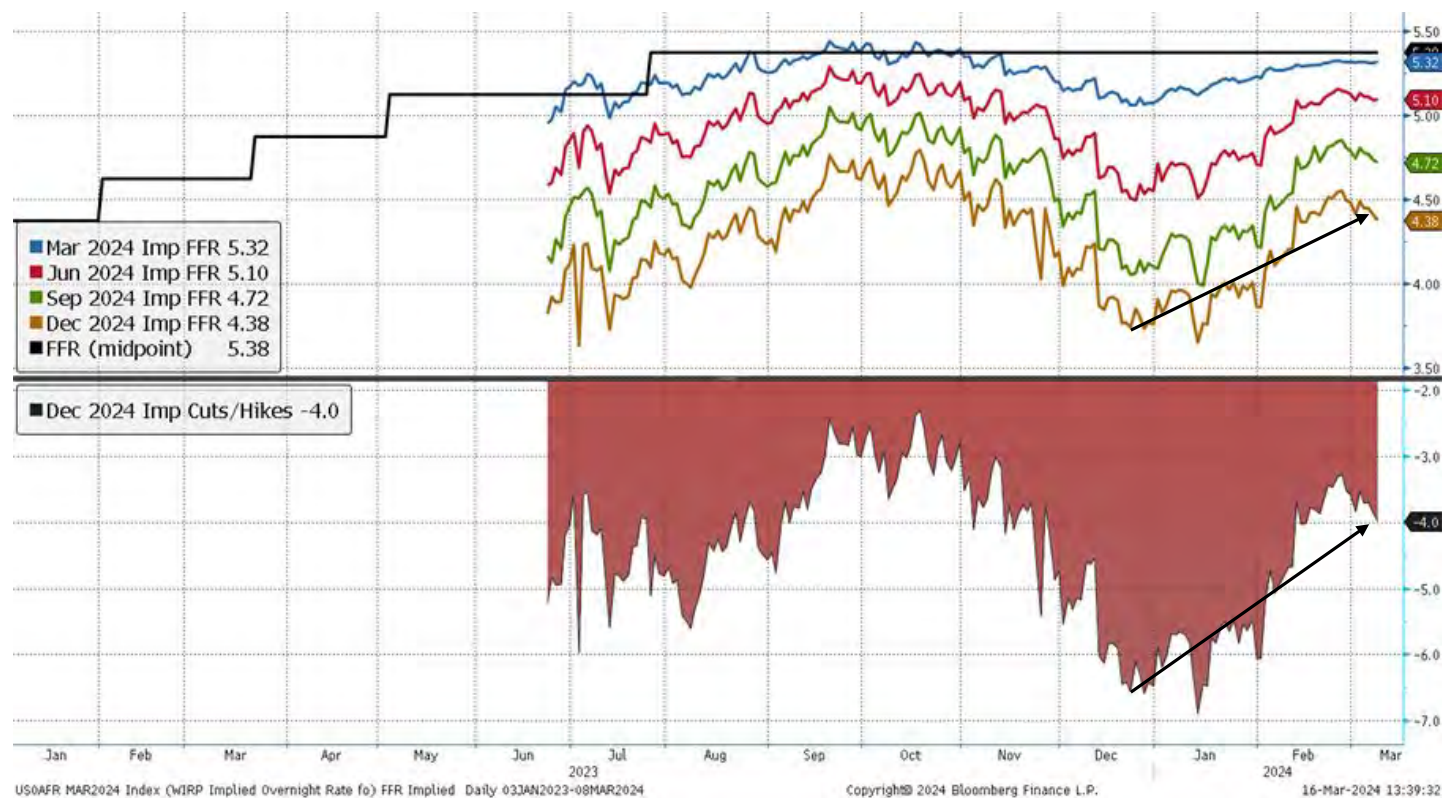
Data Source: Bloomberg

Inflation Expectations Driving Rates Volatility



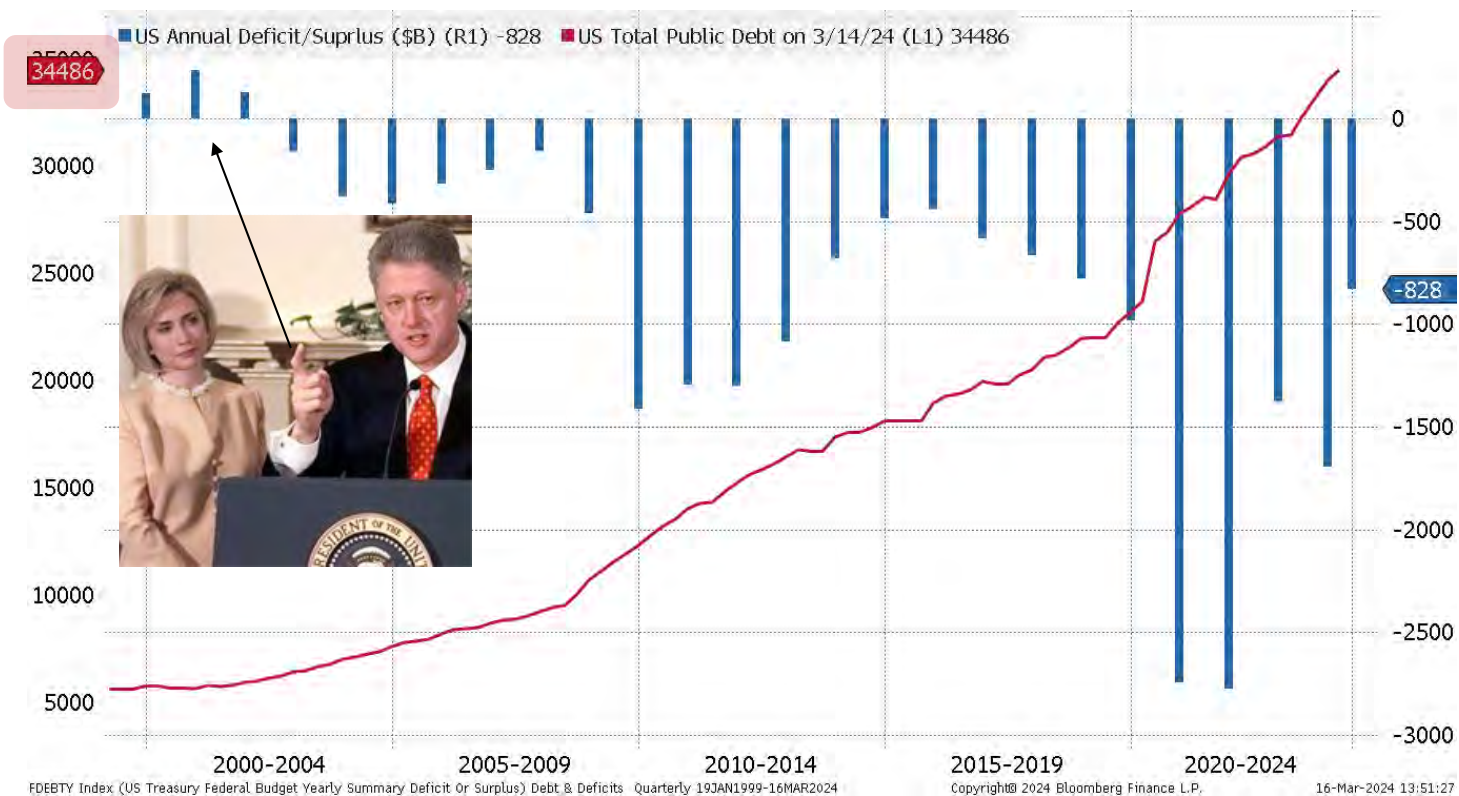
Data Source: Bloomberg

Markets Begin to Align with Fed's Median Expectations (i.e., Dot-plot)



Data Source: Bloomberg

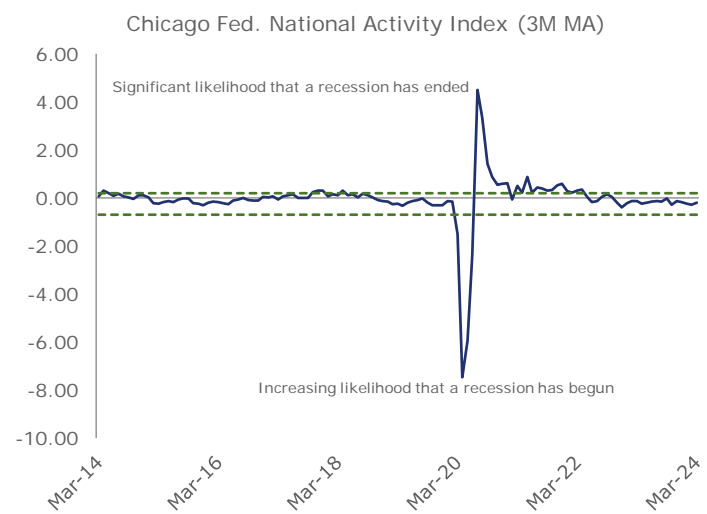
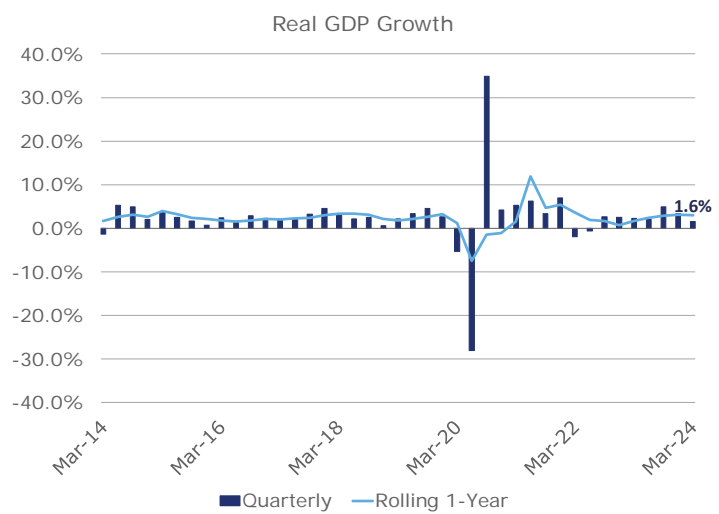
Meanwhile, Nobody Seems to Care About Debt/Deficits



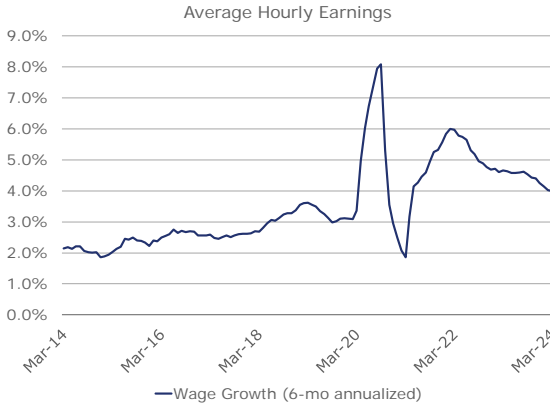
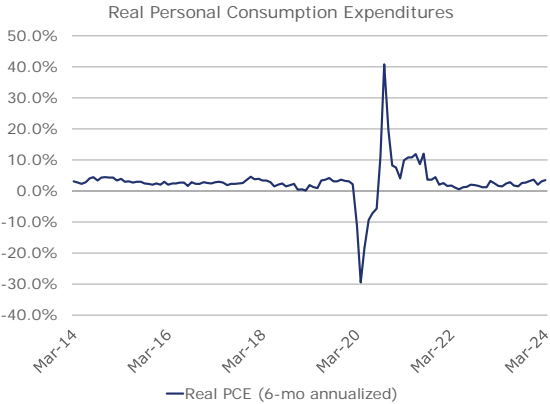
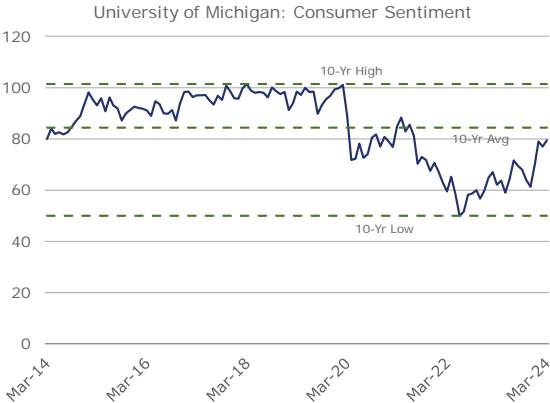
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Economic/Market Activity

Economic Growth

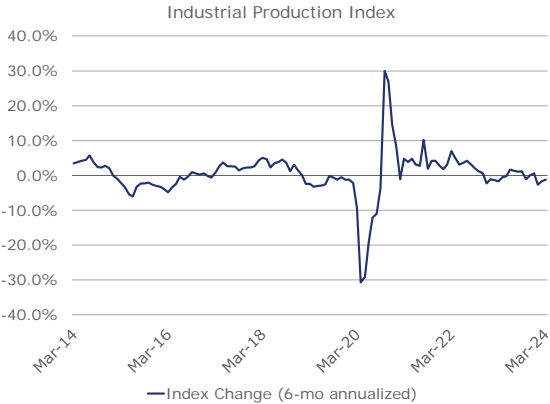
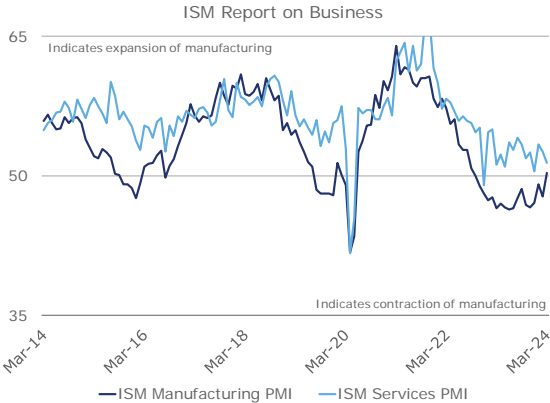


Consumer Activity



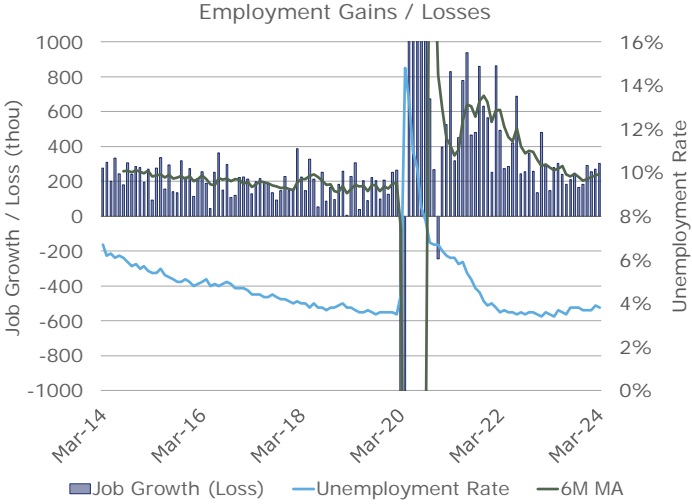
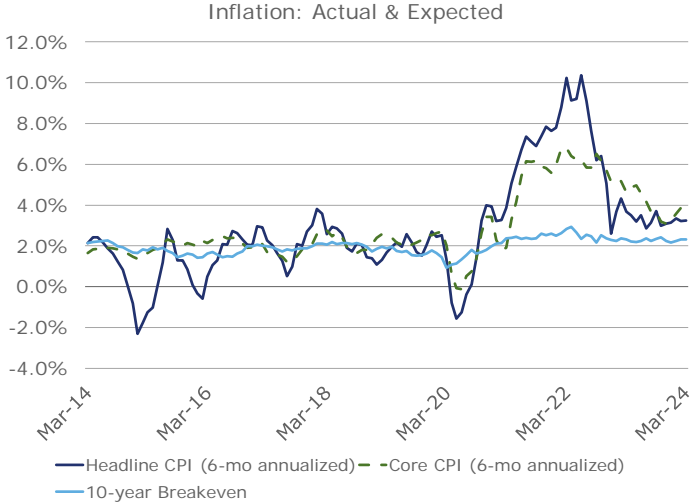
Data Sources: Bloomberg

Business Activity



Data Sources: Bloomberg

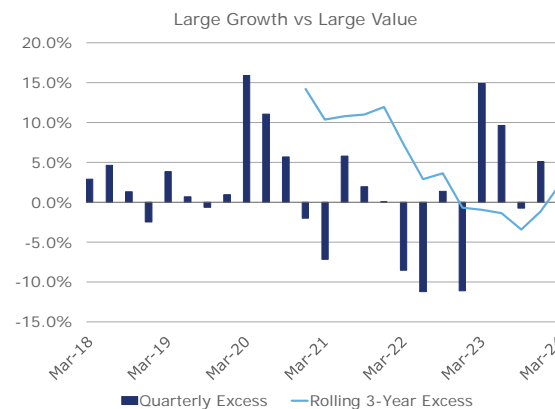
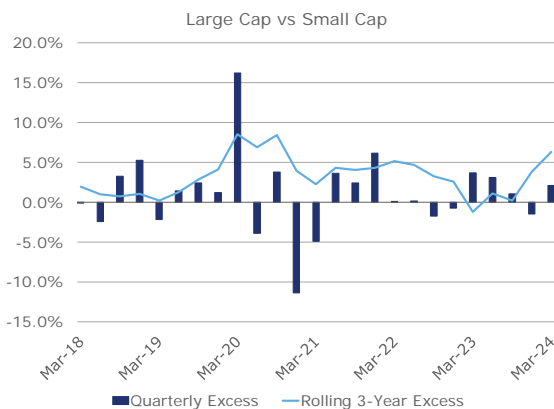
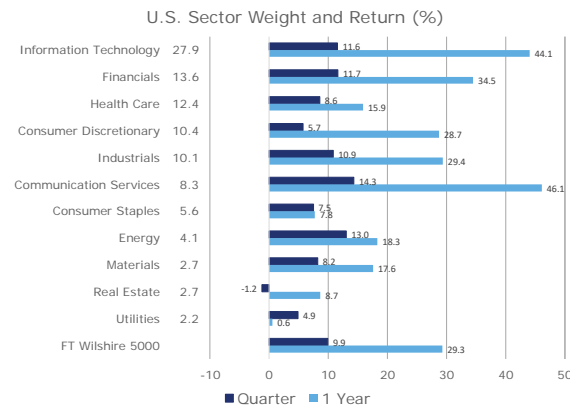
Inflation and Employment



Data Sources: Bloomberg

U.S. Equity Market

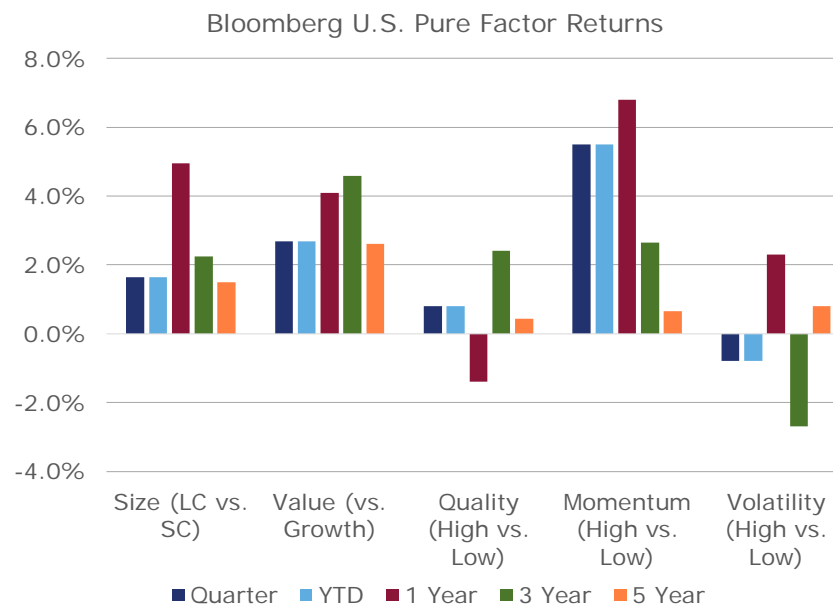
As of 3/31/2024	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
FT Wilshire 5000	9.9	9.9	29.3	10.1	14.6	12.5
FT Wilshire U.S. Large Cap	10.3	10.3	30.2	11.2	15.2	13.1
FT Wilshire U.S. Small Cap	8.0	8.0	24.1	4.6	10.4	9.4
FT Wilshire U.S. Large Growth	11.9	11.9	41.1	12.2	18.4	n/a
FT Wilshire U.S. Large Value	8.6	8.6	19.7	9.7	11.6	n/a
FT Wilshire U.S. Small Growth	8.2	8.2	23.0	1.8	9.6	n/a
FT Wilshire U.S. Small Value	7.8	7.8	25.1	7.1	10.8	n/a
Wilshire REIT Index	0.0	0.0	12.4	4.5	4.4	6.7
MSCI USA Min. Vol. Index	7.7	7.7	16.7	8.3	9.3	11.0
FTSE RAFI U.S. 1000 Index	10.0	10.0	25.6	10.8	13.9	11.2



Data Sources: Bloomberg, Wilshire Atlas

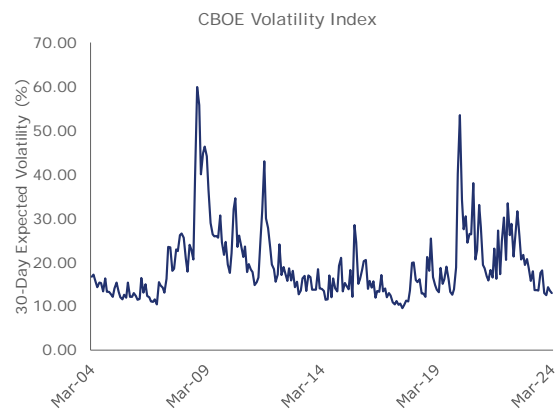
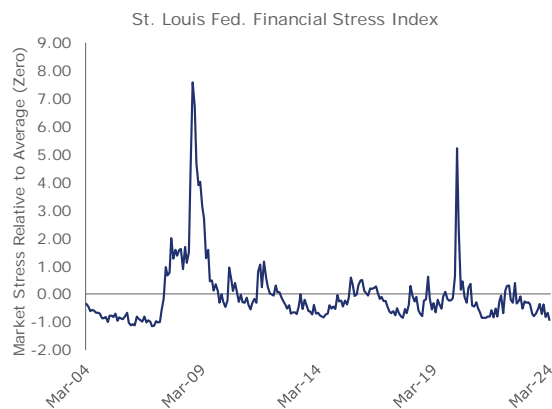
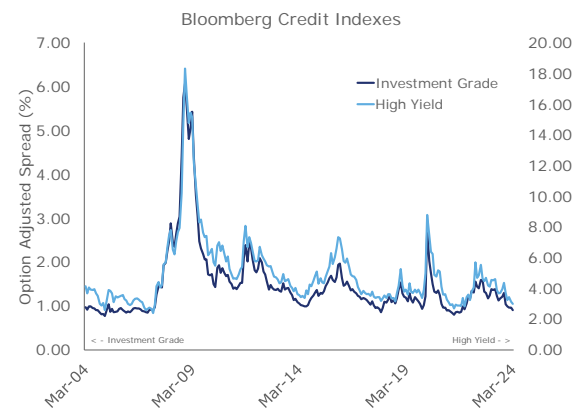
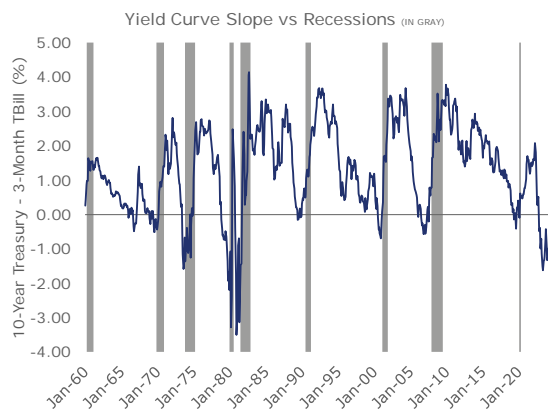
U.S. Factor Returns

- Factor returns represent the contribution from large cap, value, etc. stocks within Bloomberg’s Portfolio & Risk Analytics module
- Momentum had a strong quarter while high volatility detracted



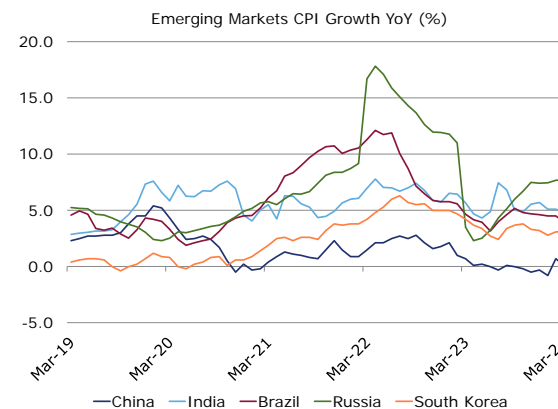
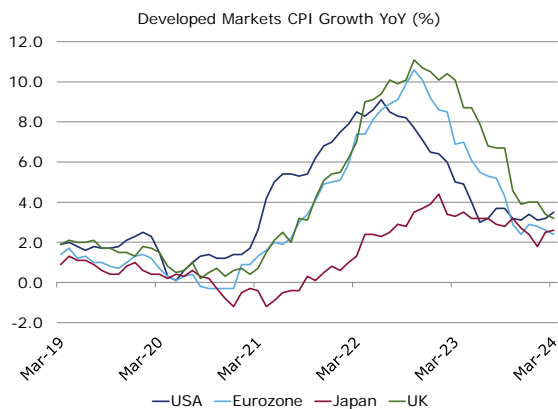
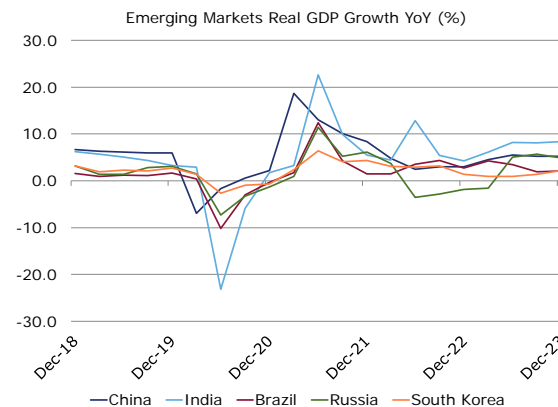
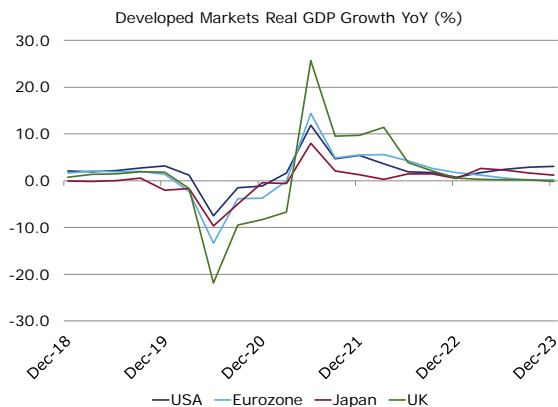
Data Sources: Bloomberg

Risk Monitor



Data Sources: Bloomberg

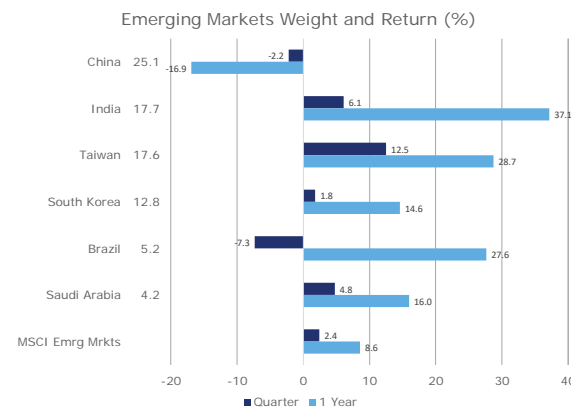
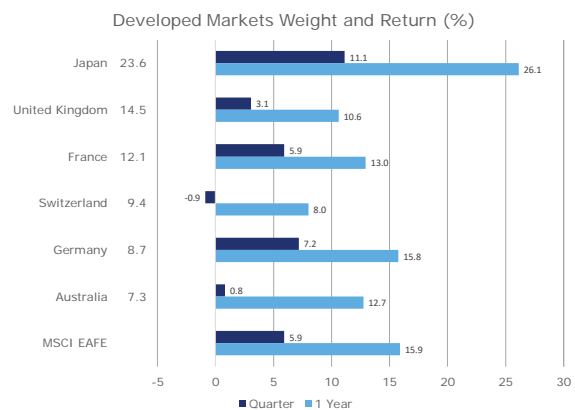
Non-U.S. Growth and Inflation



Data Sources: Bloomberg

Non-U.S. Equity Market

As of 3/31/2024	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
MSCI ACWI ex-US (\$G)	4.8	4.8	13.8	2.4	6.5	4.7
MSCI EAFE (\$G)	5.9	5.9	15.9	5.3	7.9	5.3
MSCI Emerging Markets (\$G)	2.4	2.4	8.6	-4.7	2.6	3.3
MSCI Frontier Markets (\$G)	5.7	5.7	16.0	2.8	0.8	0.7
MSCI ACWI ex-US Growth (\$G)	6.0	6.0	11.5	-0.5	6.6	5.5
MSCI ACWI ex-US Value (\$G)	3.4	3.4	16.2	5.1	6.2	4.0
MSCI ACWI ex-US Small (\$G)	2.2	2.2	13.4	0.8	6.7	5.2
MSCI ACWI Minimum Volatility	4.8	4.8	11.7	4.8	6.1	7.9
MSCI EAFE Minimum Volatility	2.4	2.4	8.8	2.1	2.9	4.7
FTSE RAFI Developed ex-US	5.6	5.6	17.8	6.7	8.2	4.9
MSCI EAFE LC (G)	10.1	10.1	19.4	10.0	9.9	8.2
MSCI Emerging Markets LC (G)	4.6	4.6	11.1	-2.0	4.8	6.1

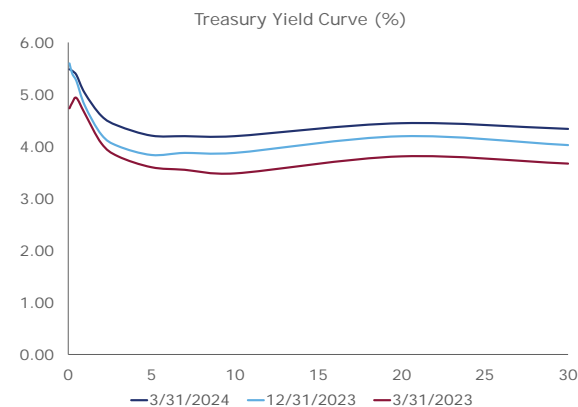
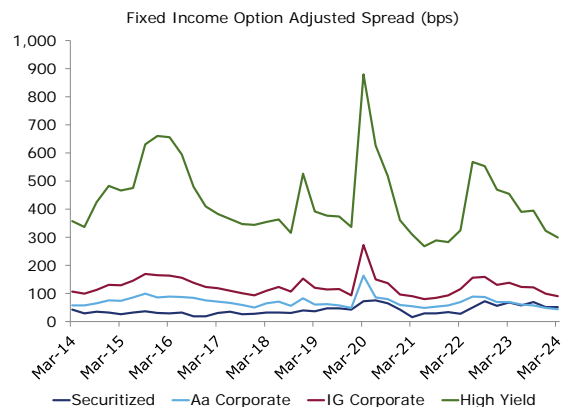


Data Sources: Bloomberg

U.S. Fixed Income

As of 3/31/2024	YTW	DUR.	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Aggregate	4.8	6.2	-0.8	-0.8	1.7	-2.5	0.4	1.5
Bloomberg Treasury	4.4	6.0	-1.0	-1.0	0.1	-2.7	-0.1	1.0
Bloomberg Gov't-Rel.	4.9	5.3	-0.4	-0.4	2.5	-1.6	0.7	1.7
Bloomberg Securitized	5.1	5.9	-0.9	-0.9	1.6	-2.7	-0.3	1.2
Bloomberg Corporate	5.3	7.0	-0.4	-0.4	4.4	-1.9	1.5	2.6
Bloomberg LT Gov't/Credit	5.0	14.0	-2.4	-2.4	-1.1	-6.0	-0.6	2.3
Bloomberg LT Treasury	4.4	15.3	-3.3	-3.3	-6.1	-8.0	-2.8	1.2
Bloomberg LT Gov't-Rel.	5.5	11.6	-1.3	-1.3	2.1	-4.1	-0.1	2.7
Bloomberg LT Corporate	5.5	12.9	-1.7	-1.7	3.4	-4.3	1.0	3.1
Bloomberg U.S. TIPS *	4.2	7.3	-0.1	-0.1	0.5	-0.5	2.5	2.2
Bloomberg High Yield	7.7	3.2	1.5	1.5	11.2	2.2	4.2	4.4
S&P/LSTA Leveraged Loan	9.4	0.3	2.5	2.5	12.5	6.0	5.5	4.5
Treasury Bills	5.3	0.3	1.3	1.3	5.3	2.6	2.0	1.4

* Yield and Duration statistics are for a proxy index based on similar maturity, the Bloomberg Barclays U.S. Treasury 7-10 Year Index

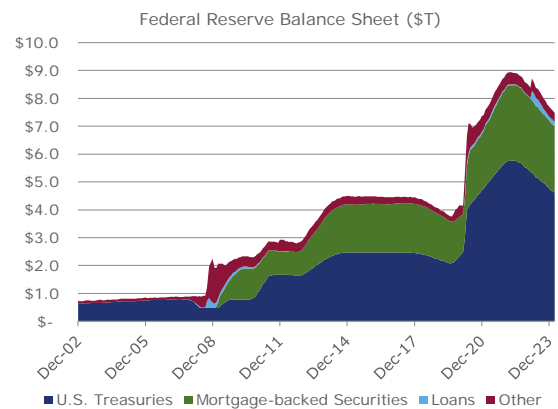
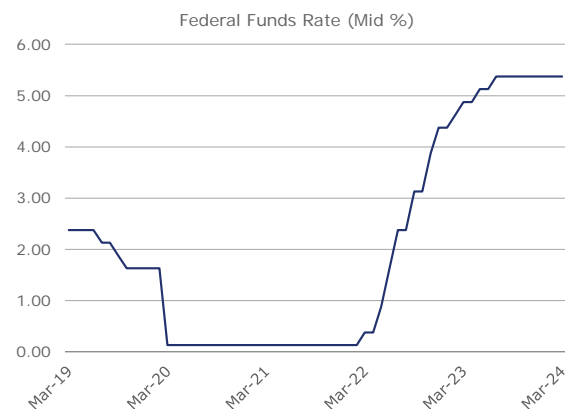


Data Sources: Bloomberg

Federal Reserve

- The Federal Open Market Committee has left their overnight rate unchanged since July of 2023
- QE4 was larger than the 3 phases of quantitative easing – combined – following the global financial crisis
- The Fed’s balance sheet has begun to shrink again during the past year

	Announced	Closed	Amount (bil)
QE1	11/25/2008	3/31/2010	\$1,403
QE2	11/3/2010	6/29/2012	\$568
QE3	9/13/2012	10/29/2014	\$1,674
QE4	3/23/2020	3/15/2022	\$4,779

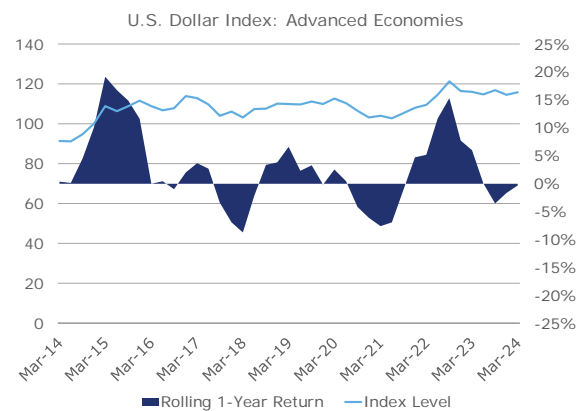
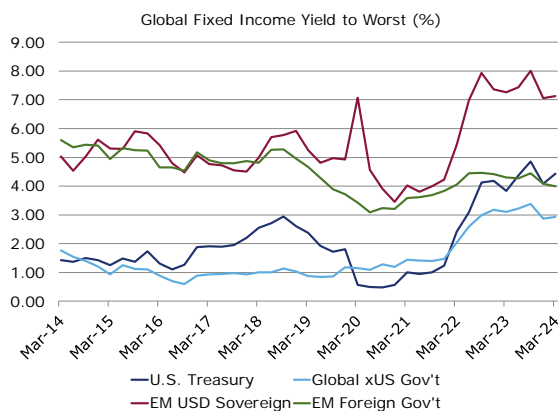


Data Sources: Bloomberg

Non-U.S. Fixed Income

As of 3/31/2024	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Developed Markets						
Bloomberg Global Aggregate xUS	-3.2	-3.2	-0.7	-6.5	-2.5	-1.4
Bloomberg Global Aggregate xUS *	0.6	0.6	5.9	-0.4	1.0	2.6
Bloomberg Global Inflation Linked xUS	-3.2	-3.2	-1.4	-8.3	-2.9	-0.9
Bloomberg Global Inflation Linked xUS *	-0.9	-0.9	0.3	-3.7	-0.6	2.9
Emerging Markets (Hard Currency)						
Bloomberg EM USD Aggregate	1.5	1.5	8.4	-1.5	1.1	2.9
Emerging Markets (Foreign Currency)						
Bloomberg EM Local Currency Gov't	-1.1	-1.1	2.6	-0.3	1.4	1.1
Bloomberg EM Local Currency Gov't *	1.8	1.8	8.1	2.7	3.1	3.1
Euro vs. Dollar	-2.3	-2.3	-0.5	-2.7	-0.8	-2.4
Yen vs. Dollar	-6.8	-6.8	-12.2	-9.9	-6.0	-3.8
Pound vs. Dollar	-0.8	-0.8	2.3	-2.9	-0.6	-2.7

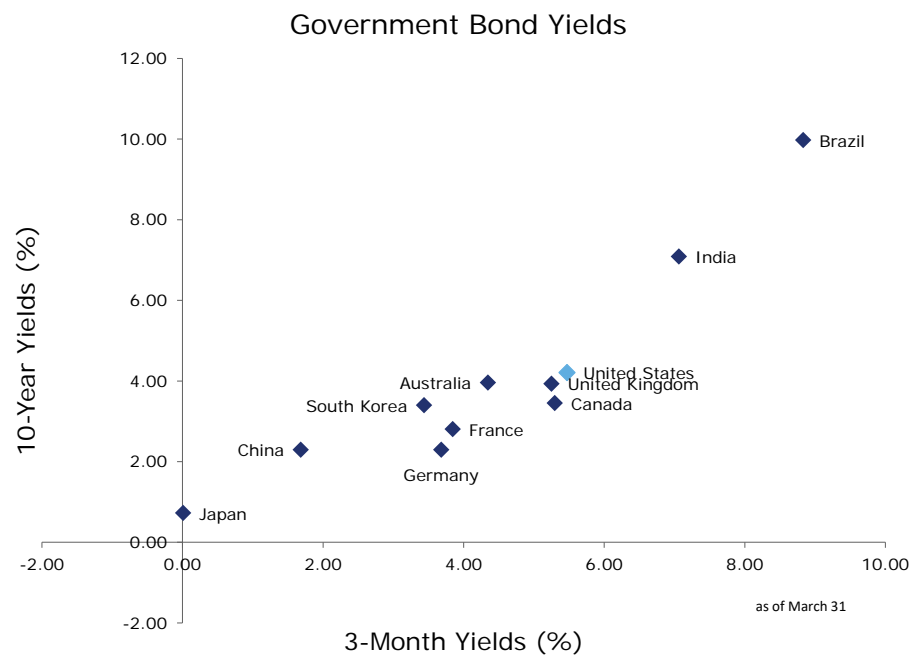
* Returns are reported in terms of local market investors, which removes currency effects.



Data Sources: Bloomberg

Global Interest Rates

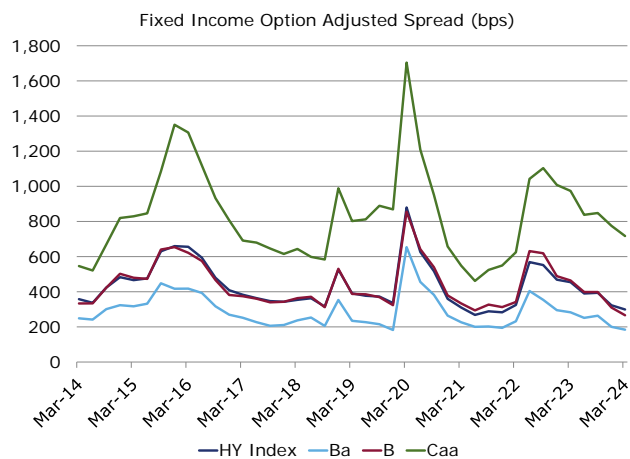
Short-term rates have turned positive in most larger countries; longer-term rates near 4.0% in the U.K. and Australia



Data Sources: Bloomberg

High Yield Bond Market

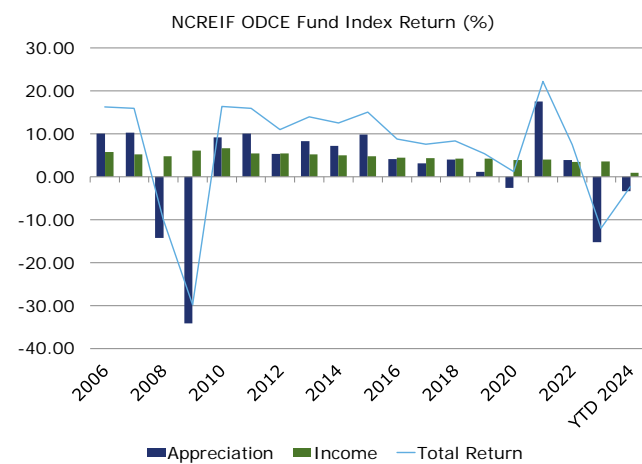
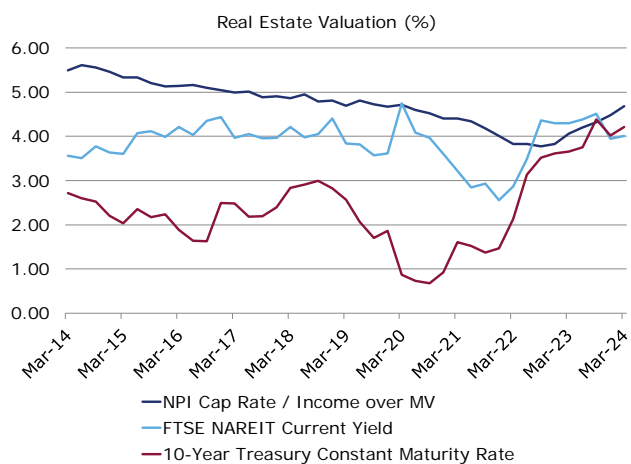
As of 3/31/2024		YTW	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg High Yield		7.7	1.5	1.5	11.2	2.2	4.2	4.4
S&P LSTA Leveraged Loan		9.4	2.0	2.0	12.2	5.5	5.1	4.1
High Yield Quality Distribution	Weight							
Ba U.S. High Yield	47.9%	6.5	1.1	1.1	9.1	1.8	4.6	4.8
B U.S. High Yield	38.4%	7.4	1.4	1.4	11.5	2.4	4.0	4.1
Caa U.S. High Yield	12.5%	11.9	2.1	2.1	16.6	2.4	3.1	3.9
Ca to D U.S. High Yield	1.2%	19.9	13.2	13.2	36.7	5.1	3.0	-2.7



Data Sources: Bloomberg

Real Assets

As of 3/31/2024	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg U.S. TIPS	-0.1	-0.1	0.5	-0.5	2.5	2.2
Bloomberg Commodity Index	2.2	2.2	-0.6	9.1	6.4	-1.6
Bloomberg Gold Index	7.4	7.4	12.1	8.5	10.2	4.8
Wilshire Global RESI Index	-0.1	-0.1	12.1	2.7	2.7	5.2
NCREIF ODCE Fund Index	-2.4	-2.4	-11.3	3.4	3.5	6.8
NCREIF Timberland Index	2.1	2.1	9.9	11.0	7.0	5.8
FTSE Global Core Infrastructure 50/50	1.8	1.8	4.1	3.7	4.6	6.4
Alerian Midstream Energy	10.2	10.2	24.6	20.5	10.5	4.8
Bitcoin	66.7	66.7	149.5	6.3	76.9	65.3



Data Sources: Bloomberg, National Council of Real Estate Investment Fiduciaries

Asset Class Performance

Asset Class Returns - Best to Worst						Annualized 5-Year as of 3/24
2019	2020	2021	2022	2023	2024 YTD	
U.S. Equity 31.0%	U.S. Equity 20.8%	REITs 46.2%	Commodities 16.1%	U.S. Equity 26.1%	U.S. Equity 9.9%	U.S. Equity 14.6%
REITs 25.8%	Emrg Mrkts 18.7%	Commodities 27.1%	T-Bills 1.3%	Developed 18.9%	Developed 5.9%	Developed 7.9%
Developed 22.7%	U.S. TIPS 11.0%	U.S. Equity 26.7%	High Yield -11.2%	REITs 16.1%	Emrg Mrkts 2.4%	Commodities 7.2%
Emrg Mrkts 18.9%	Developed 8.3%	Developed 11.8%	U.S. TIPS -11.8%	High Yield 13.4%	High Yield 1.5%	REITs 4.4%
High Yield 14.3%	Core Bond 7.5%	U.S. TIPS 6.0%	Core Bond -13.0%	Emrg Mrkts 10.3%	T-Bills 1.3%	High Yield 4.2%
Core Bond 8.7%	High Yield 7.1%	High Yield 5.3%	Developed -14.0%	Core Bond 5.5%	REITs 0.0%	Emrg Mrkts 2.6%
U.S. TIPS 8.4%	T-Bills 0.7%	T-Bills 0.0%	U.S. Equity -19.0%	T-Bills 5.1%	U.S. TIPS -0.1%	U.S. TIPS 2.5%
Commodities 7.7%	Commodities -3.1%	Core Bond -1.5%	Emrg Mrkts -19.7%	U.S. TIPS 3.9%	Core Bond -0.8%	T-Bills 2.0%
T-Bills 2.3%	REITs -7.9%	Emrg Mrkts -2.2%	REITs -26.8%	Commodities -1.3%	Commodities -4.6%	Core Bond 0.4%

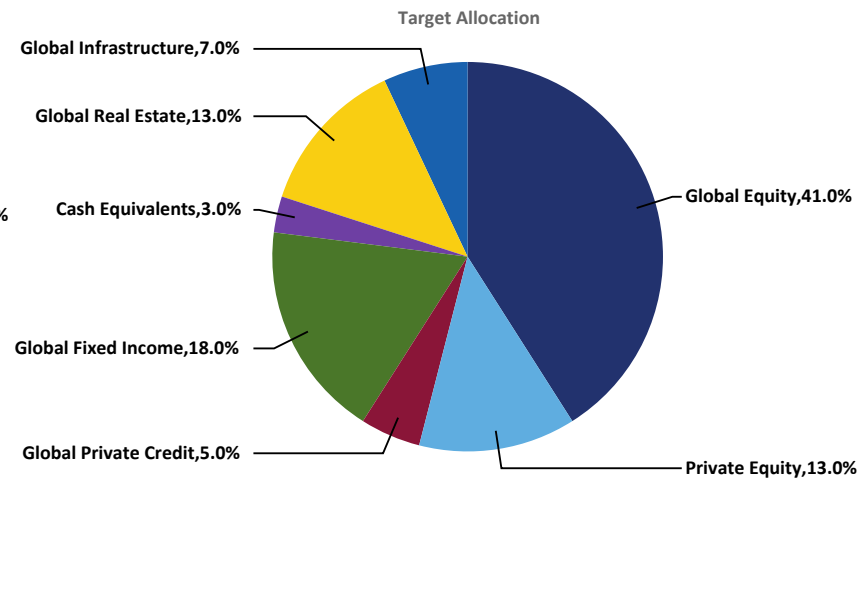
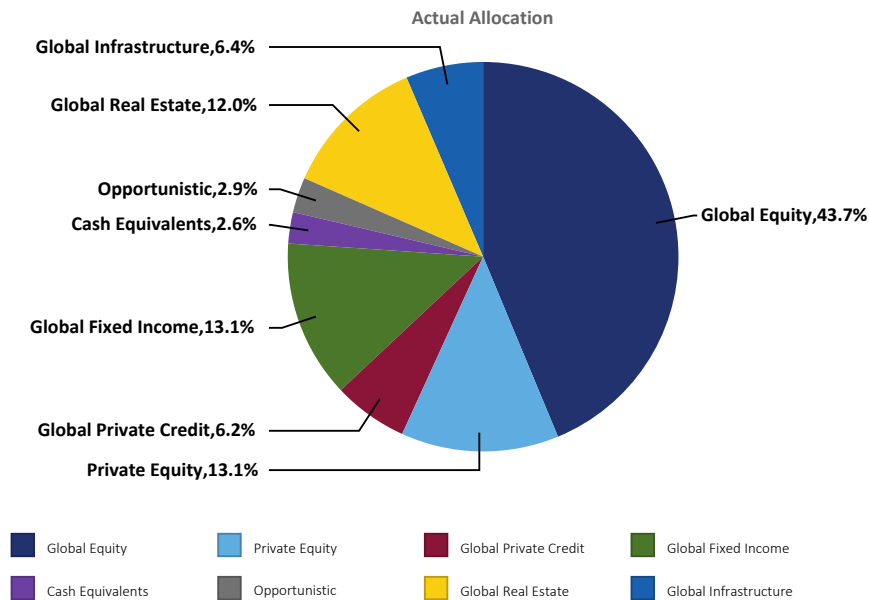
Data Sources: Bloomberg Note: Developed asset class is developed equity markets ex-U.S., ex-Canada

Total Fund

Asset Allocation Compliance

Total Fund

Periods Ended As of March 31, 2024



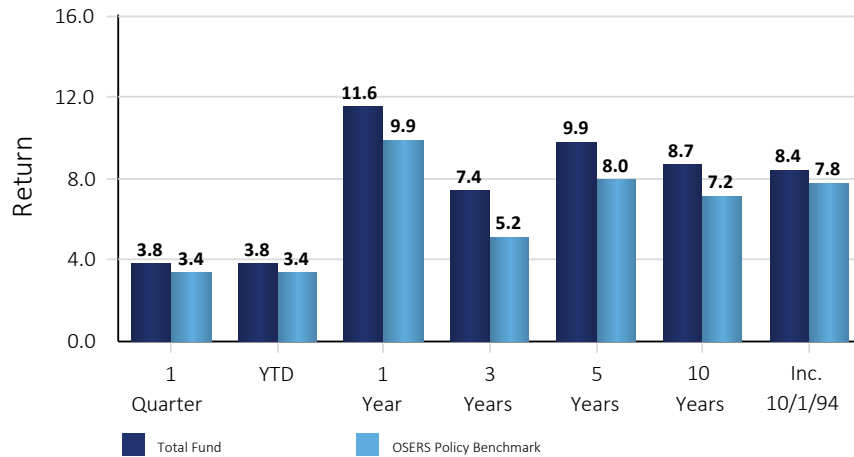
	Asset Allocation \$	Asset Allocation (%)	Target Allocation (%)	Differences (%)
Total Fund	18,765,037,507	100.0	100.0	0.0
Global Equity	8,208,911,098	43.7	41.0	2.7
Private Equity	2,449,013,336	13.1	13.0	0.1
Global Private Credit	1,162,935,503	6.2	5.0	1.2
Global Fixed Income	2,456,831,317	13.1	18.0	-4.9
Cash Equivalents	487,793,548	2.6	3.0	-0.4
Opportunistic	547,804,295	2.9	0.0	2.9
Global Real Estate	2,248,602,406	12.0	13.0	-1.0
Global Infrastructure	1,203,146,004	6.4	7.0	-0.6

Composite Performance Summary

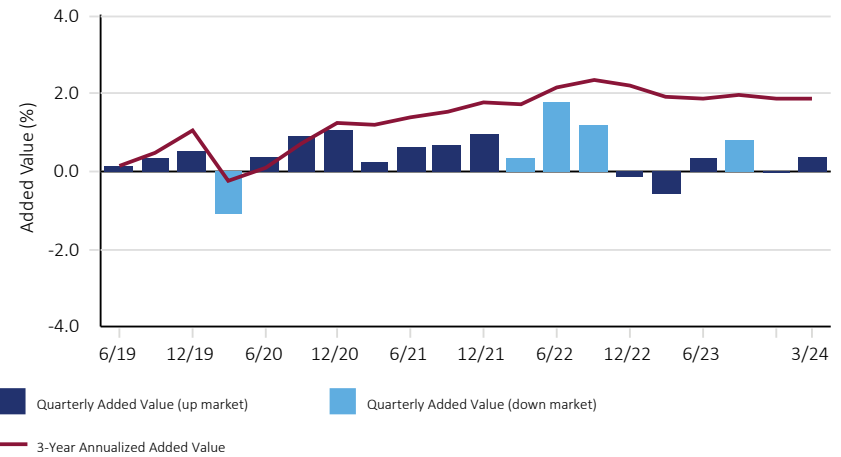
Total Fund

Periods Ended March 31, 2024

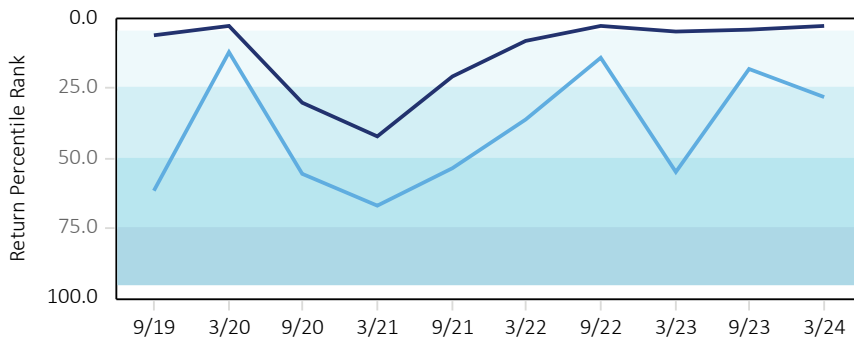
Comparative Performance



Added Value History

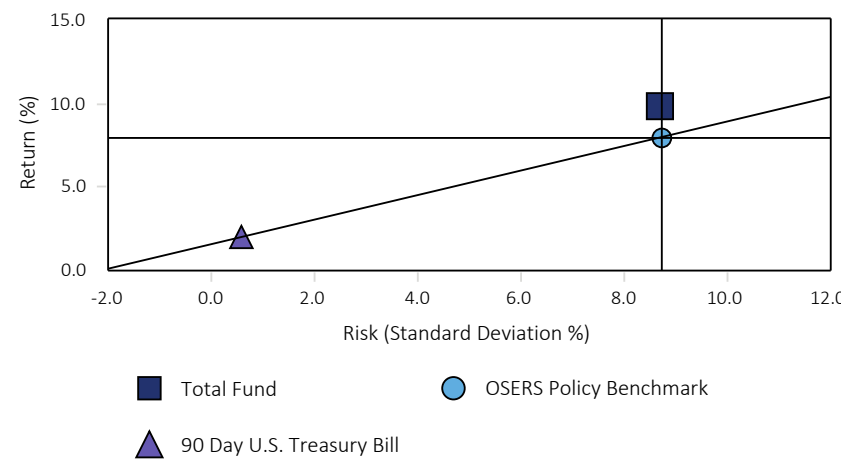


Rolling Percentile Rank: All Public Plans-Total Fund



	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
— Total Fund	10	8 (80%)	2 (20%)	0 (0%)	0 (0%)
— Benchmark	10	3 (30%)	2 (20%)	5 (50%)	0 (0%)

Risk and Return 04/1/19 - 03/31/24

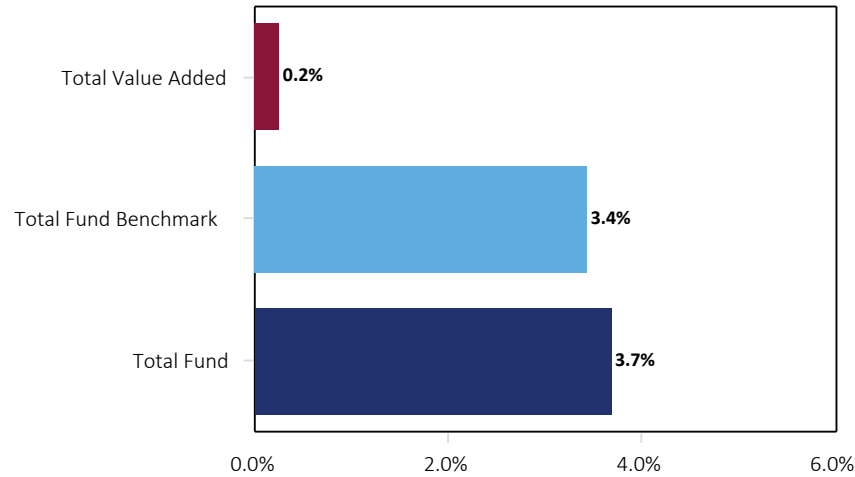


Total Fund Attribution

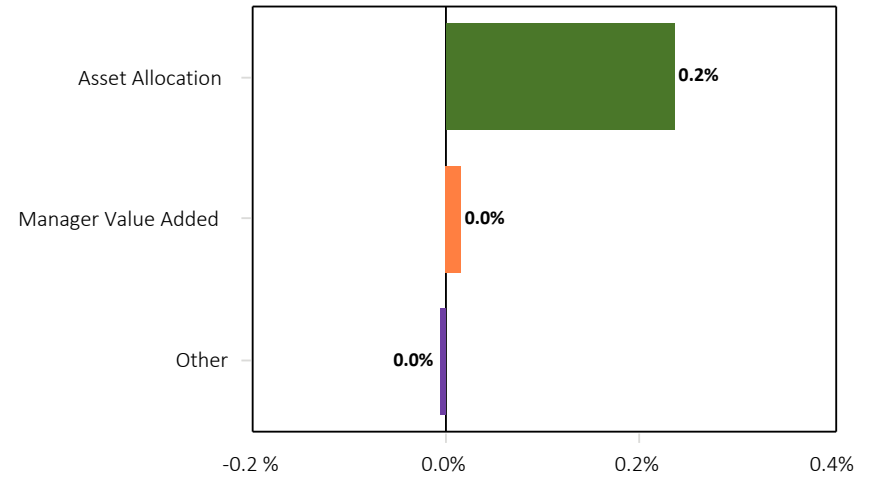
Total Fund

Periods Ended 1 Quarter Ending March 31, 2024

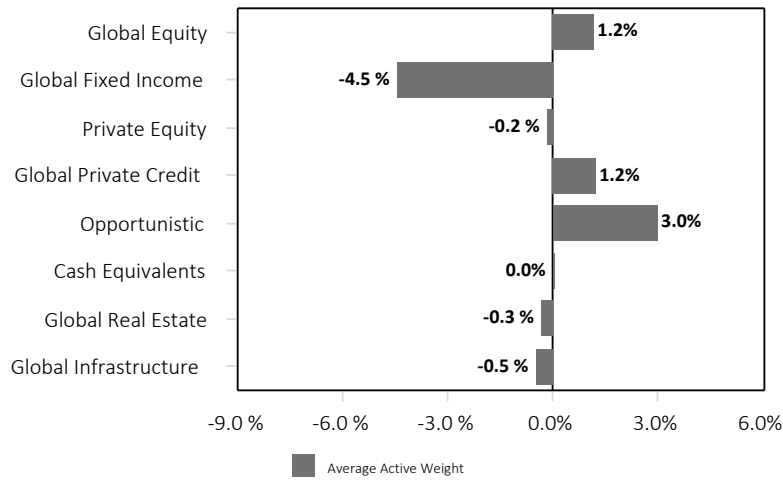
Total Fund Performance



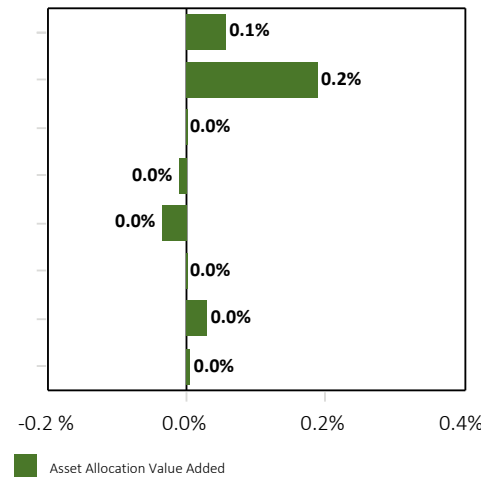
Total Value Added:0.2%



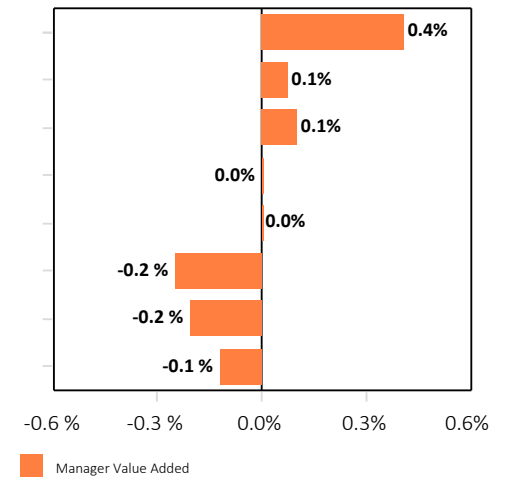
Total Asset Allocation:0.2%



Asset Allocation Value Added:0.2%



Total Manager Value Added:0.0%

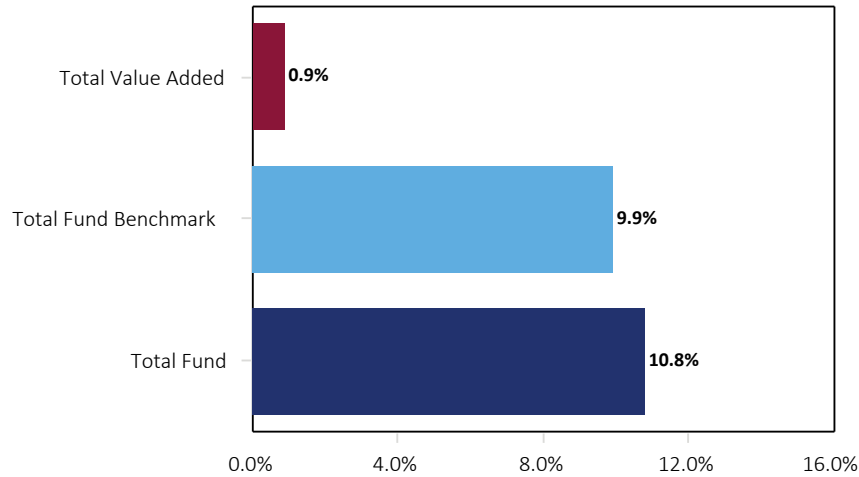


Total Fund Attribution

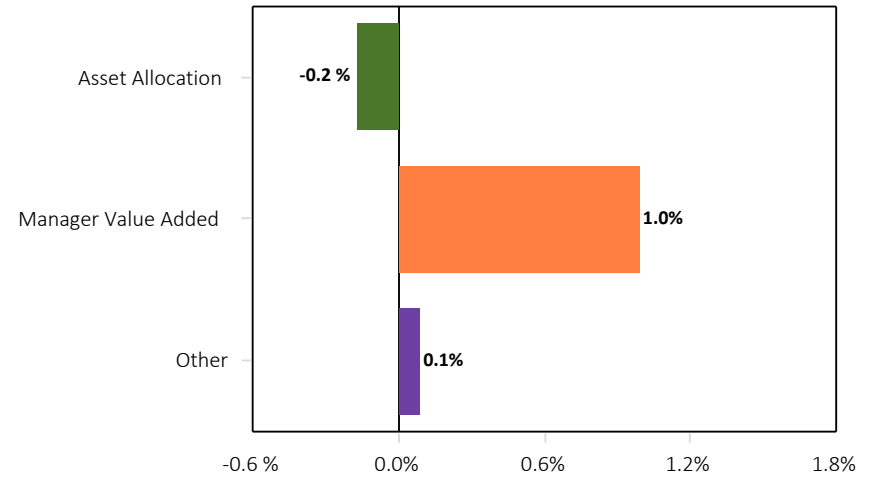
Total Fund

Periods Ended 1 Year Ending March 31, 2024

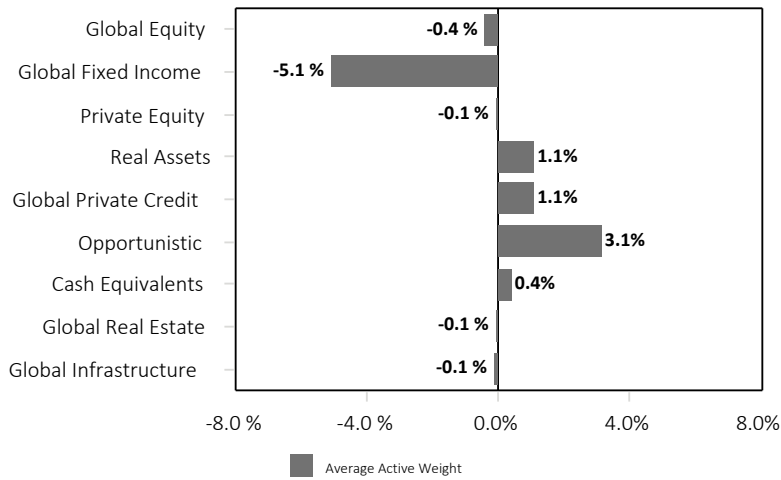
Total Fund Performance



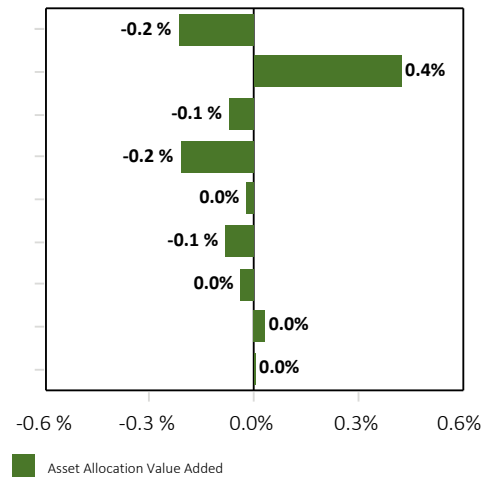
Total Value Added: 0.9%



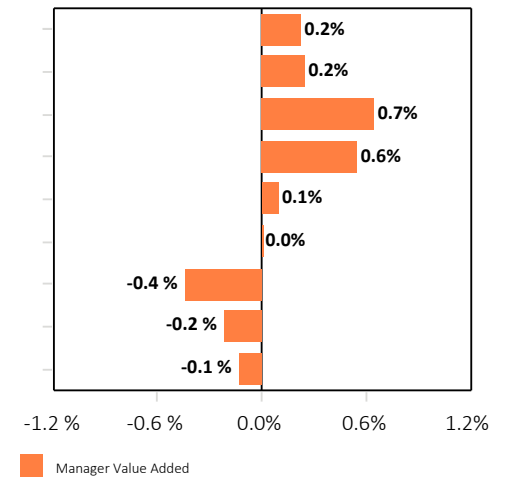
Total Asset Allocation: -0.2%



Asset Allocation Value Added: -0.2%



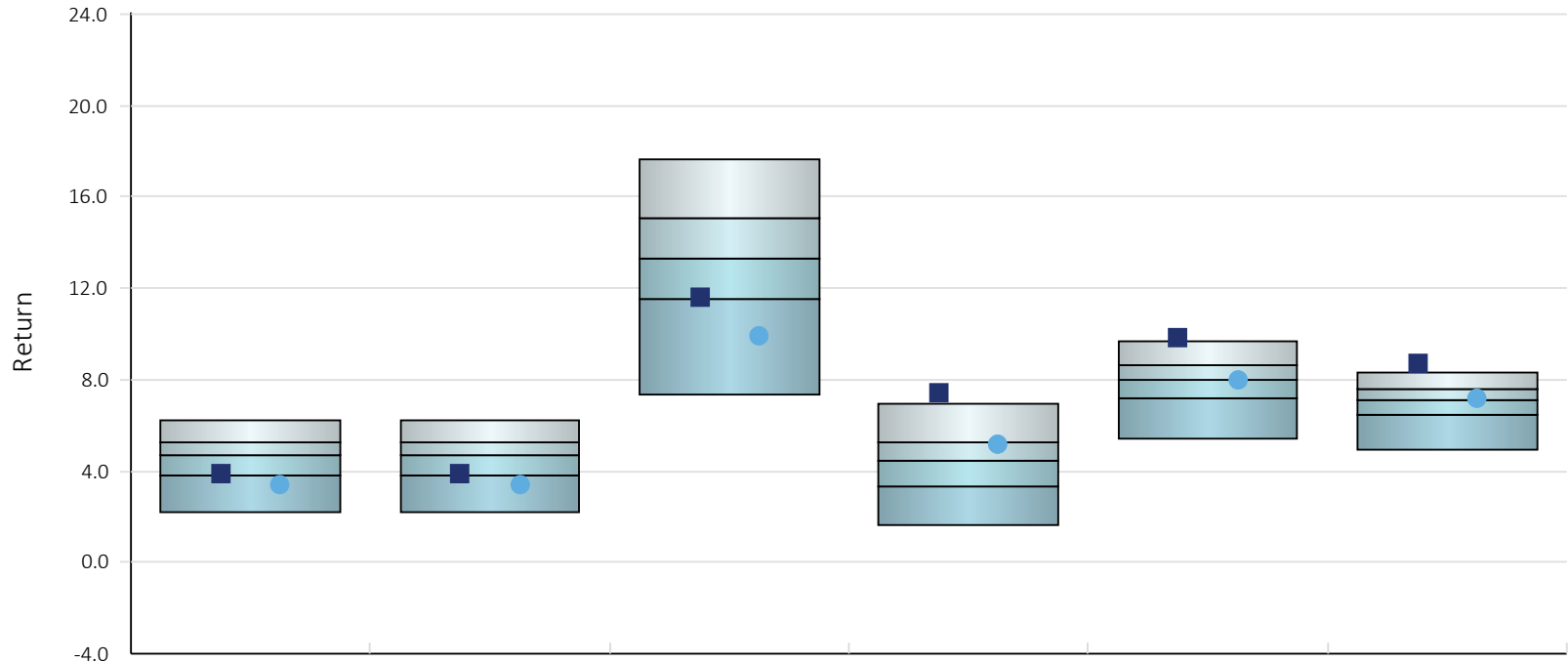
Total Manager Value Added: 1.0%



Plan Sponsor Peer Group Analysis

Total Fund vs All Public Plans-Total Fund (GOF)

Periods Ended March 31, 2024



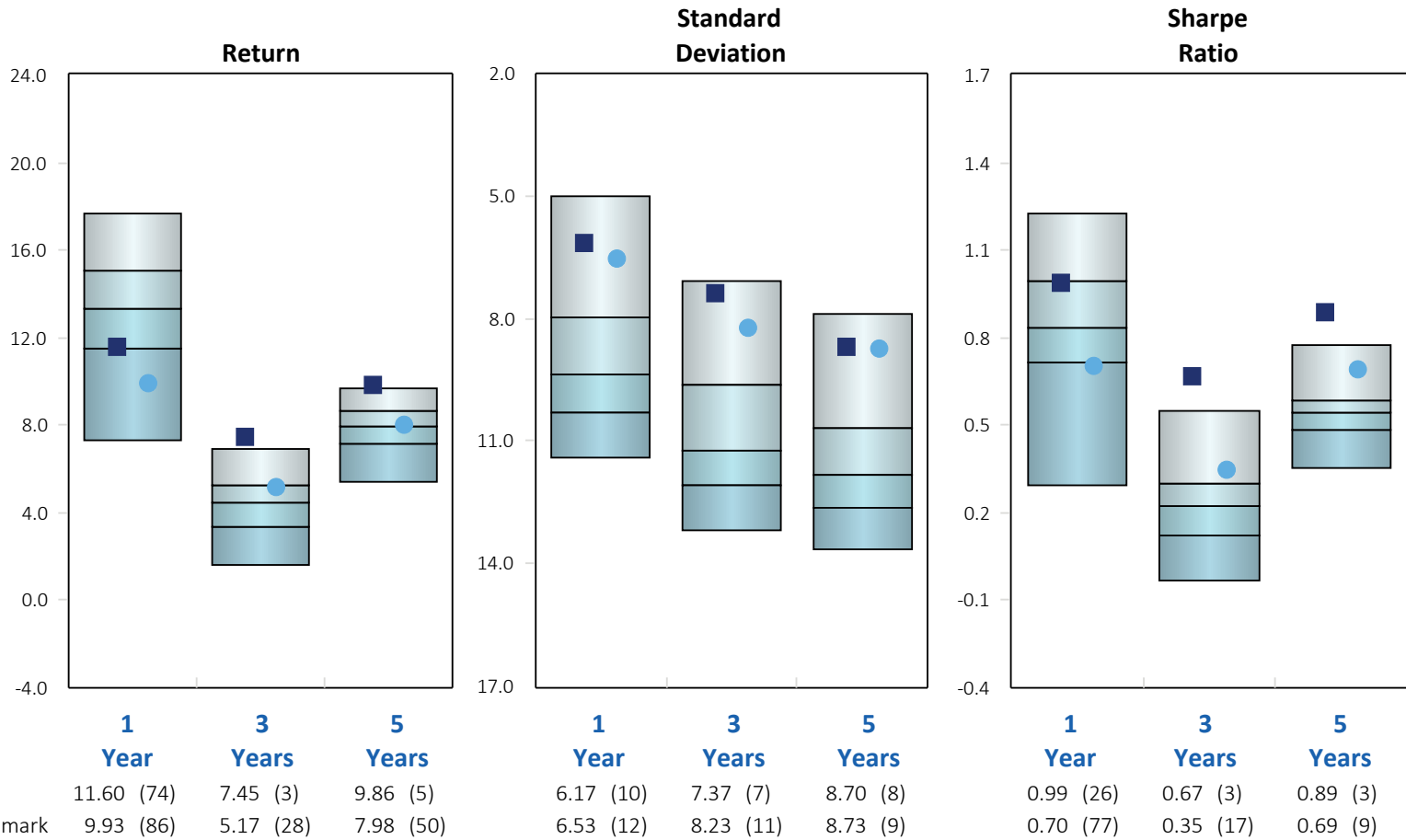
	QTD	YTD	1 Year	3 Years	5 Years	10 Years
■ Total Fund	3.85 (73)	3.85 (73)	11.60 (74)	7.45 (3)	9.86 (5)	8.73 (2)
● OSERS Policy Benchmark	3.44 (84)	3.44 (84)	9.93 (86)	5.17 (28)	7.98 (50)	7.17 (48)
5th Percentile	6.20	6.20	17.68	6.91	9.68	8.35
1st Quartile	5.24	5.24	15.08	5.22	8.67	7.61
Median	4.68	4.68	13.30	4.43	7.98	7.12
3rd Quartile	3.79	3.79	11.51	3.34	7.18	6.50
95th Percentile	2.17	2.17	7.33	1.60	5.42	4.91
Population	392	392	322	297	286	252

Parentheses contain percentile rankings.
 Calculation based on monthly periodicity.
 Ohio SERS performance is Gross of Fees

Plan Sponsor Peer Group Analysis - Multi Statistics

Total Fund vs All Public Plans-Total Fund (GOF)

Periods Ended March 31, 2024



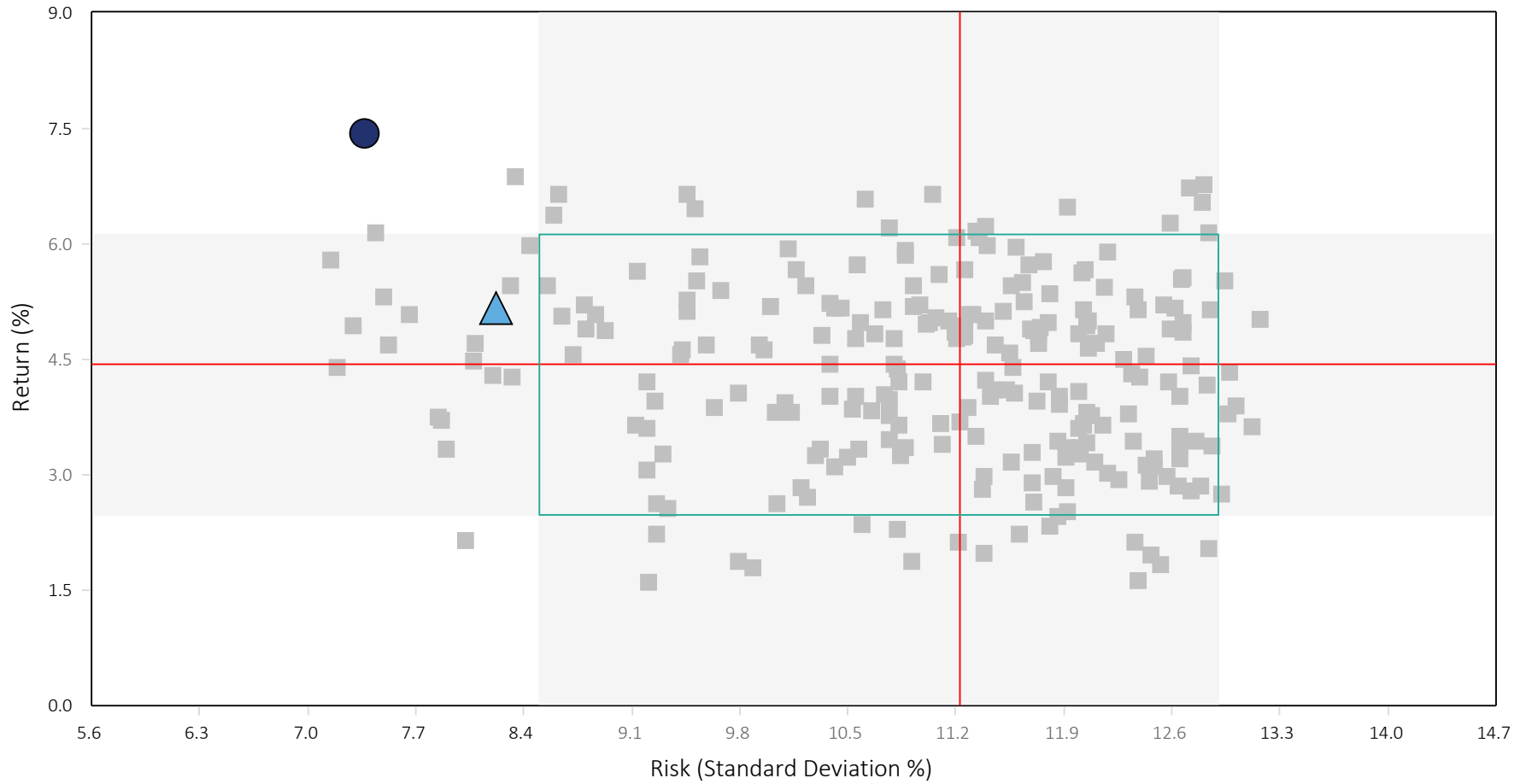
	1 Year	3 Years	5 Years
5th Percentile	17.68	6.91	9.68
1st Quartile	15.08	5.22	8.67
Median	13.30	4.43	7.98
3rd Quartile	11.51	3.34	7.18
95th Percentile	7.33	1.60	5.42

Parentheses contain percentile rankings.
 Calculation based on monthly periodicity.
 Ohio SERS performance is Gross of Fees

Plan Sponsor Scattergram

Total Fund vs All Public Plans-Total Fund

Periods Ended April 1, 2021 To March 31, 2024



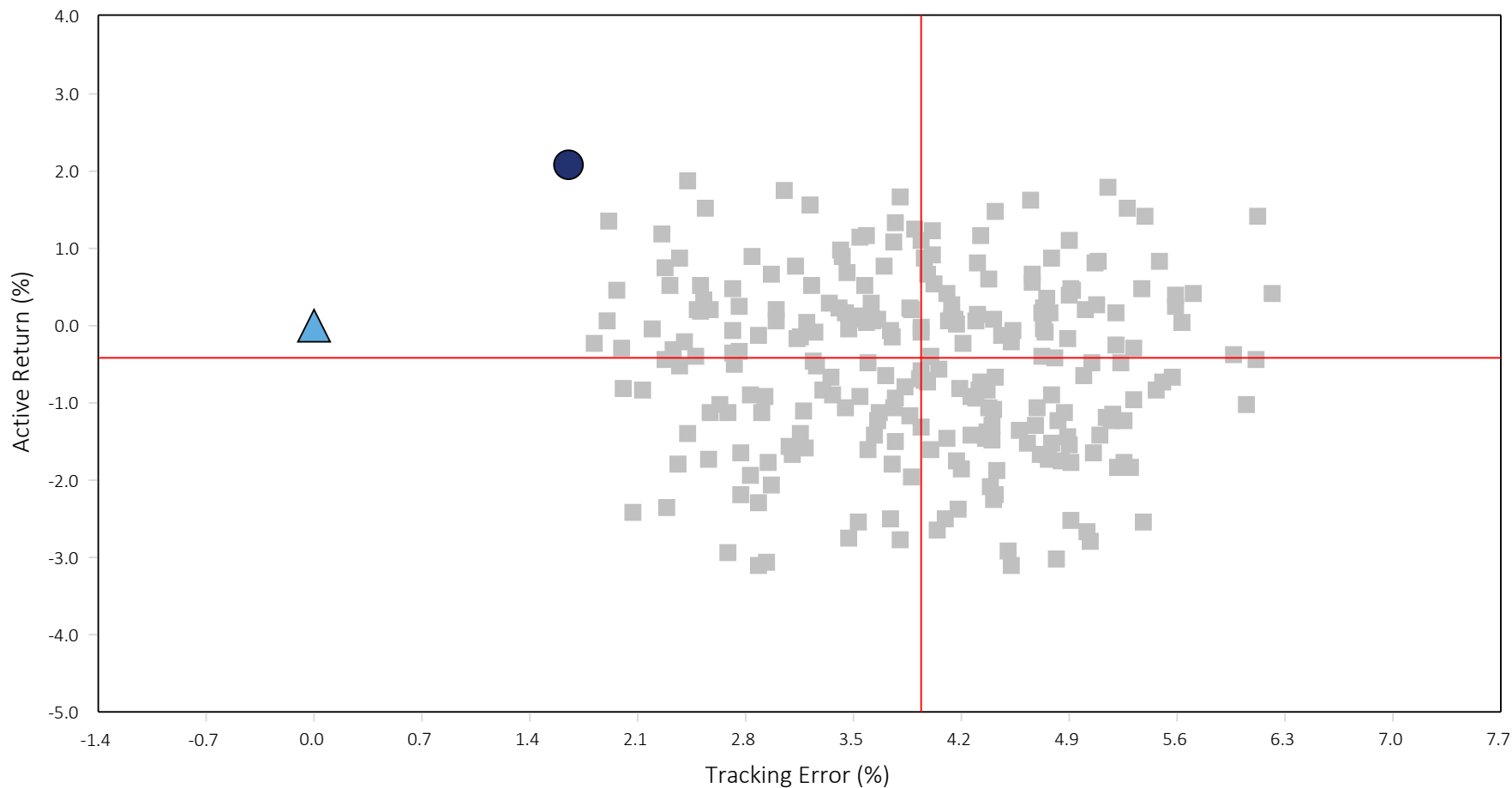
	Return	Standard Deviation
● Total Fund	7.45	7.37
▲ OSERS Policy Benchmark	5.17	8.23
— Median	4.43	11.22

Calculation based on monthly periodicity.
Ohio SERS performance is Gross of Fees

Plan Sponsor Scattergram

Total Fund vs All Public Plans-Total Fund

Periods Ended April 1, 2021 To March 31, 2024



	Active Return	Tracking Error
● Total Fund	2.28	1.65
▲ OSERS Policy Benchmark	0.00	0.00
— Median	-0.43	3.94

Calculation based on monthly periodicity.

Ohio SERS performance is Gross of Fees

Asset Allocation & Performance

Total Fund

Periods Ended March 31, 2024

	Allocation		Performance (%) net of fees									
	Market Value \$000	%	1 Quarter	YTD	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception Date
Total Fund	18,765,038	100.00	3.68	3.68	7.77	10.83	6.70	9.16	8.04	7.17	7.88	10/1/1994
OSERS Policy Benchmark			3.44	3.44	7.07	9.93	5.17	7.98	7.17	6.96	7.82	
Value Added			0.24	0.24	0.69	0.90	1.53	1.18	0.88	0.21	0.06	
Global Equity	8,208,911	43.75	9.21	9.21	16.91	23.80	6.70	11.36	8.96	8.00	8.18	7/1/2002
Global Equity Benchmark			8.20	8.20	16.05	23.22	6.54	10.60	8.51	7.72	7.86	
Value Added			1.01	1.01	0.86	0.59	0.16	0.77	0.44	0.29	0.32	
Global Private Equity	2,449,013	13.05	3.43	3.43	7.16	10.55	16.91	18.12	17.30	13.44	13.27	10/1/1994
Global PE Benchmark			2.64	2.64	3.65	5.56	10.72	14.44	12.82	11.43	12.72	
Value Added			0.78	0.79	3.50	4.99	6.19	3.68	4.48	2.01	0.55	
Global Private Credit	1,162,936	6.20	2.45	2.45	8.02	11.57	9.50				10.87	7/1/2020
Global Private Credit Benchmark			2.46	2.46	7.40	9.89	7.19				6.70	
Value Added			-0.01	-0.01	0.62	1.67	2.31				4.17	
Global Fixed Income	2,456,831	13.09	-0.22	-0.22	3.85	3.44	-1.51	1.64	2.32	3.94	5.25	10/1/1994
Blmbg. U.S. Aggregate Index			-0.78	-0.78	2.56	1.70	-2.46	0.36	1.54	2.99	4.58	
Value Added			0.56	0.56	1.29	1.74	0.94	1.28	0.77	0.94	0.67	
Cash Equivalents	487,794	2.60	-6.76	-6.76	-8.89	-7.49	2.42	1.84	1.71	1.88	1.82	7/1/2002
FTSE 1 Month T-Bill			1.36	1.36	4.15	5.40	2.65	2.00	1.34	1.41	1.39	
Value Added			-8.12	-8.12	-13.04	-12.89	-0.23	-0.15	0.37	0.47	0.43	

Asset Allocation & Performance

Total Fund

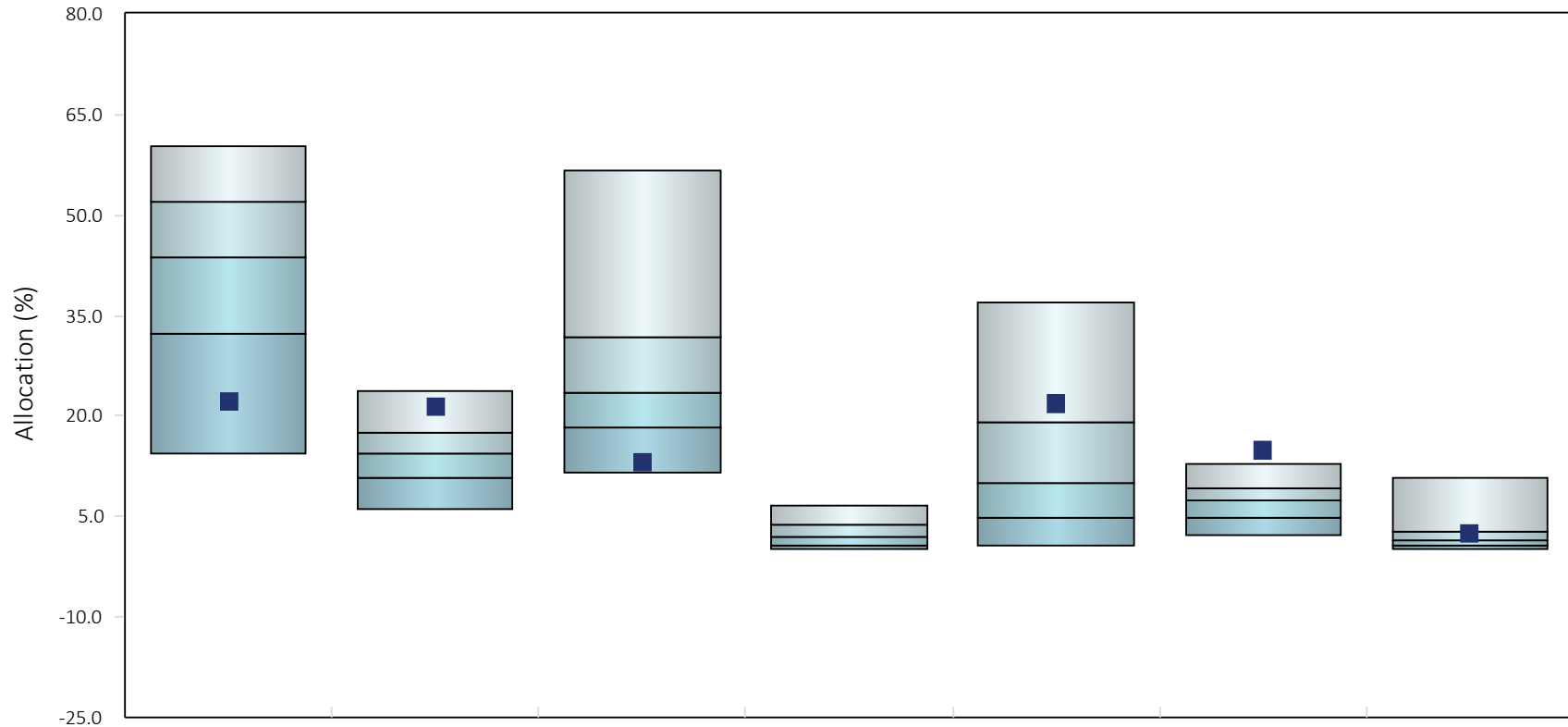
Periods Ended March 31, 2024

	Allocation		Performance (%) net of fees								
	Market Value \$000	%	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception Date
Global Real Estate	2,248,602	11.98	-4.44	-8.14	-10.36	6.59	5.82	7.90	6.21	7.15	9/1/1994
NCREIF Property Index Lagged			-3.02	-6.24	-7.94	4.57	4.33	6.80	7.72	8.57	
Value Added			-1.42	-1.90	-2.42	2.02	1.49	1.10	-1.51	-1.42	
Global Infrastructure	1,203,146	6.41	0.26	3.22	6.05	9.43	8.66			10.17	10/1/2015
Global Infrastructure Benchmark			2.04	-1.34	-3.13	6.36	5.40			6.45	
Value Added			-1.79	4.56	9.18	3.07	3.26			3.72	
Opportunistic & Tactical	547,804	2.92	2.33	6.27	7.59	7.52	6.56	6.54		6.94	6/1/2013
Opportunistic Benchmark			-0.31	4.03	3.70	-0.45	0.93	3.61		4.27	
Value Added			2.64	2.25	3.89	7.98	5.63	2.94		2.67	

Plan Sponsor TF Asset Allocation

Total Fund vs All Public Plans-Total Fund

Periods Ended March 31, 2024



	US Equity	Global ex-US Equity	US Fixed	Global ex-US Fixed	Alternatives	Real Estate & Infrastructure	Cash & Equivalents
■ Total Fund	22.24	21.51	13.09		22.17	18.39	2.60
5th Percentile	60.35	23.72	56.73	6.62	36.98	12.85	10.67
1st Quartile	51.96	17.54	31.70	3.88	19.16	9.24	2.85
Median	43.58	14.50	23.48	2.05	10.04	7.29	1.53
3rd Quartile	32.28	10.77	18.22	0.65	4.69	4.87	0.77
95th Percentile	14.51	6.01	11.63	0.07	0.79	2.30	0.10

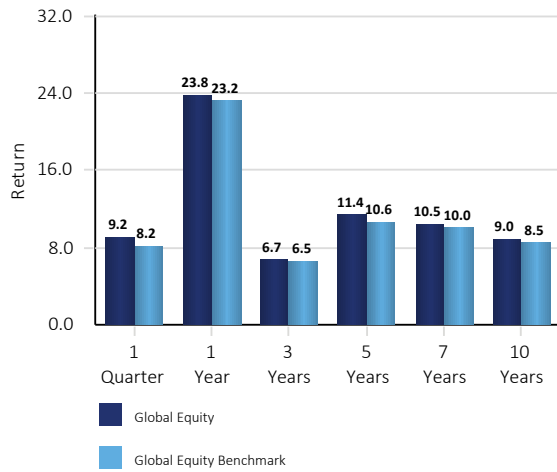
Global Equity

Performance Summary

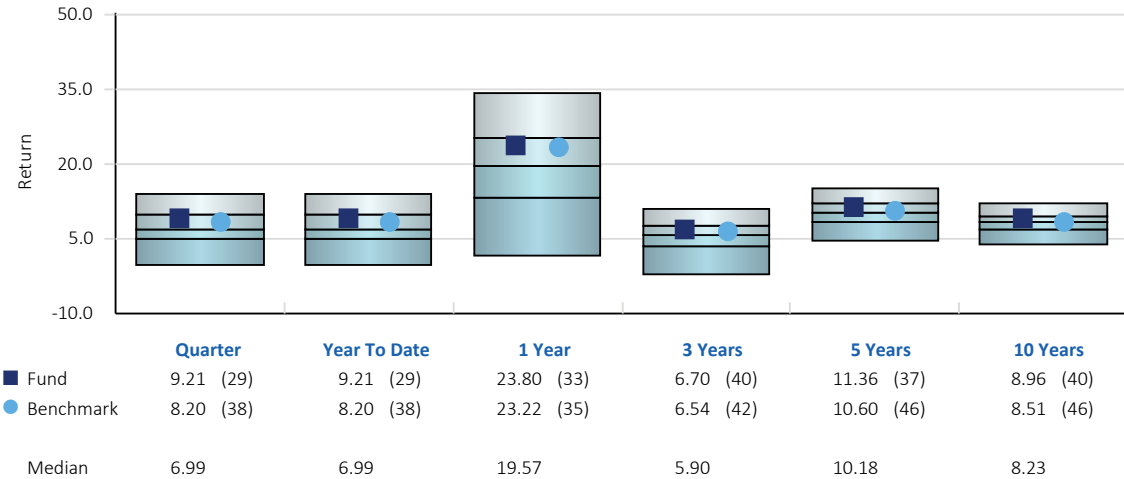
Global Equity

Periods Ended March 31, 2024

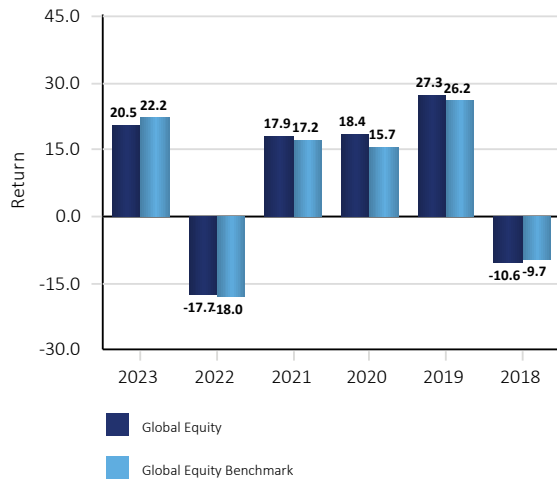
Comparative Performance



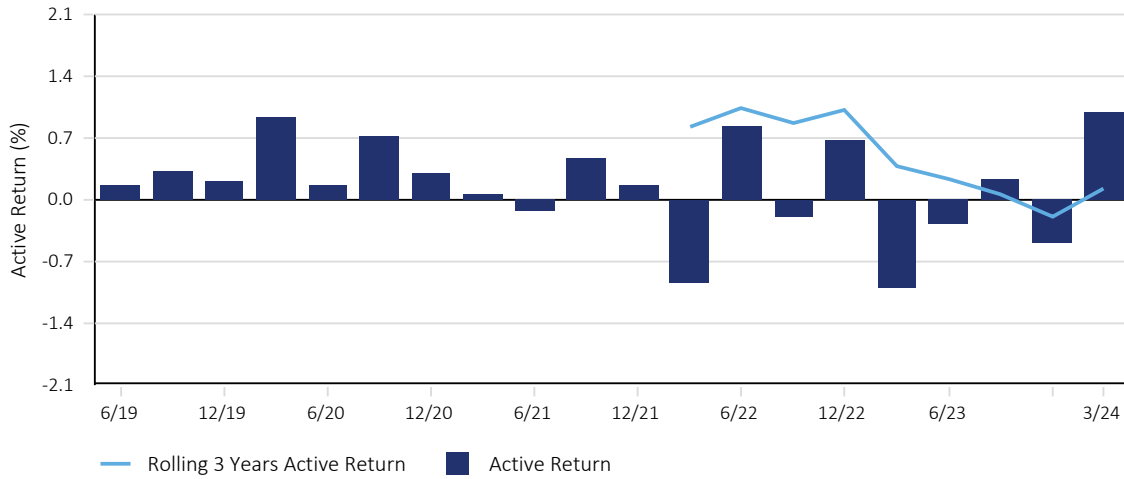
Peer Group Analysis: IM Global Equity (SA+CF)(NOF)



Comparative Performance



Quarterly Active Return



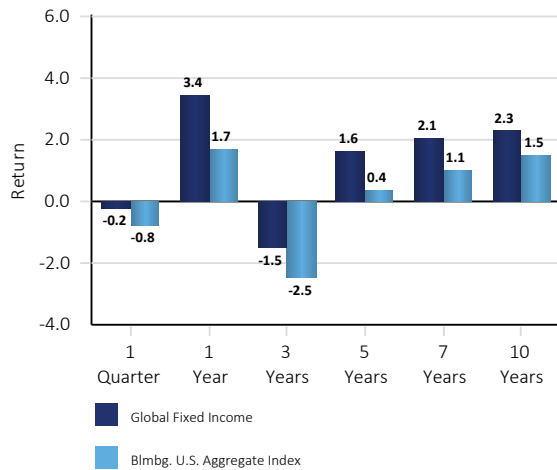
Global Fixed Income

Performance Summary

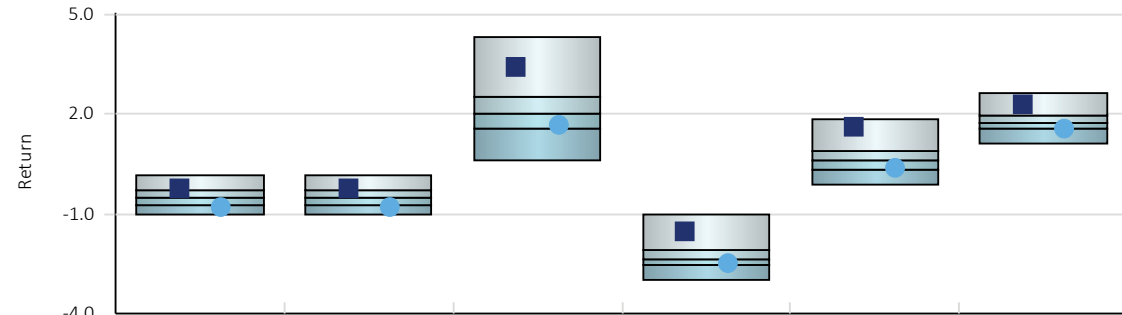
Global Fixed Income

Periods Ended March 31, 2024

Comparative Performance

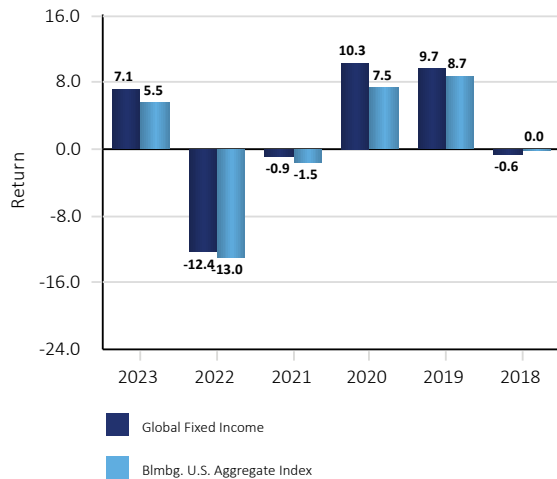


Peer Group Analysis: IM U.S. Broad Market Core Fixed Income (SA+CF) (NOF)

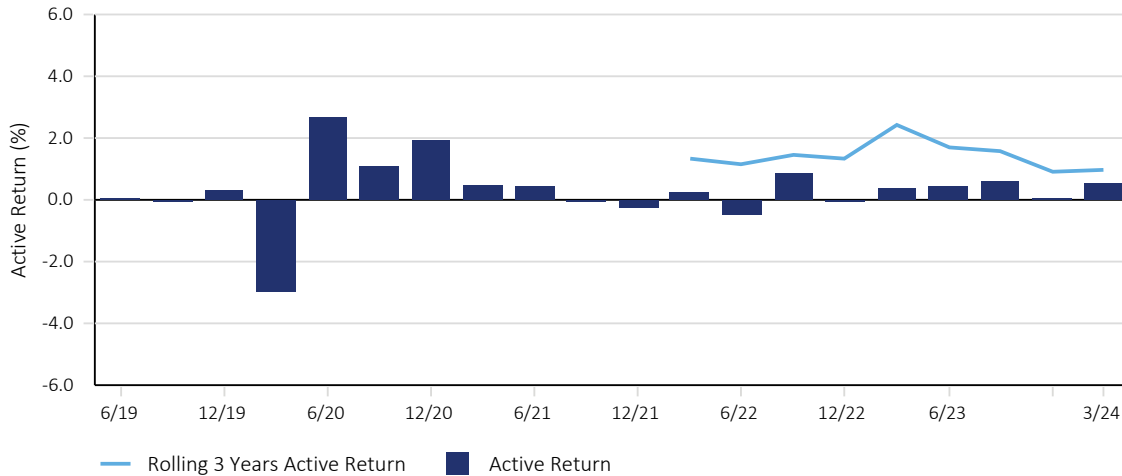


	Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
■ Fund	-0.22 (16)	-0.22 (16)	3.44 (10)	-1.51 (9)	1.63 (7)	2.31 (7)
● Benchmark	-0.78 (79)	-0.78 (79)	1.70 (68)	-2.46 (64)	0.36 (75)	1.54 (76)
Median	-0.51	-0.51	2.03	-2.34	0.63	1.72

Comparative Performance



Quarterly Active Return

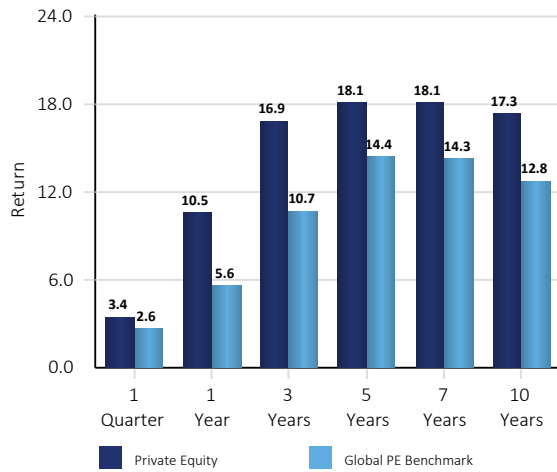


Global Private Equity

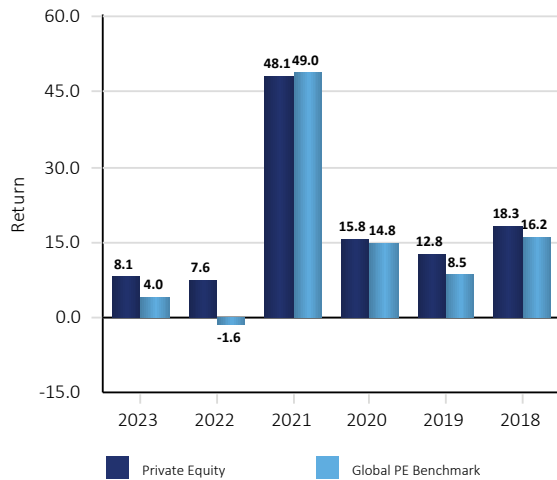
Performance Summary

Global Private Equity
 Periods Ended March 31, 2024

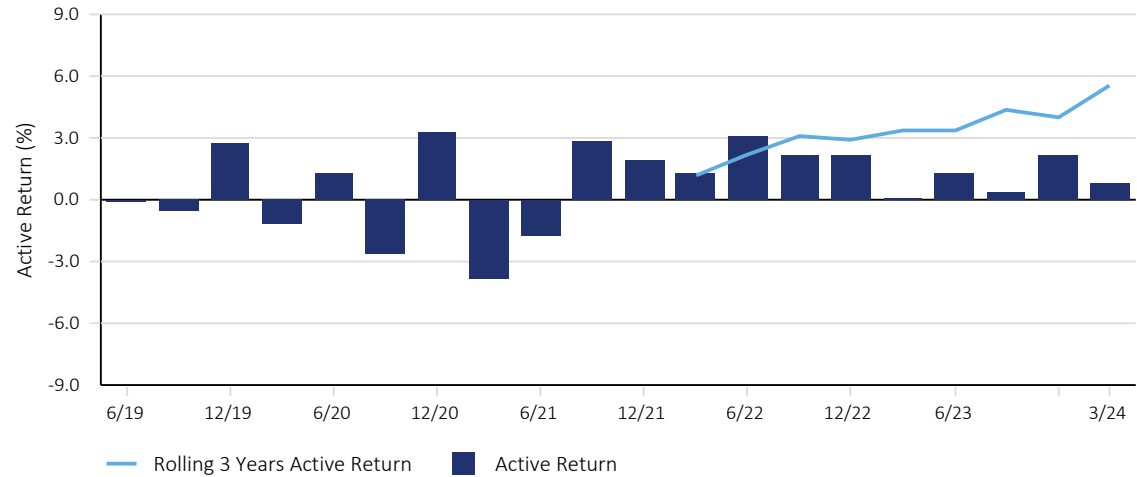
Comparative Performance



Comparative Performance



Quarterly Active Return

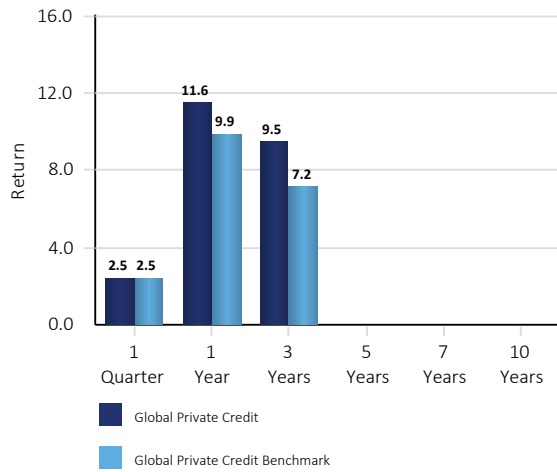


Global Private Credit

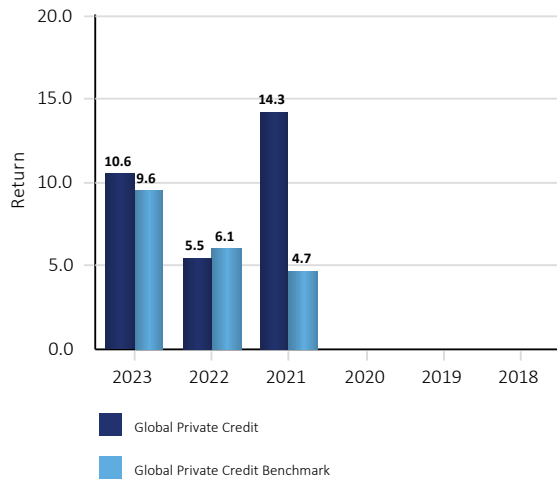
Performance Summary

Global Private Credit
 Periods Ended March 31, 2024

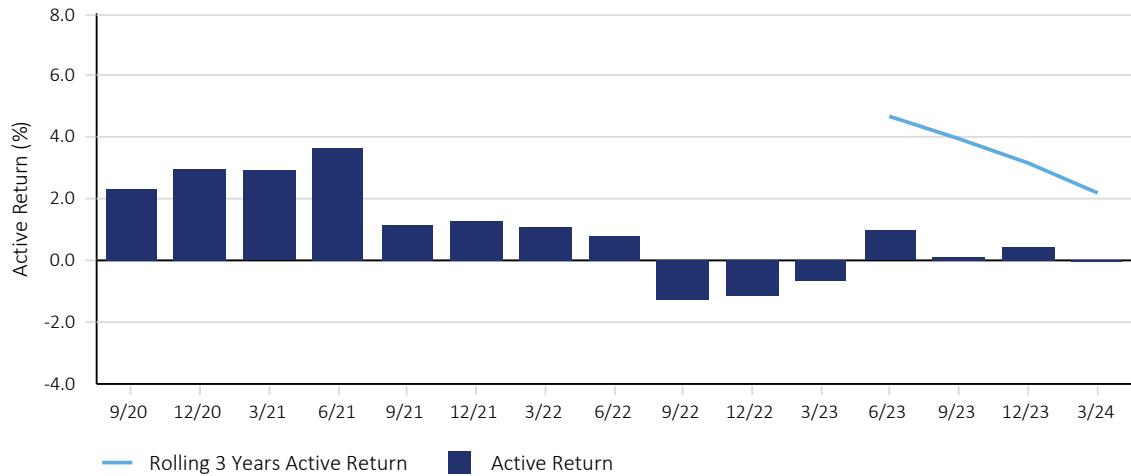
Comparative Performance



Comparative Performance



Quarterly Active Return



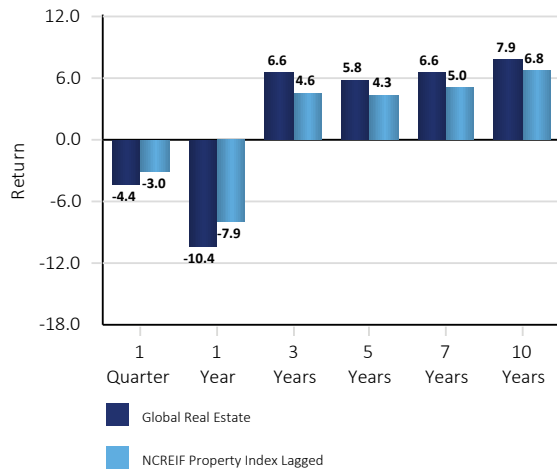
Real Estate & Infrastructure

Performance Summary

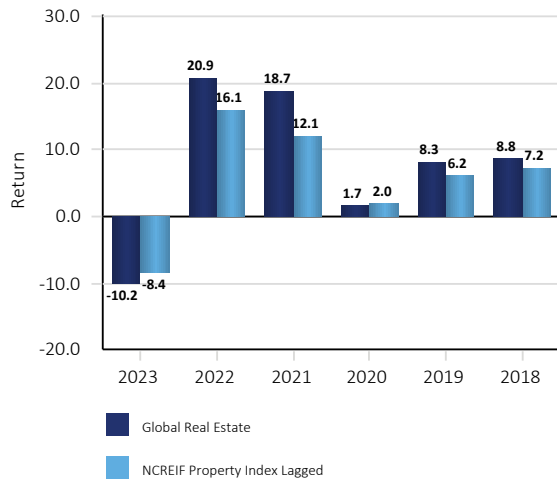
Real Estate

Periods Ended March 31, 2024

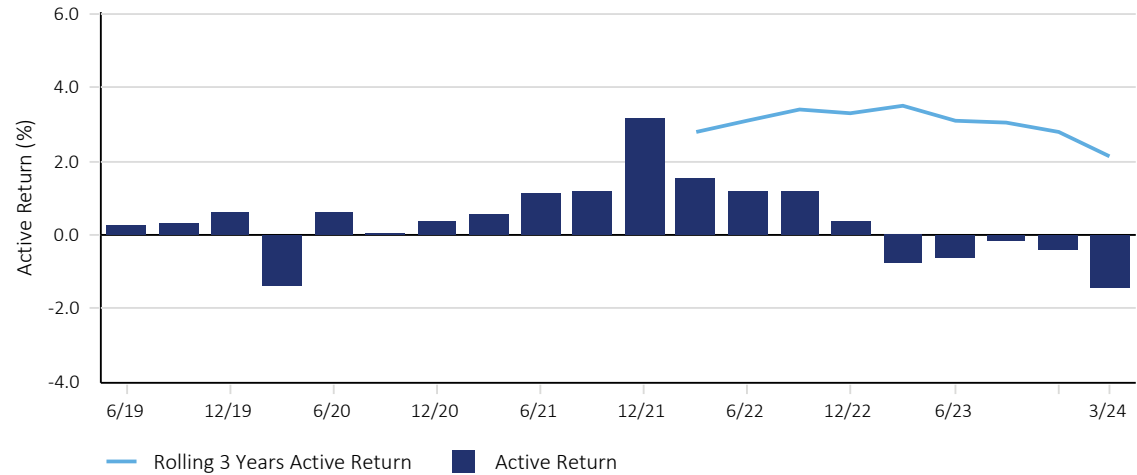
Comparative Performance



Comparative Performance



Quarterly Active Return

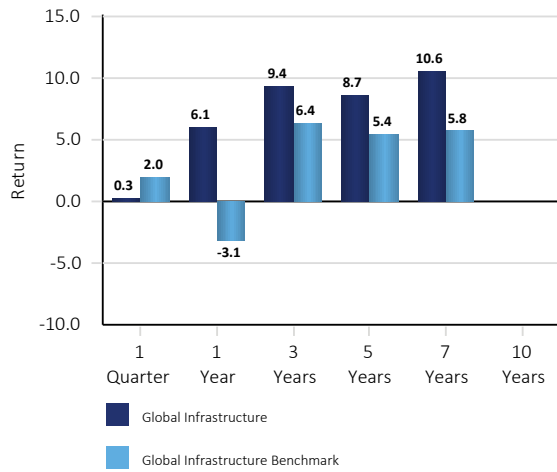


Performance Summary

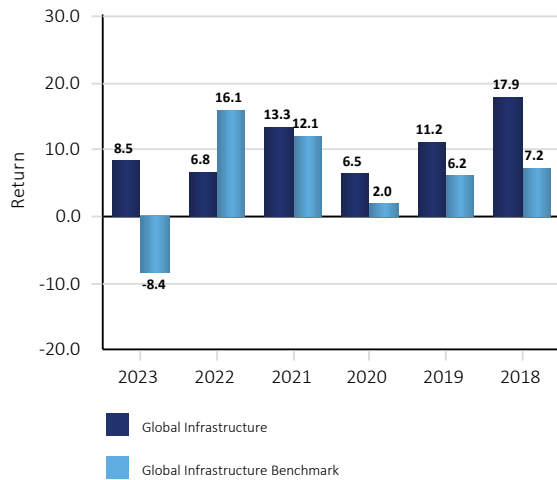
Infrastructure

Periods Ended March 31, 2024

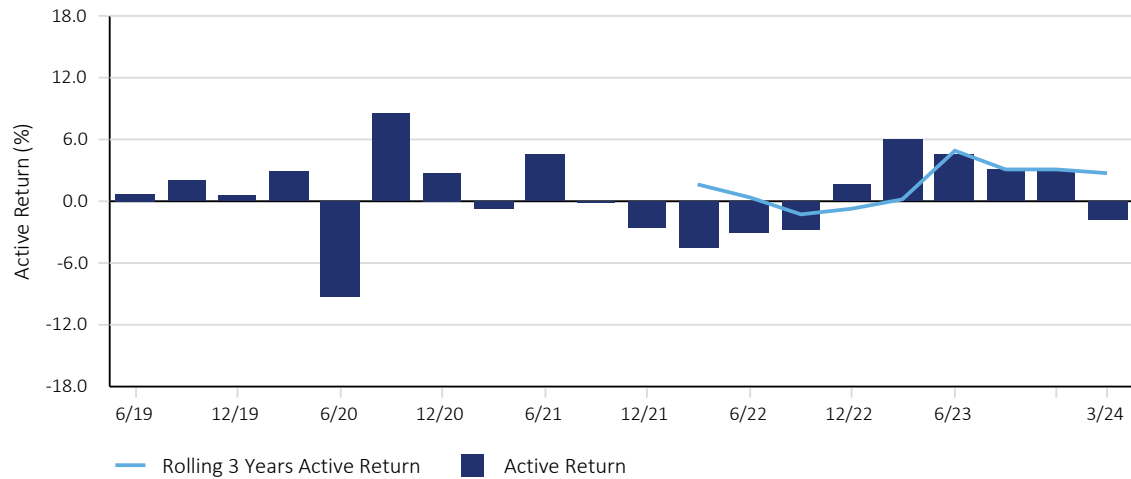
Comparative Performance



Comparative Performance



Quarterly Active Return

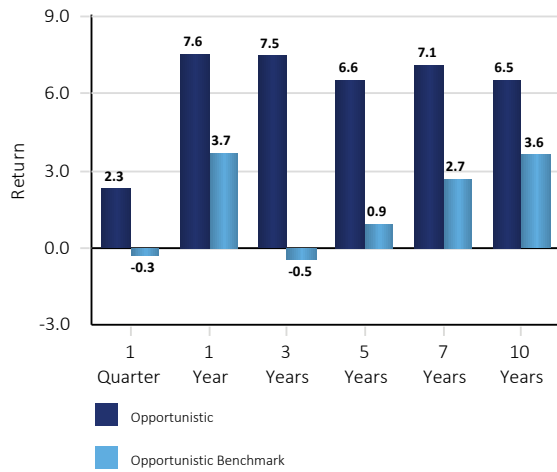


Opportunistic & Tactical

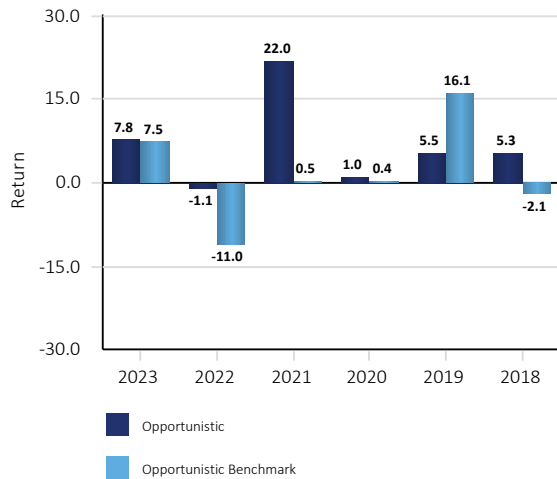
Performance Summary

Opportunistic & Tactical
Periods Ended March 31, 2024

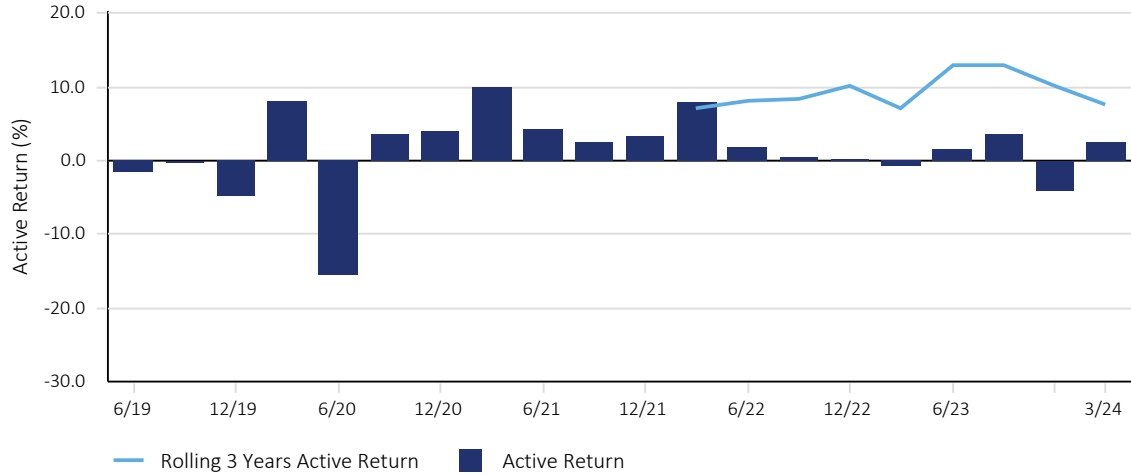
Comparative Performance



Comparative Performance



Quarterly Active Return





Ohio SERS Investment Report

Quarterly Report to the Board

For the period ending: March 31, 2024

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

Meeting Date: May 2024



Investment Agenda

Asset Class Benchmark Review presented by Wilshire Assoc.
Wilshire Quarterly Performance Report (March 31, 2024)
Quarterly Investment Report (March 31, 2024)
FY25 Annual Investment Plan - draft discussion
FY25 Investment Department Incentive Program (possible vote)



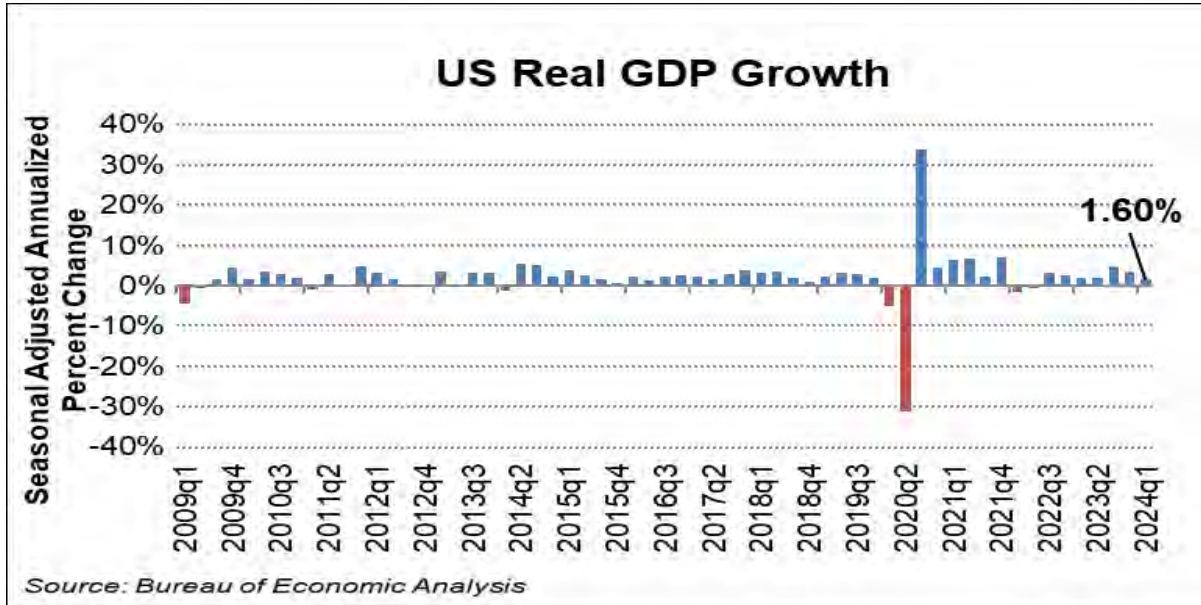
Economic and Financial Market Outlook

- The US economy increased 1.6% in Q1 2024, down from 3.4% in Q4 2023. The slowdown was mainly due to a softer increase in exports and government expenditures and investment, and a strong increase in imports. The personal consumption expenditures (PCE) growth remained solid at 2.5%, although it was down from 3.5% the previous quarter. The BCEI consensus raised its growth projection from 2.3% to 2.4% for 2024. (Source: *Bureau of Economic Analysis and Blue Chip Economic Indicators (BCEI)*)
- The US labor market continues to be resilient, adding 303,000 jobs in March. The unemployment rate decreased by 0.1% to 3.8%. The labor force participation increased by 0.2% to 62.7%, remaining below the pre-pandemic level of 63.3%. (Sources: *Bureau of Labor Statistics and Department of Labor*)
- US headline inflation increased by 0.3% to 3.5% in March. The food index appreciated 2.2% while the energy index increased 2.1% for the last 12 months. Core inflation stayed at 3.8% in March. Rent inflation remained elevated with a 5.7% increase over the last 12 months. (Source: *Bureau of Labor Statistics*).
- The 10-year Treasury nominal yield decreased by 48 bps to 4.68% as of April end. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and current headline inflation declined to 1.00%, below the historical average of 1.80% in March. The Fed Funds rate remained in the range 5.25-5.50%, the highest level since October 2006.
- The housing market (S&P Case-Shiller 20-City home price index) was up 0.9% for the month of February and up 7.3% for the last 12 months as of February 2024.
- The Consumer Sentiment Index released by Thomson Reuters and University of Michigan was 77.2 for April, increasing by 21.2% from a year ago. Both US and Global Economic Surprise indices were positive at the end of April. The March Leading Economic Index (LEI) issued by the Conference Board was 102.4, down from the previous month by 0.3, resuming the downturn trend after one month of increase.
- In April, the US Manufacturing PMI was 49.2%, down from 50.3% in March. The US Service PMI expanded in March for the 15th consecutive month as the Services PMI was 51.4%. High interest rates and sticky inflation continue to be the largest challenges to US and global economies. (Source: *Institute for Supply Management and S&P Global*).
- The equity markets were mixed in April. The US market (Russell 3000) and Non-US Developed markets (MSCI World ex-USA) were down 4.40% and 2.65%, respectively. The emerging markets were up 0.45%.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was down 2.53% in April.



ECONOMY

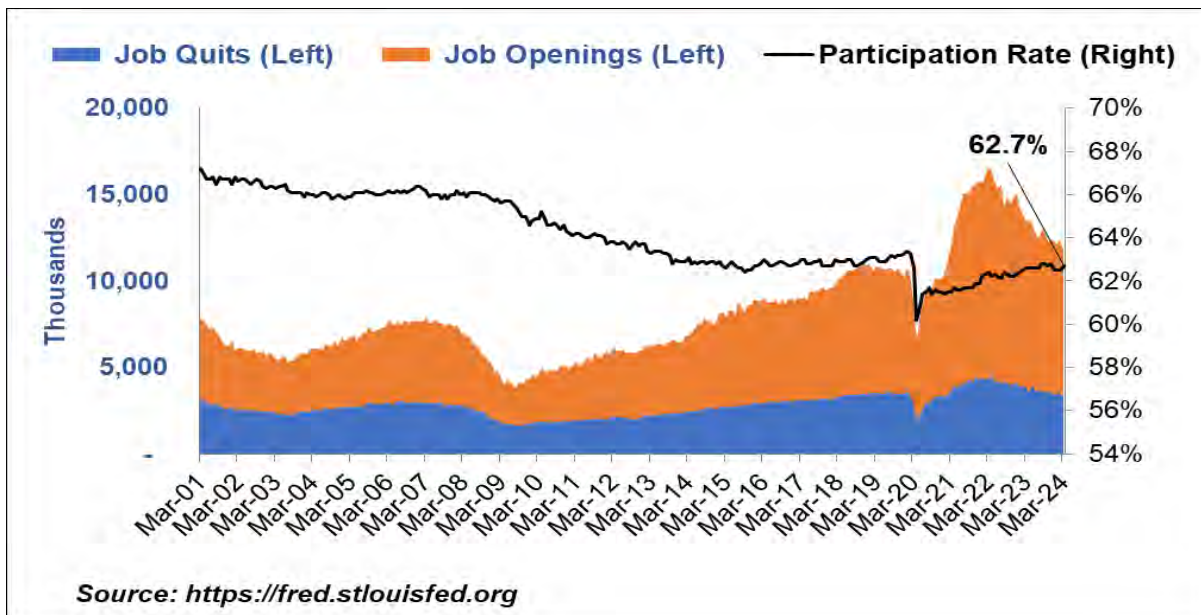
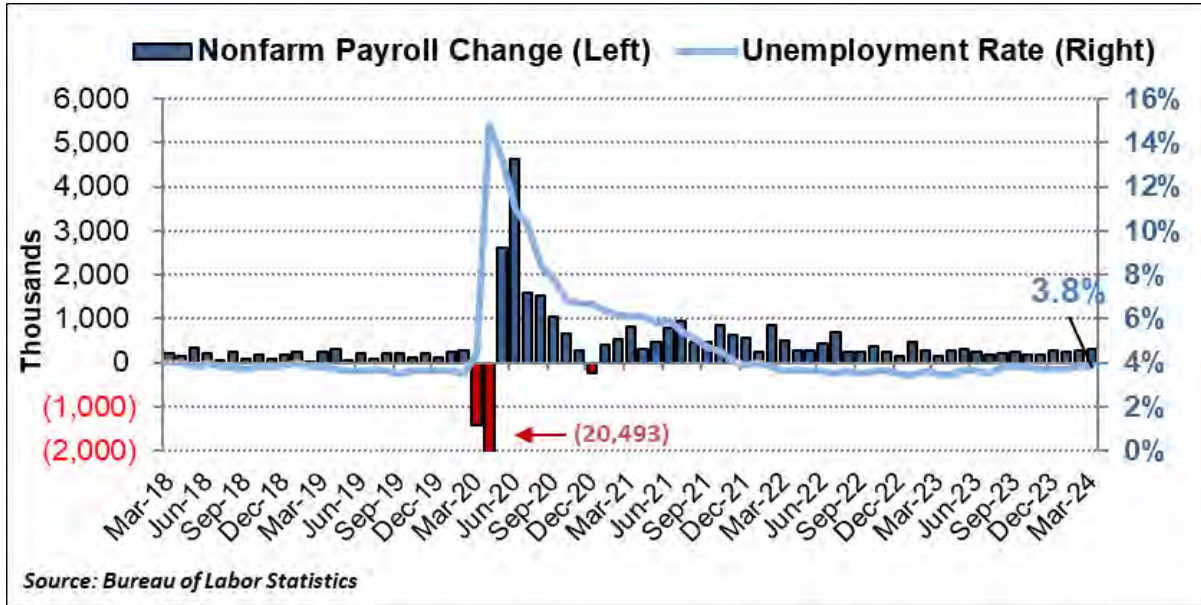
US Real Gross Domestic Product





ECONOMY

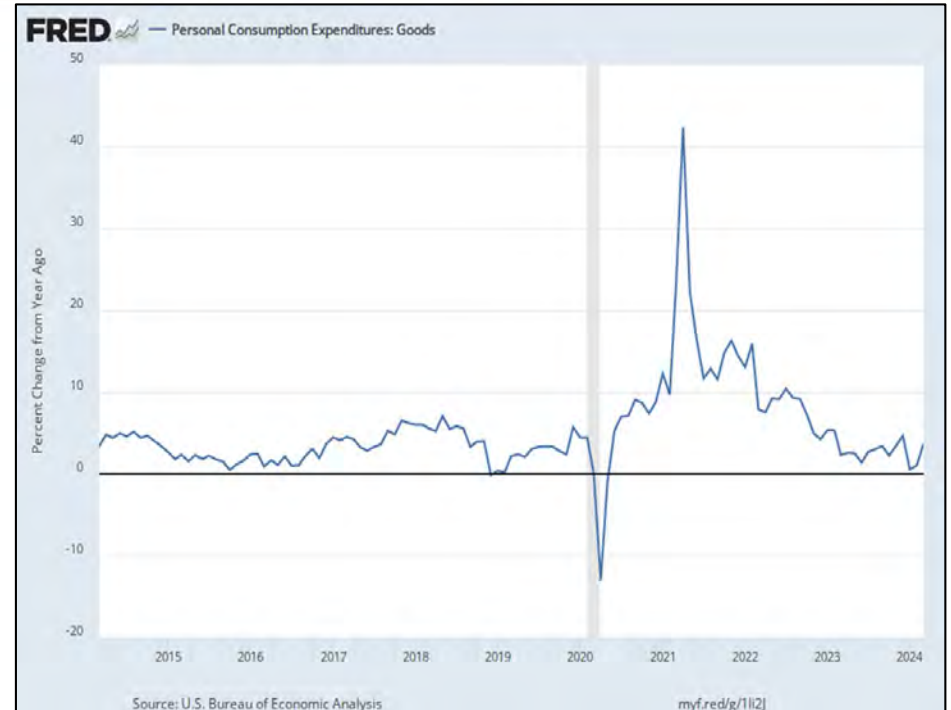
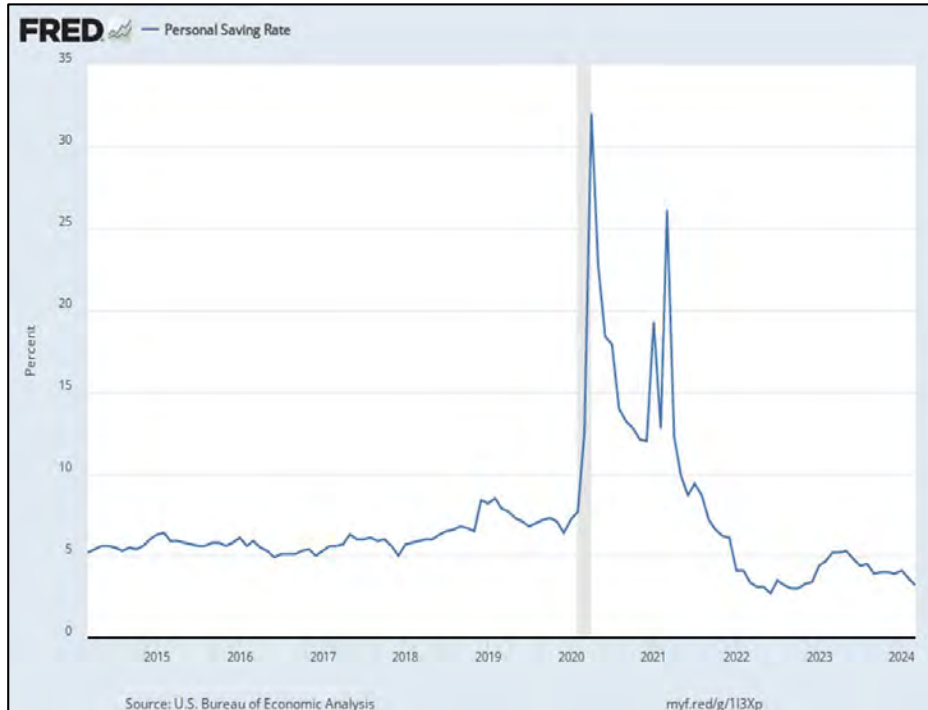
US Labor Market





ECONOMY

Personal Savings Rate & Personal Expenditures: Goods



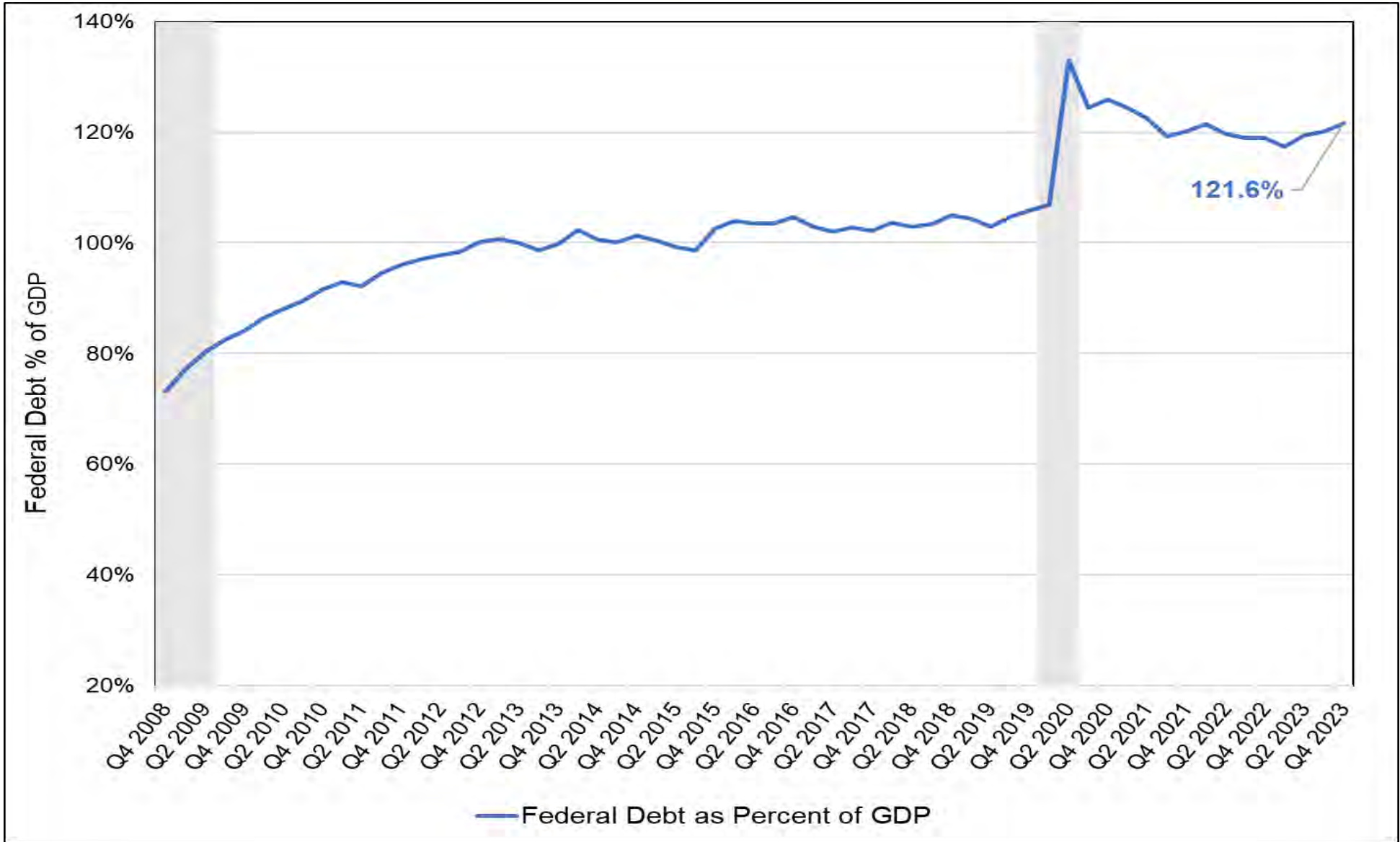
Date	Annual Personal Savings Rate
Jun-20	18.4%
Jun-21	8.7%
Jun-22	2.7%
Jun-23	4.8%
Mar-24	3.2%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-20	5.3%
Jun-21	16.3%
Jun-22	9.1%
Jun-23	1.4%
Mar-24	3.6%



ECONOMY

Federal Debt as Percent of GDP

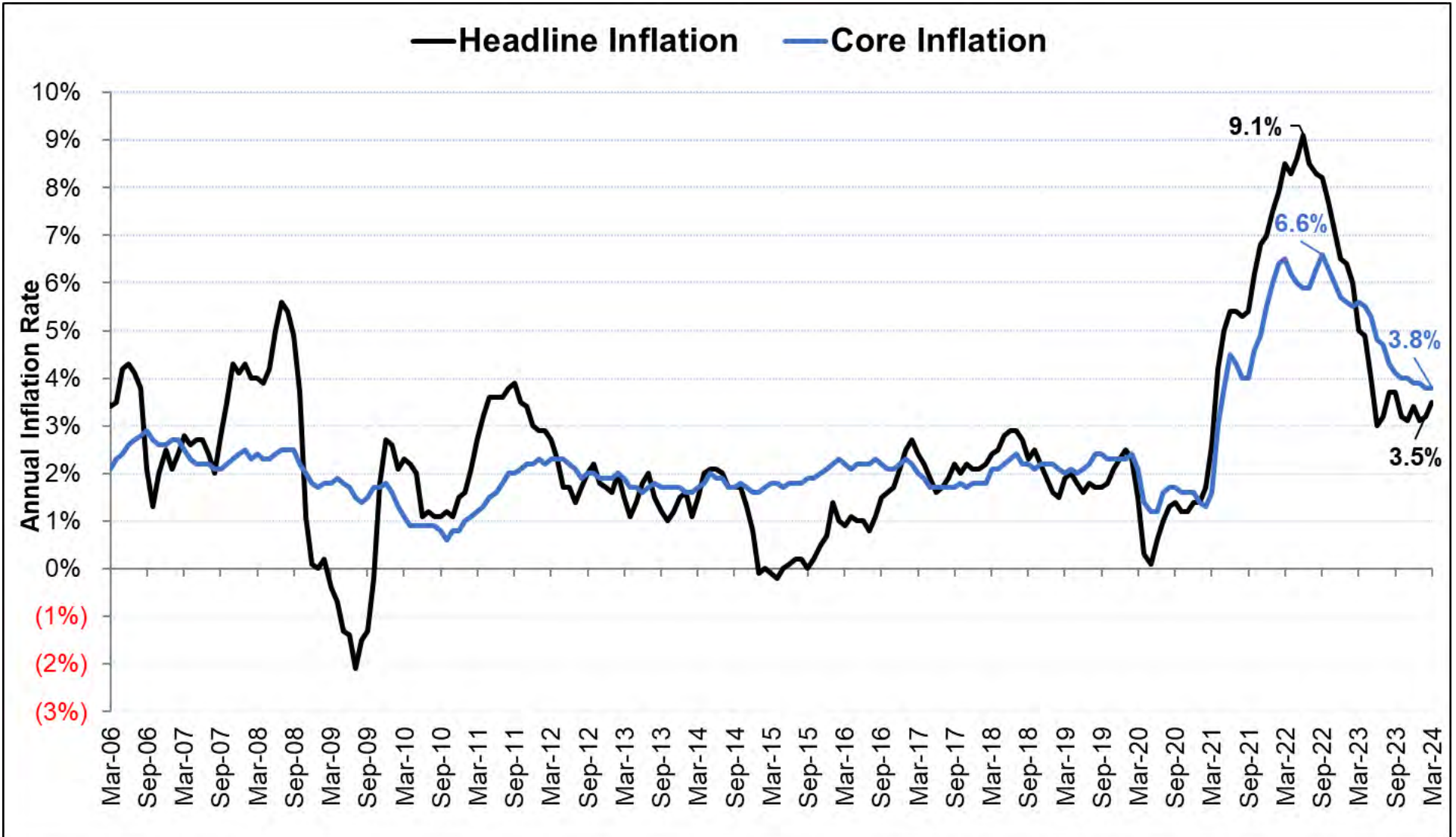


Source: FRED, U.S. Office of Management and Budget



ECONOMY

US Inflation

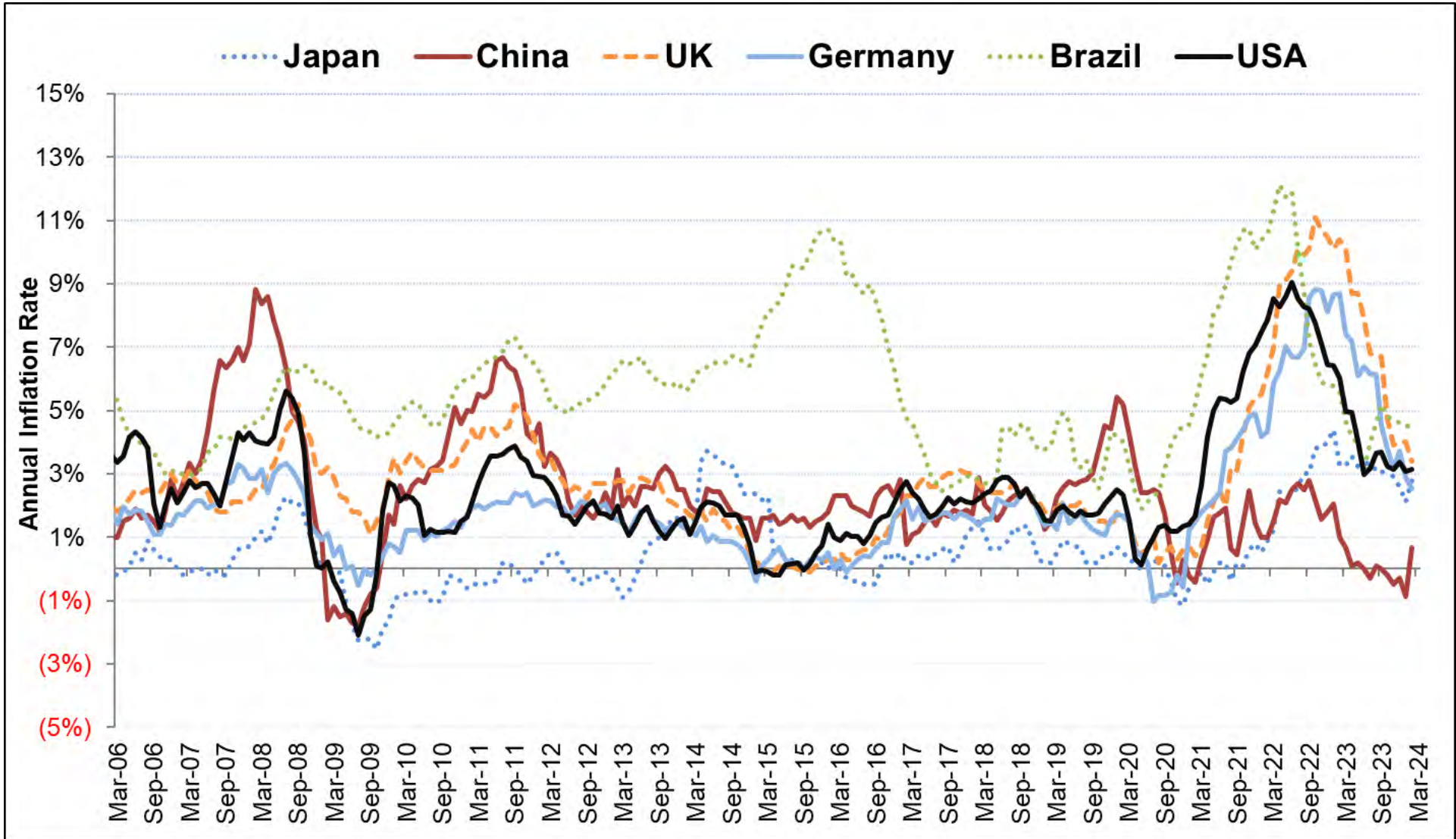


Source: Bureau of Labor Statistics



ECONOMY

Global Headline Inflation



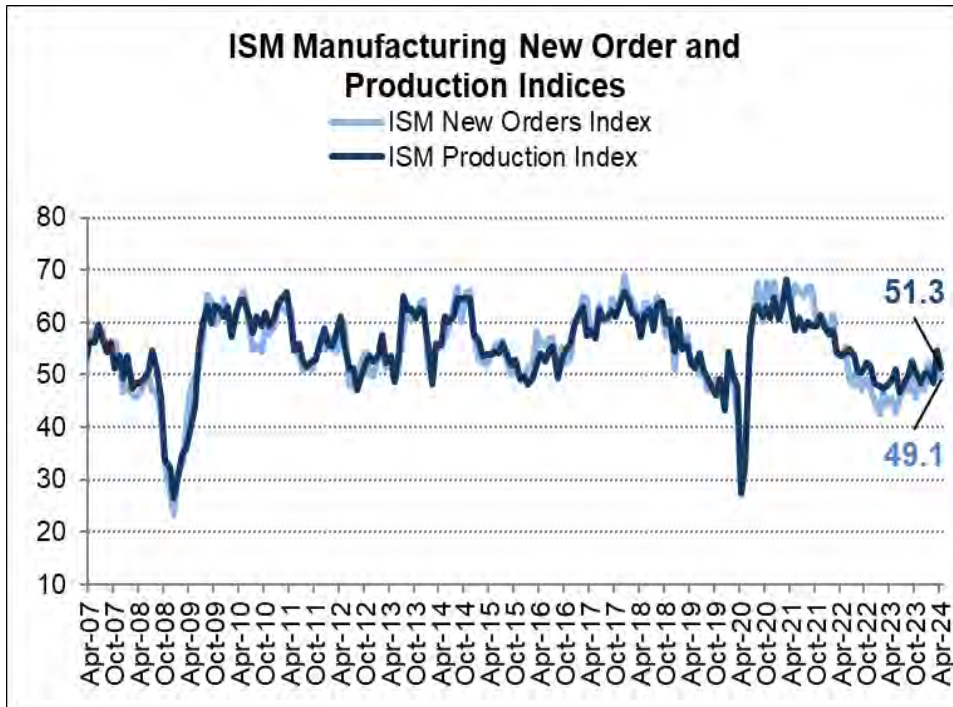
	Japan	China	UK	Germany	Brazil	USA
Mar-24	2.7	0.1	3.2	2.2	3.9	3.5

Sources: www.ons.gov.uk, www.oecd.org, www.inflation.eu, and www.tradingeconomics.com



ECONOMY

US & Global Manufacturing Activities

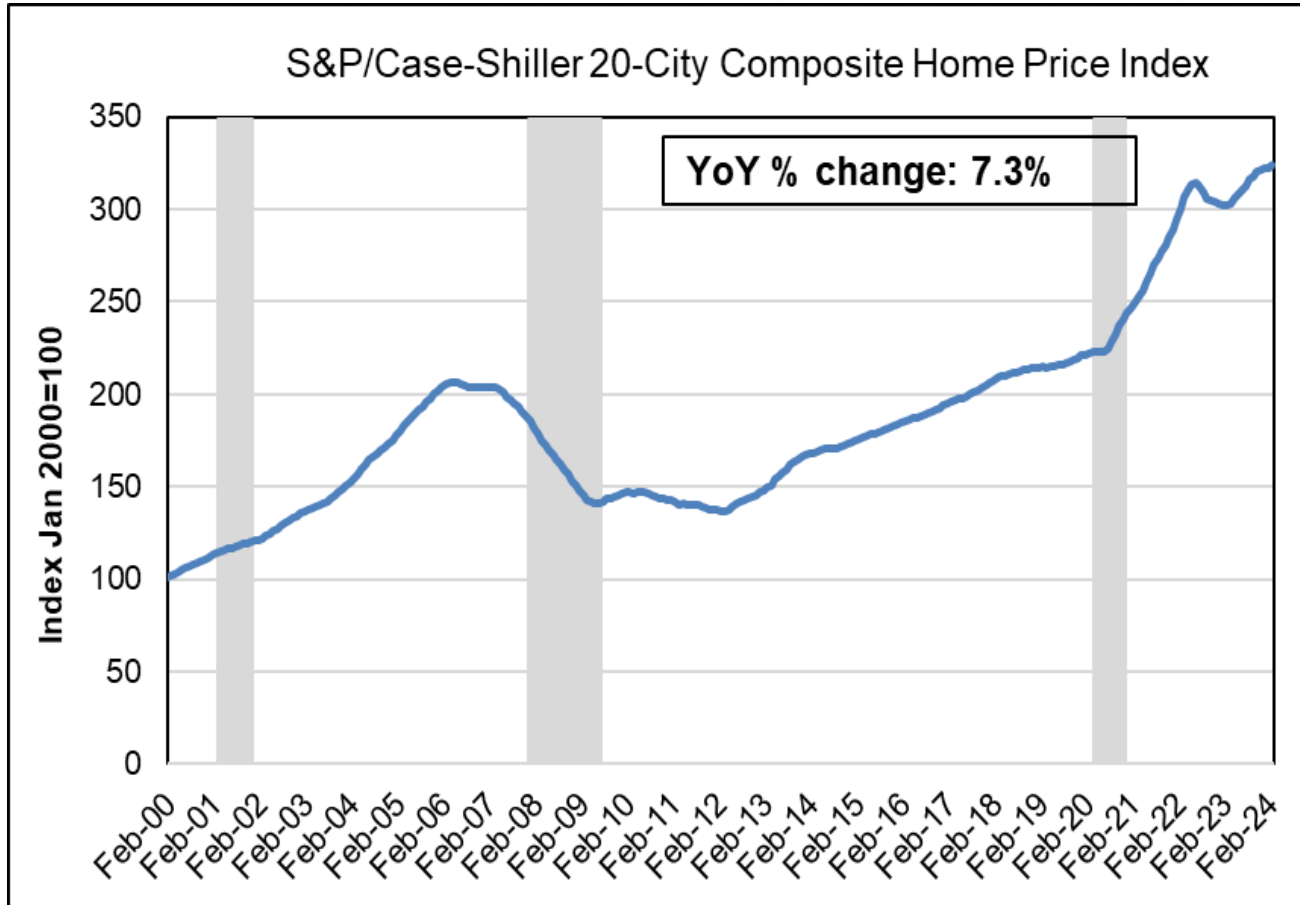


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™
 Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



ECONOMY

US Housing Market

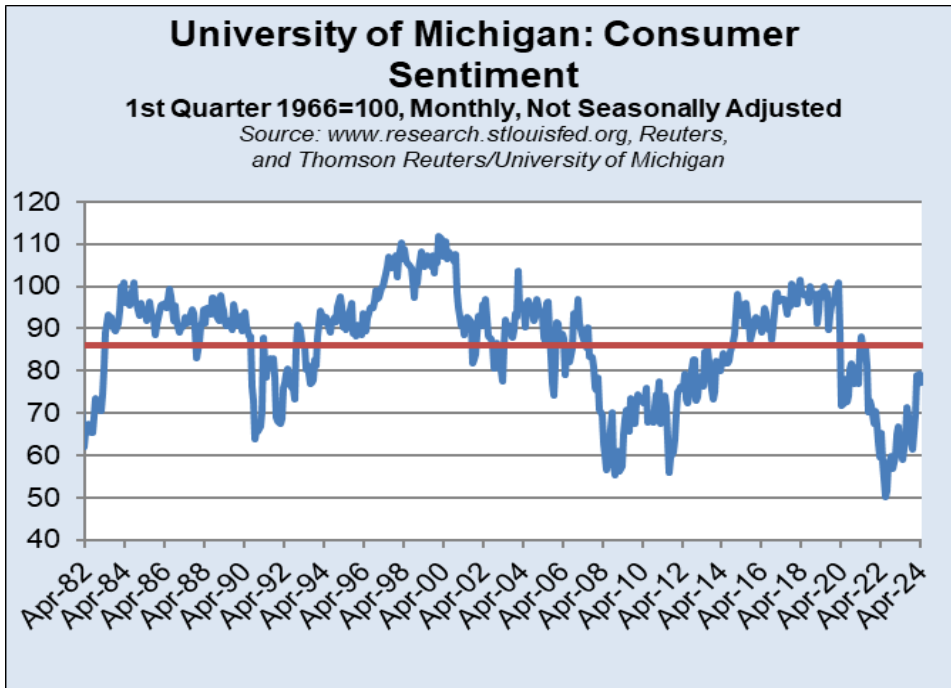


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-20	224.88
Jul-21	269.66
Jul-22	312.69
Jul-23	313.05
Feb-24	324.31



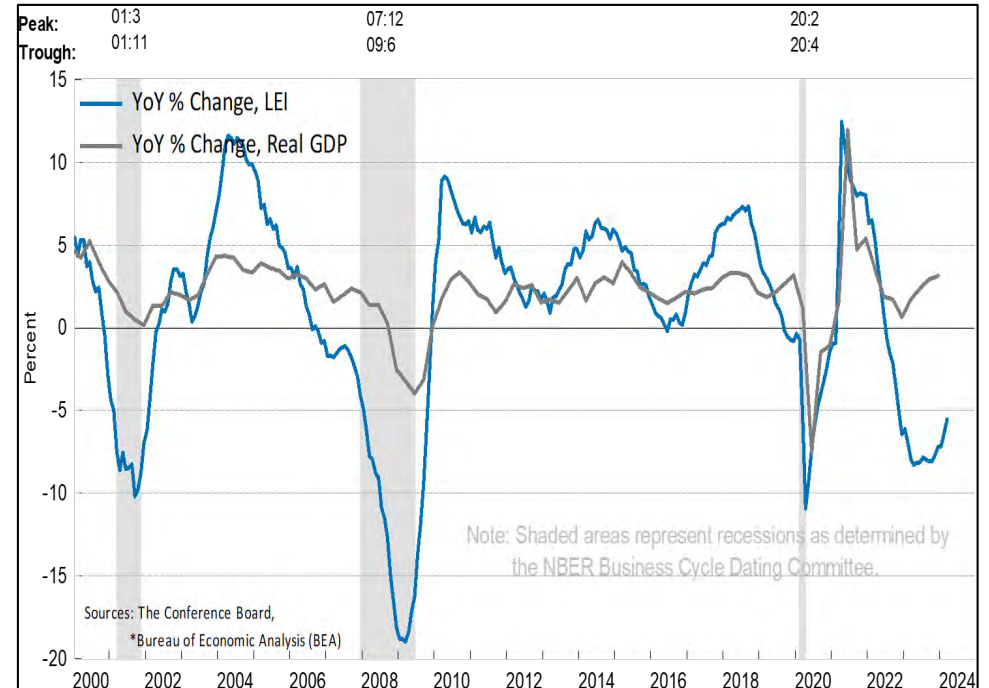
ECONOMY

Consumer Sentiment



Index of Consumer Sentiment				
Mar-24	Apr-24	Apr-23	M-M Change	Y-Y Change
79.4	77.2	63.7	-2.8%	21.2%

The Leading Economic Index (LEI)



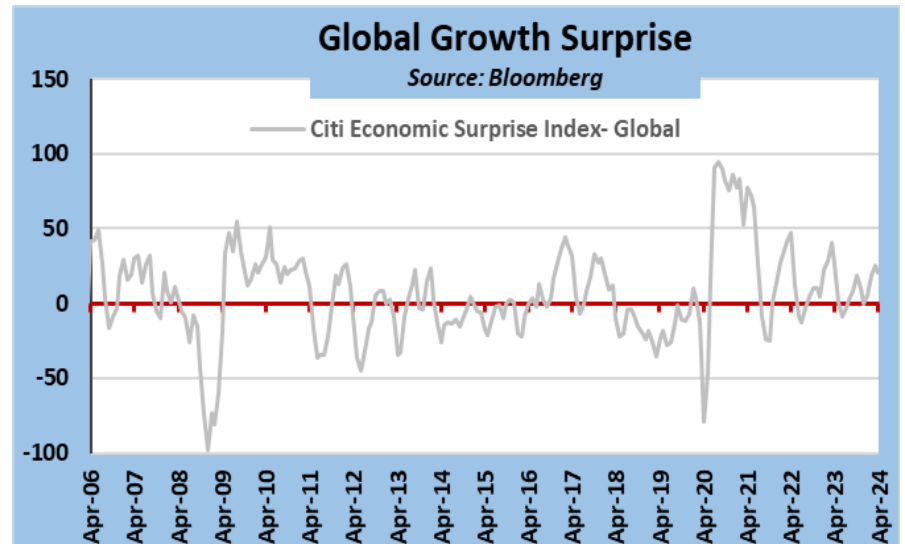
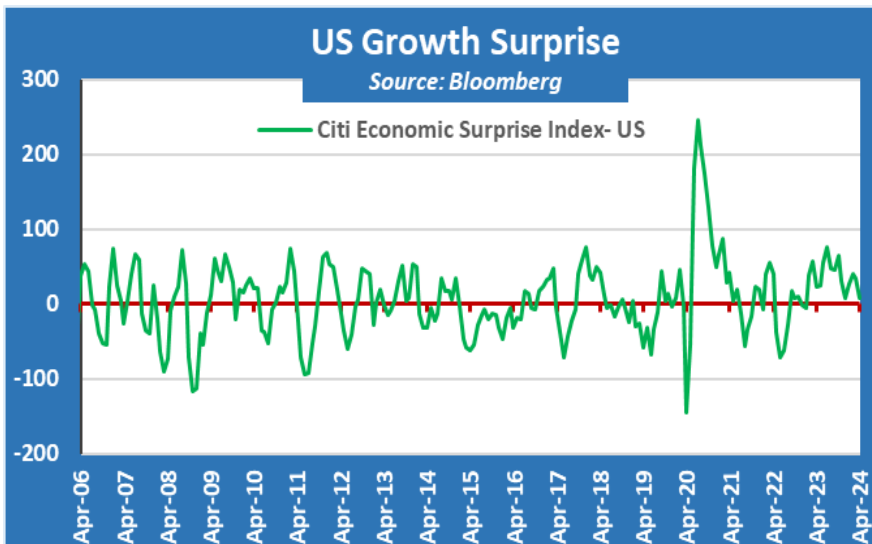
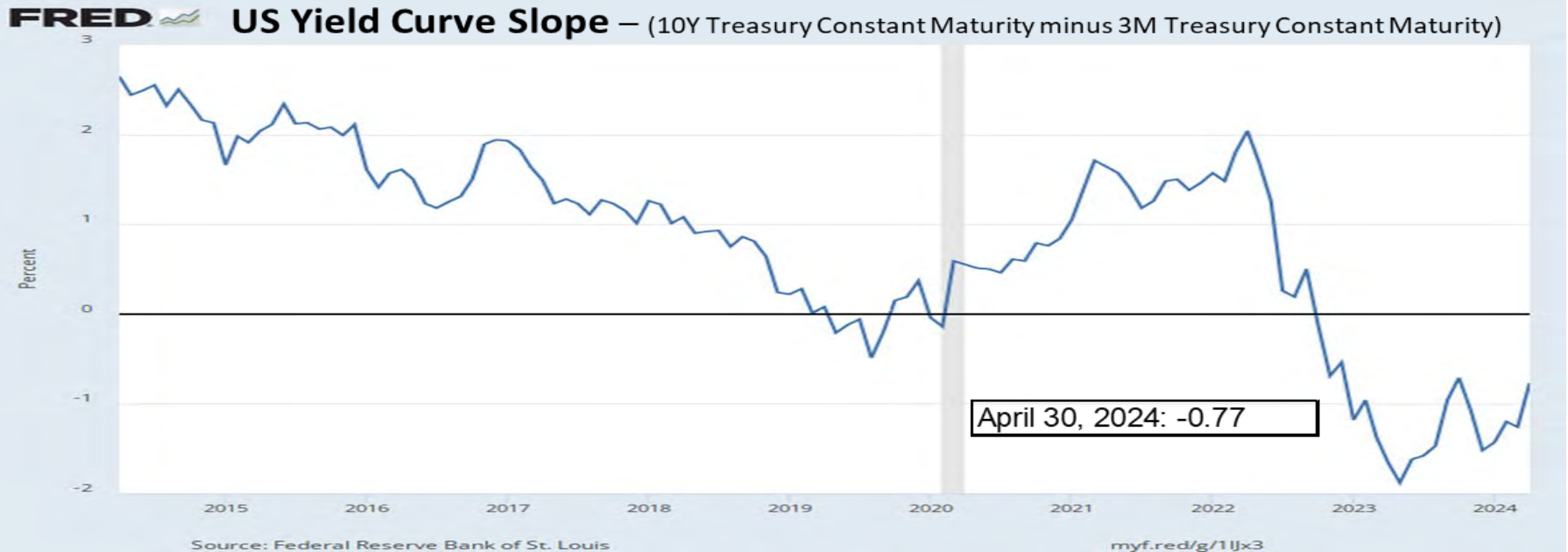
Shaded areas represent US recessions

Index	Feb-24	Mar-24	Month -Month Percent Change	6-Month Percent Change (Sep-Mar)
LEI	102.7 r	102.4 p	-0.3	-2.2

p Preliminary; r Revised; Indexes equal 100 in 2016

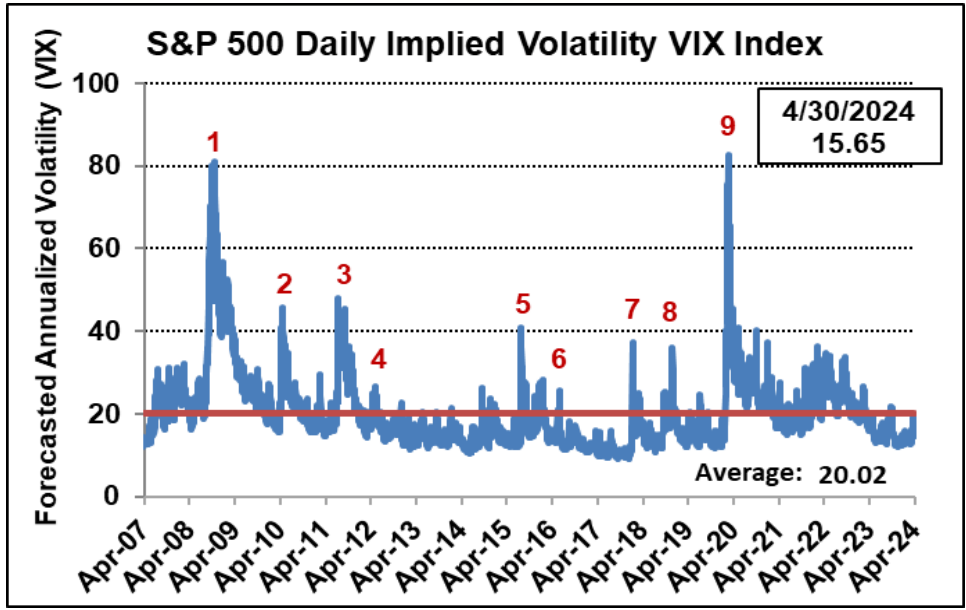
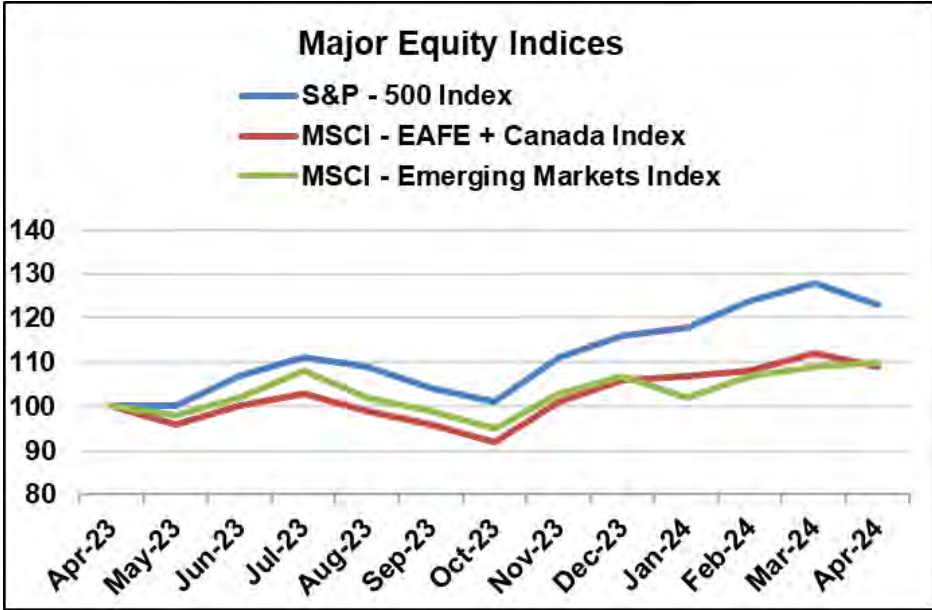


ECONOMY





MARKETS Equity

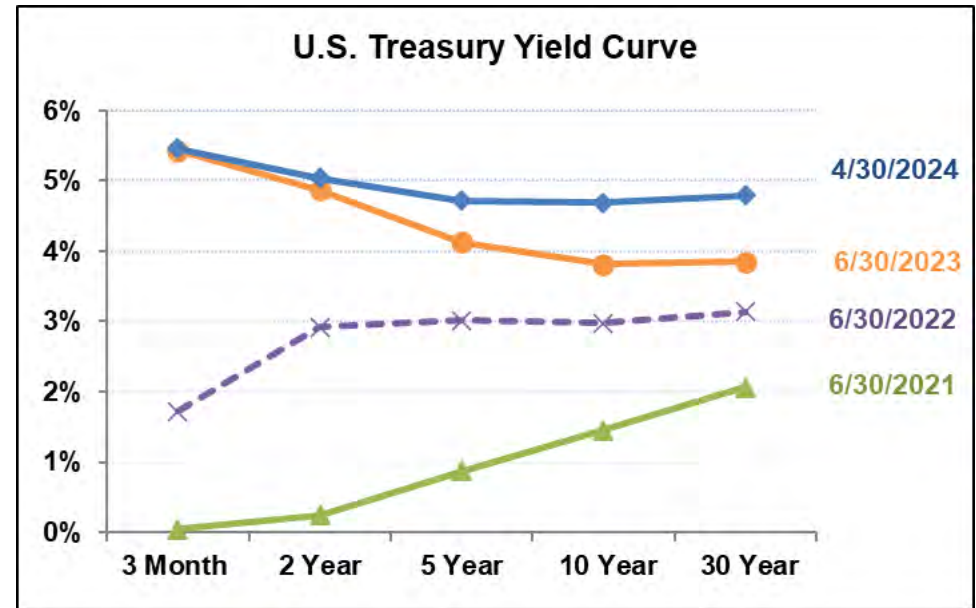
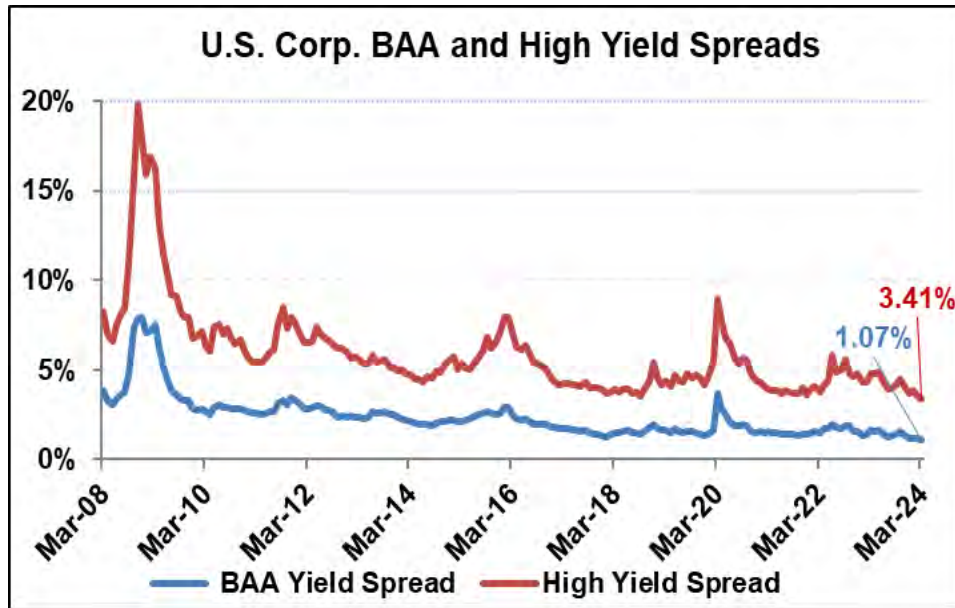


	Return as of 4/30/2024	
	1 Year	FYTD
S&P 500 Index	22.66	14.56
MSCI - EAFE + Canada Index	9.14	8.93
MSCI - Emerging Markets Index	9.88	7.67

- 1 2008 (Nov.) Financial Crisis S&P 500: -48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%



MARKETS Fixed Income





MARKETS Foreign Exchange



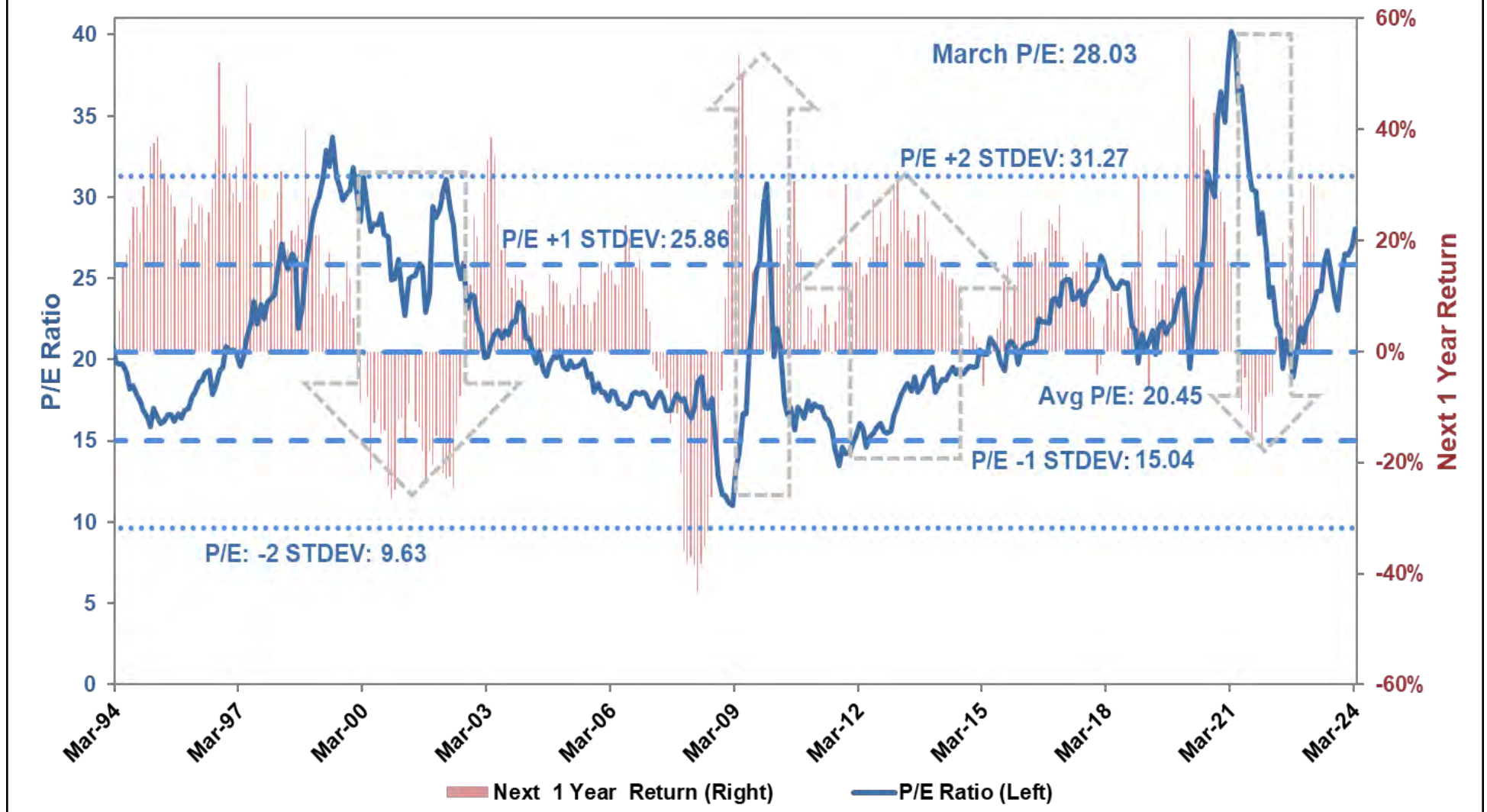
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-20	1.12
June-21	1.18
June-22	1.05
June-23	1.09
April 26, 2024	1.07

Date	Nominal Broad U.S. Dollar Index Index January 2006=100
June-20	120.86
June-21	112.85
June-22	121.05
June-23	119.89
April 26, 2024	123.30



VALUATION US Equity

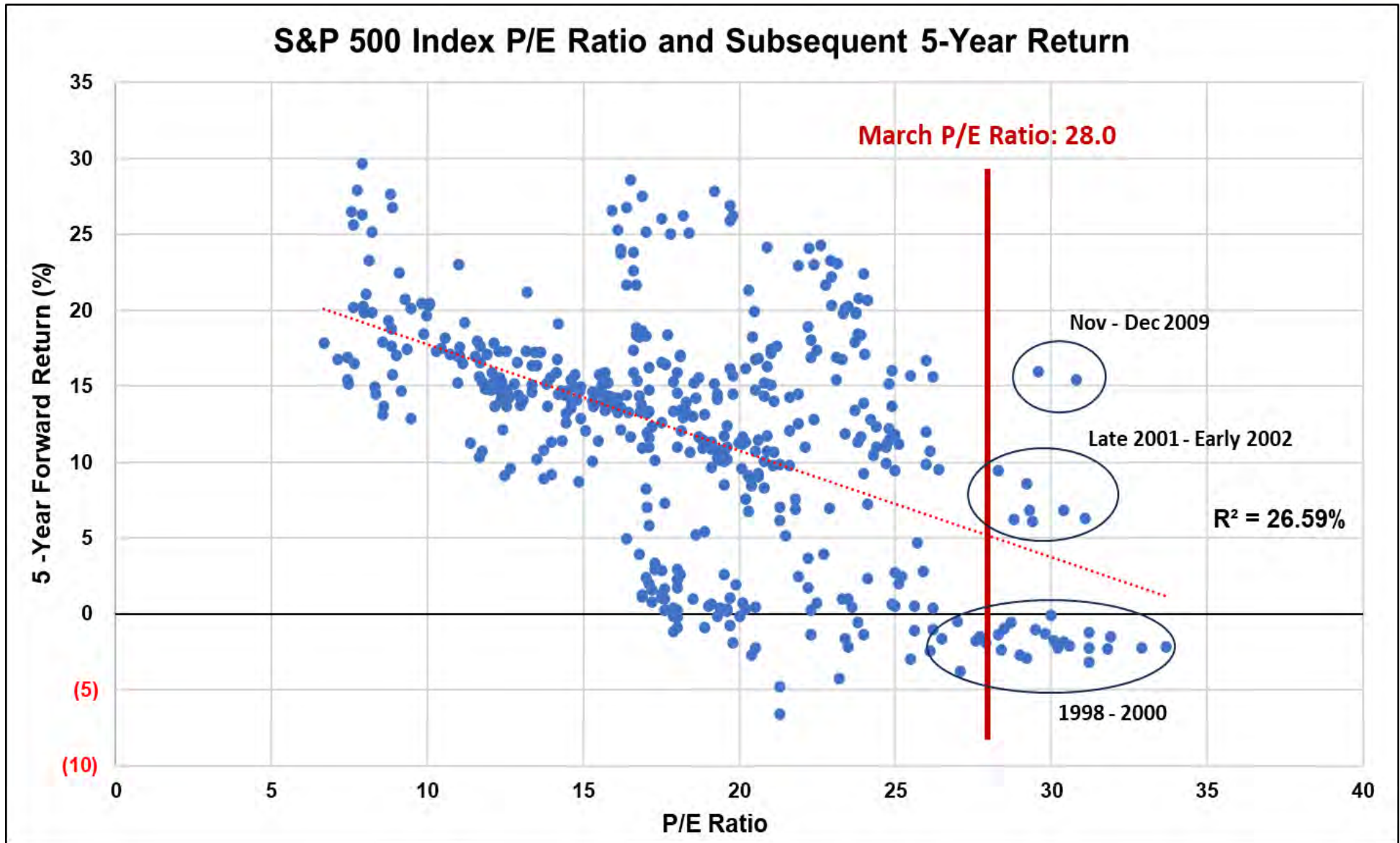
S&P 500 Index P/E Ratio and Next 1 Year Returns





VALUATION

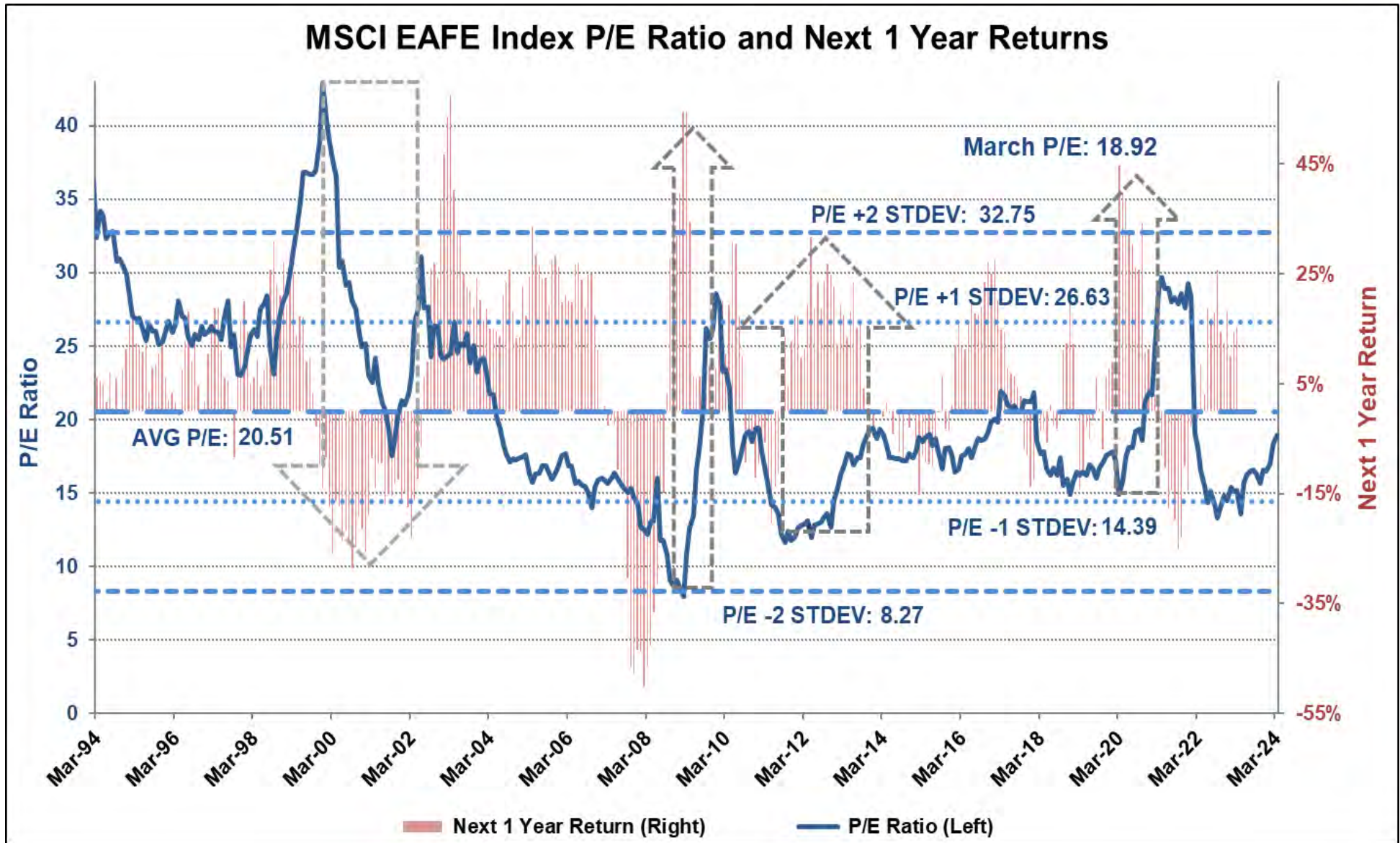
US Equity





VALUATION

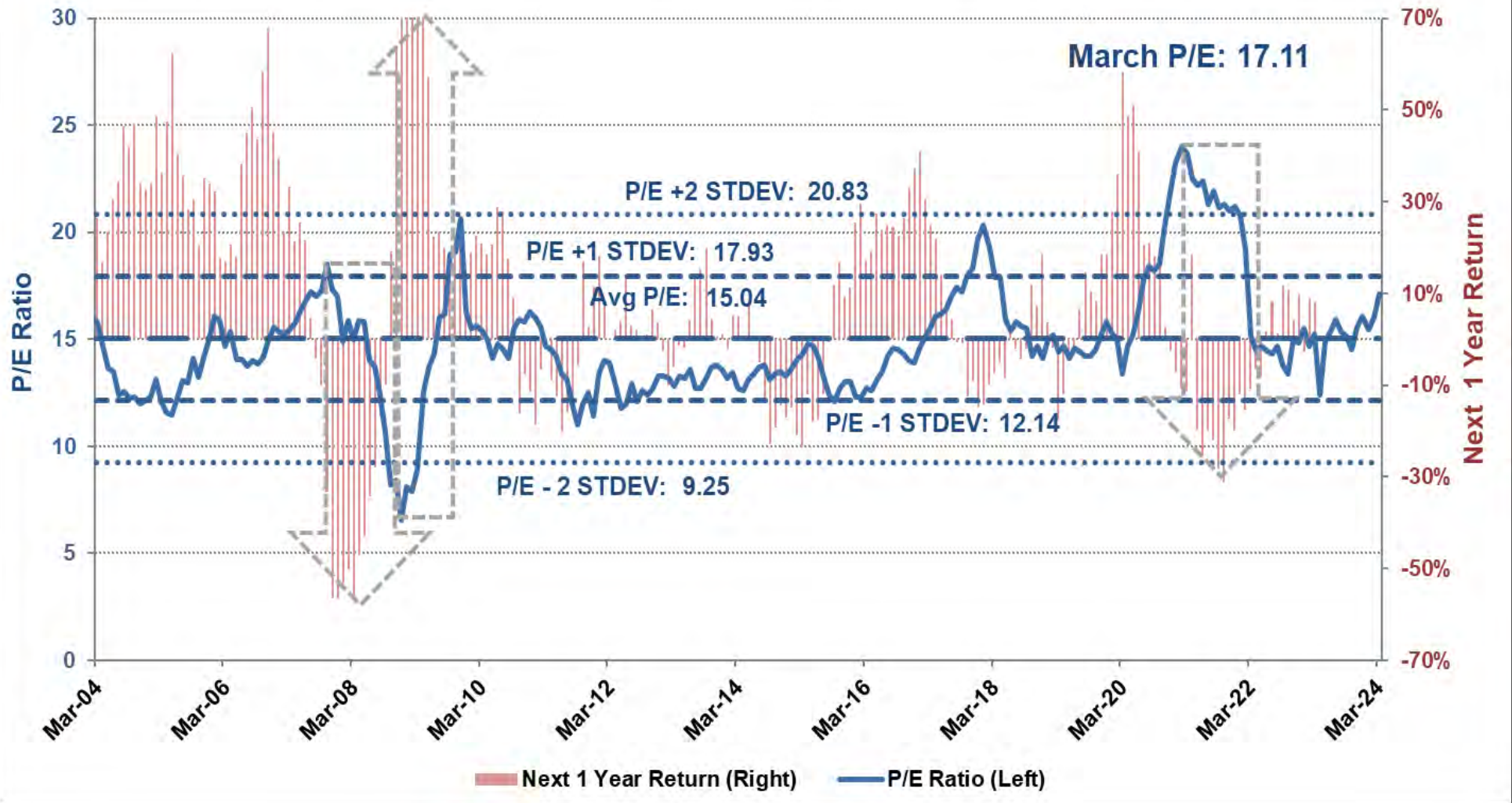
Non US Developed Market Equity





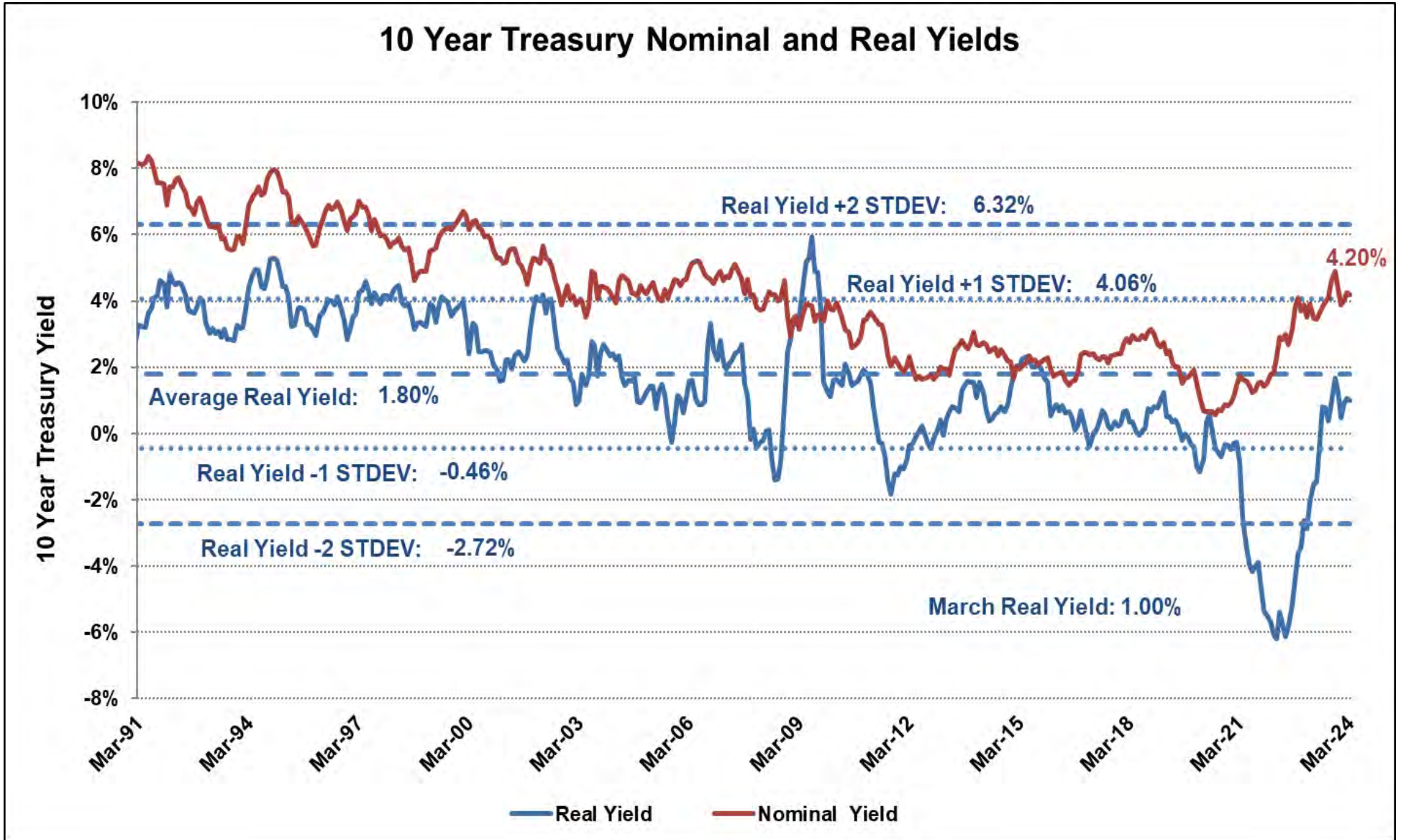
VALUATION Emerging Market Equity

MSCI Emerging Markets Index P/E Ratio and Next 1 Year Returns





VALUATION US Treasury Bonds





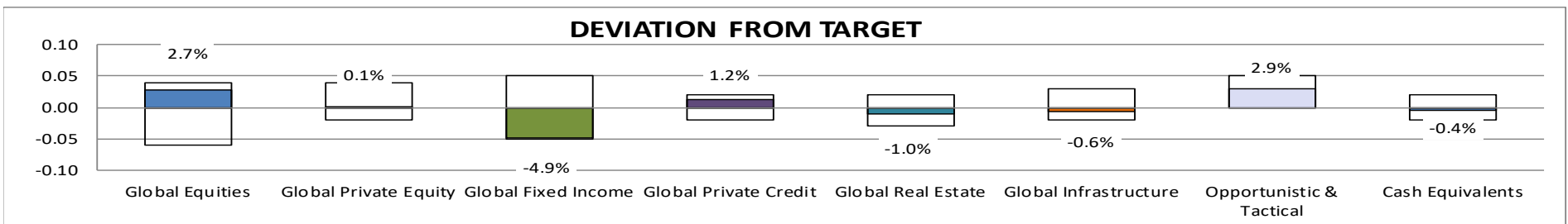
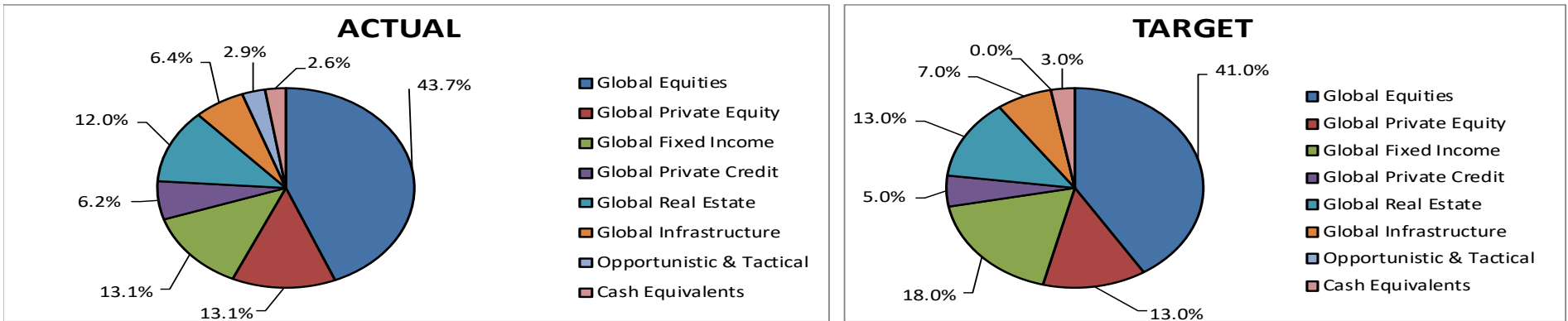
SERS' Investment Portfolios Review



Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
Global Equities	8,208,911,098	43.7%	41.0%	35% - 45%
Global Private Equity	2,449,013,336	13.1%	13.0%	11% - 17%
Global Fixed Income	2,456,831,316	13.1%	18.0%	13% - 23%
Global Private Credit	1,162,935,503	6.2%	5.0%	3% - 7%
Global Real Estate	2,248,602,406	12.0%	13.0%	10% - 15%
Global Infrastructure	1,203,146,004	6.4%	7.0%	5% - 10%
Opportunistic & Tactical	547,804,295	2.9%	0.0%	0% - 5%
Cash Equivalents	487,793,548	2.6%	3.0%	1% - 5%
Short-Term	410,536,964	2.2%	2.0%	
Russell EA Overlay	31,980,372	0.2%	0.0%	
Direct Rebalance Overlay	6,953,632	0.0%	0.0%	
Transition / Operational Account	827,098	0.0%	0.0%	
Currency Overlay	37,494,886	0.2%	0.0%	
SERS Cash	596	0.0%	0.0%	
Total Fund	18,765,037,507	100.0%	100.0%	

Source: BNY Mellon GRS





Total Fund Change in Net Assets

CHANGE IN NET ASSETS

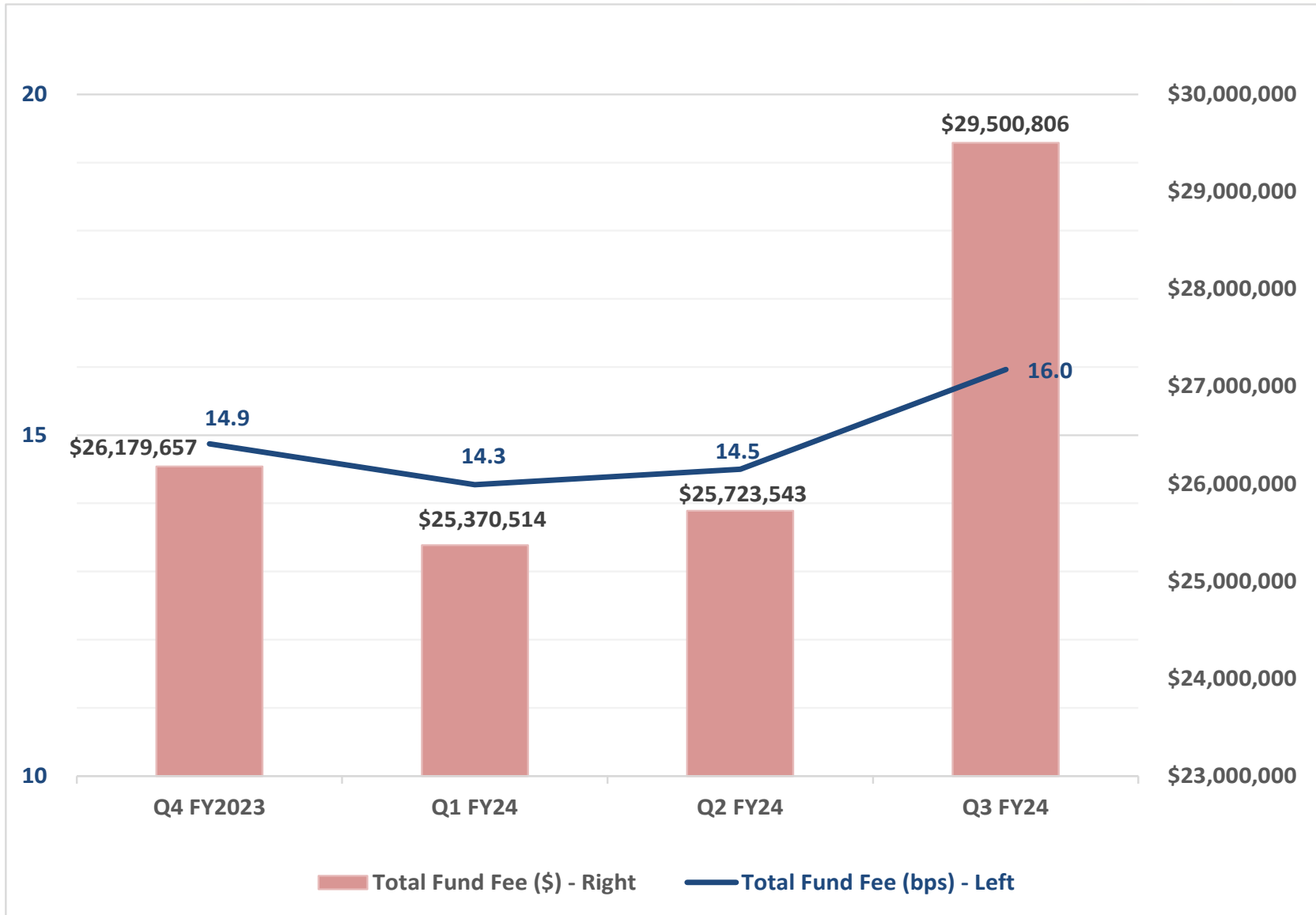
	<i>vs. One Year Ago, since 04/01/2023</i>	<i>vs. Three Years Ago, since 04/01/2021</i>
Beginning Market Value	17,490,120,924	17,858,206,497
Gain/Loss	1,964,432,562	2,257,416,677
Expenses	(109,515,978)	(215,585,666)
Net Transfer	(580,000,000)	(1,135,000,000)
End of Period Market Value	18,765,037,507	18,765,037,507

**Sources of Net Transfer*

<i>Dividends/Interest</i>	<i>253,090,590</i>
<i>Net Distributions</i>	<i>326,909,410</i>
<i>Cash on Hand</i>	<i>Not Required</i>



Total Fund Fees by Quarter

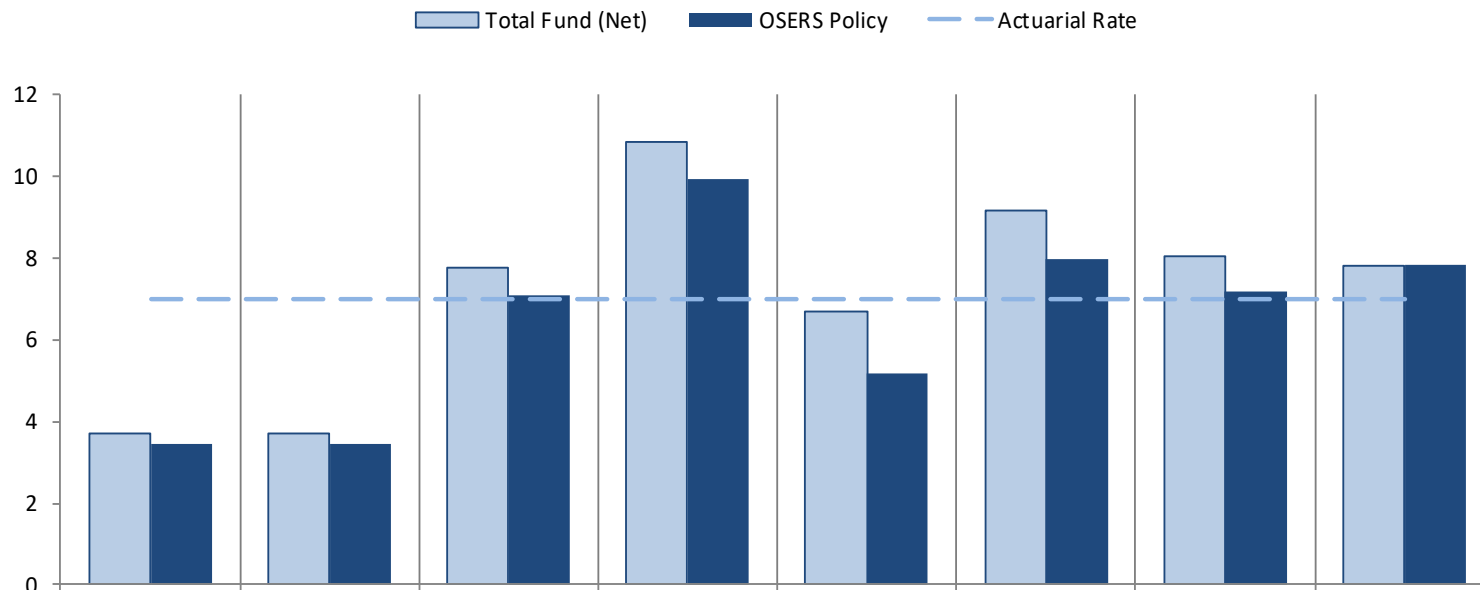




Total Fund Performance

Current Benchmark:

41% MSCI ACWI (Net Dividends)
 13.00% Burgiss All Private Equity
 benchmark (1q lag) (BAPE)
 18.00% Bloomberg Aggregate Bond
 13.00% NCREIF Property (1q lag)
 7.00% Quarterly (4 qtrs.) smoothed CPI
 +1.20% per quarter
 5.00% 90 Day T-Bill (1q lag) + 4.5%
 3.00% FTSE 30 Day T-Bill



Actuarial Rate

(7.0% effective 07/01/2021, adopted 04/15/2021)

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	3.85	3.85	8.35	11.60	7.45	9.86	8.73	8.42
Total Fund (Net)	3.68	3.68	7.77	10.83	6.70	9.16	8.04	7.88
OSERS Policy	3.44	3.44	7.07	9.93	5.17	7.98	7.17	7.82
Value Added (Net of Fee)	0.24	0.24	0.70	0.90	1.53	1.18	0.87	0.06

Estimated Cumulative Net Value Added (\$MM)**	\$44.1	\$44.1	\$124.5	\$158.6	\$851.8	\$1,063.0	\$1,673.4
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Source: BNY Mellon GRS

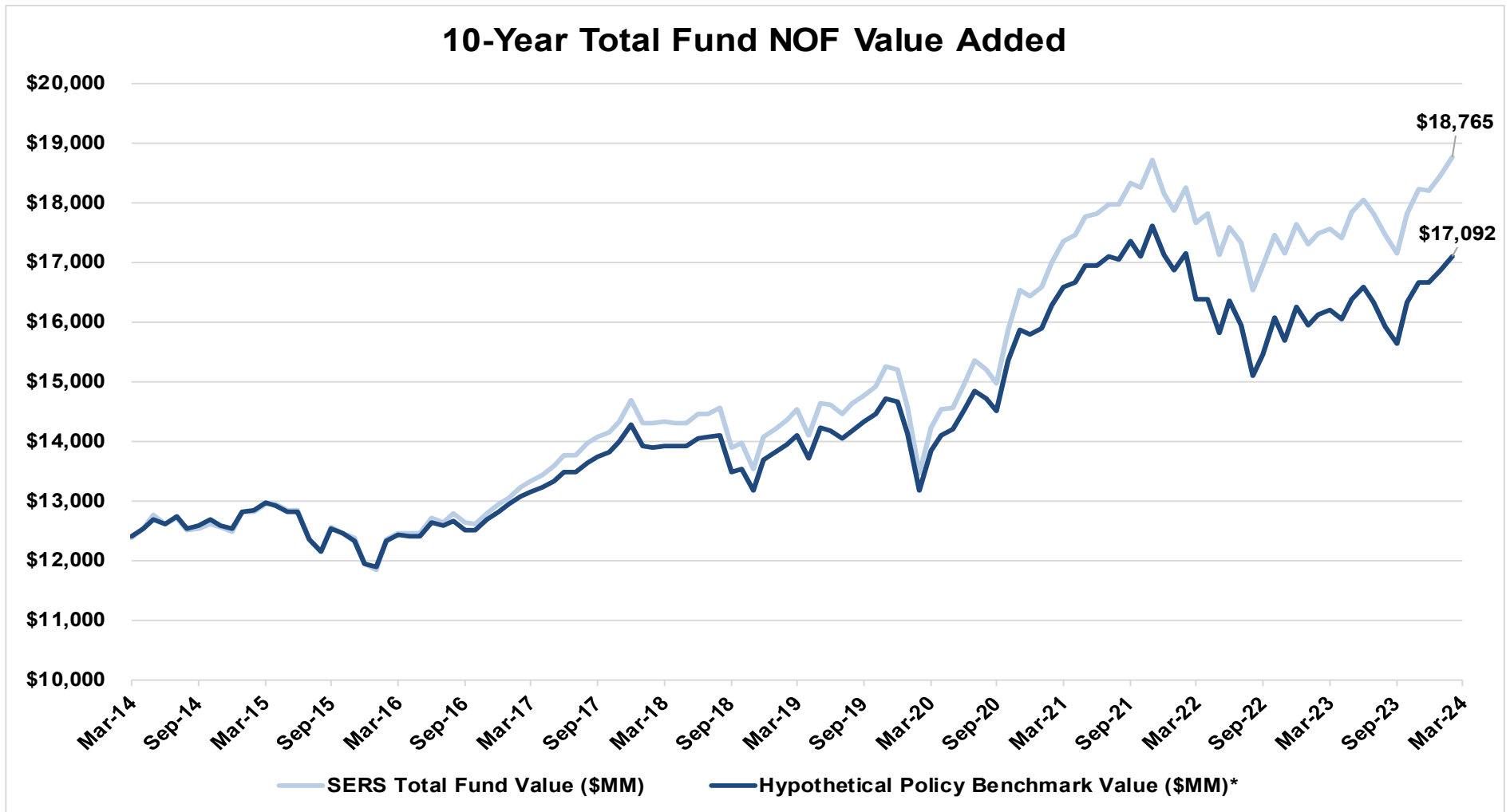
*ITD is Inception date 10/1/1994 (29 years and 6 months)

**For each period, calculated as the difference between the actual change in fund assets and the hypothetical change in fund assets under a benchmark-returns scenario.

**Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.



Total Fund Performance



Source: BNY Mellon GRS

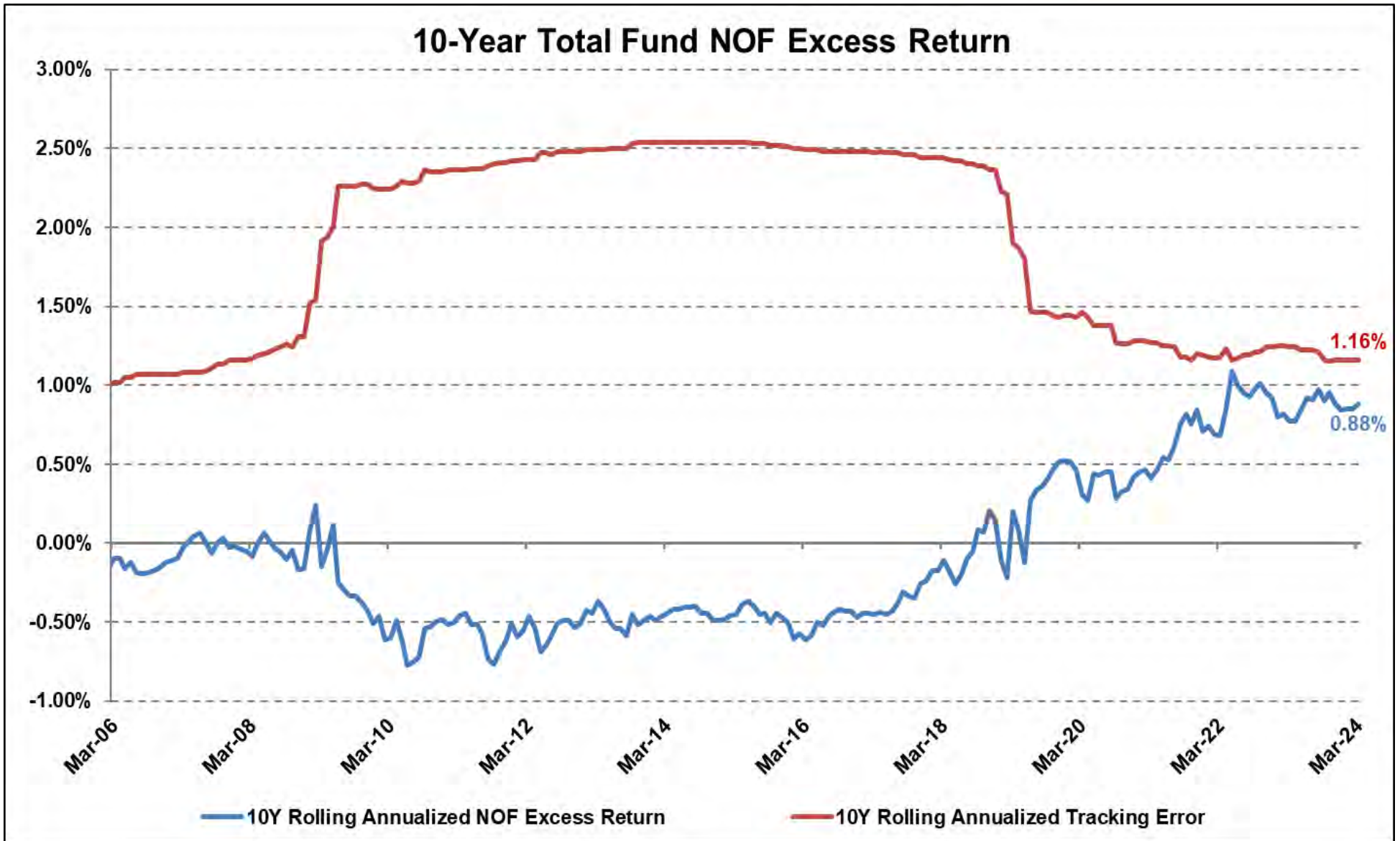
*Calculated as the hypothetical change in fund assets under a policy benchmark-returns scenario.

*Assumes portfolio in benchmark-returns scenario is rebalanced monthly to target weights after deducting calculated net cash flow, with no allowance for fees.



Total Fund Performance

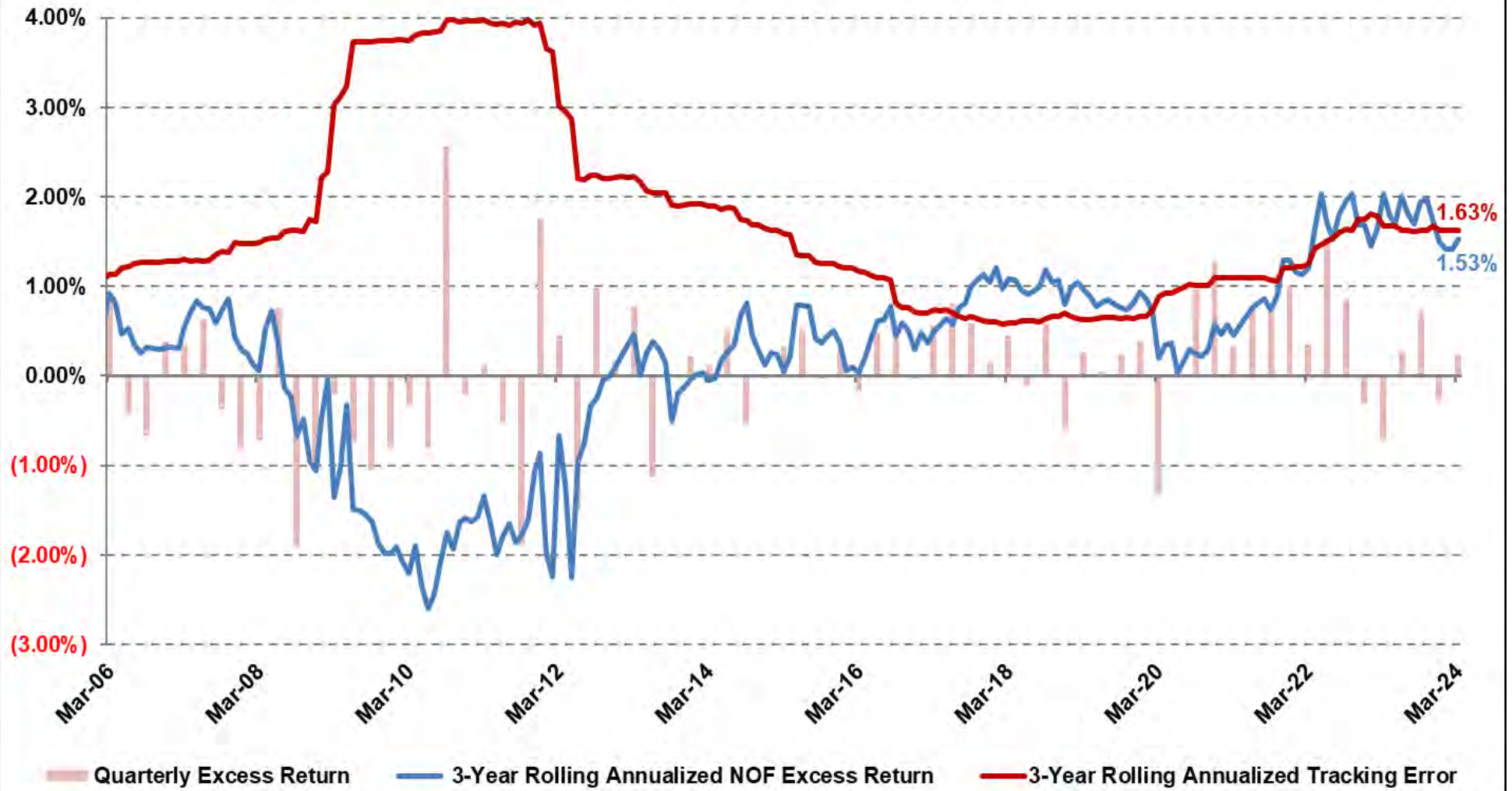
10-Year Total Fund NOF Excess Return





Total Fund Performance

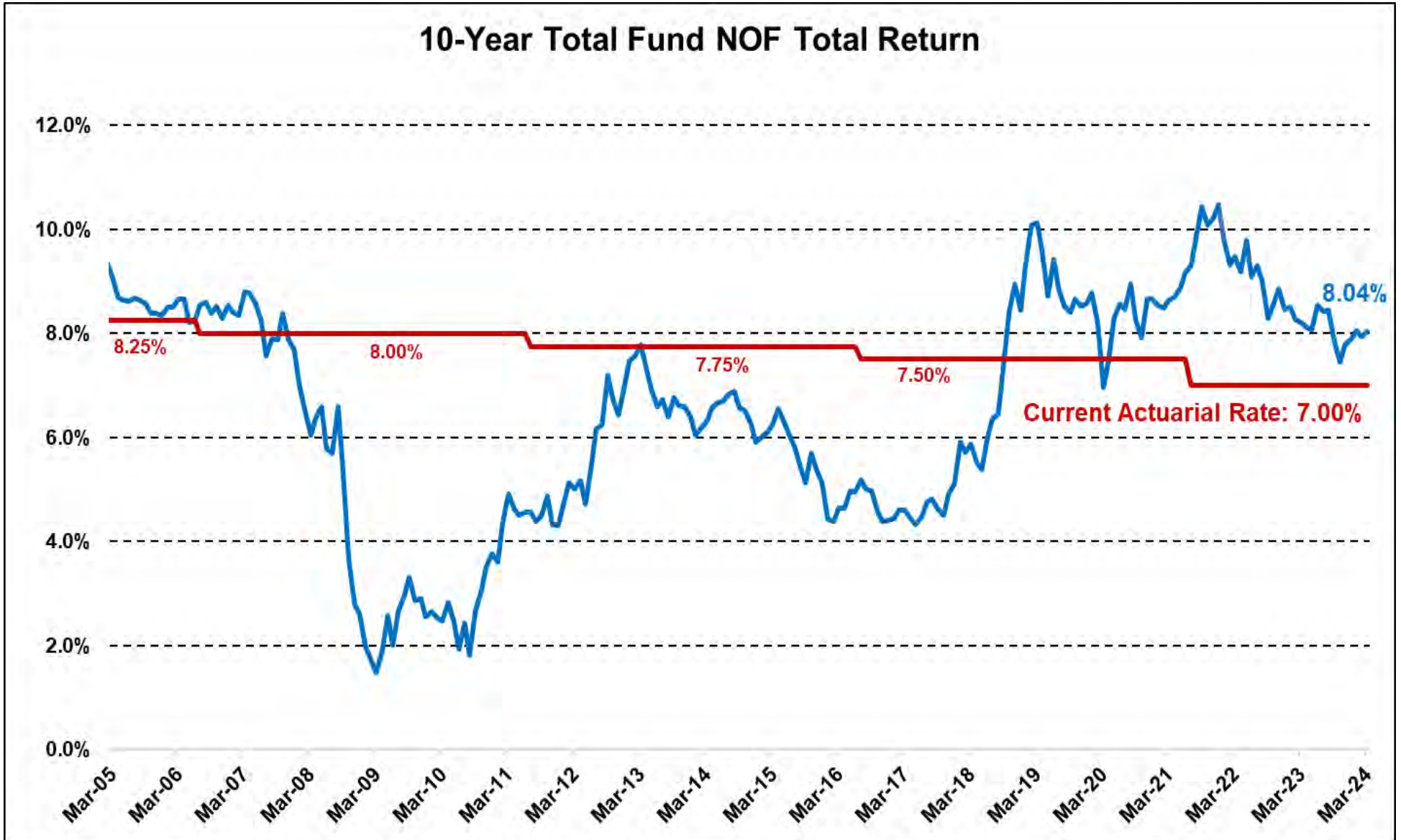
3-Year Total Fund NOF Excess Return





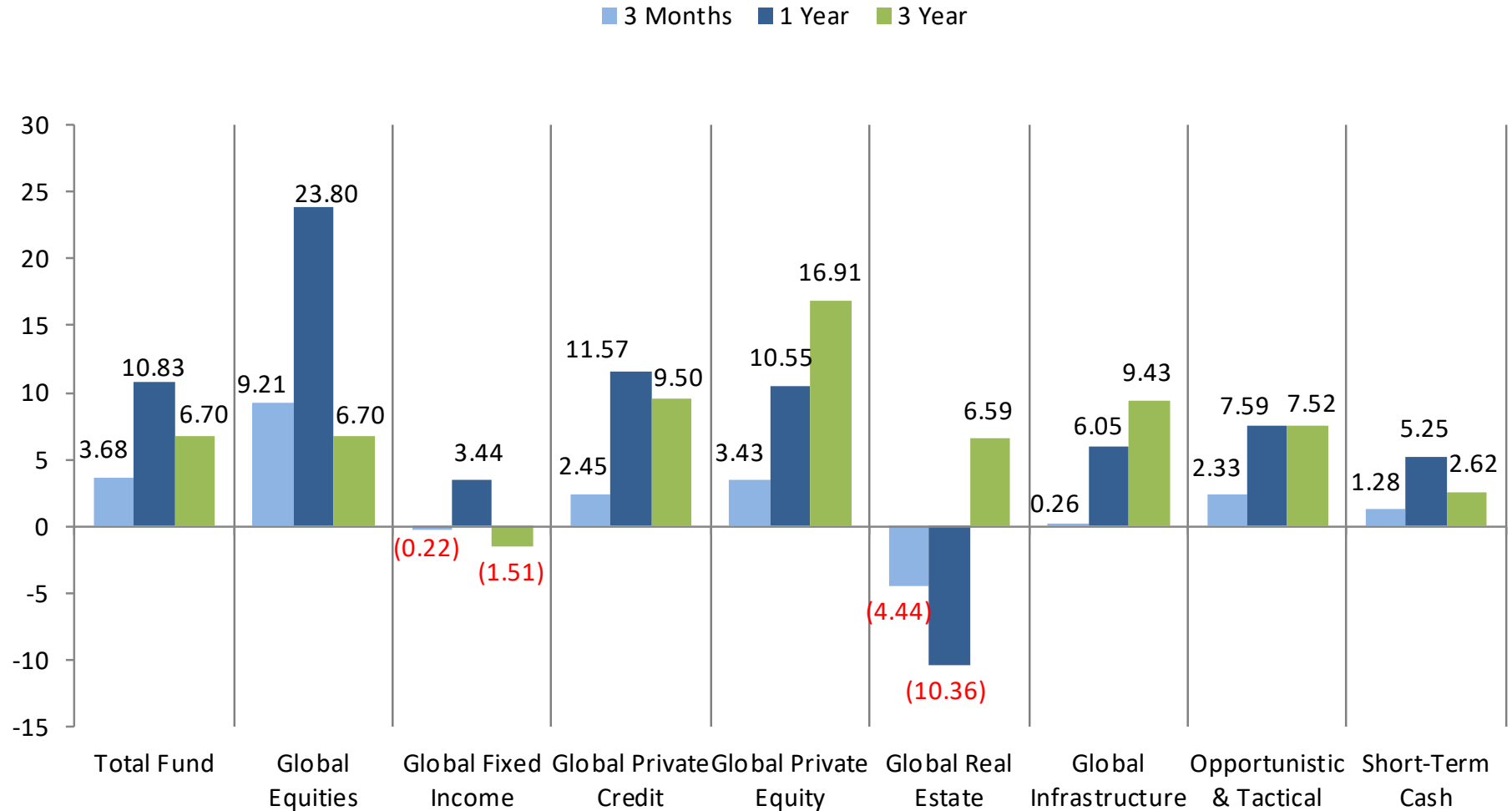
Total Fund Performance

10-Year Total Fund NOF Total Return





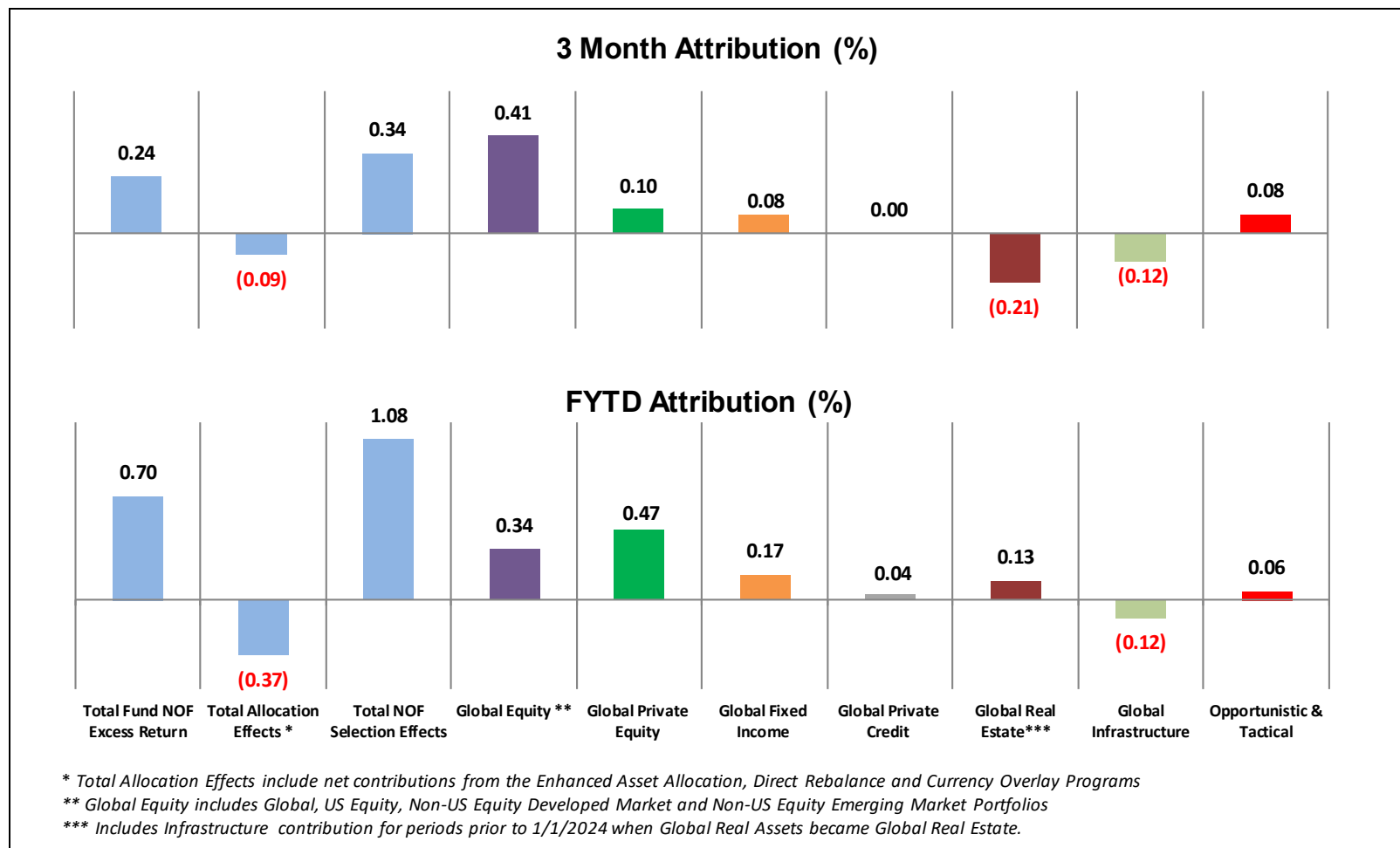
Total Fund and Asset Class Performance (Net)



Source: BNY Mellon GRS

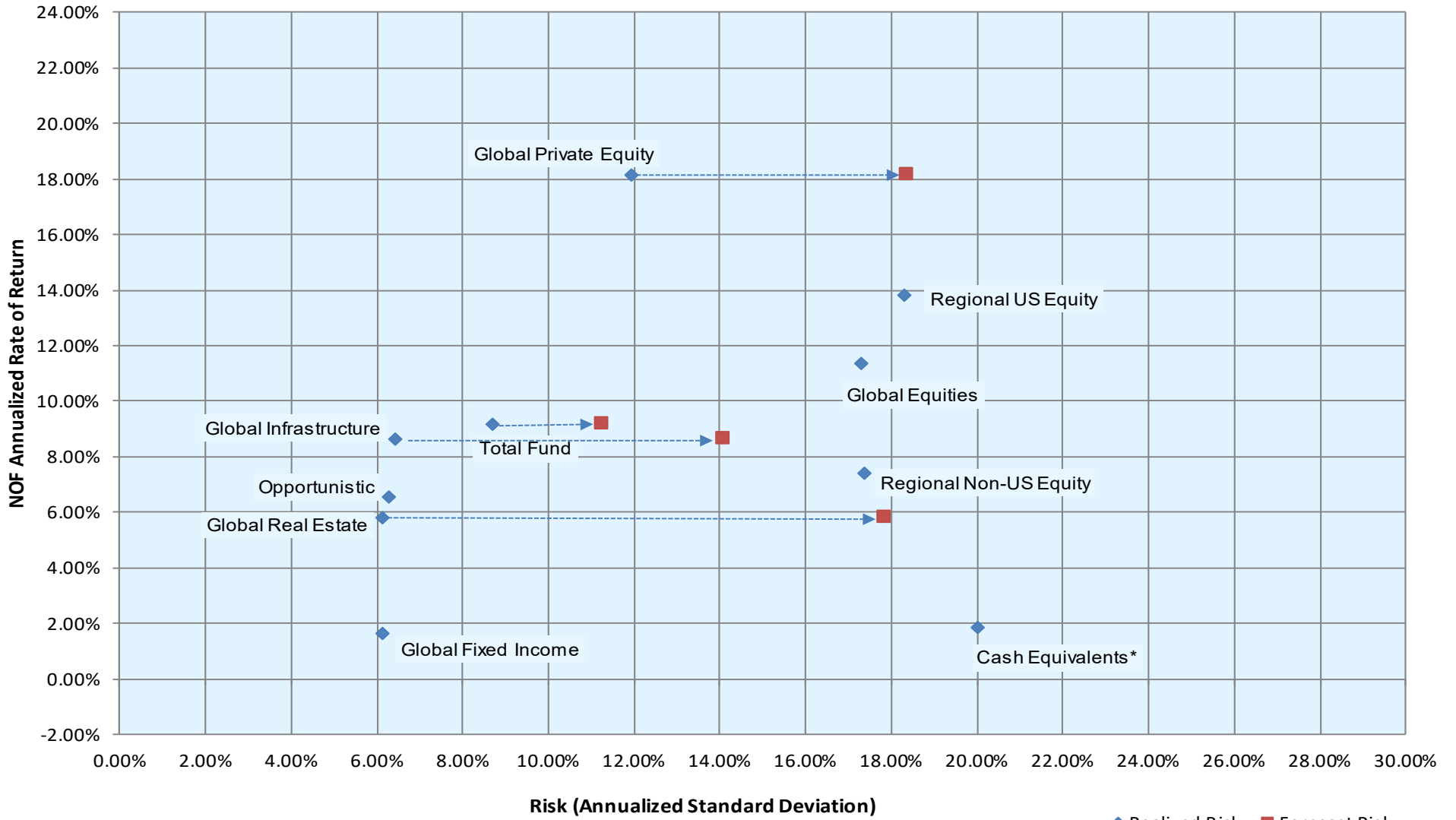


Total Fund Attribution





5 Year Risk and Return

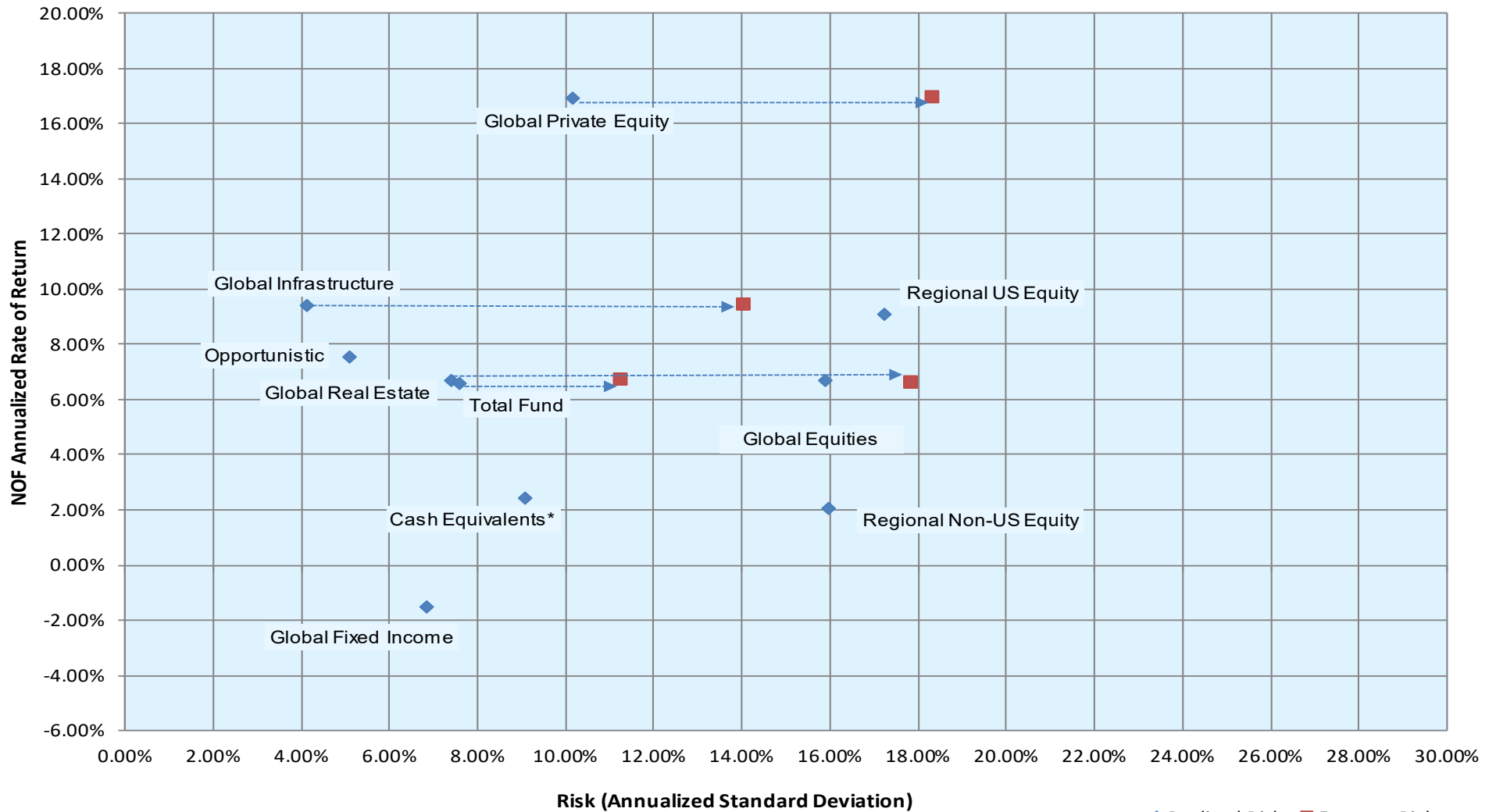


*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay

◆ Realized Risk ■ Forecast Risk



3 Year Risk and Return

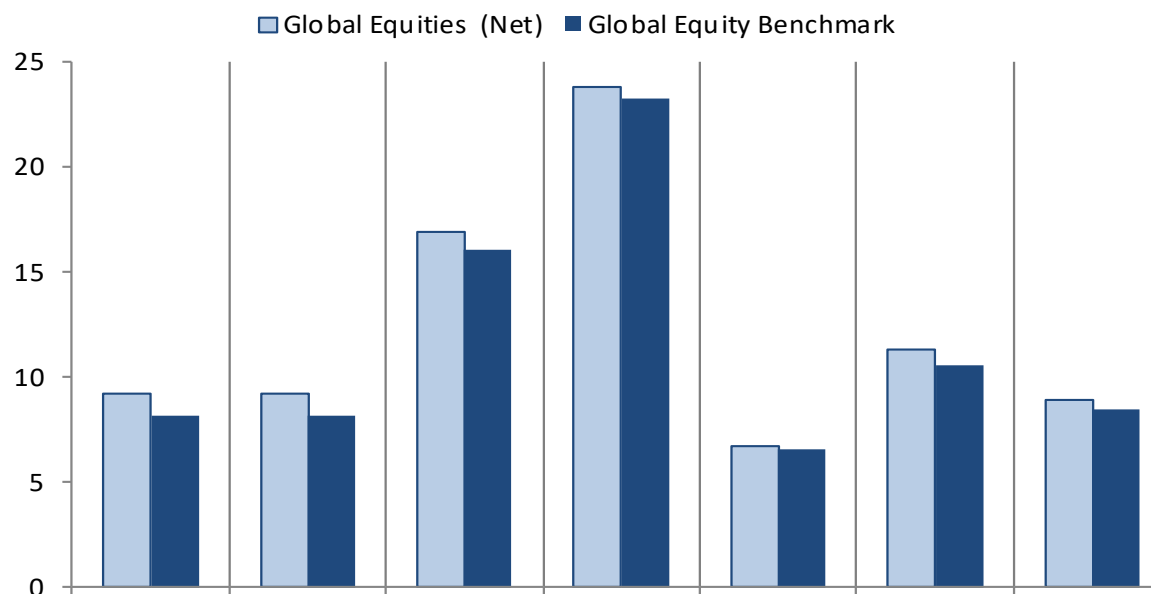


*Cash Equivalents include Short-Term, Enhanced Allocation Overlay and Currency Overlay



Global Equities Performance

Current Benchmark:
MSCI ACWI (Net Dividends)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	9.35	9.35	17.24	24.24	7.04	11.70	9.30
Global Equities (Net)	9.21	9.21	16.91	23.80	6.70	11.36	8.96
Global Equity Benchmark	8.20	8.20	16.05	23.22	6.54	10.60	8.51
Value Added (Net of Fee)	1.01	1.01	0.86	0.58	0.16	0.76	0.45
Regional US Equity	9.99	9.99	18.67	27.31	9.09	13.82	11.71
Russell 3000 Index	10.02	10.02	19.29	29.29	9.78	14.34	12.33
Value Added (Net of Fee)	(0.03)	(0.03)	(0.63)	(1.98)	(0.69)	(0.52)	(0.62)
Regional Non-US Equity	4.83	4.83	9.92	12.43	2.06	7.40	5.48
Custom Non-US Equity BM	4.69	4.69	10.56	13.26	1.85	5.91	4.23
Value Added (Net of Fee)	0.14	0.13	(0.64)	(0.83)	0.21	1.49	1.25

Source: BNY Mellon GRS

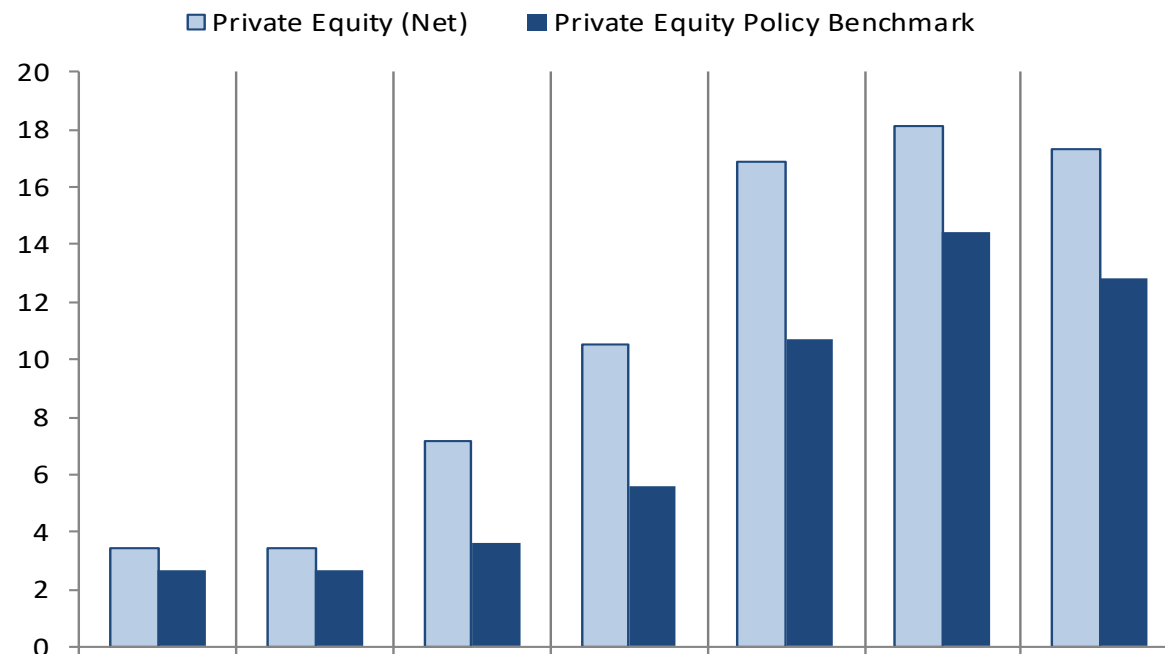


Global Private Equity Performance

Results as of: 03/31/2024

Current Benchmark:

Burgiss All Private Equity Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	3.68	3.68	8.68	12.46	18.90	19.97	18.99
Private Equity (Net)	3.43	3.43	7.16	10.55	16.91	18.12	17.30
Private Equity Policy Benchmark	2.64	2.64	3.65	5.56	10.72	14.44	12.82
Value Added (Net of Fee)	0.78	0.78	3.50	4.99	6.19	3.68	4.48

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Private Equity performance is reported one quarter in arrears.



Public vs Private Equity Performance (Net)

	3 Year	5 Year	10 Year
Regional US Equity	9.09	13.82	11.71
Global Equity	6.70	11.36	8.96
Private Equity	16.91	18.12	17.30

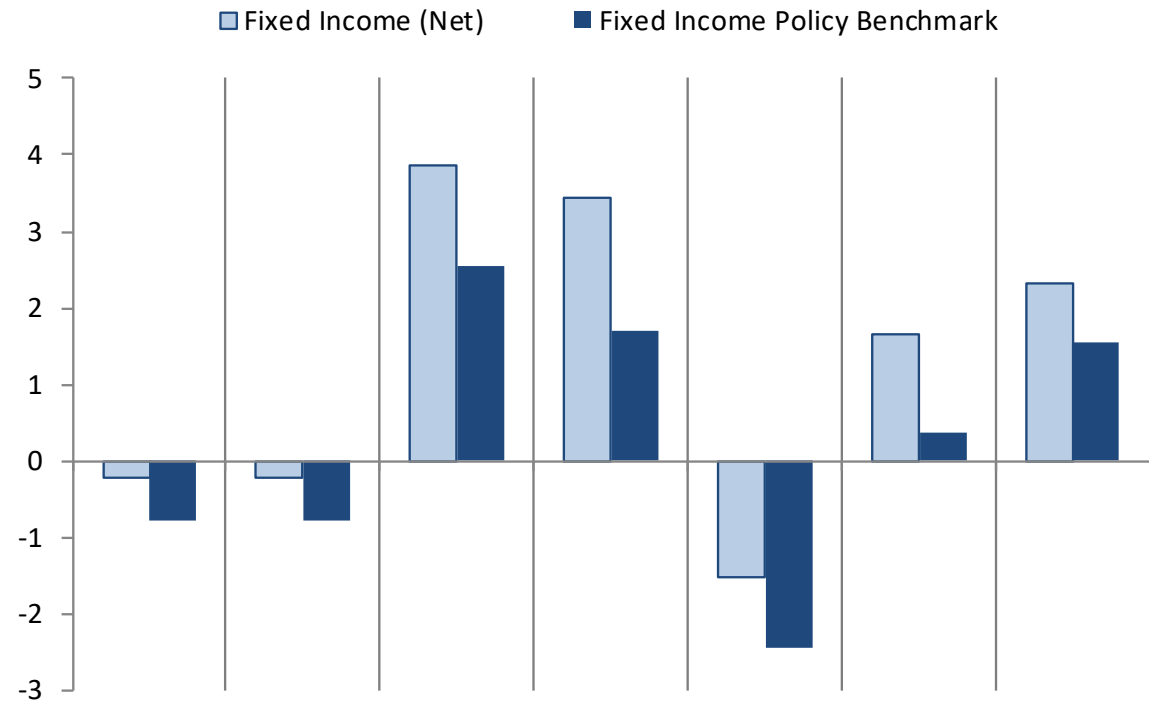
* Private Equity returns are lagged one quarter



Global Fixed Income Performance

Current Benchmark:

Bloomberg Aggregate Bond Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(0.16)	(0.16)	4.05	3.71	(1.24)	1.90	2.56
Fixed Income (Net)	(0.22)	(0.22)	3.85	3.44	(1.51)	1.64	2.32
Fixed Income Policy Benchmark	(0.78)	(0.78)	2.56	1.70	(2.46)	0.36	1.54
Value Added (Net of Fee)	0.56	0.56	1.29	1.74	0.95	1.28	0.77

Source: BNY Mellon GRS

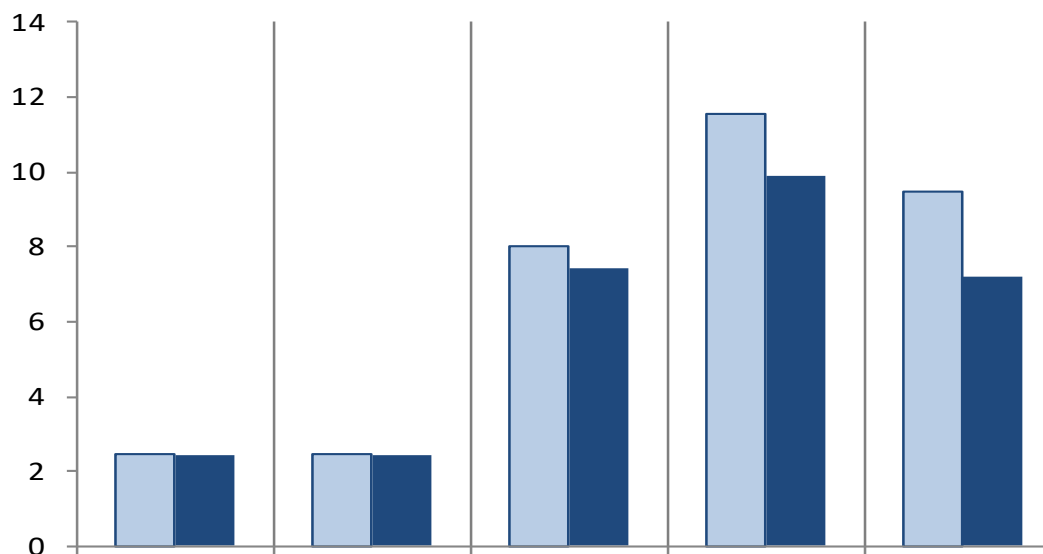


Global Private Credit Performance

Global Private Credit (Net) Global Private Credit Policy Benchmark

Current Benchmark:

90 Day T-Bill (1q lag) + 4.5%



	Qtr	CYTD	FYTD	1 Year	3 Year
Global Private Credit (Gross)	2.78	2.78	9.15	13.13	11.07
Global Private Credit (Net)	2.45	2.45	8.02	11.57	9.50
Global Private Credit Policy Benchmark	2.46	2.46	7.40	9.89	7.19
Value Added (Net of Fee)	(0.01)	(0.01)	0.62	1.68	2.31

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



Global Real Estate Performance

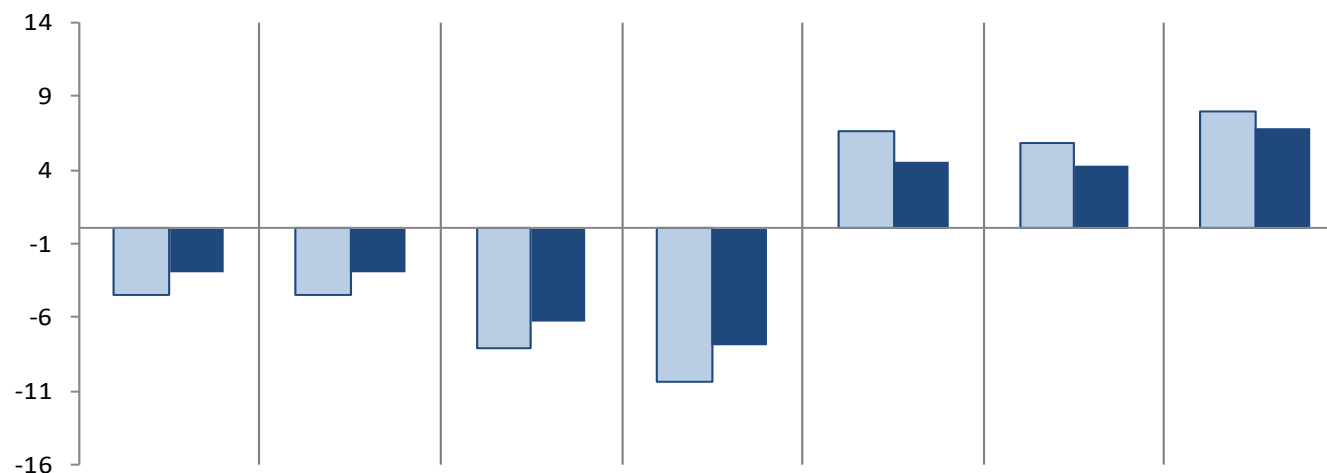
Results as of: 03/31/2024

Real Estate Portfolio (Net)

Real Estate Policy Benchmark

Current Benchmark:

NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Estate Portfolio (Gross)	(4.26)	(4.26)	(7.60)	(9.64)	7.59	6.74	8.92
Real Estate Portfolio (Net)	(4.44)	(4.44)	(8.14)	(10.36)	6.59	5.82	7.90
Real Estate Policy Benchmark	(3.02)	(3.02)	(6.24)	(7.94)	4.57	4.33	6.80
Real Estate Value Added (NOF)	(1.42)	(1.42)	(1.90)	(2.42)	2.02	1.49	1.10
Real Estate Core (Net)	(4.68)	(4.68)	(8.51)	(11.01)	7.41	6.38	8.18
Real Estate Policy Benchmark	(3.02)	(3.02)	(6.24)	(7.94)	4.57	4.33	6.80
Real Estate Core Value Added (NOF)	(1.66)	(1.66)	(2.27)	(3.07)	2.84	2.05	1.38
Real Estate Non-Core (Net)	(3.22)	(3.22)	(7.04)	(7.47)	3.37	3.93	7.04
Real Estate Policy Benchmark	(3.02)	(3.02)	(6.24)	(7.94)	4.57	4.33	6.80
Real Estate Non-Core Value Added (NOF)	(0.20)	(0.20)	(0.80)	0.47	(1.20)	(0.40)	0.24

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Estate performance is reported one quarter in arrears.



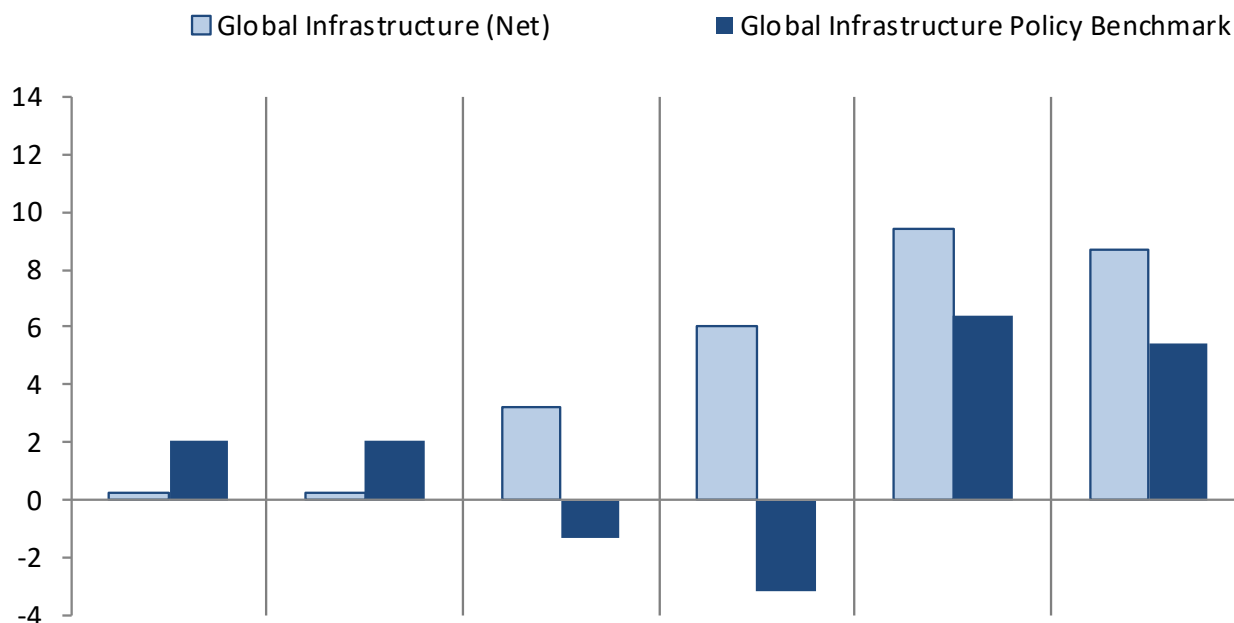
Global Infrastructure Performance

Results as of: 3/31/2024

Current Benchmark:

Quarterly (4 qtrs.) smoothed CPI

+1.20% per quarter



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year
Global Infrastructure (Gross)	0.44	0.44	3.88	6.98	10.29	9.41
Global Infrastructure (Net)	0.26	0.26	3.22	6.05	9.43	8.66
Global Infrastructure Policy Benchmark	2.04	2.04	(1.34)	(3.13)	6.36	5.40
Global Infrastructure Value Added (NOF)	(1.79)	(1.79)	4.56	9.18	3.07	3.26

Source: BNY Mellon GRS

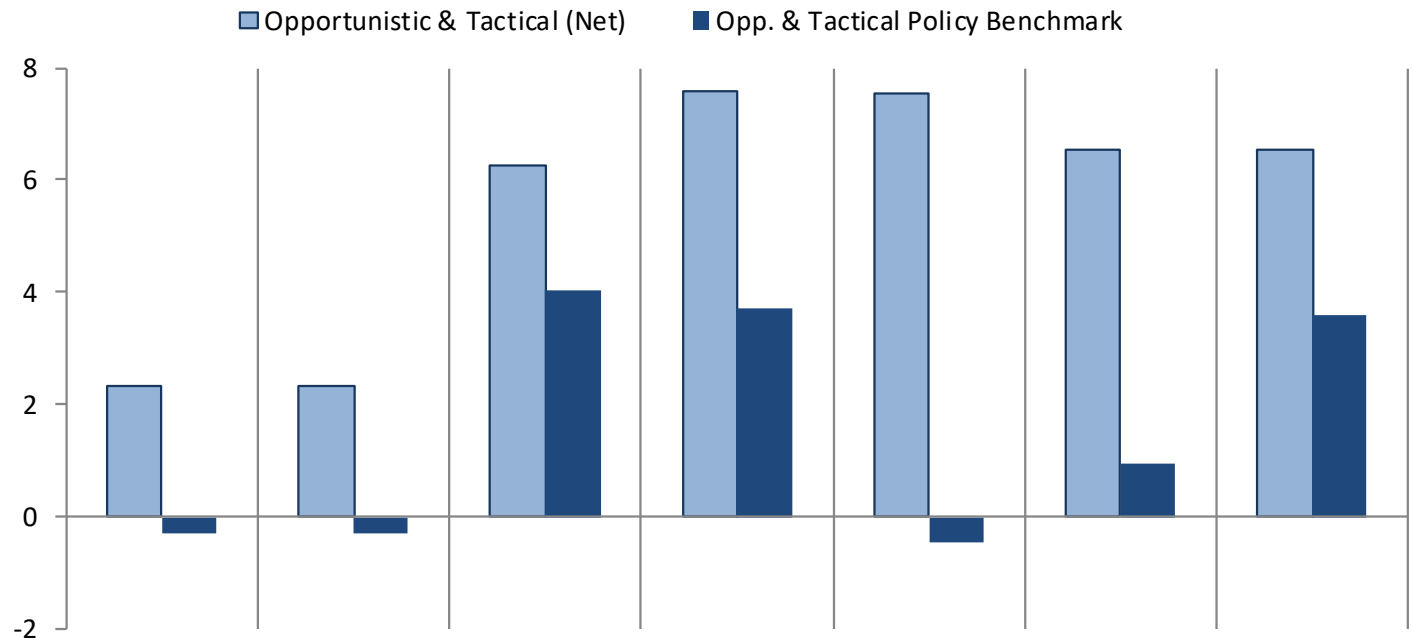
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Infrastructure performance is reported one quarter in arrears.



Opportunistic & Tactical Performance

Current Benchmark:
 Bloomberg Aggregate
 Bond Index + 2%



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Opportunistic & Tactical (Gross)	2.58	2.58	7.12	8.74	8.72	7.88	8.12
Opportunistic & Tactical (Net)	2.33	2.33	6.27	7.59	7.52	6.56	6.54
Opp. & Tactical Policy Benchmark	(0.31)	(0.31)	4.03	3.70	(0.45)	0.93	3.61
	2.64	2.64	2.25	3.89	7.97	5.63	2.93

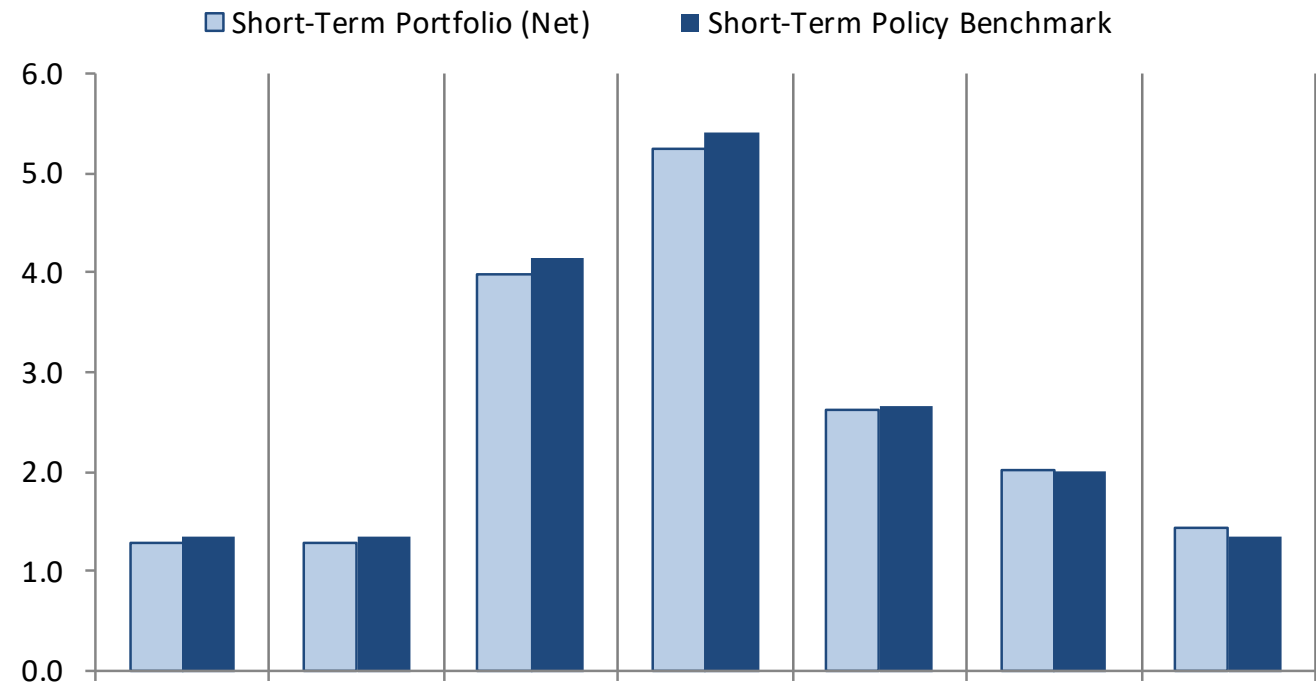
Source: BNY Mellon GRS



Short-Term Performance

Current Benchmark:

FTSE 30 Day Treasury Bill Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	1.28	1.28	3.98	5.25	2.62	2.02	1.43
Short-Term Portfolio (Net)	1.28	1.28	3.98	5.25	2.62	2.02	1.43
Short-Term Policy Benchmark	1.36	1.36	4.15	5.40	2.65	2.00	1.34
Value Added (Net of Fee)	(0.09)	(0.08)	(0.17)	(0.15)	(0.03)	0.02	0.09

Source: BNY Mellon GRS



Overlay Performance

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Cash Equivalents with Overlays (Net)	(6.76)	(6.76)	(8.89)	(7.49)	2.42	1.84	1.71
Short-Term Policy Benchmark	1.36	1.36	4.15	5.40	2.65	2.00	1.34
Value Added (Net of Fee)	(8.12)	(8.12)	(13.04)	(12.89)	(0.23)	(0.15)	0.37
Short-term Cash w/o Overlays (Net)	1.28	1.28	3.98	5.25	2.62	2.02	1.43
Short-Term Policy Benchmark	1.36	1.36	4.15	5.40	2.65	2.00	1.34
Value Added (Net of Fee)	(0.09)	(0.08)	(0.17)	(0.15)	(0.03)	0.02	0.09
Overlay Cumulative Net Value Added (\$MM)	(\$44.1)	(\$44.1)	(\$68.8)	(\$49.1)	\$18.0	\$12.1	\$40.0



Proposed Investment Agenda – Next Meeting

FY25 Annual Investment Plan (possible vote)
Annual Overlay Program Review
Monthly Investment Report (April 30, 2024)



School Employees Retirement
System of Ohio



2025

ANNUAL INVESTMENT PLAN

For the Year Ended June 30, 2025



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
ANNUAL INVESTMENT PLAN**

For the year ended June 30, 2025

Prepared by SERS Investment Staff
Farouki Majeed, Chief Investment Officer
300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
www.ohsers.org
Serving the People Who Serve Our Schools®

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Executive Summary

EXECUTIVE SUMMARY

The Board's Statement of Investment Policy (SIP) requires the Chief Investment Officer to prepare and present to the Board for its approval an Annual Investment Plan (Plan). The following document outlines the recommended Plan for Fiscal Year (FY) 2025.

As in prior years, the Plan reviews the economic environment based upon consensus reports from leading sources, SERS' asset allocation target and long-term performance objective for each portfolio, last year's objectives and accomplishments, a review of the market conditions over the last year and objectives for FY2024. Implementation Guidelines for each asset class portfolio are included to provide further details on how each portfolio will be managed in the coming year relative to portfolio construction parameters and risk limits. **This Plan is meant to be a living document subject to adjustment during the year.** If circumstances change or opportunities arise during the year, items will be discussed with the Board which may lead to intra-year changes to the Plan or Strategy Statements.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The general objectives of the Investment Department for FY2024 were as follows:

- *Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.*

Total Fund returns exceeded the policy benchmark for all periods over ten years. For FYTD, Total Fund return of 7.77% as of March 2024 exceeded the benchmark by 0.69% and longer-term excess returns have added significant value to the Total Fund. For three years the annualized return of 6.70% exceeded the benchmark by 1.53%, and for five years the annualized return was 9.16% with 1.18% excess return. Over ten years the Total Fund generated a return of 8.04%, exceeding the benchmark by 0.88% on an annualized basis. Over twenty years the Total Fund generated a return of 7.17%, exceeding the benchmark by 0.21% on an annualized basis. The excess returns have been generated with active risk remaining well within the limits approved by the Board.

- *Implement the asset allocation framework and targets approved by the Board in April 2023.*

Private Equity allocation was 12.9% as of March 2024. In October 2023 the Board approved interim allocation targets effective from October 1, 2023 to December 31, 2024 for Global Equity at 41% and Private Equity at 13% to allow the Private Equity portfolio time to transition to its 14% target effective 1/1/2025. All asset classes remain within Board approved ranges.

- *Continue to develop and engage the Investment team, including adding a new Associate Risk Officer due to a promotion and adding a new Investment Analyst to the team if approved by the Board in the FY24 budget.*

A new Associate Risk Officer was hired in July 2023 and a new Associate Investment Officer in October 2023. The team is complete with well-qualified investment professionals.

FY2025 OBJECTIVES

- Our major strategic goals remain unchanged. The focus will continue to be value added performance, risk management, cost effectiveness and maintenance of an investment program that meets or exceeds investment objectives over the long-term.
- Implement the asset allocation framework and targets approved by the Board in December 2023.
- Continue to develop and engage the Investment team, including adding a new Administrative Assistant due to the retirement of the Operations Manager.

CONCLUSION

Total Fund net returns of 9.16% over five years and 8.04% over ten years exceed the actuarial rate of 7.00% by a good margin thus improving the funded ratio of the plan. Staff will remain focused on adding value relative to policy benchmarks and managing risks and costs.

EXECUTIVE SUMMARY

Staff appreciates the support and guidance received from the Board in FY2024 and looks forward to working with the Board in FY2025 for another successful year.

ACKNOWLEDGEMENTS

SERS is very fortunate to have an experienced and deep Investment Staff. The following individuals contributed to this report.

- Economic Outlook – Farouki Majeed and Hai Yen Le
- Total Fund Asset Allocation – Farouki Majeed
- Global Equities – Judi Masri and Hai Yen Le
- Global Private Equity – Steve Price and Phil Sisson
- Global Fixed Income – Jason Naber and Judi Masri
- Global Private Credit – Adam Messerschmitt and Brad Carr
- Global Real Assets – Paul Cheng and Michael Browning
- Cash Equivalents & Securities Lending – Jason Naber
- Opportunistic and Tactical – Farouki Majeed, Adam Messerschmitt and Brad Carr
- Overlay Program – Farouki Majeed, Jason Naber, and Judi Masri
- Investment Risk Management and Analytics – Chris Hyland and Hai Yen Le
- Investment Operations – Terri Martin and Katie Swank

We would appreciate the opportunity to review the Annual Investment Plan with you at the June 2024 Board meeting. If you have any questions or comments before then, please let me know.

Respectfully submitted,



Farouki A. Majeed
Chief Investment Officer



Global Economic Outlook

GLOBAL ECONOMIC OUTLOOK

After a slowdown in 2022, the US economic growth rate improved to 2.5% in 2023 despite high inflation and high interest rates. While those factors hindered the growth, the resilience of the consumer and government spending fueled the 2023 strong growth. The global economy achieved a 3.1% growth in 2023 as inflation was falling in most regions. Sticky inflation and prolonged restrictive monetary policy remain the biggest challenges to US growth which is expected to trend down in 2024 and 2025 though still remaining positive.

Global inflation declined significantly from 8.8% in 2022 to 6.8% in 2023 and is expected to fall further to 5.8% in 2024 and 4.4% in 2025 according to the International Monetary Fund (IMF). US headline inflation declined from its 9.1% peak in June 2022 to 3.0% in June 2023 then picked up slightly and stayed above 3.0% as of March 2024. Global supply chain improvement and tight monetary policy are the main factors helping ease inflation.

The US labor market remained strong, adding 3.0 million jobs in 2023 and 807,000 jobs in Q1 2024. The tightness of the labor market eased somewhat in 2023 as the unemployment rate increased from the historically low 3.4% in January 2023 to 3.8% in March 2024. US consumer sentiment improved significantly in 2023 thanks to easing inflation, resilient labor market, and better than expected economic growth.

The Fed conducted eleven interest rate hikes during March 2022 - July 2023, raising the federal funds rate from 0 - 0.25% to 5.25 - 5.50% and kept this high level as of March 2024. Market expectations for several rate cuts in 2024 are now doubtful as growth is strong, labor market is tight, and inflation is sticky in the 3% range, and federal spending continues at a brisk pace. Interest rate volatility has been unusually high in the 2021-2023 period. The 10-year rate stayed range-bounded in 2023; it was 3.88% in December 2022, surpassed 4.0% from August to middle December and then came back to 3.88% by December 30, 2023. The yield curve has been inverted since October 2022. The inverted yield curve continued to have negative impacts on the banking sector's earnings and bank loan growth, impeding the economy.

Economic forecasts from the Blue Chip Consensus (US) and the IMF are presented below:

US ECONOMY

Resilient growth in 2023 boosted the Blue Chip consensus confidence in an economic soft landing with solid growth and inflation falling to the Fed's 2.0% target in the next two years. The consensus expects the US economy to maintain an above-trend 2.3% growth rate in 2024, although slowing modestly by 0.2% from 2023, then moderating to 1.8% in 2025, a level that is slightly below the 2.1% that is the 10-year average from 2021 to 2031 projected by the Bureau of Labor Statistics. Inflation is expected to decline to 2.7% in 2024 and 2.1% in 2025 (Table 1).

According to the Blue Chip Economic forecasts, the unemployment rate is expected to increase from a historically low level of 3.6%, dominant in 2022 in 2023, to 3.9% in 2024 and 4.1% in 2025. The yield on 10-year US Treasuries is expected to be 4.0%, lower than the 3-Month T-Bill yield at 4.95% thus maintaining an inverted yield curve through 2024. The yield curve is expected to normalize in 2025 with the 3-Month T-Bill at 3.6%, slightly lower than 10-Year Treasury note at 3.7%. US corporate profits are expected to be \$3.5 trillion in 2024 and \$3.2 trillion in 2025.

Table 1

Period	Real GDP Growth Rate (%)	Unemployment Rate (%)	Inflation Rate CPI (%)	T-Bill 3-Mo. (%)	T-Note 10-Yr. (%)	Corporate Profits (Cur. \$)
2021	5.8	5.4	4.7	0.0	1.4	22.6
2022	1.9	3.6	8.0	2.0	3.0	9.8
2023 Forecast	2.5	3.6	4.1	5.1	4.0	n/a
2024 Consensus	2.3	3.9	2.7	4.9	4.0	3.5
2025 Consensus	1.8	4.1	2.1	3.6	3.7	3.2

Source: Blue Chip Economic Indicators, March 2024

GLOBAL ECONOMY

The IMF forecasted global GDP growth to be steady at 3.2% in 2024 and in 2025 (Table 2). For 2024, emerging and developing economies are expected to grow faster than advanced economies as the former's expected growth rate is 4.2% while the latter's is 1.7%. For 2025, growth rates in emerging and developing economies are projected

GLOBAL ECONOMIC OUTLOOK

to stay at 4.2%, maintaining their growth advantage versus the advanced economies which are expected to grow 1.8%.

Table 2

Annual GDP Growth (in percent)	2023	2024 (projected)	2025 (projected)
World	3.2	3.2	3.2
US	2.5	2.7	1.9
Advanced Economies (including US)	1.6	1.7	1.8
Emerging and Developing Economies	4.3	4.2	4.2

Source: International Monetary Fund World Economic Outlook, April 2024



Portfolio Strategy

PORTFOLIO STRATEGY – Total Fund Asset Allocation

Actual asset allocation relative to policy target is shown in the table below:

	Target	Range	Actual as of 3/31/2024
Global Equities	40%*	35 – 45%	43.7%
Global Private Equity	14%**	11 – 17%	13.1%
Global Fixed Income	18%	13 – 23%	13.1%
Global Real Assets	20%	17 – 22%	18.4%
<i>Global Real Estate</i>	13%	10 – 15%	12.0%
<i>Global Infrastructure</i>	7%	5 – 10%	6.4%
Global Private Credit	5%	3 – 7%	6.2%
Opportunistic	0%	0 – 5%	2.9%
Cash	3%	1 – 5%	2.6%
Total Fund	100%		100%
Leverage	N/A	0 – 10%	0%
Total Notional Exposure (Including Leverage)	100%	100 – 110%	100%

*Interim Target 41% from October 1, 2023, to December 31, 2024.

**Interim Target 13% from October 1, 2023, to December 31, 2024.

In October 2023 the Board approved interim allocation targets effective from October 1, 2023 to December 31, 2024 for Global Equity at 41% and Private Equity at 13% to allow the Private Equity portfolio time to transition to its 14% target effective 1/1/2025.

In December 2023, the Board approved the segregation of Global Real Estate and Global Infrastructure from Global Real Assets effective January 1, 2024. The Board approved the new benchmark CPI +5% for Global Infrastructure while keeping the NCREIF Property Index (“NPI”) as the benchmark for Global Real Estate.

Staff has maintained an overweight in Global Equities, Global Private Credit and Opportunistic relative to the FY24 interim policy targets, and an underweight in Global Real Estate, Global Infrastructure and Global Fixed Income. The Total Fund returned 7.77% FYTD through March 2024, exceeding the benchmark with 69 bps of excess return, mostly due to positive selection effects in Global Equities, Global Fixed Income, Global Private Credit, Global Private Equity, and Opportunistic as these asset classes exceeded their respective benchmarks.

Global Real Estate, which accounts for 12% of the Total Fund, had negative FYTD returns as of March 2024 as property prices broadly declined, particularly in the office sector, weighed down by higher interest rates and diminished demand for office space. Despite interest rates remaining elevated, the U.S. economy has remained resilient and expectations for a recession in 2024 have receded. Inflation remains above the Federal Reserve’s 2% target, which has further pushed back expectations for the start of the Fed’s next rate-cutting cycle. Staff believe it is appropriate to maintain the underweight in Fixed Income in the current environment but are prepared to increase the allocation to Fixed Income when the rate outlook changes.

PORTFOLIO STRATEGY - Global Equities

INVESTMENT STRATEGY

SERS invests in equity securities to earn a premium over government treasury bonds due to higher compensation for assuming the higher risk inherent in public equity securities. A sizeable allocation to Global Equities is warranted to meet the long-term return goal of the Total Fund.

SERS' Statement of Investment Policy sets the Global Equities policy target allocation as follows:

	Target*	Permissible Range
Global Equities	40%	35-45%

*Interim Target 41% from October 1, 2023, to December 31, 2024

The performance objective of the Global Equity portfolio is to exceed the return of the MSCI All Country World Net Total Return Index (USD) by 40 basis points net of management fees.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Monitor the portfolio for possible performance enhancement, completing searches, as necessary.*

Global Equities underperformed by 93bps for FY23 and by 170bps for CY23 due to US and emerging market (EM) underperformance. US equity was negatively impacted by the portfolio being structurally tilted to low beta, value and small cap along with the Magnificent Seven narrow market rally. In EM, the portfolio's growth tilt and manager underperformance detracted from benchmark relative returns.

Staff focused on hiring core, broad based mandates with a benchmark aware focus in both the US and EM portfolios, making the following changes in CY23:

- Connor, Clark & Lunn EM Core was funded March 1, 2023.
- Arrowstreet EM Core was funded June 1, 2023.
- Genesis EM Growth was terminated in August 2023.
- Axiom EM Growth was terminated in December 2023.
- Coho US Core was terminated in December 2023.
- JP Morgan US Core was funded January 1, 2024.
- T. Rowe Price US Core was funded January 1, 2024.
- Lazard EM Core was funded as of January 1, 2024.

The changes positively impacted Global Equity which outperformed 86bps FYTD through March 31, 2024.

- *Manage the Global Equity portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.*

US Equity experienced several significant changes to improve risk and return. The large cap active composite transitioned from benchmark agnostic, low beta, value tilt managers to institutional, benchmark aware, core managers. These changes increased the large cap active beta from 0.88 to 0.96 and should also reduce the large cap active tracking error to produce a more consistent excess return stream. Finally, Staff redeemed \$75 million from small cap during CY23 to reduce the small cap overweight.

Non-US Equity remains tilted slightly towards value, which helped excess returns in both CY23 and CY22. The Non-US Equity allocation also maintains a small cap bias, which helped long-term returns with Non-US small cap outperforming large cap by 1.1% over the previous decade ending December 31, 2023. Staff reduced the EM growth tilt, pointing the portfolio to core via the new core mandate hires to produce more consistent returns.

Global Composite's characteristics were stable with slight value tilts, generating positive excess return. Staff added \$50 million to global in CY 2023 to increase active return.

- *Review IMAs and Investment Guidelines to make any necessary adjustments.*

One IMA amendment was negotiated in FY24 with Neumeier Poma.

PORTFOLIO STRATEGY - Global Equities

CURRENT MARKET CONDITIONS AND OUTLOOK

Cumulative Periods through March 31, 2024	Annualized Returns (in percent)				
	FYTD	1 Year	3 Year	5 Year	10 Year
Russell – 3000 Index	19.29	29.29	9.78	14.34	12.33
Russell – 3000 Growth Index	22.66	37.95	11.54	17.82	15.43
Russell – 3000 Value Index	15.53	20.18	7.74	10.18	8.86
Russell – 1000 Index	19.61	29.87	10.45	14.76	12.68
Russell – 2000 Index	13.79	19.71	(0.10)	8.11	7.58
MSCI – AC World Index (\$Net)	16.05	23.22	6.96	10.90	8.66
MSCI – AC World Ex-USA Index (\$Net)	10.56	13.26	1.94	5.96	4.25
MSCI – World Ex USA Index (\$Net)	11.90	15.29	4.93	7.48	4.81
MSCI – Emerging Markets Index (\$Net)	7.19	8.15	(5.05)	2.22	2.95

Source: Wilshire Compass

Fiscal years begin July 1 and end on June 30

After declining 18.0% in CY22, global equity markets (MSCI ACWI) rallied 22.2% in CY23 as the global economy maintained steady growth and the US economy surprisingly accelerated. For CY23, US equity (Russell 3000) led with a 26.0% return. Non-US equity markets (MSCI All Country World ex USA) followed with a 15.6% return. All major indices continued the rally in Q1, 2024. Global equity markets had a gain of 16.1% for FYTD through March 2024.

The US equity market was positive in CY23 thanks to broad-based healthy earnings and strong gains of Artificial Intelligence related companies. The growth index (Russell 3000 Growth) generated an outsized return of 41.2%, significantly outperforming a 11.7% return by the value stock index (Russell 3000 Value). The Russell 3000 Growth return was driven by the “Magnificent Seven” stocks (Apple Inc., Alphabet Inc., Amazon.com Inc., Meta Platform Inc., Microsoft Corp., Nvidia Corp., and Tesla Inc.) that benefited from AI gains. The “Magnificent Seven” concentration also had a great impact on the outperformance of the large cap stock index (Russell 1000) versus the small cap index (Russell 2000) as the former included the seven stocks and the latter did not. The Large Cap Russell 1000 delivered 26.5%, outperforming a 16.9% return of the Small Cap 2000 Index by a significant margin of 9.6%. For FYTD as of March 31, the US equity market gained 19.3%.

Non-US Equity Developed Markets (MSCI World ex US Index) posted a 17.9% return for CY23. MSCI World ex US also underperformed the US market for FYTD through March with a 11.9% return.

Emerging Markets (MSCI EM) returned 9.8%, lagging developed markets in CY23. China’s economic issues lead to its negative equity market’s performance and contributed to the emerging market’s underperformance versus the developed markets. Emerging Markets delivered 7.2% for FYTD as of March 2024.

Equity market volatility is expected to be elevated due to high interest rates, high inflation, and slower growth. Market valuations moved higher through 2023 across the board. The S&P 500 index was trading at 26 times earnings, significantly higher than the non-US market as well as its own historical average. The developed ex-US and emerging markets were trading at 16 times earnings; while the former was moderately below its historical average, the latter was close to its long-term average.

PORTFOLIO STRUCTURE

At the end of March, Global Equity was overweight the 41% target allocation by 3.0%. The regional composite has the following exposures:

- The US portfolio was 7bps overweight relative to its 63.79% MSCI ACWI benchmark target allocation,
- The Non-US Developed Market portfolio was overweight by 0.46% relative to its 26.20% MSCI ACWI benchmark target allocation, and
- The Non-US Emerging portfolio was underweight by 53bps relative to its 10.01% MSCI ACWI benchmark target allocation.

PORTFOLIO STRATEGY - Global Equities

The US portfolio's CY23 value tilt has moved to a slight growth tilt as Coho was terminated in December 2023 to fund two new large cap core mandates. Staff continues to reduce the small to SMID cap overweight in US. The US portfolio is currently 74.3% passively managed, which increased 3% over the prior year as active management was not successful in CY23.

The Non-US portfolio maintains a small capitalization bias and a marginal value style tilt. The value tilt was additive to returns the last two calendar years. The portfolio will remain overweight to small capitalization stocks, as small caps are undervalued relative to large cap, and the small cap overweight added to returns longer-term. The Non-US portfolio is 83.1% active in Developed Markets (DM). Staff increased active DM exposure by 12% in CY23 to improve excess returns. The active allocation range is expected to be 80-85% in DM. Emerging markets will remain 100% active management due to greater inefficiency.

FY2025 OBJECTIVES

Staff will focus on the following objectives during FY2025:

- Monitor the portfolio for possible performance enhancement, completing searches, as necessary.
- Manage the Global Equities portfolio structure relative to benchmark exposures to achieve appropriate risk and return characteristics.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

PORTFOLIO STRATEGY – Global Private Equity

INVESTMENT STRATEGY

SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities.

SERS' Statement of Investment Policy sets the Private Equity target allocation as follows:

	Target*	Permissible Range
Global Private Equity	14%	11% - 17%

*Interim Target 13% from October 1, 2023, to December 31, 2024

The performance objective for Private Equity is to provide returns in excess of the Burgiss All Private Equity Benchmark, one quarter in arrears.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.*

The Private Equity allocation is 13.1% as of March 31, 2024. This is slightly above the interim target allocation of 13% but well within the upper range of 17%. To date, \$350 million has been committed to four funds, and five co-investments.

- *Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.*

To date, four commitments have been made to private equity funds with an average management fee of 1.63%. Additionally, five commitments were made to co-investments that have no management fees or carried interest. Together the average management fee on all approved commitments is 0.72%. These private equity commitments are diversified by investment strategy, sector focus and geography.

- *Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.*

Staff reviewed several co-investment opportunities throughout the fiscal year. Five opportunities met SERS criteria and were approved in fiscal year 2024. The Private Equity portfolio has a total of 18 approved co-investments totaling \$245 million. The co-investments are in various stages of their life cycle and are generating an IRR of 18% and a 1.8x multiple of invested capital as of December 31, 2023.

- *Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.*

Staff reviewed over 100 investment offerings during fiscal year 2024. One offering met the investment criteria. The new manager implements an opportunistically focused US middle market buyout strategy. In addition, a few compelling prospects were identified, and staff will continue to track these opportunities for future review and consideration.

PORTFOLIO COMPOSITION

	Allocations as of March 31, 2024	Target Ranges
Buyout	81%	55% - 95%
Venture Capital	5%	0% - 10%
Special Situations	9%	5% - 25%
Co-Investments	5%	0% - 25%
Domestic	78%	55% - 95%
International	22%	5% - 45%

PORTFOLIO STRATEGY – Global Private Equity

CURRENT MARKET CONDITIONS AND OUTLOOK

The private equity market faced several complex challenges in 2023 as conditions proved more perplexing than predictable. Interest rates rose more quickly than any time since the 1980s and uncertainty remains as to when the US Federal Reserve will reverse course. Additionally, concerns about a long-anticipated recession that has yet to occur remained present. At the same time the economy provided positive signs that hint at a possible soft landing including record low unemployment, sufficient growth and rallying public markets. These mixed signals put downward pressure on private equity deal value, exits and fundraising. Economic uncertainty combined with elevated purchase valuations and a steady flow of dry powder once again underscores the importance of identifying and backing high quality private equity managers that remain disciplined in their process, due diligence and selection criteria throughout investment cycles.

Nonetheless, as illustrated in the below table, Private Equity continues to generate solid performance over all periods.

Annualized Returns (in percent) for Periods Ended March 31, 2024				
Fund Type	1-Year	3-Years	5-Years	10-Years
SERS Private Equity	10.55	16.91	18.12	17.30
Burgiss Benchmark	5.56	10.72	14.44	12.82

Source: Burgiss All Private Equity Index

The long-term outlook for private equity remains positive. Top quartile private equity managers find ways to overcome problems, generate returns for their limited partners and earn the capability to raise additional funds. With this in mind, the outlook for the SERS Private Equity portfolio is favorable. Current market conditions reflect positively on the style of investing employed by the general partners that make up the core of the SERS Private Equity portfolio. SERS' Private Equity portfolio is comprised primarily of general partners who have demonstrated their ability to identify, create value and exit companies in all market environments.

In an effort to ensure the portfolio is properly positioned for future uncertainty, our goals for the fiscal year include: continuing to identify and invest with operationally focused managers who primarily target the middle market and avoid the competition in the large and mega space; increasing exposure to attractive investments that meet our criteria and offer lower costs through co-investments; and ensuring that we stay on top of market trends and opportunities by continuing to research and seek out managers offering investment strategies that deliver private equity like returns with differentiated and unique strategies. Additionally, as the Total Fund moves into what many believe will be a low return environment, we will seek to maintain the allocation level of Private Equity to slightly above its target of 14% to obtain the benefit of this higher returning asset class to the Total Fund. This will take time as Private Equity is a long-term asset class where manager selection is critical and additional capital takes more time to deploy.

FY2025 OBJECTIVES

Staff will focus on the following objectives during FY2025:

- Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.
- Review the Private Equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager counts as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the Private Equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the Private Equity portfolio.

PORTFOLIO STRATEGY - Global Fixed Income

INVESTMENT STRATEGY

SERS invests in fixed income assets for the primary purpose of risk diversification and decreasing the overall risk of the investment plan. Fixed income assets may include sovereign debt securities, global corporates, securitized securities, private placements, convertibles, derivatives, and currency.

SERS' Statement of Investment Policy sets the Fixed Income target allocation as follows:

	Target	Permissible Range
Global Fixed Income	18%	13% - 23%

The performance objective for the Fixed Income portfolio is to exceed the Bloomberg US Universal Bond Index, net of manager fees, by 60 basis points.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Manage the portfolio structure and risk relative to the benchmark as central banks globally reach peak interest rates and the potential for a US recession grows.*

As of March 31, the portfolio outperformed the benchmark by 129 bps, net of fees, with a return of 3.85%. The primary driver of the outperformance was spread tightening in investment grade corporates, securitized, high yield and emerging market debt sectors as the market has become more optimistic about the prospect of a soft landing. Portfolio duration has been kept close to the US Aggregate duration since last summer when the Federal Reserve ended its rate hiking cycle. The opportunistic securitized credit strategy also contributed to the outperformance as the top performing strategy fiscal year-to-date.

- *Explore ways to increase the fixed income allocation to reduce the current underweight using cash securities or derivatives as the outlook for fixed income assets is attractive going forward.*

During the fiscal year Staff explored implementing a synthetic US Aggregate Index using derivatives as a way to increase the fixed income allocation without additional cash contributions. The strategy was not implemented due to the high tracking error of the credit exposure and the high cost of leverage.

- *Tactically manage the allocations to core, core plus and tactical and diversifying strategies to enhance the risk and return tradeoff. Continue to research new and innovative investment opportunities to position the portfolio for a potential recession, falling interest rates and to diversify sources of return.*

Staff began making additional allocations to the portfolio in Q4 as it became evident the Federal Reserve was finished raising interest rates. Additional allocations totaling \$110 million were contributed to core strategies and \$30 million was contributed to core plus strategies. As part of the \$110 million allocated to core, a new Staff directed ETF account was opened to purchase US Treasury ETFs to decrease the underweight and increase the duration of the portfolio without taking credit risk in anticipation of the Federal Reserve cutting interest rates in 2024. In addition, Staff reviewed and got approved for \$50 million each to two opportunistic strategies, one focused on global corporate credit and another on securitized credit, that will invest opportunistically as these markets dislocate in the future. Staff is also proposing to change the portfolio benchmark to the Bloomberg US Universal Bond Index to increase exposure to credit to increase return, maintain the portfolio's diversification role within the Total Fund and better reflects the current portfolio exposures.

- *Engage with Wilshire on a Fixed Income portfolio structure review focusing on strategy allocations, manager and sector weights and consider new strategies. Make portfolio changes as appropriate.*

A review of the portfolio's current structure was conducted by Wilshire in the fall of 2023. The analysis showed the portfolio could increase exposure to core plus allocations like emerging market debt and high yield, which are an 11% allocation in the proposed US Universal benchmark if approved by the Board. . The analysis also showed different manager allocation mixes improve portfolio diversification without a material change in sector exposures or characteristics.

PORTFOLIO STRATEGY - Global Fixed Income

- Review IMAs and Investment Guidelines to make any necessary adjustments.

The investment guidelines of four strategies were updated during the year including two IMAs that were fully renegotiated.

CURRENT MARKET CONDITIONS AND OUTLOOK

The Bloomberg US Aggregate Bond Index returned 2.56% for FY2024 through March 2024. All sectors of the index had positive performance with investment grade corporates outperforming by 2.17% with a 4.73% return as spreads have compressed and the sector has an attractive yield of 5.30%. The largest sector in the index, US agency mortgages, returned 2.05%, which underperformed due to lower demand from banks and the Federal Reserve ceasing to reinvest in mortgages as part of its quantitative tightening program. US Treasuries have also underperformed with a 1.45% return as the yield curve flattened and investors continue to fear a resumption in rising inflation and slowing growth. Another notable sector with a small exposure in the benchmark was commercial mortgage-backed securities, which had a 5.05% return as fundamentals are now improving in all subsectors except office. US high yield debt was the best performing non-benchmark sector during the fiscal year with 9.24% return due to strong fundamentals, low default rates and a yield of almost 8%. The emerging market debt blended currency index also posted a strong return of 5.6% as USD debt continued to benefit from a strong USD and yield of 8-9%.

The Federal Reserve last hiked interest rates in July 2023 and unless inflation reaccelerates is probably done hiking for the cycle. Inflation is expected to continue its downward trend toward 2% and the yield curve could steepen should rate cuts result in short interest rates declining relative to longer term rates. As short-end rates fall, short and intermediate maturity US Treasuries should experience a positive performance tailwind from duration. Investors want to remain in less risky credit assets as credit spreads would widen if a market dislocation does occur. Investment grade credit spreads are fairly valued now and could remain at these levels for a while as fundamentals are good with high profit margins, low debt growth and strong foreign demand. Agency mortgage fundamentals are also attractive with low prepayment and credit risk. The ongoing disinflation trend should result in lower interest rate volatility and low new issuance should create higher demand from banks and investors for mortgages going forward. High yield fundamentals remain close to their healthiest levels in 15 years while defaults have picked up in 2024, but still remain below average. Emerging market debt looks attractive going forward and local currency debt will benefit if the USD weakens when the Federal Reserve starts cutting interest rates.

The Federal Reserve conducted the third interest rate hike of 0.25% in 2023, after seven hikes in 2022, in an attempt to curb inflation. Labor markets have been resilient leading to wage gains, ongoing spending and inflationary pressures that may be difficult to curb; as such, the central bank will remain focused on economic data releases. Markets are anticipating the US to enter a recession at some point in the next 12 months. A neutral to long duration stance will have a positive performance impact if the central bank cuts interest rates to address slowing growth or market dislocation. A focus on high quality fixed income sectors like US government, agency mortgage back securities and investment grade corporates will limit losses if credit spreads start widening.

PORTFOLIO STRUCTURE

The Fixed Income portfolio is currently weighted 49% core, 40% core plus and 11% to tactical and diversifying strategies. Due to the additional cash contributions being made primarily to the more conservative core strategies, the yield of the portfolio has decreased by 0.16% to 5.49% since June 2023. The portfolio continues to have an average investment grade credit rating of A+, which is two grades lower than the benchmark rating of AA. The average portfolio duration of the core and core plus strategies is 6.3 years, 0.1 year longer than the benchmark.

The portfolio is underweight US government assets and overweight credit sectors to earn additional yield and price appreciation over the benchmark. The allocation to US Treasuries was increased by 4% during the year with the addition of the US Treasury ETF account, while the allocations to US agencies, mortgages and investment grade corporate securities were reduced by 4% as a result. The asset-backed, high yield and emerging market debt exposures continue to be the largest overweight sectors in the portfolio while the commercial mortgage-backed exposure continues to be close to the benchmark weight.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Manage the portfolio structure and risk relative to the benchmark as central banks globally reach peak interest

PORTFOLIO STRATEGY - Global Fixed Income

rates and the potential for a US recession grows.

- Tactically manage the allocations to core, core plus and tactical and diversifying strategies to enhance the risk and return tradeoff. Continue to research new and innovative investment opportunities to position the portfolio for a potential recession, falling interest rates and to diversify sources of return.
- Implement the new portfolio benchmark change, if the Board approves, to the Bloomberg US Universal Bond Index, which includes allocations to high yield and emerging market debt and more accurately reflects the portfolio holdings and risk exposures and result in lower tracking error.
- Review IMAs and Investment Guidelines to make any necessary adjustments.

PORTFOLIO STRATEGY – Global Private Credit

INVESTMENT STRATEGY

SERS invests in private credit to provide risk adjusted returns in excess of those offered by publicly traded fixed income securities and to generate a consistent cash yield.

SERS' Statement of Investment Policy sets the Global Private Credit target allocation as follows:

	Target	Permissible Range
Global Private Credit	5%	3% – 7%

The performance objective for the Global Private Credit portfolio is to provide net of fee returns of 100 basis points above the 90-day Treasury bill rate + 4.5%, one quarter in arrears.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Manage the Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.*

Staff slowed deployment during the course of the fiscal year since the Global Private Credit portfolio is over the 5% of Total Fund target allocation, but within the permissible range of 3% - 7%. In an effort to maintain the target allocation within the permissible range, Staff also reduced commitment sizes for new investments. In addition, as new managers returned to raise capital for the next vintage of a drawdown vehicle, Staff re-evaluated performance and declined to continue investing in drawdown vehicles that did not meet underwriting expectations, as well exited one commingled investment that was not performing as expected.

- *Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.*

Staff executed \$75 million in capital commitments to investments that fall within the Direct Lending sub-asset class. The portfolio weight exceeded the target allocation of 5% by 1.2% at the end of 2023, but all sub-asset classes fell within the ranges stated in the implementation guidelines. The new investment was made within the Direct Lending sub-asset class, which is primarily comprised of investments that are senior in the capital structure of a company, contain a contractual income component, are structured with robust covenants to protect investors, and have priority over a company's cash flows or other assets in the event of a default.

- *Evaluate new investments with a cautious approach given the economic outlook and the rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.*

The investment that was executed and the new investments considered for the Global Private Credit portfolio all include an income component, which is expected to comprise the largest part of the investment return. Most of the underlying investments within private credit funds include a contractual cash payment that is distributed to investors in the form of income on a quarterly basis. As base rates increased during the fiscal year, the income generated from the underlying loans also increased. During the fiscal year, Staff remained focused on investing with managers that have robust due diligence processes and closely monitored the ability of portfolio companies to withstand the higher interest rate environment and the potential for a slowing economy. In addition, Staff remained focused on reviewing new investments in strategies that would help diversify the Direct Lending portion of the Global Private Credit portfolio.

- *Consider adding differentiated strategies to the portfolio if capacity permits that could add further diversification to the portfolio, while also contributing to the portfolio's return and cash yield.*

During the fiscal year, Staff reviewed numerous differentiated strategies that could provide additional diversification benefits to the portfolio, which is primarily comprised of corporate cash flow lending strategies. Overall, capital deployment has slowed given the target allocation for Private Credit has been exceeded. As capital becomes available, Staff will consider adding new strategies to the portfolio with a focus on increasing the allocation for the Asset Based Lending / Specialty Finance sub asset class.

- *Review the appropriateness of the benchmark and recommend changes if necessary.*

Staff continue to review the appropriateness of the Global Private Credit policy benchmark and do not recommend any changes at this time.

CURRENT MARKET CONDITIONS AND OUTLOOK

The private credit market continued to grow in 2023 and reached an estimated \$1.7 trillion in assets under management at the end of the year, which was higher than earlier forecasts. The private credit market is forecast to surpass \$2.7 trillion in the next several years. During 2023, fundraising activity slowed given the economic uncertainty and higher interest rate environment. Many investors paused on new investments within the private credit space given the uncertainty of corporate earnings growth and the ability of companies to service debt obligations. Nonetheless, over \$200 billion was raised within private credit funds during 2023. The direct lending strategy raised approximately \$100 billion during the year, which was a decrease from 2022. The leveraged loan market continued to see a slowdown in new issuances throughout most of the year as traditional banks pulled back from lending to companies, but activity began to pick up towards the end of 2023. Larger companies, including public companies, continued to turn to the private credit market for financing needs given the lack of readily available capital. Loan defaults continued to increase, but not as drastically as originally expected since many companies were able to continue servicing debt.

The outlook for the private credit market is positive with considerable growth still expected despite the slowdown in private equity deal activity. The deal activity within the private credit market remained strong since many companies had no alternative source of financing, which led to a lender-friendly market with tighter covenants and better pricing terms for investors. The cash yields on debt instruments continued to provide an attractive return for investors. In particular, the income focused direct lending strategy delivered an estimated 11.6% yield to investors, which was an attractive premium over the U.S. non-investment grade, U.S. investment grade, and 10-year U.S. Treasury yields of 7.9%, 5.4%, and 4.3%, respectively.

The general expectation is that the Federal Reserve will begin to decrease interest rates but at a slower pace than originally expected and that interest rates will remain elevated for a longer period of time. While rising rates may negatively impact other assets classes, it can add to returns within the private credit asset class since many loans are structured with a floating interest rate. But the likelihood of higher default rates also increases given the uncertainty around whether the borrowers will be able to withstand higher interest rates for an extended period. Therefore, it is important for private lenders to conduct a rigorous underwriting process on portfolio companies to ensure borrowers can withstand the impacts of further interest rate increases. Since the pipeline of opportunities is expected to be robust, private lenders can be even more disciplined when selecting borrowers. Thus, resulting in the ability to originate loans with better protections in place for the lender, while providing downside protection and an attractive cash yield for investors.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Manage the Private Credit allocation within the target allocation range while considering the pace of drawdowns for new investments and re-evaluate existing manager performance as new capital is raised.
- Build the Private Credit allocation in line with the implementation guidelines and ensure appropriate risk and return characteristics are present within the target allocation.
- Evaluate new investments with a cautious approach given the economic outlook and higher interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund.
- Evaluate new investment ideas within Asset Based Lending/Other to build the sub-asset class towards the target allocation.
- Review the appropriateness of the benchmark and recommend changes if necessary.

PORTFOLIO STRATEGY - Global Real Assets

INVESTMENT STRATEGY

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

SERS' Statement of Investment Policy sets the Global Real Assets target allocation as follows:

	Target	Permissible Range
Global Real Assets	20%	17-22%
<i>Global Real Estate</i>	13%	10-15%
<i>Global Infrastructure</i>	7%	5-10%

The performance objective for Global Real Estate is to produce net of fee returns in excess of the NCREIF Property Index ("NPI"), one quarter in arrears. The performance objective for Global Infrastructure is to produce net of fee returns in excess of the Consumer Price Index (CPI) on a smoothed quarterly (4 qtrs.) basis + 1.2% per quarter (or approximately CPI + 5% on an annual basis). The goal is to exceed the blended 50/50 NPI and CPI + 5% benchmark by 100 bps. Both performance objectives are intended to be accomplished over a market cycle, with the income component of the return comprising a significant portion of the total return.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Formulate and implement a one-year plan to remain within the 17-22% allocation range to Real Assets.*

The portfolio NAV has stayed within the 17-22% allocation range. Real Estate and Infrastructure have been assigned separate allocations and new benchmarks and the separate sub-asset classes have been near their target allocations of 13% and 7%, respectively.

- *Reallocate capital to lower the allocation to the target 20%.*

The Real Asset allocation has been lowered to the target of 20%; the Real Estate and Infrastructure allocations have approximate targets of 13% and 7%, respectively.

- *Tactically manage the existing real estate and infrastructure allocations to improve portfolio structure and achieve favorable risk-adjusted returns by incrementally reallocating capital from real estate to infrastructure until the latter reaches the target of 7%.*

Staff redeemed capital from Real Estate funds with less attractive portfolio construction and invested in strategies that can take advantage of the current downturn to acquire attractive assets at favorable valuations. The Infrastructure portfolio is near its 7% target, and with capital calls from existing commitments and new investments, it could reach parity with Real Estate (~10% each) in coming years.

- *Evaluate new investment strategies for the Real Assets portfolio such as real estate secondaries, real estate debt, sector specific real estate, niche real estate property types, ex-US real estate, energy transition, digital infrastructure, and listed infrastructure funds.*

Staff committed to a real estate secondary fund and additional positions in three real estate funds currently in the portfolio at favorable discounts in 2H-2023. Staff received approval to invest up to \$100 million in listed real assets ETFs.

- *Actively pursue co-investment opportunities with existing Real Assets managers.*

Staff invested in a US-based data center, a European cell tower platform, and a US-based power plant debt co-investments in 2023. Staff received approval to invest up to \$20 million in a co-investment sidecar alongside an existing core infrastructure fund.

CURRENT MARKET CONDITIONS AND OUTLOOK

Across most property types, real estate returns depreciated in 2023, giving up above long-term trend returns of approximately 17% and 26% in each of 2021 and 2022, respectively. SERS' Real Assets portfolio returned (4.94%) net of fees in 2023 versus a benchmark NPI return of (8.39%) gross of fees, producing an excess return of 3.46%. The income return gross of fees during 2023 was 2.13%.

PORTFOLIO STRATEGY - Global Real Assets

Though the Global Real Assets portfolio outperformed the policy benchmark, the real estate portfolio performance in 2023 was disappointing, consistent with the broader market downturn. In the most aggressive interest rate hikes cycle since the 1970s, the U.S. Federal Reserve increased interest rates nine times from 0.25% to 5.25% over an 18-month period. Consequently, capitalization (cap) and discount rates used to value real estate assets increased dramatically, resulting in lower asset values. Meanwhile, fundamentals for Industrial, Multifamily, and Retail properties remained relatively positive, with vacancy rates below 8% and net operating income growth rates in the 3-10%, reflective of strong demand. Because lending standards leading up to the downturn have been stringent and supply has been either flat or grown moderately, the conditions that led to significant drawdowns as seen during the Global Financial Crisis are not present. Asset markdowns have been primarily driven by the aforementioned higher cap and discount rates.

The one property type that is facing significant challenges is the Office sector due to work from home trends and changing tenant preferences. Many informed real estate participants believe that the supply-demand imbalance in Office is expected to persist for several years as values need to reset further downward to attract buyers or policy makers need to provide tax incentives and ease rezoning and building requirements to allow outdated Office buildings to be repositioned or razed to allow for better and higher use.

Despite the current negative sentiment, 2024-2025 could be attractive vintages to allocate new capital as values reset and provide attractive entry points. As well, the Fed has paused interest rate hikes and suggested it could lower rates in 2024. With sellers becoming more realistic, 2024 could see an uptick in transactions after significant slowdowns in 2H-2022 and 2023.

The infrastructure portfolio once again proved to be a safe harbor in a volatile year. The core, essential, and monopolistic characteristics of many infrastructure assets demonstrated their resilience. All of SERS infrastructure funds performed well in 2023, providing downside protection and cash yield. Most of SERS' infrastructure funds are still in early life cycle but are beginning to perform as expected, overcoming slow starts related to the pandemic. Most new commitments have overcome the J-curve effect and are showing positive returns. The infrastructure program added two additional co-investments, totaling four at the end of 2023.

Going forward, the infrastructure program will continue to focus on attractive assets that provide inflation protection, diversification, and cash yield. Due to infrastructure having its own allocation target and range, it will now have its own benchmark. As CPI moderates and stabilizes to longer term trends, that will provide a new hurdle for the infrastructure portfolio to meet.

Two sectors that will remain priorities are energy security / transition because of strong global policy support and investment demand, and digital infrastructure, which continues to benefit from the global mega-trend of digitalization. However, sectors like utilities that provide consistent income returns while benefiting from the energy transition theme and assets that meet the inflation protection, income return, and diversification requirements for infrastructure will also be considered.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Real Estate: Formulate a one-year plan to keep the allocation within the 10-15% range.
- Infrastructure: Formulate a one-year plan to keep the allocation within the 5-10% allocation.
- Real Estate: Evaluate new investment strategies such as real estate debt and secondaries that could take advantage of the current market correction, and niche property types that have secular growth drivers.
- Infrastructure: Evaluate new investment strategies such as energy security and transition, digital infrastructure, and other strategies that provide inflation protection and income return.
- Actively pursue co-investment opportunities with existing and high-quality non-current Real Estate and Infrastructure managers.

PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

INVESTMENT STRATEGY

SERS invests in cash equivalents for the purpose of earning market returns on cash held for benefits and expenses and to provide short-term cash needed to fund other asset classes. Cash Equivalents are fixed income assets with maturities of less than 270 days and may include US government, asset-backed, corporate and high-quality money market-type securities.

SERS' Statement of Investment Policy sets the Cash Equivalent target allocation as follows:

	Target	Permissible Range
Cash Equivalents	3%	1% - 5%

The performance objective for Cash Equivalents is to exceed the return as measured by the FTSE 30-day US Treasury Bill Index.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that generates additional income for the plan by temporarily lending equity and fixed income securities. All loans are collateralized with cash at 102-105% of security market value and reinvested in government money markets and repurchase agreements. Loans to approved borrowers are limited to 25% of the average monthly market value of the loan from the prior year. Fixed income security loans require a ten-basis point minimum spread at loan initiation. The program is implemented through a third-party lending agent and collateral reinvestment manager.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.*

Researched and moving forward with transitioning the cash equivalent portfolio over to BNY Mellon's new short-term cash management portal, Liquidity Direct. Liquidity Direct will allow Staff to research and compare the yields of multiple money providers to enhance the yield, diversify the holdings and potentially invest in other short-term investment options.

- *Evaluate opportunities to improve the Cash Management process to include a forecast of expected private market income payments and maintain liquidity needs for the portfolio.*

A three-year cash forecast was created to analyze the long-term cash needs based on projections of private and public market cash activity of the Total Fund. The current forecast projects \$45 million will need to be raised every quarter in excess of the expected income and capital cash flows.

- *Forecast and analyze expected asset class cash flows and pension payments quarterly to ensure cash flow needs can be anticipated and planned for in advance.*

On a quarterly basis, a cash variance report is created to compare the forecasted versus actual cash flows. The report gives Staff insights into where the accuracy of the cash forecast can be improved by adjusting estimates going forward.

- *Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.*

Securities lending income was lower than for the same period last year as higher average spreads and higher demand for the bonds were more than offset by lower demand for the US equities.

CURRENT MARKET CONDITIONS AND OUTLOOK

Cash continues to offer an attractive return with the prime money market fund daily yield ranging from 5.20%-5.46% fiscal year to date. The Federal Reserve has held interest rates steady since the last 0.25% rate hike in July 2023. If the Fed starts cutting interest rates later this year, then money market yields should start falling, but at a slower pace due to their ability to extend the weighted average maturity of the investments.

New money market fund reforms will become effective June 11, 2024, and funds will have six months to comply with the new amendments. The reforms will increase the minimum daily and weekly liquidity requirements, remove the redemption gates but impose a liquidity fee requirement in certain circumstances. The amendments are intended to address concerns about stress in short-term funding markets experienced during the pandemic.

PORTFOLIO STRATEGY - Cash Equivalents & Securities Lending

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Research and monitor money market funds for opportunities to earn additional yield over the portfolio benchmark.
- Migrate the cash portfolio to BNY Mellon's Liquidity Direct platform, which will improve the breadth of options available to invest the short-term cash going forward.
- Continue to forecast and analyze expected asset class cash flows and pension payments quarterly to ensure cash flow needs can be anticipated and planned for in advance.
- Monitor the Securities Lending program for opportunities to generate incremental income and ensure it is operating within the program implementation guidelines.

PORTFOLIO STRATEGY – Opportunistic & Tactical

INVESTMENT STRATEGY

SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg US Aggregate Bond Index + 2% for investments that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities. Such investments may involve capitalizing on short-term market dislocations or other unique situations or innovative strategies including tactical allocation.

SERS' Statement of Investment Policy sets the Opportunistic investments target allocation as follows:

	Target	Permissible Range
Opportunistic Investments	0%	0% - 5%

The performance objective for Opportunistic investments is to provide net of fee returns of 100 basis points above the Bloomberg US Aggregate Bond Index + 2%.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Search for possible Opportunistic investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and inflation protection. Investments that pass initial screening will undergo detailed due diligence prior to Staff recommendation.*

Staff added three new investments totaling \$125 million to the portfolio this fiscal year. The first investment is a global long/short commodity trading strategy that seeks to generate positive absolute returns in both up and down market environments. The second investment is a CLO equity fund investing in the equity tranche of CLOs issued by the underlying manager. The final and most recent investment is a long/short equity strategy focused on the energy sector, primarily in the United States and Canada. In addition, Staff received approval to invest up to 10% of the portfolio in exchange traded funds that do not fit within existing asset class risk/return profiles or objectives.

- *Actively manage the Opportunistic allocation to improve portfolio structure and returns without increasing risk.*

Staff continues to closely monitor and manage the liquid portion of the portfolio. The portfolio is comprised of six funds that offer liquidity on a regular basis. These funds represent approximately 45% of the Opportunistic allocation.

CURRENT MARKET CONDITIONS AND OUTLOOK

The Opportunistic portfolio consists of funds that seek to take advantage of market dislocations, or which do not fit within the risk and return objectives of other asset classes. The return objective of the portfolio is to outperform the Bloomberg US Aggregate Bond Index + 2%. The portfolio is positioned to take advantage of an environment consisting of high interest rates, high inflation, and a slowing economy. Current strategies include investments that provide inflation protection as well as investments that are uncorrelated to public equities and fixed income, such as distressed assets, structured credit, long/short commodity and equity funds and risk parity strategies.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- *Search for possible Opportunistic investments for the Fund that are expected to exceed the portfolio benchmark. This will be accomplished through the evaluation of markets, strategies and specific funds that offer compelling risk adjusted returns. Specific investments under consideration include strategies that provide diversification, downside protection, and exposure to themes not suitable for other asset classes. Investments that pass initial screening will undergo detailed due diligence prior to Staff recommendation.*
- *Actively manage the Opportunistic allocation to improve portfolio structure and returns without increasing risk.*

PORTFOLIO STRATEGY – Overlay Program

INVESTMENT STRATEGY

SERS invests in overlay strategies that trade derivatives of the Total Fund's underlying assets and currency exchange rates to enhance the Total Fund portfolio efficiency. The overlay program includes tactical asset allocation and active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through active allocations (long/short) across stocks and bonds thereby exploiting short-term macro market dislocations. The active currency strategies aim to add value and risk diversification to the Total Fund, as well as help manage currency risk by utilizing short-term inefficiency in the foreign exchange markets and low correlation of the strategies to the major asset classes such as US equity and fixed income.

The program is fully tactical; exposures to any overlay strategies in this program are not required by the Statement of Investment Policy.

The overlay program is targeted to add 10 to 20 bps excess return to the Total Fund's performance on a three-to five-year horizon. Tracking errors of the tactical rebalancing strategy and the currency program are expected in the ranges of 5 to 15 basis points and 5 to 8%, respectively.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.*

The tactical asset allocation strategy initiated a new market-neutral short US equity, long fixed income trade in June 2023. As the manager's conviction in the trade grew during the fiscal year, the size of the trade was increased twice and is currently 2.8% of Total Fund assets. Staff has conviction in the trade and added an additional 0.80% to bring the total exposure to 3.6%. The total realized losses are \$84.2 million through March 2024, while the strategy's inception-to-date losses are \$5.6 million.

- *Actively monitor the Active Currency Strategy to improve the program's risk and return characteristics.*

The strategy continues to actively manage the USD exposure relative to other major developed market currencies during the fiscal year. The strategy has realized fiscal year to date gains of \$15.4 million and inception-to-date gains \$77.5 million including gains from the small gold allocation.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- *Actively monitor the Tactical Asset Allocation Strategy to enhance the impacts of the strategy on the Total Fund performance.*
- *Actively monitor the Active Currency Strategy to improve the program's risk and return characteristics.*

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Investment Risk Management and Analytics is responsible for the provision and communication of diligent, thorough, timely and forward-looking investment risk analytics and other investment analytics to the Board and Investment Staff.

Total Fund forecast risk decreased from 13.4% in March 2023 to 10.9% in March 2024, primarily due to reduced volatility in equity markets and impact of the overlay programs. Total Fund realized risk for the 3-year period ending March 2024 was 7.5%.

Forecast risk is a forward-looking risk estimate based on the Fund's holdings at a point of time, while realized risk measures the volatility of reported monthly returns over a period of time. The former corrects for the smoothing effect of infrequent valuation of private investments that is inherent in the latter. Hence, forecast risk tends to be higher than realized risk for a fund that includes private investments. Forecast risk more accurately reflects the risk-return profile of an investment and is preferable for informing allocation decisions.

The composition of Total Fund risk changed slightly over the year, with Global Equities and Fixed Income contributing 418 bps and 103 bps more risk, respectively, as of March 2024 compared to a year prior and the Overlay program reducing risk by an additional 455 bps compared to a year prior. These changes reflect a combination of changes in allocation, standalone risk and correlation among asset classes. As of March 2024, 73.3% of the Total Fund's risk was attributable to equity factors, while real estate, fixed income, currency, private equity and other factors accounted for the remaining 26.7%. The Total Fund's active risk stayed under the 3% limit stipulated in the Statement of Investment Policy as 3-year realized active risk was 1.63% and forecast active risk was 1.41% as of March 2024.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Provide risk forecasts and analyses of the Total Fund and asset class portfolios.*

Staff utilized the Barra risk system to generate risk analyses of the Total Fund and asset classes. The risk analyses based on SERS' investment holdings provide forecasted volatility of returns of portfolios. The analyses also provide portfolio risk decomposition by strategies, as well as by factors.

- *Report risk of the Total Fund to the Board on a quarterly basis.*

Staff provided quarterly risk reports on the Total Fund to the Board showing forecast total risk and active contribution by asset class as well as by factor risks across the portfolio. The total risk decomposition by asset class focused on their role in the Total Fund. Total risk decomposition by factors focused on cross factor exposures, especially equity factors among the asset class portfolios as equity factors are the main risk drivers of the Total Fund. Active risk decomposition showed risk contribution from investment implementation, which is comprised of active allocation among the asset classes and active selection of strategies and securities.

- *Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.*

Staff discussed the risk profile of asset class portfolios with each asset class team. The discussion was focused on i) trend and level of forecast risks, ii) the portfolio's risk structure in terms of manager line-up and factor tilts, and iii) the portfolio's sensitivity to market movements. The discussions assisted each asset class team in monitoring their portfolio's structure and risks and uncovering unintended risk tilts to be mitigated.

- *Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.*

Staff reported monthly return attribution analyses of the Total Fund, analyzing effects of active weights and active performance of each asset class on the Total Fund's alpha generation. The analyses were presented to the Investment Strategy Team. Staff also delivered to the Investment Strategy Team attribution reports of each asset class portfolio analyzing the contribution of each account within an asset class.

- *Perform other portfolio and market analyses and research as needed.*

PORTFOLIO STRATEGY - Investment Risk Management & Analytics

Staff conducted analyses of Total Fund liquidity. Staff also conducted portfolio and market analyses as needed or upon request.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Provide risk forecasts and analyses of the Total Fund and asset class portfolios.
- Report risk of the Total Fund to the Board on a quarterly basis.
- Communicate asset class portfolios' risk with asset class investment officer(s) and discuss any potential changes of the portfolio structure on a quarterly basis.
- Provide return attribution analyses of the Total Fund and asset classes of the Fund to the Investment Strategy Team.
- Continue to develop expertise in investment risk analytics and understanding of all asset classes.
- Perform other portfolio and market analyses and research as needed.

Investment Operations

The Investment Operations area is responsible for managing administrative activities for the Investment department, assisting the CIO and investment officers, and providing reports and information to Staff and the Board. The objectives for FY2025 remain consistent with those of FY2024 as these broad categories reflect the primary duties of Investment Operations.

REVIEW OF FY2024 OBJECTIVES AND IMPLEMENTATION

The FY2024 Annual Investment Plan objectives and related activities are as follows:

- *Coordinate, assist, and participate in organizational initiatives including annual Policy review; Information Governance project; fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).*

Investment Operations assisted with the annual review and revisions to the Investment Department Policies and participated in the system-wide Information Governance Project to create a new SharePoint 365 Investments library, migrate existing electronic files, assign retention schedules and reclassify electronic fund manager agreements to ensure they were properly stored per SERS' retention schedules. Staff prepared and analyzed the fiscal budget for executive approval as well as participated in and provided feedback in relation to SME Communications and ERP activities.

- *Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing, and distributing documents to team members, producing reports, and taking minutes.*

Operations attended all Investment Committee, Strategy Team, and Board meetings. Agendas and documents were prepared and distributed, minutes taken and distributed in a timely manner. Staff assisted with processing documents associated with hiring, termination, and redemption of managers.

- *Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for Investment managers, and aiding with special projects for Staff.*

Operations coordinated revisions and produced the FY2024 Annual Investment Plan, the amended Statement of Investment Policy, and assisted with manager searches throughout the fiscal year.

FY2025 OBJECTIVES

Staff will focus on the following objectives in FY2025:

- Hire and train a new Administrative Assistant to fill a vacancy created by the retirement of the Investment Operations Manager and promotion of the Sr. Administrative Assistant.
- Coordinate, assist, and participate in organizational initiatives including annual Policy review; Information Governance project; fiscal budget; Subject Matter Experts (SMEs); and Emergency Response Program (ERP).
- Perform administrative duties and attend meetings for the Investment Committee, Strategy Team and Board meetings including establishing meeting dates and agendas, organizing and distributing documents to team members, producing reports, and taking minutes.
- Assist with projects for the CIO and Investment officers including revising the Annual Investment Plan, updating the Statement of Investment Policy as needed, searches for Investment managers, and aid with special projects for Staff.



Implementation Guidelines

IMPLEMENTATION GUIDELINES - Global Equities

I. ROLE

The role of Global Equities is to earn the equity risk premium over US Treasury bonds by investing in common stock of publicly listed companies.

II. ASSET ALLOCATION

	Total Fund Target	Range	
		Minimum	Maximum
Global Equity Equities	40%*	35%	45%

*Interim Target 41% from October 1, 2023, to December 31, 2024

Global ~~Equity~~Equities is divided into two portfolios as follows:

Global ~~Equity~~Equities – Global Composite: Managers invest in securities from across all regional markets of the world including US, Non-US Developed Markets and Emerging Markets. This composite is benchmarked to the MSCI All Country World Net Total Return Index (MSCI ACWI).

Global ~~Equity~~Equities – Regional Composite: Managers invest in securities of assigned regional markets only. Staff manages the regional market allocation versus the MSCI ACWI. This composite is benchmarked to the MSCI ACWI. Typical benchmarks utilized within the regional market mandates are:

- o US Equity: Russell 3000 Index
- o Non-US Equity Developed Market: MSCI World ex-USA Net Total Return Index (USD)
- o Non-US Equity Emerging Market: MSCI Emerging Markets Net Total Return Index (USD)

III. BENCHMARK:

The Global ~~Equity~~Equities benchmark is the MSCI All Country World Net Total Return Index (USD).

IV. PERFORMANCE OBJECTIVE

The annualized return objective, net of management fees, for ~~both the~~ Global ~~Equity~~Equities portfolios is ~~30-40~~ basis points over the MSCI ACWI.

V. PORTFOLIO DESIGN AND CONSTRUCTION:

The *Global Composite* portfolio is ~~constructed with global mandates which select currently run by one manager who selects~~ securities from across the world, making ~~discretionary their own active~~ decisions between US, Non-US Developed Markets and Emerging Markets. This is a 100% active portfolio, ~~with a +/- 10% country range limit versus the MSCI ACWI.~~

The *Regional Composite* portfolio is constructed using a multi-manager line-up of US, Non-US Developed and Emerging Market mandates and a combination of active and passive strategies to deliver risk-adjusted performance relative to respective benchmarks. Portfolio design will consider risk/return characteristics, manager count and investment management fees.

The Global Equities portfolio may employ economic leverage via portfolio alpha overlay strategies where the equity market beta is derived from invested derivatives and the alpha is derived from an active market neutral strategy or an uncorrelated active manager. The leverage employed will be within the allowed Total Fund leverage parameters and portfolio tracking error will be maintained within stated ranges in Section VII. Risk Management.

PERMISSIBLE INVESTMENTS

Security Type	US Equity Portfolio	Non-US Equity Portfolio
Common Stock	Y	Y

IMPLEMENTATION GUIDELINES - Global Equities

Stock Treated as Common Stock	Y	Y
Cash / Treasuries	Y	Y
Preferred Stock	Y	Y
Convertible Rights	Y	Y
Warrants	Y	Y
Depository Receipts	Y	Y
REITS	Y	Y
Rule 144a Issues	Y	Y
Private Placement	Y	Y
IPOs	Y	Y
Commingled Funds	Y	Y
Exchange Traded Funds	Y	Y
Derivatives	Y	Y
Currency	N	Y
Country Funds	N	Y

VI. RISK MANAGEMENT

Active Risk Target	
<i>Global Equity – Global Composite</i>	Tracking Error of 3.0% with a range of 3.0% to 7.0%
<i>Global Equity – Regional Composite</i>	Tracking Error of 1.5% within a range of 0.50% to 2.5%

Below are the guidelines for the *Global Equity – Regional Composite* Portfolio:

US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
US Equity Allocation	Russell 3000 Index	MSCI ACWI US Allocation	+/- 10%
Portfolio Structure			
Capitalization			
Large Cap Equity	Russell 1000 Index	Neutral to BM	+/- 5%
Large Cap Active	Manager Specific	-	0% - 30%
Large Cap Passive	Russell 1000 Index	-	70% - 100%
Small Cap Equity	Russell 2000 Index	Neutral to BM	+/- 10%
Small Cap Active	Manager Specific	100%	N/A
Style			
Growth	Manager Specific	Neutral to BM	+/- 5%
Value	Manager Specific	Neutral to BM	+/- 5%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the US equity benchmark.

IMPLEMENTATION GUIDELINES - Global Equities

Non-US Equity Implementation Guidelines			
	Investment Benchmark	Global Equity Target Allocation	Permissible Range
Non-US Equity Developed Markets	MSCI World ex-USA Net Total Return Index (USD)	MSCI ACWI Non-US Developed Market Allocation	+/- 7%
Non-US Equity Emerging Markets	MSCI Emerging Markets Net Total Return Index (USD)	MSCI ACWI Emerging Market Allocation	+/- 7%
Broad Market Exposure			
Developed Markets Active	Manager Specific	--	75-100%
Developed Markets Passive	MSCI World ex US Index (\$net)	--	0-25%
Emerging Markets Active	Manager Specific	100%	+/- 5%
Portfolio Structure			
Capitalization			
Large Cap Equity	Manager Specific	BM Weight	+/- 10%
Small to Mid-Cap Equity	Manager Specific	BM Weight	+/- 10%
Small Cap Equity	Manager Specific	BM Weight	+/- 10%
Micro Cap Equity	Manager Specific	BM Weight	+/- 5%
Style			
Growth	Manager Specific	Neutral to BM	+/- 10%
Value	Manager Specific	Neutral to BM	+/- 10%

Factors such as currency, sector and country limits are manager specific and outlined in each manager's Investment Guidelines. Aggregate portfolio characteristics such as P/E, B/P, yield, size, etc., shall be within a reasonable range of the Non-US developed and emerging market equity benchmarks.

IMPLEMENTATION GUIDELINES – Global Private Equity

I. ROLE

SERS invests in Private Equity to provide returns in excess of those provided by publicly-traded equities to compensate for private equity's liquidity and concentration risk.

II. ASSET ALLOCATION

The Private Equity target asset allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 14% allocation target to Private Equity with a range of 11%-17%.

III. BENCHMARK

Private Equity performance is benchmarked to the Burgiss All Private Equity benchmark, one quarter in arrears.

IV. PERFORMANCE OBJECTIVE

The performance objective for Private Equity is to provide net returns in excess of the Burgiss All Private Equity Benchmark **by 150 basis points**. Over time periods of five years and longer Private Equity net returns are expected to exceed SERS Global Equity portfolio by 2%.

V. PORTFOLIO DESIGN AND CONSTRUCTION

Capital allocation among the various market segments is a critical driver for the long-term success of the Private Equity portfolio. Capital allocation risk is controlled in a portfolio structure incorporating long-term sub asset target allocations.

Long-term sub-asset target exposure is detailed below:

	Range	
	Minimum	Maximum
Buyout		
Small/Middle	50%	70%
Large/Mega	5%	25%
Total Buyout	55%	95%
Venture Capital	0%	10%
Special Situations	5%	25%
Total		
Domestic	55%	95%
International	5%	45%
Total		
Primary Commitments	75%	100%
Fund of Funds	0%	15%
Co-Investments	0%	25%
Total		

The portfolio is tilted toward buyout investments. There is no target allocation to venture capital due to higher risk and manager selection issues, however, there may be opportunistic allocations to venture capital up to 10% of the portfolio as shown in the accompanying table. Within buyouts, the preference is for small and middle market managers with a significant value creation approach and de-emphasizes larger firms with a financial engineering approach.

IMPLEMENTATION GUIDELINES – Global Private Equity

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Discretionary Managers investing in Private Equity Partnerships	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Buyouts	Y
Venture Capital	Y
Special Situations (secondary interests, distressed debt or equity, mezzanine, co-investments, energy, etc.)	Y

Buyout

Net Expected Return 10-15%, Moderate Risk

Capital is typically invested in more established companies, those further along the business life cycle having relatively predictable cash flows and the ability to raise capital along the entire capital structure, including secured and unsecured debt. Buyouts are targeted to represent 75% of the Private Equity portfolio.

Venture Capital

Net Expected Return: 15-25%, High Risk

Venture capital equity is targeted at companies in the earliest phases of a business life cycle. Companies may be classified as seed, early, middle and late stage and are characterized by their inability to access public equity and other forms of capital such as secured and unsecured debt. These companies have uncertain revenues and a need for cash to build their businesses and are subject to high failure rates. Venture capital is targeted to represent 0% of the portfolio.

Special Situations

Net Expected Return: 10-20%, Moderate Risk

Many private equity opportunities have characteristics of buyout or venture capital but have enough differences as to require separate classification. These investments include energy, distressed debt, mezzanine, opportunity and secondary funds. Special situations is targeted to represent 25% of the portfolio.

Co-Investments

Net Expected Return: 15-20%, Moderate Risk

Co-Investments are direct investments in a single asset of a multi-asset fund, made alongside the Fund's investment in the asset. Typically, co-investments are offered on more attractive economic terms and shorter time frames than those of the Fund. Co-Investments are targeted to represent up to 10% of the portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private equity is industry diversification as well as extensive due diligence of prospective investments. Monitoring is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with private equity investments and the method of control.

Liquidity Risk

Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.

Geographic Risk

Geographic risk is controlled through a long-term international target exposure of 25% by market value.

IMPLEMENTATION GUIDELINES – Global Private Equity

Vintage Risk

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private equity commitments over time. The investment-pacing model controls the short and long-term private equity commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in our private equity portfolio. Partnership exposure is controlled by limiting the commitment size within a partnership and the maximum commitment to a partnership will be 25% of a fund's size. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 20% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk

Firm risk is the exposure to a private equity general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk

The Private Equity program accepts the currency risks consistent with the geographic constraints. Private equity partnerships generally do not hedge currency risk and the private equity program will not implement currency hedges.

Industry Risk

Typically, private equity partnerships are permitted to invest in a wide variety of industries. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk

General partners invest capital from private equity partnerships throughout the capital structure of firms. The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction.

IMPLEMENTATION GUIDELINES – Global Fixed Income

I. ROLE

The primary role of diversified fixed income is to reduce the overall risk of the investment plan. Fixed income securities should provide stable income returns through yield-oriented assets. Fixed income provides risk reduction through lower correlations to the investment program.

II. ASSET ALLOCATION

The Global Fixed Income allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized an 18% market value exposure to Global Fixed Income with a range of 13%-23%.

III. BENCHMARK

Global Fixed Income performance is benchmarked to the Bloomberg US ~~Universal Bond Index~~ ~~Aggregate Bond Index~~.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Global Fixed Income portfolio is 60 basis points net of fees above the benchmark ~~over rolling three year periods~~ and is comprised of the following strategies:

Strategy	Expected Excess Return	Tracking Error	Benchmark
Core	20 basis points	N/A	Bloomberg US Aggregate Bond Index
Core Plus	60 basis points	N/A	Bloomberg US Universal Bond Index Aggregate Bond Index
Tactical & Diversifying	200 basis points	N/A	Bloomberg US Universal Bond Index Aggregate Bond Index
Total Portfolio	60 basis points	0 – 5%	Bloomberg US Universal Bond Index Aggregate Bond Index

V. PORTFOLIO DESIGN AND CONSTRUCTION

SERS seeks to obtain broad fixed income market exposure to gain diversification while receiving income. The portfolio is 100% externally managed in active strategies, in broad mandates of core, core plus, and Tactical & Diversifying strategies. Core mandates invest primarily in benchmark type securities and exposures. Core sector weightings can deviate from the benchmark, depending on the external manager's market views and strategies. Core plus mandates allow investments in all sectors of the Bloomberg US Aggregate Bond Index with additional allocations to the extended sectors of high yield, Non-US debt and emerging market debt. The Tactical & Diversifying sector invests in return seeking or diversification enhancing strategies and can provide high excess returns. The strategy invests in all sectors of the index in addition to emerging market debt, high yield, and long/short credit.

The portfolio may employ economic leverage to obtain benchmark or sector exposure to enhance the excess return of the portfolio. The leverage employed will be within the parameters of the Total Fund leverage policy and portfolio tracking error will be maintained within the range stated in Section IV.

Below are the current sector exposure limits:

Strategy	Range	
	Minimum	Maximum
Core	30%	70%
Core Plus	25%	50%
Tactical & Diversifying	0%	20%

IMPLEMENTATION GUIDELINES – Global Fixed Income

VI. PERMISSIBLE INVESTMENTS

Security Type	Core	Core Plus	Tactical & Diversifying
Governments			
US Treasuries, TIPS and Agencies	Y	Y	Y
Sovereigns/Quasi-Sov. In US \$	Y	Y	Y
Sovereigns/Quasi-Sov. In local currency	N	Y	Y
Corporates			
US Corporates	Y	Y	Y
Non-US Corporates in US \$	Y	Y	Y
Non-US Corporates in local currency	N	Y	Y
High Yield	N	Y	Y
Bank Loans	N	Y	Y
Structured Credit			
Mortgages	Y	Y	Y
Asset Backed	Y	Y	Y
Collateralized Loan Obligations	N	Y	Y
Other			
144 (A)s	Y	Y	Y
Commingled Funds	Y	Y	Y
Convertibles	N	Y	Y
Currency	N	Y	Y
Derivatives	Y	Y	Y
Equity	N	Y	Y
Exchange Traded Funds	Y	Y	Y
Money Markets	Y	Y	Y
Municipals	Y	Y	Y
Repurchase Agreements	Y	Y	Y

VII. RISK MANAGEMENT

For strategies held in separate accounts, the following risk factors are controlled through limits specified in each manager's Investment Manager Agreement (IMA) and Investment Guidelines. Duration, sector and credit risk are reviewed on a total portfolio basis quarterly by SERS:

Interest Rate

Controlled by duration band limits around the benchmark duration.

Yield Curve Risk

Controlled by duration band limits around the benchmark duration.

Sector Risk

Riskier sectors like high yield, non-US, non-agency mortgages and CMBS are controlled around set limits with each individual manager. Portfolios are allowed 25% maximum exposure to any one industry.

Credit Risk

Portfolios must maintain a minimum exposure to investment grade securities. In addition, each manager of individual portfolios has an established average weighted credit quality that must be maintained at all times.

IMPLEMENTATION GUIDELINES – Global Fixed Income

Currency Risk

Currency is not hedged at the overall portfolio level. Managers who demonstrate skill are allowed to purchase non-US securities on a hedged or unhedged basis or take direct currency positions without owning securities.

Issuer Risk

Issuer limits are specified in each IMA investment guidelines.

Liquidity Risk

Accounts have a maximum 144(A) limit without registration rights.

Active Risk

Normal tracking error is expected to be 2-4% over any rolling three-year time horizon. During periods of increased volatility, tracking error should not exceed 5% over any rolling three-year time horizon.

IMPLEMENTATION GUIDELINES – Global Private Credit

I. ROLE

The role of SERS' Private Credit portfolio is to provide risk adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent cash yield.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the private credit target allocation at 5%, with a range of 3% to 7%.

III. BENCHMARK

The private credit benchmark is the 90-day Treasury bill rate + 4.5%, one quarter in arrears.

IV. PERFORMANCE OBJECTIVE

The performance objective of the Private Credit portfolio is to provide net returns **of 100 basis points above the policy benchmark and to outperform the in excess of the** SERS Global Fixed Income portfolio over time periods five years and longer, with the income component of the return comprising a significant portion of the total return.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Private Credit portfolio is designed to gain exposure to various aspects of the private credit market with a focus on consistent income generation. It is expected that a greater portion of the Private Credit portfolio will be allocated to direct lending investments with higher expected cash yields.

Long-term sub asset target exposure is detailed below:

	Target	Range	
		Minimum	Maximum
Direct Lending	80%	60%	100%
Mezzanine	0%	0%	10%
Stressed/Distressed	10%	0%	15%
Asset Based Lending and Specialty Finance /Other	10%	0%	15%
Total	100%		
Domestic	60%	40%	85%
International	40%	15%	60%
Total	100%		
Primary Commitments	100%	80%	100%
Secondaries	0%	0%	10%
Co-Investments	0%	0%	10%
Total	100%		

The portfolio is tilted toward direct lending investments and does not have a target allocation to mezzanine due to the structure of investments typically containing a less predictable cash income component than direct lending.

IMPLEMENTATION GUIDELINES – Global Private Credit

VI. PERMISSIBLE INVESTMENTS

Investment Structure	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y

Investment Type	
Direct Lending	Y
Mezzanine	Y
Stressed/Distressed	Y
Asset Based Lending/Specialty Finance/Other	Y

Direct Lending

Net Expected Return: 8-12%, Moderate Risk

Direct Lending represents loans made directly to small to medium size companies; secured by assets/cash flows/contracts, etc. depending on the type of loan. Direct Lending is targeted to represent 80% of the Global Private Credit portfolio.

Mezzanine

Net Expected Return: 10-15%, High Risk

Mezzanine debt is subordinated to senior loans and typically is structured as an unsecured fixed or floating rate loan with an equity component. Mezzanine is targeted to represent 0% of the Global Private Credit portfolio.

Stressed/Distressed

Net Expected Return: 12-25%, High Risk

Stressed/Distressed debt represents loans made to companies that are financially stressed and/or are likely to go through restructuring/bankruptcy. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. Stressed/Distressed is targeted to represent 10% of the Global Private Credit portfolio.

Asset Based Lending/Specialty Finance/Other

Net Expected Return: 10-15%, Moderate to High Risk

~~Asset Based based lending Lending/Other and specialty finance~~ includes investments ~~backed-collateralized~~ by financial and hard assets, as well as cash flows generated from differentiated sources other than traditional corporate lending. ~~backed by cash flows. These~~ types of investments ~~are typically shorter in duration and~~ may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types. ~~Asset Based based lending Lending/Other - & other~~ is targeted to represent 10% of the Global Private Credit portfolio.

VII. RISK MANAGEMENT

The primary risk management tool in private credit is extensive due diligence of prospective investments and diversification. The following sections identify the most significant risks of private credit investments and the method of control.

Credit Risk

Credit risk is the primary risk associated with the asset class. Thorough due diligence of investments will be completed to ensure the general partners have sufficient measures in place to monitor and assess the risks involved with underlying investments, as well as the capabilities to structure loans with adequate covenants to protect the lender.

IMPLEMENTATION GUIDELINES – Global Private Credit

Interest Rate Risk

Interest rate risk is inherent within the Private Credit portfolio since investments are typically structured as floating rate credit instruments and interest rates will fluctuate over time. The risk is managed by the general partners through the structuring process to ensure appropriate interest rate floors and other measures are in place to manage an acceptable level of interest income.

Liquidity Risk

Private credit investments are illiquid but have shorter holding periods than other private security types, with 3 – 5 years being a typical holding period. Investments are typically held until maturity and selling prior to maturity typically results in a discount to fair market value. Liquidity risk is managed through the portfolio construction process by limiting the amount of exposure to more illiquid areas of private credit, such as distressed debt.

Geographic Risk

International exposure refers to non-US investments and is limited to 60% of the portfolio.

Vintage Risk

Vintage reflects the year of first capital draw and vintage risk refers to the variability of private credit commitments over time. The investment-pacing model controls the short and long-term private credit commitment amounts and attempts to minimize vintage risk while achieving targeted exposure. Commitments will be dependent on the availability of investments that meet SERS' investment criteria and will not be driven by the target investment pace in any given year.

Manager Risk

Manager risk consists of two elements, managing the exposure within a partnership and controlling the number of general partners in the Global Private Credit portfolio. Partnership exposure is controlled by limiting the commitment size to 25% of the aggregate commitments to the partnership or master fund if more than one feeder vehicle exists. The 25% limit does not apply to funds committed to a discretionary manager or a separate account. The maximum market value exposure to a single manager is targeted to be less than 35% of the portfolio. The optimum number of general partners in the portfolio varies with time.

Firm Risk

Firm risk is the exposure to a private credit general partner and is controlled by limiting the maximum commitment to funds operated by a general partner and its affiliates.

Currency Risk

The Private Credit program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Industry/Sector Risk

Typically, private credit partnerships are permitted to invest in a wide variety of industries and sectors. Industry/Sector risk is controlled primarily through appropriate diversification across classes and subclasses.

Leverage Risk

The capital markets control the maximum leverage available to the general partners and limited partners control leverage exposure through partnership selection and portfolio construction. Leverage at an individual fund level is managed through the portfolio construction process.

Valuation Risk

The valuation frequency for private credit is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

IMPLEMENTATION GUIDELINES – Global Real Assets

I. ROLE

The role of SERS' Global Real Assets portfolio is to provide a stable income return from tangible assets, to be a partial inflation hedge over the long term and to provide low correlation to equities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the global **real estate** target allocation at **13%**, with a permissible range of **10-15%**, and the global **infrastructure** target allocation at **7%**, with a permissible range of **5-10%**.

III. BENCHMARK

The global real **estate** benchmark is the NCREIF Property Index (NPI), one quarter in arrears. **The global infrastructure benchmark is quarterly (4 qtrs.) smoothed CPI + 1.2% (approximately CPI + 5%).**

IV. PERFORMANCE OBJECTIVE

The performance objective for Global Real Assets is to produce net of fee returns **that are 100 bps** in excess of the benchmark over a market cycle, with the income component of the return comprising a significant portion of the total return. **The benchmark is a 50/50 blend of NPI and CPI + 5%.**

V. PORTFOLIO DESIGN AND CONSTRUCTION

Effective January 1, 2024, the Global Real Assets portfolio is segregated into real estate and infrastructure, with the small farmland investment combined with the real estate allocation. The Global Real Assets portfolio is designed to achieve the performance objective, to manage risks and to focus on the overall role of global real assets within the Total Fund. SERS' Global Real Assets Implementation Guidelines set the private market, public market and asset type exposures for Global Real Assets, as shown in the table below.

Strategy	Target	Range	
		Minimum	Maximum
Private Core Real Estate	60%	40%	80%
Private Non-Core Real Estate	5%	0%	15%
Private Infrastructure	30%	15%	40%
Public Market Real Assets	4%	0%	10%
Private Agriculture/Farmland	1%	0%	5%

Strategy	Target	Range	
		Minimum	Maximum
Total Real Estate*	13%	10%	15%
Private Core Real Estate	85%	70%	95%
Private Non-Core Real Estate	10%	0%	20%
Listed REITs / ETFs	3%	0%	10%
Farmland	2%	0%	5%
Total Infrastructure*	7%	5%	10%
Private Core Infra	80%	60%	90%
Private Non-Core Infra	20%	10%	30%
Listed Infra ETFs	0%	0%	5%

***The rows below each asset class are meant to represent % of the Total.**

Example: Private Core Real Estate Target of 85% would represent 85% of the Total Real Estate target of 13%.

Core real estate investments include substantially leased or fully operational institutional quality properties or projects located in developed markets. The revenue streams from core real estate are generally long duration and comprise a majority of the asset's total return. Core real estate strategies are typically implemented through open-end commingled funds.

IMPLEMENTATION GUIDELINES – Global Real Assets

Non-core real estate investments include value-added and opportunistic strategies in which properties or projects are re-leased, re-developed, or newly constructed, particularly in developing or transitional markets. This strategy has a higher return expectation but has higher reliance on capital appreciation (vs income return). Non-core real estate strategies are typically implemented through closed-end commingled funds.

Private infrastructure typically involves the movement (and storage or housing) of goods, people, water, and energy, and communication signals (definition provided by JP Morgan Asset Management). The sectors include, but are not limited to, power (including renewables), energy, utilities, transportation, communication, and social infrastructure sectors. Infrastructure revenue streams are typically long-dated, contractual and inflation linked. Private infrastructure is implemented through both open and closed end commingled funds, as well as co-investments.

Public market real assets are securities of companies whose primary source of revenue comes from the operation of tangible assets, including, but not limited to, real estate (REITs), listed infrastructure, natural resources, and master limited partnerships. While more liquid in nature, public market real assets exhibit greater volatility than privately held real assets. Master limited partnerships, or MLPs, are publicly traded limited partnerships that derive most of the partnership's cash flows from infrastructure and natural resource assets. The advantage of an MLP is that it combines the tax benefits of a limited partnership with the liquidity of a publicly traded company.

Private Farmland investments include annual row and permanent crops located throughout the United States. Core farmland will be substantially leased on long term contracts to top quality growers. Core farmland provides a strong income stream that will comprise the majority of the total return. Core farmland strategies are typically implemented through open-end funds.

Over time, Staff intends to judiciously increase exposure to co-investments in infrastructure and real estate through underwriting of individual assets as well via programmatic sidecar vehicles.

VI. PERMISSIBLE INVESTMENTS

The underlying investments included in the Global Real Assets portfolio generally are tangible assets, have long term investment horizons or holding periods, produce attractive income returns and cash yields and provide a partial inflation hedge over the long term. Permissible investment structures and types are as follows.

Investment Structure and Type	
Limited Partnership Interests	Y
Co-Investments	Y
Separate Accounts	Y
Commingled Funds	Y
Secondaries Vehicles	Y
Secondary Transaction of Real Assets Funds	Y
Joint Ventures	Y
Real Estate Operating Companies (REOCs)	Y
Private Real Estate Equity and Debt	Y
Real Estate Investment Trusts (REITs)	Y
Exchange Traded Funds	Y
Private Infrastructure Equity and Debt	Y
Public Infrastructure Securities and MLPs	Y
Natural Resources and Commodities	Y

IMPLEMENTATION GUIDELINES – Global Real Assets

VII. RISK MANAGEMENT

Qualitative constraints and quantitative measures are used to manage risk in the Global Real Assets portfolio. The following sections identify the most significant risks with real asset investments and the method of control.

Real Estate Life Cycle Risk

Life cycle risk refers to the stage of an investment's life and generally falls into two categories, operating and non-operating investments. Operating investments are those that are leased or functioning at a level in which the contractual cash payments are supporting operations. Non-operating investments are those in pre-development, construction, conversion, or in a stage of major releasing. A significant portion of the private market real assets portfolio will be in operating investments in order to achieve Global Real Assets' role of providing income.

	Operating	Non-Operating
Target Exposure	≥85%	≤15%

Real Estate Property Type Risk

Property type risk refers to the level of exposure of the major property type categories in the private market real estate portfolio relative to the NCREIF Property Index. Property type risk will be managed through portfolio design and the use of commingled funds. At least 80% of the private market real estate portfolio will be invested in the four primary property type categories including apartment, industrial, office and retail.

(as of December 31, 2023)	NCREIF Property Index	Range
Apartment	28%	15% - 45%
Industrial	35% 32%	15% - 50% 45%
Office	22% 26%	5% - 30% 40%
Retail	14%	5% - 25%
Subtotal	99%	80% - 100%
Niche/Other	<1%	5% - 25% 20%
Total	100%	

Real Estate Geographic Risk

Geographic risk can be broken down into two segments: US regional exposure and non-US exposure. US regional exposure refers to the level of exposure in the four US regions in the private market real estate portfolio relative to the NCREIF Property Index.

(as of December 31, 2023)	NCREIF Property Index	Range
West	40% 42%	20% - 50%
East	30% 29%	20% - 45%
Midwest	6% 7%	5% - 20%
South	24% 23%	10% - 35%
Total	100%	

Infrastructure Sector Risk

Infrastructure sector risks refers to the level of exposure to the major infrastructure sectors in the private markets infrastructure portfolio. Sector risk will be managed through portfolio design and the use of commingled funds and co-investments.

(as of December 31, 2023)	Current Portfolio*	Range
Communications	13%	5% - 25%
Energy	26%	15% - 35%
Renewables / Sustainability	6%	0% - 15%

IMPLEMENTATION GUIDELINES – Global Real Assets

Social	5%	0% - 10%
Transportation	47%	25% - 60%
Utilities	3%	0% - 15%
Total	100%	

Infrastructure Geographic Risk

Infrastructure geographic risks is broken into the regional exposure of the private markets infrastructure portfolio. Geographic risks will be managed through portfolio design and the use of commingled funds and co-investments.

(as of December 31, 2023)	Current Portfolio*	Range
Asia-Pacific	8%	5% - 20%
Europe/U.K.*	35%	25% - 50%
Latin America	11%	5% - 20%
North America	44%	40% - 60%
Other	2%	0% - 5%
Total	100%	

*Approximately 1% in Eastern Europe

Global Real Assets Geographic Risk

Non-US exposure refers to the level of exposure of non-US investments in the total Global Real Assets portfolio. Non-US exposure will be limited to 35% of the private market portfolio.

Liquidity Risk

Private market real asset investments are illiquid, with both holding periods and commingled fund terms ranging from 7-10 years or longer. Liquidity risk will be managed through target allocations to private and public market real assets as well as vintage year diversification.

Leverage Risk

Private market real asset investments typically are acquired with a combination of equity capital and mortgage financing. The amount of leverage per asset or pool of assets depends on debt availability, property type, tenant quality, and asset life cycle. The amount of leverage and financing terms ultimately are the responsibility of SERS' external real asset managers and are governed and constrained by partnership agreements. The leverage maximum for the total private market real assets portfolio is 50% of the gross asset value of the private market real assets portfolio. Leverage risk will be managed through target allocations and portfolio design.

Currency Risk

The Global Real Assets program does not hedge currency risk and relies upon its external managers to determine if such hedges are appropriate. Currency risk will be managed through geographic exposure limits, as shown above under geographic risks.

Valuation Risk

The valuation frequency for private market real assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

Manager Concentration Risk

A single manager utilizing core strategies shall not constitute more than 25% of the net assets of the Global Real Assets program. For non-core strategies, a single fund commitment shall not constitute more than 10% of the net assets of the Global Real Assets program and a single manager with multiple fund commitments, including co-investments, shall not constitute more than 20% of the net assets of the Global Real Assets program.

IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending

I. ROLE

Short-Term Cash should provide liquidity for funding investment capital calls and operational expenses. Cash should be invested in conservative, low risk securities/funds to preserve capital for future expenditures and investments.

II. ASSET ALLOCATION

The Cash allocation is established with periodic asset allocation studies. The most recent asset allocation study authorized a 3% exposure to cash with a range of 1%-5%.

III. BENCHMARK

The Short-Term cash benchmark is the FTSE 30 Day Treasury Bill.

IV. PERFORMANCE OBJECTIVE

The annualized return objective for the Short-Term portfolio is five basis points net of fees over the benchmark.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Cash portfolio is designed with preservation of capital in mind. A cash balance of one to three months of expenditures is usually maintained. A higher allocation to cash may also be used to preserve capital in volatile markets. The average weighted maturity of the portfolio will not exceed 20 days.

Risk is constantly assessed before investment purchases are made in the portfolio. Only top tier commercial paper is purchased. Money market holdings are also reviewed on a regular basis along with choosing a top tier money market provider with a deep credit analyst team and whose short-term investments are important to the organization.

The Securities Lending program is designed to be a low risk, intrinsic value focused strategy that can generate additional income for the system. The program is implemented through a third-party lending agent and collateral reinvestment manager. Separately, additional securities lending income is earned by the commingled passive global equity accounts.

VI. PERMISSIBLE INVESTMENTS

Security Type	
US Treasury Bills	Y
Commercial Paper rated A-1/P-1 or higher	Y
Money Market Funds rated at least A-1/P-1	Y
Unrated Market Funds comparable to an A-1/P-1 equivalent fund	Y
Tri-Party Repurchase Agreements	Y

VII. RISK MANAGEMENT

Liquidity Risk

The weighted average maturity shall not exceed 20 days. All money market funds must provide daily liquidity.

Credit Risk

A commercial paper issuer must be on the approved credit list or approved by the Chief Investment Officer before purchasing. Market and issuer news are reviewed daily by the Senior Investment Officer – Global Fixed Income. Money market funds must regularly send a holdings report to SERS, where it is reviewed on a regular basis.

Issuer Risk

Single issuer commercial paper investments are limited to \$20 million. Related entity commercial paper investments are limited to the lower of 30% of the short-term account or \$40 million. Overnight commercial paper issuer maturities are limited to \$50 million.

IMPLEMENTATION GUIDELINES – Cash Equivalents & Securities Lending

Securities Lending Risk

All loans will be collateralized with cash at 102% for US securities and 105% for non-US securities and marked-to-market daily. Collateral will be reinvested in government money market funds and/or repurchase agreements. Loans on fixed income securities will be subject to a ten-basis point minimum spread requirement at loan initiation. Loans to approved borrowers will be limited to 25% of the average monthly market value on loan for the prior calendar year.

IMPLEMENTATION GUIDELINES – Opportunistic & Tactical

I. ROLE

The role of SERS' Opportunistic portfolio is to ~~earn~~ provide net of fee returns of 100 basis points above the Bloomberg US Aggregate Bond Index + 2% by investing in assets and strategies that do not fit within the existing asset classes. The investments are defined as tactical or non-traditional investment opportunities.

II. ASSET ALLOCATION

SERS' Statement of Investment Policy sets the opportunistic target allocation at 0%, with a range of 0%-5%.

III. BENCHMARK

The Opportunistic benchmark is the Bloomberg US Aggregate Bond Index + 2%.

IV. PERFORMANCE OBJECTIVE

The performance objective of the Opportunistic portfolio is to ~~earn~~ provide a net of fee returns of 100 basis points above in excess of the Bloomberg US Aggregate Bond Index + 2% benchmark, with a meaningful component of the total return coming from current income.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The Opportunistic portfolio may consist of a wide variety of investment types, structures and strategies targeting cash yield as well as price appreciation. Investment strategies include separate accounts, commingled funds, ETFs, co-investments and derivatives.

VI. PERMISSIBLE INVESTMENTS

Permissible investments include, but are not limited to, common stock, preferred stock, debt securities, currencies, commodities, ~~ETFs~~ exchange traded funds, etc.

VII. RISK MANAGEMENT

Leverage Risk

Leverage will be prudent for the given strategy and consistent with the fund's offering memorandum.

Liquidity Risk

Liquidity will be monitored regularly to ensure the portfolio can be traded or rebalanced within a reasonable timeframe. Liquidity risk will be managed through target allocations to private and public market assets as well as through portfolio design.

Currency Risk

The Opportunistic portfolio does not directly hedge foreign currency risk and relies upon its external managers to determine if such hedges are appropriate.

Valuation Risk

The valuation frequency for private market assets is dependent upon the external managers' internal and external valuation policies, which are reviewed during the operational due diligence process.

IMPLEMENTATION GUIDELINES – Overlay Program

I. ROLE

SERS invests in Overlay strategies that trade derivatives of the Total Fund's underlying asset exposures and currency exchange rates to enhance the Total Fund portfolio's efficiency. The Overlay program includes i) tactical asset allocation, and ii) active currency strategies.

The tactical asset allocation strategy aims to add value to the Total Fund performance through long and short positions based on short-term relative attractiveness of assets.

The active currency strategies aim to add value to the Total Fund on a risk-adjusted basis by employing long and short positions in various currency pairs based on relative attractiveness of the currencies. The strategies are expected to have low correlation to the major asset classes such as US equity and fixed income.

II. ASSET ALLOCATION

The target allocation of the tactical asset allocation and Currency program is 0% since long and short positions net out.

The tactical asset allocation program's notional exposure limit is +/-7% of the Total Fund to each of the following assets: US fixed income, US equity and Non-US equity. Since the tactical asset allocation positions are employed for short periods, the notional exposures are not subject to the policy asset allocation ranges set forth in the Statement of Investment Policy; however, the active risk contribution by the overlay program as a whole is subjected to the overall guideline on active risk for the management of the Total Fund specified in the Risk Management Policy.

The notional value of the active currency program is capped at 50% of the Non-US Equity portfolio's value.

III. BENCHMARK

The benchmark for the tactical asset allocation and Currency Overlay program is 0% since net exposure is 0%.

IV. PERFORMANCE OBJECTIVE

The Overlay program is expected to add 5 to 10 bps of excess return to the Total Fund's performance on a three to five year horizon.

V. PORTFOLIO DESIGN AND CONSTRUCTION

The mandates are unfunded. The Overlay strategies buy (long) or sell (short) futures or forwards contracts to get exposures to desired markets in order to exploit shifts in relative valuation of assets and currencies.

The tactical rebalancing strategy's net exposures, sum of long and short positions, are valued at zero on the initiating position time. Active currency strategies can go either net long or net short US dollar. Both tactical rebalancing and active currency aggregate portfolios are constructed to have no dependency on any single risk factor.

VI. PERMISSIBLE INVESTMENTS

Tactical asset allocation: equity, fixed income, commodity and precious metals futures and options on futures.

Currency Overlay: currency forwards, currency futures, gold forwards, gold futures, and limited currency options.

IMPLEMENTATION GUIDELINES – Overlay Program

VII. RISK MANAGEMENT

Counter-party risk management

- Futures and exchange traded options are traded at exchanges thus having default risk only to the clearinghouse while having no credit risk to trade counterparties.
- Forward contracts and over-the-counter options entail default risk of the counterparties. Counterparty risk of these contracts is managed through ISDA (International Swaps and Derivatives Association) and EMIR (European Market Infrastructure Regulation) umbrella agreements with managers.

Volatility management

- The tactical asset allocation program's tracking error range is 5 to 15 bps.
- All active currency strategies have targeted tracking error equal to or less than 8%; the aggregate active currency program's tracking error is expected to be in the range of 5 to 8%.

Liquidity

- The use of derivatives requires initial margin as well as daily variation margin for futures. Liquidity risk will be managed by ensuring that an adequate reserve of cash is available to meet margin requirements at all times.



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Glossary

GLOSSARY

Active Risk – see Tracking Error.

Alpha – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a return in excess of the index return.

Asset Allocation – the practice of allocating a certain percentage of a portfolio between different types of investment assets, such as stocks, bonds, real estate, cash, etc. By diversifying among asset classes, it is expected to create a favorable risk/reward ratio for the portfolio.

Basis Point – one hundredth of one percent. For example, an addition of 40 basis points to a yield of 7.50 percent would increase the yield to 7.90 percent. Basis points are normally used when quoting yields or returns, alpha, or fees paid to investment managers.

Benchmark – a measurement or standard that serves as a point of reference by which portfolio performance is measured. Benchmarks must meet standard criteria.

Bloomberg US Aggregate Bond Index – a market capitalization weighted US bond index published by Bloomberg LLC. Most US traded investment grade bonds are represented in the index. The Bloomberg US Aggregate Bond Index was SERS' global fixed income policy benchmark through June 30, 2024.

Bloomberg US Universal Bond Index – a market capitalization index that consists of USD-denominated securities only. The index includes debt issued by the U.S. government and other government-related entities, residential and commercial mortgage-backed securities, investment grade and high yield bonds as well as debt from emerging market countries and other foreign issuers. The policy benchmark for the global fixed income portfolio switched from the US Aggregate index to the US Universal index on July 1, 2024.

Burgiss All Private Equity (BAPE) – BAPE is comprised of data from more than 5,000 private equity funds contributed by limited partners that are Burgiss clients and use Burgiss' web-based institutional portfolio management platform Private i. The benchmark data is sourced from Burgiss' limited partner clients and includes complete transactional and valuation history between the limited partner and their fund investments. Burgiss publishes a detailed breakdown of the dataset every quarter allowing for increased transparency.

Co-investment – a direct investment in a single asset of a multi-asset Fund, made alongside the Fund's investment in the asset; typically involves terms that are more attractive and with shorter time frames than those of the Fund.

Derivatives (Derivative Instruments) – financial instruments (securities or contracts) whose values are derived from underlying financial assets, indices, or other instruments. Derivative performance is based on the performance of assets, interest rates, currency exchange rates and various domestic and foreign indices underlying the instruments. The common forms of derivatives are forward, futures, swap, and options contracts.

Diversification – the method of reducing risk by distributing investment assets among a variety of investment securities which have different risk/ reward ratios.

Due Diligence – an investigation or [audit](#) of a potential or existing [investment](#).

Equity Investment – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

Exchange Traded Funds (ETF) – publicly traded investment security that provides exposure to a basket of securities.

Fixed Income Investment – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. May also be referred to as "debt" or "bonds."

FTSE 30 Day Treasury Bill – an index that measures the rate of return for 30-day US Treasury Bills, which are considered representative of the performance of Short-Term money market instruments. The FTSE 30 Day Treasury Bill is SERS' policy benchmark for Cash Equivalents.

GLOSSARY

Fund – fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., private credit fund, private equity fund, or real estate fund).

Global Equities – reflects the consolidation of what had been treated by SERS as US Equity and Non-US Equity asset classes; includes equities of US and non-US origin, equities of various capitalizations (e.g., large cap, small cap, mid cap, etc.), equities from developed, emerging and frontier markets, growth and value equities and passive and active strategies. Investments in Global Equities strategies are made in accordance with established investment guidelines, and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

Guidelines – refers to an Investment Manager’s “Investment Guidelines,” established between the Investment Manager and Staff as part in an investment management agreement. Guidelines may be general or specific.

Investment Committee – a committee comprised of the Chief investment Officer and Investment Officers from SERS’ Investment Department who possess the Ohio State Retirement System Investment Officer (SRSIO) license, with clearly defined structure, rules, and procedures for reviewing and approving investments in a timely and prudent fashion.

Investment Consultant – any consultant hired by the Board or by Staff to advise or assist with the Investment Program in accordance with the Statement of Investment Policy. Board investment consultants must be approved by the Board. Staff investment consultants shall be approved by the Executive Director.

Investment Manager – a manager or potential manager of SERS assets, both public market and private market. Includes, but is not limited to managers of equity, fixed income, private credit, private equity, real estate, commodities, and cash.

Investment Staff – members of the investment department of SERS, including the Chief Investment Officer, Investment Officers, and other department personnel.

Leverage – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company’s balance sheet in the form of the debt/equity ratio.

Long a futures contract or a forward contract – buying exposure to the underlying assets of the contract without actually owing those assets. When the underlying assets deliver a positive return, the long position gains; when the underlying assets deliver a negative return, the reverse is true.

Morgan Stanley Capital International – All Country World Free ex-USA Index (\$Net) – an equity index representing 44 developed and emerging countries. “Free” indicates the index reflects actual investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. “Net” indicates that dividends are reinvested after the deduction of withholding taxes applicable to non-resident institutional investors. The MSCI-ACWI ex-USA Index, net of dividends reinvested is SERS’ policy benchmark for Non-US Equities.

NCREIF Property Index (NPI) – a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. The NCREIF Property Index is a component of SERS’ Global Real Estate Policy Benchmark.

Opportunistic and Tactical Investments – global opportunistic investments are tactical or non-traditional investment opportunities that may be short-term or may not fit within the generally accepted risk/return parameters of specific asset classes or strategy groupings. Such opportunities may involve capitalizing on short-term market dislocations or other such unique situations. Tactical investments may include strategies with dynamic allocations to single assets or across multiple asset types or other innovative approaches.

Options contract – a form of financial derivatives. In an options contract, two parties (buyer and seller) agree

GLOSSARY

that the buyer, who pays an option premium to the seller, has the right to exercise an option whether to buy or sell a particular asset at a specified price at a specified future date.

Portfolio – a collection of investments owned, managed, or overseen by an individual or investment manager, a board, or an organization. Portfolio can mean a manager account or subset thereof (e.g., Goldman Sachs Core Plus account), an asset class (e.g., US Equity), or the entire fund (e.g., SERS' Total Fund).

Rebalancing – adjusting asset class or portfolio allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

Russell 3000 Index – a market-value weighted equity index published by FTSE Russell. The index measures the performance of the 3,000 largest US companies in terms of market capitalization. The Russell 3000 Index is SERS' Domestic Equity Policy Benchmark.

Secondaries – pre-existing investor capital commitments to private funds that are purchased in the secondary market.

Securities Lending – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer to support the firm's trading activities. Loaned securities are collateralized with cash at 102-105% of the loan exposure. The lender retains the entitlement to all the benefits of the loaned security, including dividends and interest, except the right to vote proxies. The lender has a right to recall the loan at any time.

Short a futures contract or forward contract – selling exposure to the underlying assets of the contract without transferring the ownership of those assets to the buyers. When the underlying assets deliver a positive return, the short position experiences losses; when the underlying assets deliver a negative return, the reverse is true.

Style – style refers to an investment product, strategy or style offered by an Investment Management Firm and reflects how the assets are invested. For example, value versus growth; core versus value added; quantitative versus fundamental; etc.

T-bill – refers to Treasury Bill. Staff utilizes the 90-day T-bill rate as a reference benchmark.

Total Fund – refers to SERS' total investment assets.

Tracking Error – standard deviation of the excess return of the portfolio relative to the Benchmark, often measured over rolling three-year periods.

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**Investment Department Incentive Plan
for Fiscal Year 20254**

Amended May 168, 20243

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Section 1: Plan Purpose

The purpose of the Incentive Plan (“Plan”) is to provide a compensation package that allows SERS to recruit and retain talent in the Investment Department that is necessary to maximize investment returns.

Section 2: Plan Objectives

The objectives of the Plan are to:

- a. Reinforce a performance philosophy.
- b. Attract and retain high quality talent.

Section 3: Performance Period

The performance period for purposes of the Plan will coincide with SERS’ fiscal year, i.e. July 1 through June 30 of each year.

Section 4: Eligibility

There are five tiers of participation within the Plan and those tiers cover the following job classifications:

Table 1. Eligibility by Job Title

TIER	JOB TITLES
I	Chief Investment Officer
II	Assistant Director
III	Senior Investment Officer Investment Officer
IV	Associate Investment Officer Senior Investment Analyst
V	Investment Analyst Associate Risk Officer
VI	Associate Risk Officer Investment Analyst

In order to be eligible to receive incentive compensation, a participant must meet performance expectations (including goals and competencies) on the most recent SERS annual performance evaluation, and the fund must meet certain performance standards. A participant who fails to achieve an overall rating of “Expected Performance” on the annual performance evaluation will be ineligible for incentive compensation for the corresponding year of the evaluation, as will a participant who is no longer in good standing at SERS at the time the incentive compensation is paid.

Section 5: Incentive Compensation Criteria

Incentive compensation will be earned if the Investment Department achieves positive net of fees investment returns in excess of the Board-approved benchmark on the overall fund or specific asset classes.

The incentive compensation amount will be calculated on the number, level, and salaries of eligible participants in the Plan as of July 1 of the fiscal year in which the incentive is earned. The ~~Assistant Director – Financial Accounting~~ ~~Chief Risk Officer~~ verifies the abovementioned information with Human Resources. The Chief Audit Officer reviews the calculations before incentive compensation earnings are approved by the Executive Director.

Fund Performance

Fund performance reflects the planned total fund or asset class goal. Individual incentive compensation may be earned upon achievement of positive excess returns.

For purposes of the Plan, the fund performance goal is positive excess returns relative to the Board-approved benchmark. If the total fund performance or specific asset class performance net of fees is above its respective benchmark that portion of incentive compensation will be earned and conversely, if the total fund performance or specific asset class performance is equal to or below its respective benchmark, that portion of incentive compensation will not be earned.

**School Employees Retirement System of Ohio
Investment Department Incentive Plan**

May 2024³

For purposes of this Plan, the maximum performance goal ~~is 50 basis points~~ over the Board-approved benchmark ~~is as follows:~~

- ~~Global Equity: 40 basis points~~
- ~~Global Fixed Income: 60 basis points~~
- ~~Real Estate, Infrastructure, Private Credit, Opportunistic & Tactical: 100 basis points~~
- ~~Global Private Equity: 150 basis points~~
- ~~Total Fund: 70 basis points~~

Section 6: Incentive Compensation Opportunity

Distribution under the Plan to eligible participants is determined by performance goals as outlined in Section 7. ~~For purposes of this Plan, the maximum performance goal is 50 basis points over the Board-approved benchmark.~~ Incentive compensation is managed within the range of opportunity noted below.

Based on level of performance, a participant has the opportunity to earn incentive compensation as follows:

Table 2: Opportunity by Level (% applied to Base Salary)

TIER	JOB TITLE	MAXIMUM DISTRIBUTION
I	Chief Investment Officer	90%
II	Assistant Director	70 60%
III	Senior Investment Officer Investment Officer	60%
IV	Associate Investment Officer Senior Investment Analyst	30%
V	Associate Risk Officer	20 0%
VI	Investment Analyst	10%
VI	Associate Risk Officer	20 0%

Except as provided in Section 10, incentive compensation is calculated based on the salary in effect on July 1 of the fiscal year in which the incentive is earned. Compensation for performance ~~between 1 bps and 50 bps~~ above the benchmark is based on defined performance goals and is prorated on a linear basis. ~~according to the schedule in Attachment 1.~~

Section 7: Performance Goals

The incentive compensation is based on a combination of individual and department performance goals in reference to the Board-approved benchmark. Portfolio performance is calculated by SERS' third-party performance and analytics consultant based on SERS' annual returns net of investment manager fees and certified by Investment Accounting Division within SERS' Finance Department. Two primary performance measures noted below are defined as critical to the success of the Investment Department.

Individual Goals

Portfolio Performance

Portfolio performance is based on results relative to the Board-approved performance benchmark for each asset class. Performance goals for each asset class are calculated based on annual returns net of investment manager fees for that particular asset class as described in the previous paragraph. The Board-approved benchmarks are stated in the current Statement of Investment Policy (SIP).

Department Goals

Total Fund

The performance benchmark for the total fund is a weighted average of the performance benchmarks and the policy allocation of each asset class as stated in the SIP.

Section 8: Incentive Compensation Calculation

In determining the appropriate percent applied to an individual’s base salary, the calculation by the Assistant Director – Financial Accounting Chief Risk Officer includes the achievement of both individual and department goals as described in Section 7. The performance goals are weighted as follows:

Table 3. Performance Goal Weights

TIER	JOB TITLE	INDIVIDUAL GOALS	DEPARTMENT GOALS
		Portfolio Performance	Overall Fund
I	Chief Investment Officer	30%	70 100%
II	Assistant Director	60%	40%
III	Senior Investment Officer Investment Officer	70%	30%
IV	Associate Investment Officer Senior Investment Analyst	70%	30%
V	Associate Risk Officer	<u>70%</u>	<u>30%</u>
VI	Investment Analyst	75%	25%
VI	Associate Risk Officer	70%	30%

The portfolio performance portion of the incentive compensation for the Chief Investment Officer and the Associate Investment Officer – Risk Management and Analytics is based on aggregate performance in each asset class and strategy on an equally weighted basis. If an incentive eligible employee covers two asset classes, his/her portfolio performance is weighted 50%/50% for both asset classes.

Multiple Year Results

Incentive compensation for portfolio performance and overall fund performance considers both current year results and results over multiple years. During year one of an individual’s participation in the Plan, incentive compensation is based solely on the performance for the first year. In year two of participation in the Plan, 50% of the incentive compensation is based on performance for the current year and 50% on the performance for the two-year period. In years three and beyond, 25% of the incentive compensation is based on performance for the current year and 75% on the performance for the three-year period or on a rolling three-year period. When employees become eligible for the Plan, their compensation will be calculated as described above, based on their years of participation in the Plan.

Table 4. Plan Year Weights

Plan Year Weighting	Employee’s Year of Participation		
	Year 1	Year 2	Year 3 /Subsequent Years
Current Year	100%	50%	25%
Second Year		50%	
Third Year/Subsequent Years			75%
Total Weighting	100%	100%	100%

Asset Class Assignments

If an incentive-eligible employee transfers to a different asset class at the beginning of the fiscal year, he/she is phased into the new asset class performance cycle over a 3-year period, based on the following table:

Table 5. Asset Class Weights by Plan Year

	Returns	Weights
Current Year	1-Year	100% current asset class
	3-Year	33% current asset class, 67% previous asset class
Second Year	1-Year	100% current asset class

	3-Year	67% current asset class, 33% previous asset class
Third Year/Subsequent Years	1-Year	100% current asset class
	3-Year	100% current asset class

If an incentive-eligible employee transfers from one asset class to another mid-year, performance is calculated on a pro-rata basis for the number of whole months worked in each asset class.

Section 9: Incentive Compensation Adjustment

If the total fund’s total return (net of fees) in the current fiscal year is negative (less than 0%) then the total incentive compensation will be calculated according to the foregoing methodology and the total payout will be reduced as follows:

Table 6. Incentive Compensation Adjustments

Total Fund 1-Year Returns	Incentive Adjustment
0%	0%
-.01% to -2%	-10%
-2.01% to -4%	-15%
-4.01% to -6%	-20%
-6.01% to -8%	-25%
-8.01% to -10%	-35%
-10.01% or lower	-50%

Additionally, if the five-year annualized return of the total fund (net of fees) is less than the actuarial assumed rate of return (currently 7.0%), the total incentive compensation for each incentive-eligible employee will be reduced by 10%. For example, if the total fund one-year net return is negative 5%, and the five-year annualized return of the total fund is less than the actuarial assumed rate of return, then the incentive compensation for each incentive eligible employee will be reduced by a total of 30%.

Section 10: Plan Administration

The Board of Trustees of SERS adopts, modifies, and monitors the Plan, and delegates to the Executive Director the administration of the Plan. The Executive Director shall have the right to interpret the plan and may administer the plan through the Incentive Plan Committee, which is a staff committee comprised of the Executive Director, Deputy Executive Director, General Counsel, [Assistant Director – Financial Accounting](#), [Chief Risk Officer](#), Director – [Administrative Services of Human Resources](#) and the Chief Investment Officer.

Calculation of Performance

An independent third party calculates annual, two-, three- and five-year Portfolio Performance and Overall Fund results.

Termination of Employment

In order to be compensated under this Plan, a participant must be employed and considered an active employee on the date the incentive compensation is paid. If a participant terminates from SERS for any reason other than death, disability, or normal retirement prior to the date of the incentive payment, that employee is ineligible to receive compensation under the Plan. If a participant terminates from SERS for reasons of death, permanent or total disability, or normal retirement, then pro-rata compensation is payable for the period of time the participant was employed based on the number of whole months worked during the performance period divided by 12. The pro-rata compensation is paid at the same time all other payments are made under the Plan. The target compensation payment date is September following the end of the performance period.

New Hires, Promotions and Salary Adjustments

If an employee is hired or promoted into an incentive-eligible job during the first nine months of the performance period, he or she is eligible for a pro-rata payment based on the number of whole months he or she worked during the performance period.

If, during the first nine months of the performance period, a current incentive-eligible employee's base salary is adjusted and/or incentive level changes, he or she is eligible for a pro-rata payment based on the number of whole months worked at each salary and/or incentive level during the performance period.

Other Adjustments

If an incentive-eligible employee is away from work for an extended period of time such that he or she is not able to contribute to the management of the fund during the performance period, adjustments to that employee's incentive compensation may be made to reflect the period of time away. These situations will be considered on a case-by-case basis and handled at the discretion of the Incentive Plan Committee.

Plan Amendment, Suspension, or Termination

The Board shall review the Plan annually. The Plan may be amended, suspended or terminated at any time by the Board without advance notice. Further, nothing in the Plan shall confer on the participant the right to continued employment or affect SERS' right to terminate a participant's employment at any time and for any reason.

Deferral of Compensation

The Board may from time to time adopt a resolution or take other action to amend or otherwise modify this Plan to approve and provide for a deferral of payment of all or any part of any compensation earned under the Plan (a "Deferral").

Regardless of whether expressly so stated in the resolution or other action of the Board approving the Deferral (the "Deferral Action"), unless a different form of deferred compensation agreement is adopted, every Deferral shall be structured, administered and paid in a manner consistent with the provisions of Treas. Reg. § 1.409A-1(b)(4) concerning short-term deferrals and Code section 457, including specifically,

- a. the action shall specify a date of payment of the Deferrals that satisfies the requirements of the applicable two and one-half (2 ½) month period specified in Treas. Reg. § 1.409A-1(b)(4) (the "Payment Date");
- b. the action shall state:
 - (i) the period of substantial services to be performed and/or the business condition(s) to be satisfied prior to any payment of a Deferral, however, if satisfaction of such a business condition is not required prior to deferral, the period of services required shall be at least as long as reasonably required under then applicable statutory, regulatory or other requirements or guidance so as to constitute a substantial risk of forfeiture; and
 - (ii) the requirement that the person eligible for payment of the Deferral must be in the employment of SERS as of the Payment Date in order to be eligible to receive the Deferral payment.

Dispute Resolution

The Executive Director, in consultation with the Board, resolves all disputes, and such resolution is final.

Exhibit A HISTORY

Action	Approval Period
Adopted by the Retirement Board on March 15, 2001	July 1, 2001 through June 30, 2002
Amended by the Retirement Board on June 25, 2004	July 1, 2004 through June 30, 2005
Amended by the Retirement Board on October 20, 2005	July 1, 2005 through June 30, 2006
Amended by the Retirement Board on May 19, 2006	July 1, 2006 through June 30, 2007
Unchanged by the Retirement Board on May 17, 2007	July 1, 2007 through June 30, 2008
Amended by the Retirement Board on May 22, 2008	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on March 19, 2009	July 1, 2008 through June 30, 2009
Amended by the Retirement Board on July 23, 2009	July 1, 2009 through June 30, 2010
Amended by the Retirement Board on May 19, 2010	July 1, 2010 through June 30, 2011
Amended by the Retirement Board on June 16, 2011	July 1, 2011 through June 30, 2012
Amended by the Retirement Board on May 14, 2012	July 1, 2012 through June 30, 2013
Amended by the Retirement Board on May 16, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on Nov. 21, 2013	July 1, 2013 through June 30, 2014
Amended by the Retirement Board on May 15, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on September 18, 2014	July 1, 2014 through June 30, 2015
Amended by the Retirement Board on May 22, 2015	July 1, 2015 through June 30, 2016
Amended by the Retirement Board on June 16, 2016	July 1, 2016 through June 30, 2017
Amended by the Retirement Board on May 18, 2017	July 1, 2017 through June 30, 2018
Amended by the Retirement Board on May 24, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on December 20, 2018	July 1, 2018 through June 30, 2019
Amended by the Retirement Board on May 16, 2019	July 1, 2019 through June 30, 2020
Amended by the Retirement Board on May 21, 2020	July 1, 2020 through June 30, 2021
Amended by the Retirement Board on May 20, 2021	July 1, 2021 through June 30, 2022
Amended by the Retirement Board on May 19, 2022	July 1, 2022 through June 30, 2023
Amended by the Retirement Board on May 18, 2023	July 1, 2023 through June 30, 2024
<u>Amended by the Retirement Board on May 16, 2024</u>	<u>July 1, 2024 through June 30, 2025</u>

School Employees Retirement System of Ohio
Investment Department Incentive Plan

May 2024⁴³

Attachment 1: Sample Calculation

Scenario (values used are fictional and are not based on actual results):

Fiscal Year being calculated: 2024

Job Title: Sr. Investment Officer

Individual met all incentive compensation eligibility factors and length of time in current position is 4 years. Responsibilities for the 4 years have been oversight of a single asset class (Global Private Equity)

Base Salary as of July 1, 2023 = \$160,000

Discounts requirements were not met.

<u>Category</u>	<u>Actual Performance</u>	<u>Benchmark</u>	<u>Return Difference</u>	<u>Max</u>	<u>Payout % Tier 3</u>	<u>Perf Category Weight</u>	<u>Plan Year Weight</u>	<u>Incentive %</u>
<u>Portfolio Performance</u>								
Asset Class Current Year	3.45%	1.12%	2.33%	1.50%	60.00%	70.0%	25.0%	10.50%
3-Year Return	22.14%	21.98%	0.16%	1.50%	6.40%	70.0%	75.0%	3.36%
<u>Overall Fund Performance</u>								
<u>1-yr performance</u>	6.21%	5.89%	0.32%	0.70%	27.43%	30.0%	25.0%	2.06%
<u>Overall Fund Performance</u>								
<u>3-yr performance</u>	10.84%	9.04%	1.80%	0.70%	60.00%	30.0%	75.0%	13.50%
Total:								29.42%
Incentive \$								\$47,067.43

Payout Percentage Calculation = Opportunity by Level (Table 2)/Max Performance Goal (Section 5) x Return Difference (capped as Max Performance Goal)

<u>Payout Percentage Calculation</u>	<u>Opportunity by Level (Table 2)</u>	<u>Max Performance Goal (Section 5)</u>	<u>Return Difference</u>	<u>Payout %</u>
Sample of how the Portfolio Performance 3-Year was calculated for the above sample	60%	1.50%	0.16%	6.40%

INVESTMENT DEPARTMENT INCENTIVE PLAN FISCAL YEAR 2025

_____ moved and _____ seconded the motion to approve the Investment Department Incentive Plan for fiscal year ending June 30, 2025, which replaces the Fiscal Year 2024 Investment Department Incentive Plan approved May 18, 2023.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____



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Health Insurance Cost Estimates for Self Funded Plans

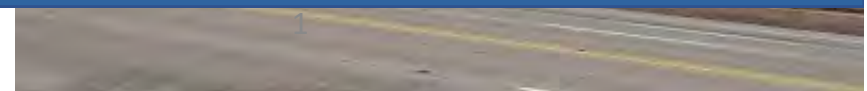
Preliminary for Plan Year 2025



May 16, 2024

Alisa Bennett, FSA, EA, FCA, MAAA

www.CavMacConsulting.com



Rate Setting Data

Paid Claims and Enrollment Data Provided by SERS



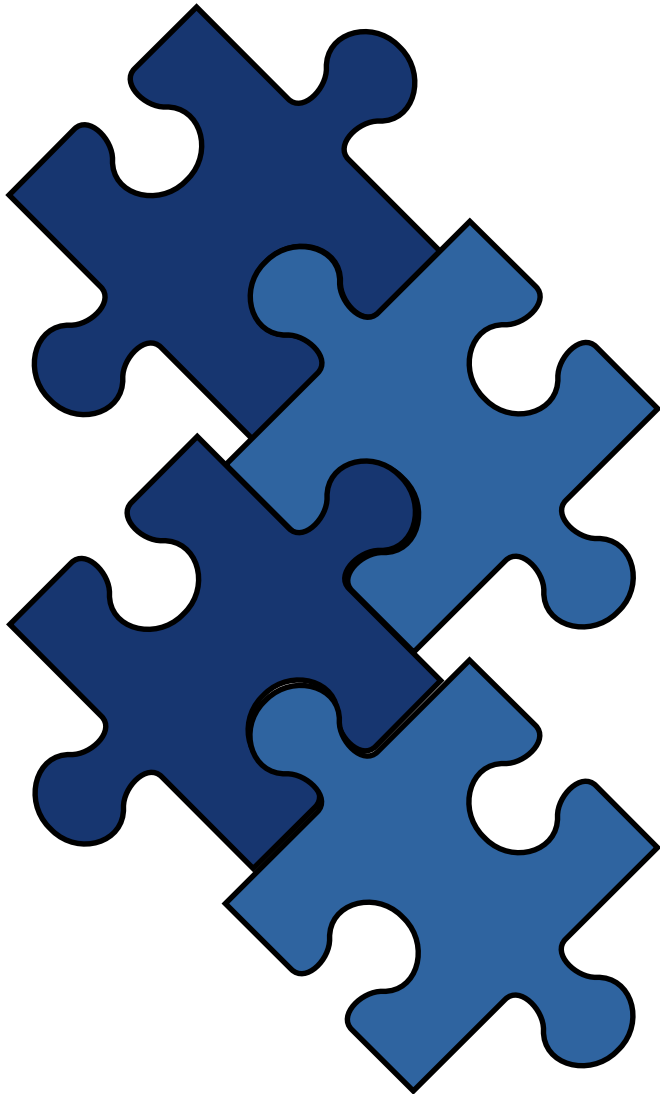
Summarized separately for:

- * Medical and prescription drug
- * Medicare and non-Medicare
- * Medical Plans and Medicare Part D reimbursements

Using 2022 and 2023 medical data. We are beyond the period of obvious impact of COVID – 19, but long-term impact still unknown.

Used calendar year 2023 Express Scripts prescription drug data and Medicare Part D reimbursements for Medicare-eligible rates.

Dramatic changes to Medicare Part D starting in 2025.



Impact

- * COVID-19 is expected to have a minimal impact on 2024 and 2025 costs.
- * Impact, if any, of COVID-19 long haulers is unknown.

Potential Costs

- * Direct costs of COVID-19 in 2020 were offset by deferral of care and delaying non-emergency surgeries.
- * Routine and non-emergency care appears to have returned, but impact of negative health impacts of skipped or delayed care and/or long term effects are still unknown.

Potential Savings

- * Increased use of telemedicine could create cost savings going forward. However, telemedicine could turn out to be in addition to office visits rather than replacing them.





The bill's health reforms primarily impact those with Medicare coverage.

Specifically, the bill implements the following measures:

- It allows the Secretary of Health and Human Services to negotiate the prices of certain Medicare drugs each year. The negotiations will take effect in 2026 for 10 drugs covered by Medicare, increasing to 20 drugs in 2029.
- Beginning in 2023, the cost of insulin will be capped at \$35 per month for people with diabetes enrolled in Medicare.
- Beginning in 2024, the 5% coinsurance for Medicare beneficiaries in catastrophic coverage phase will be eliminated. Beginning in 2025, out-of-pocket prescription drug costs will be capped at \$2,000 per year for Medicare beneficiaries.
- The bill also implements a three-year extension on increased health insurance subsidies for coverage purchased through an Exchange. These enhanced subsidies were originally provided as part of the American Rescue Plan Act, a COVID-19 relief bill, and were set to expire at the end of 2022.

Assumptions and Methods

Medical and Prescription Drug Trend Assumptions



Used Industry Projections for Future Trend



Industry projections suggest that projected medical plan cost increases for 2024 will be similar to pre-pandemic levels.



Double-digit specialty Rx cost trend, mostly driven by price increases and new specialty drugs and biologics.



Health plan cost increases continue to significantly outpace general inflation and average wage increases.

Assumptions and Methods

Medical and Prescription Drug Trend Assumptions



Trend From Mid-Point of Experience Period to Mid-Point of Rate Setting Period (6/30/2025)

Medical

Industry projections suggest approximately 7% for future medical trend for actives and pre-Medicare retirees. Used 7% in first year stepping down to 6.5%.

Prescription Drug

7% for Medicare and Non-Medicare.

Assumptions and Methods

Spouses and Child(ren)



Current recommendation is ratio of:

- * 25% of retiree cost for child(ren)
- * 80% of retiree cost for spouse

Data fluctuates since the spouse and dependent coverage is a relatively small group. Overall data suggests and increase of those ratios to:

- * 30% of retiree cost for child(ren)
- * 90% of retiree cost for spouse



2025 Non-Medicare Medical Plan

Same from 2019 through 2023, in 2024 changed to reduce physician copays from \$20 to \$10 & specialist copays from \$40 to \$25



	<u>2024</u>	<u>Proposed Medical 2025</u>
Deductible (Annual)	\$2,000/person \$4,000/family	\$2,000/person \$4,000/family
Co-insurance maximum	none	none
Out-of-Pocket Maximum	\$7,350/\$14,700	\$7,350/\$14,700
Office visit primary care	\$10 co-pay	\$10 co-pay
Specialist	\$40 co-pay	\$40 co-pay
Surgeon fee	20% coinsurance	20% coinsurance
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay
Emergency Room	20% coinsurance	20% coinsurance
Ambulance	20% coinsurance	20% coinsurance
Urgent Care	\$25 co-pay	\$25 co-pay
Outpatient Diagnostic X-Ray	20% coinsurance	20% coinsurance
Outpatient Diagnostic Lab	20% coinsurance	20% coinsurance
Outpatient Surgery (Facility only)	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	20% coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance
Skilled Nursing Facility	20% coinsurance (100 day maximum)	20% coinsurance (100 day maximum)
Home Health Care	20% coinsurance	20% coinsurance
Hospice	Inpatient: 100% coverage after deductible, 30 day lifetime limit. Outpatient: 20% coinsurance after deductible	Inpatient: 100% coverage after deductible, 30 day lifetime limit. Outpatient: 20% coinsurance after deductible

2025 Non-Medicare Medical Plan



Self Funded Non-Medicare

	<u>Projected 2024</u>	<u>Projected 2025</u>
Medical		
Retiree	\$1,258.00	\$1,319.00
Spouse	\$1,007.00	\$1,187.00
Child	\$315.00	\$396.00
Prescription Drug		
Retiree	\$207.00	\$276.00
Spouse	\$166.00	\$248.00
Child	\$52.00	\$83.00
Total		
Retiree	\$1,465.00	\$1,595.00
Spouse	\$1,173.00	\$1,435.00
Child	\$367.00	\$479.00

4.8% increase in retiree medical costs, 33.3% increase in retiree prescription drug cost, 8.9% increase in retiree total cost. 11% decrease in headcount – possible that lower cost pre-Medicare retirees choosing Wrap Plan.

Non-Medicare Eligible SERS Wraparound HRA Plan



* Marketplace Wraparound HRA Plan - Participants choose insurance from any insurer offering coverage in the federal Marketplace, and if eligible, receive a federal subsidy to lower the premium and cost-sharing amounts. The SERS Marketplace Wraparound HRA Plan offers additional benefits to help pay for deductibles, co-pays, and other costs. There is no additional premium for the SERS Wraparound Plan.

* Reimbursement is capped at \$2,100 per participating family per calendar year in accordance with federal limits. This amount will index with inflation for future years.

* 2019 through 2023 claims experience has been well below cost threshold.

* The American Rescue Plan Act of 2021 (COVID-19 relief) law passed in March 2021 expands Marketplace subsidies. The expansion was extended by the Inflation Reduction Act through 2025. This could make the SERS Wraparound HRA plan more attractive to members, creating a cost savings for SERS.



Medicare Part D Prescription Drug Plan (PDP) And Express Scripts for Medicare Eligible

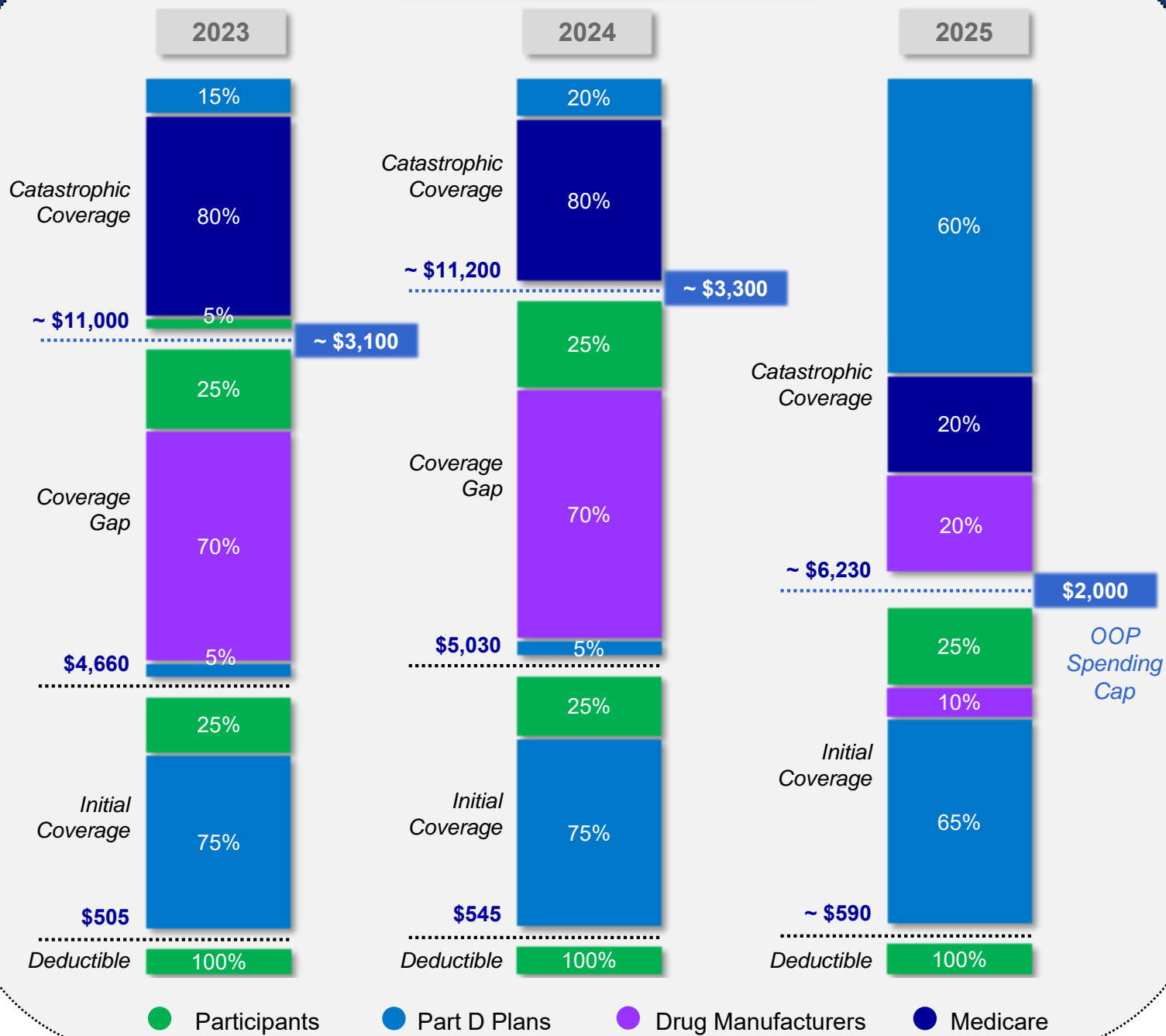


- * Medicare Part D will undergo dramatic changes in 2025 due to the Inflation Reduction Act.
- * Out of pocket maximum will be \$2,000.
- * Standard Part D plan design changing to put more catastrophic claims liability on plan.
- * Once \$2,000 OOP max reached, potentially less incentive to use less expensive drugs.
- * SERS Part D drug plan better than standard Part D so may see increased Direct Subsidies.





Inflation Reduction Act



Medicare Part D Prescription Drug Plan (PDP) And Express Scripts for Medicare Eligible



* Direct Subsidy may increase to account for additional plan costs. Some projected additional plan costs are because of cap on insulin, which SERS already offers. We do not yet know the amount of the 2025 Direct Subsidy.

* Medicare Part D Prescription Drug Plan (PDP) will continue to receive other subsidies
But in different amounts:

CMS catastrophic reinsurance

Manufacturer coverage gap reimbursements

* Annual increases in Standard Part D premiums will be limited for 2024-2030. So presumably CMS will cover the difference.

* For now, assume increases to Direct Subsidy will cover increased plan costs.



Results

Monthly Medicare Eligible Drug Costs



	Projected 2024 Rate <i>Before</i> Increased Direct Subsidy	Projected 2025 Rate Assuming Direct Subsidy Pays For Design Changes
Retiree	\$154.00	\$131.00
Spouse	\$154.00	\$131.00
Child	\$154.00	\$131.00

Traditional Choice Costs for Medicare Eligible



Medicare Eligible in Medicare Advantage

Medicare eligible retirees (including those enrolled in Medicare Part B only) will continue to be enrolled in the fully insured Medicare Advantage Plan.



Medicare Eligible Not in Medicare Advantage

However, some retirees (less than 1% of total) are not enrolled in the Medicare Advantage plan for various reasons. Medicare Traditional Choice rates are available for Medicare eligible members not in the Medicare Advantage Plan.



Prescription Benefits for Traditional Choice

Prescription drug rates for this group are the same as for other Medicare eligible members.



Traditional Choice Costs for Medicare Eligible

Development of Rates



Historically
Volatile



Historical medical data for this group was very volatile and PMPM costs were high, so we had been holding the medical rates steady from year to year.

Trending
Lower



Data has stabilized over the past few years and are trending lower, but the group remains a mix between long time members and members who use the plan for a short time before moving to Medicare Advantage.

Decision to
Lower



Therefore, we have lowered the medical portion of the Medicare Traditional Choice rates somewhat and will continue to monitor the rates.

Results – Monthly Costs and Rates

Current Prescription Drug Plan



Self Funded Medicare Traditional Choice Rates

	<u>Projected 2024</u>	<u>Projected 2025</u>
Medical		
Retiree	\$350.00	\$300.00
Spouse	\$350.00	\$300.00
Child	\$350.00	\$300.00
Prescription Drug		
Retiree	\$154.00	\$131.00
Spouse	\$154.00	\$131.00
Child	\$154.00	\$131.00
Total		
Retiree	\$504.00	\$431.00
Spouse	\$504.00	\$431.00
Child	\$504.00	\$431.00



Health Care

May 16, 2024

Christi Pepe

Director Health Care Services



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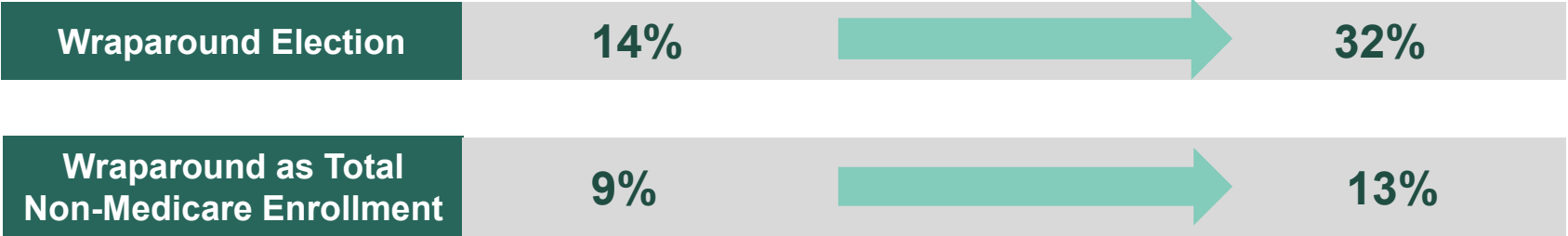
Agenda

- Non-Medicare Counseling Rule Impact
- Health care program status
- 2025 rates and benefits - expectations for June
- Future Medicare premium considerations
- Board Resolution - PBM Contract

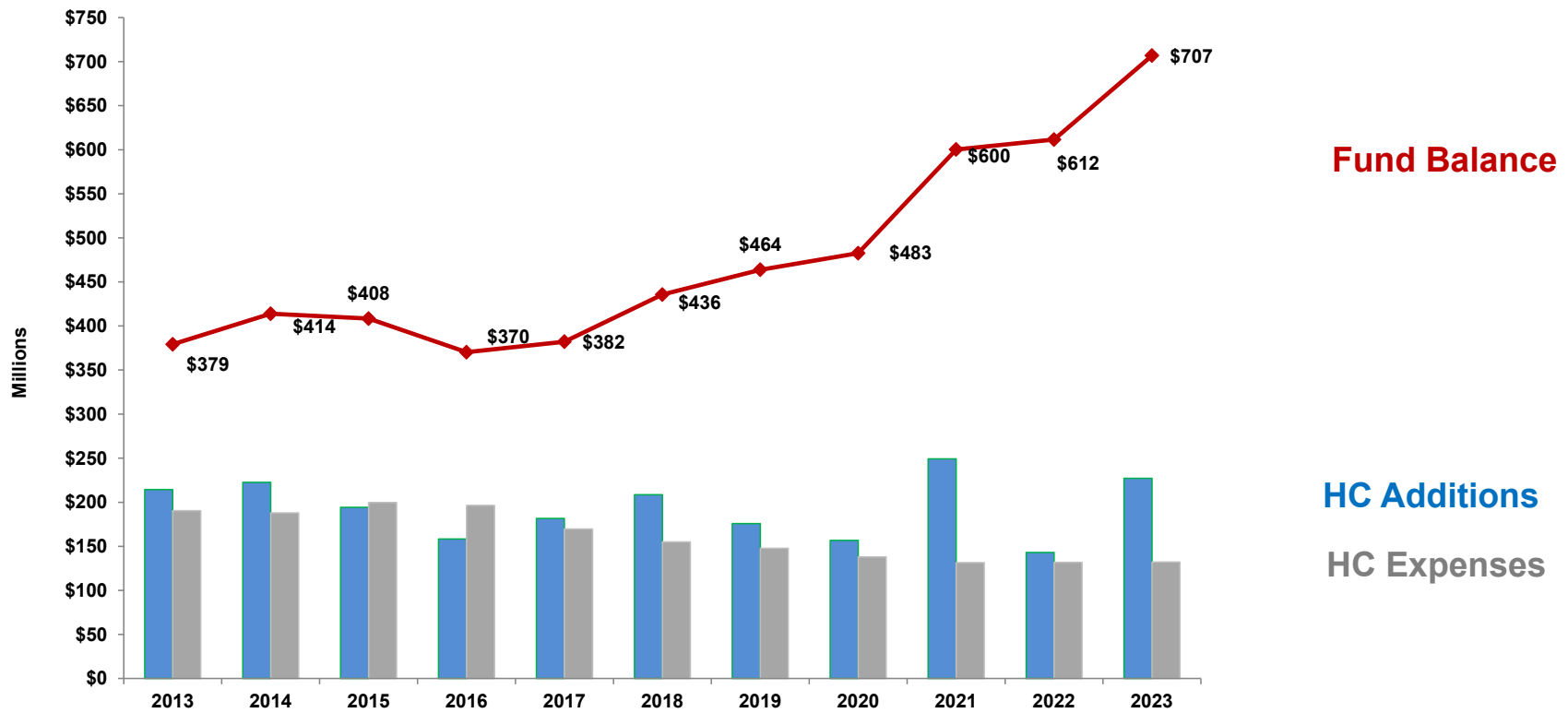


Non-Medicare Counseling Rule Impact

July 2022 Thru May 2023 Rule effective June 1, 2023 June 2023 Thru April 2024



Health Care Fund Net Position



Enrollment / May 2024

Non-Medicare	
Aetna Choice	2,571
AultCare	103
Wraparound HRA	530
TOTAL	3,204

Medicare	
Aetna Medicare	36,038
Aetna Traditional Choice	65
TOTAL	36,103

Optional Coverage	
Delta Dental	44,919
VSP Vision	36,814



Premium Expectations

Aetna Medicare Plan (PPO)

- No proposed premium change


Aetna Traditional Choice

- No proposed premium change
-

Aetna Choice POS II

- Proposed 7% premium increase
- Increase child and spouse base premiums consistent with the actuary's recommendation

AultCare PPO

- Approximate 3% premium increase
- 

Mental Health Parity Requirement

- **Requirement of the Mental Health Parity and Addiction Equity Act for the non-Medicare plan**
 - *Current:* 20% ambulance coinsurance / \$150 ER co-pay
 - *Suggested:* \$150 ambulance co-pay to align with ER co-pay
- **0.2% projected total plan cost increase**



Proposed 2025 Benefit Changes

Aetna Choice POS II

- Mental Health Parity and Addiction Equity Act: Ambulance co-pay to \$150

Marketplace Wraparound HRA

- Increase federally authorized reimbursement amount to \$2150

Aetna Medicare Plan (PPO)

- Reduce primary care office visit co-pay to \$0 to align with individual market



SERS Medicare Advantage Plan

- Regional plans closed as the Aetna MA + ESI Part D plan became more financially beneficial
 - Aetna risk share, elimination of the HIF, Part D subsidies, and pass-through PBM contract
- Covers 36,000 enrollees
- Overall high member satisfaction
- Very rare for members over age 65 to be able to return to plan after waiving coverage
- Over time, SERS has maximized improvements on common out-of-pocket expenses:
 - Primary care provider, specialist, and rehabilitative visit co-pays
 - Over-the-counter pharmacy benefit
- Most recent premium reduction was in 2019, which had been the same for 5 years
- Medicare Advantage revenue continues to improve and has offset pharmacy expenses

Declining Medicare Plan Enrollment

- Approximately 1% annual decline since 2017
- Fewer new retirees eligible for premium subsidy, but our enrollment selection rate has remained the same
- More individuals are leaving the plan during Medicare Open Enrollment
- Conducting a survey to identify primary reason retirees are selecting other plans



Future Medicare Plan Premiums

- As the fund grows, SERS can add value to the plan for current and future enrollees by reducing the premiums.
 - Most recent projection is 39 years of funding, which exceeds the Board's target of 20 years.
- The 2025 recommendation is to continue reducing out-of-pocket expenses while keeping the premium the same.
- Analyze the actual Part D claims and revenue experience during plan year 2025 and discuss reducing premiums for 2026.

Questions and Discussion



School Employees Retirement System of Ohio
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Pharmacy Benefit Manager Contracting

- The Board previously granted staff the authority to negotiate with ESI for a 5-year period beginning 2023 through 2027.
- The initial 3-year term of the contract expires at the end of 2025, with annual renewal options for 2026 and 2027.
- SERS' PBM consultant, Buck, recommends that SERS negotiate a 3-year renewal for 2026 through 2028 to achieve improved pricing terms.
 - This would extend the Board's current approval by 1 year
 - Would still maintain the ability to terminate the contract early if an RFP is needed

Thank You



School Employees Retirement System of Ohio
Serving the People Who Serve Ours Schools®

APPROVAL TO NEGOTIATE RENEWAL OF EXPRESS SCRIPTS CONTRACT

At the April 21, 2022, Retirement Board meeting, the Board granted staff authority to negotiate a new Express Scripts contract for a three-year term beginning January 1, 2023, with two optional one-year renewals for calendar years 2026 and 2027. SERS' PBM consultant, Buck, recommends that SERS negotiate a three-year term to begin on January 1, 2026, and end on December 31, 2028, to achieve improved pricing terms.

_____ moved and _____ seconded the motion to authorize staff to negotiate renewal of the current contract with Express Scripts to provide pharmacy benefit management services to eligible SERS participants. The renewal shall be for a term of three years beginning January 1, 2026, and ending December 31, 2028. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

Memo

To: Retirement Board
From: Chris Collins
cc: Richard Stensrud, Karen Roggenkamp
Date: May 3, 2024
Re: **Federal Legislative Report**

OVERVIEW

Foreign Aid Bill Passes

The House passed a \$95 billion foreign aid bill on Saturday, April 20th as set of separate bills. The Ukraine bill, which passed 311-112 with one present, was sent to the Senate alongside the Israel aid bill and two others — one with aid for Taiwan and another that would force TikTok's parent company to sell the platform. The Ukraine aid package had seemed all but dead for several months due to opposition in the GOP-led House. Holding the votes was an act of defiance by Speaker Mike Johnson (R-LA) against an outspoken faction of conservative rebels who oppose funding for Ukraine and pushed him not to bring it to a vote.

The House voted on the four bills in succession, one day after a rare and extraordinary bipartisan coalition teed up the votes, with more Democrats (165) than Republicans (151) voting for the “rule” to proceed to the measures.

The Senate followed by overwhelmingly passing the package on April 23rd, delivering billions of dollars in weapons and support to key U.S. allies Ukraine and Israel despite some opposition from both parties' bases. The legislation, which passed by a 79-18 vote.

President Biden signed the bill into law the next day. The funds help him deliver on his promise to the nation's NATO allies to continue to aid Ukraine as it enters its third year fending off Russia's invasion.

Passage of the legislation marks the first significant new aid passed by the U.S. Congress to Ukraine in more than a year, as some Republicans aligned more with former president Donald Trump's “America First” foreign policy waged a fierce battle against it.

The legislation also sends \$26 billion in funds for Israel and humanitarian aid for Gaza and other places, at a time when some congressional Democrats are calling for further aid to Israel to come with conditions. Progressives continue to decry the mounting civilian casualties in Gaza. University protests are growing and becoming more volatile, and the State Department released a report saying the human rights situation has significantly deteriorated in the region because of the conflict.

Speaker Johnson Ouster Vote Coming

Rep. Marjorie Taylor Greene (R-GA) said on May 1st she'll call for a vote to oust Speaker Johnson the week of May 6th, escalating her long-running feud with the speaker over his bipartisan dealmaking and decision to put the Ukraine aid package on the House floor.

Greene's move has been expected for weeks since the Georgia Republican in March first introduced her resolution to declare the office of the speaker vacant, but she's been struggling to round up backing from fellow GOP lawmakers.

As of May 1st, just two other Republicans had gotten on board, at least publicly, Reps. Thomas Massie of Kentucky and Paul Gosar of Arizona. And former President Donald Trump has distanced himself from the push by his ally Greene, appearing supportive of Johnson, including in a joint appearance at Mar-a-Lago.

House Democratic leaders announced they would vote to table Greene's resolution when it's offered. Solid Democratic support would offset any GOP votes against tabling, virtually ensuring that Johnson will keep his gavel for now.

RETIREMENT SECURITY

The National Institute on Retirement Security (NIRS) released a new research infographic in April called, What Do Women Think About Retirement? The findings are based upon a national survey of working age Americans conducted by Greenwald Research. See link to the infographic below.

<https://www.nirsonline.org/wp-content/uploads/2024/04/24-Womens-Retirement-Infographic-DevR1-2-1.pdf>

According to the survey eighty percent of working age American women believe that the U.S. faces a retirement crisis, and 78 percent say the typical worker just can't save enough on their own to guarantee a secure retirement. Regarding Social Security, nearly all U.S. women (86 percent) agree Congress should act now to shore up funding rather than waiting ten years to enact a solution.

Most American women (82 percent) also say all workers should have a pension so they can be independent and self-reliant in retirement, while 75 percent agree that those with pensions are more likely to have a secure retirement.

The research infographic is a supplement to a recent NIRS report, Retirement Insecurity 2024: Americans' Views of Retirement.

"Women face an uphill battle when it comes to retirement," said Dan Doonan, NIRS executive director. "The wage gap is stubbornly persistent for women and they typically live longer than men. Women are less likely to have access to a workplace retirement plan and have caregiving demands throughout their lifetime that often hurts their earning potential. Generally, women need a larger nest egg, yet most are in a weaker financial position as compared to men. This new infographic sheds light on a range of retirement worries facing working age women, along with their desire for a return to the retirement certainty that pensions provide."

"If policymakers are serious about improving the financial resilience of women, they'll need to implement pragmatic retirement solutions that will help women shore up their retirement position. Women clearly see increasing pension coverage as part of the retirement equation, and they want to see action now on Social Security," Doonan said.

WEP/GPO REPEAL

The U.S. House Ways and Means Subcommittee on Social Security held a meeting on April 16th to discuss the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

Led by Social Security Subcommittee Chairman Drew Ferguson (R-GA), the hearing examined the intended purpose, shortcomings, and alternatives of both WEP and GPO. Oral testimony at this hearing was from invited witnesses only.

The hearing focused on a House bill (H.R. 82) to fully repeal both reductions, legislation that has more than 300 cosponsors, more than a majority; a Senate counterpart (S. 597) has 53 cosponsors there, also a majority although short of the 60 needed for most votes in the Senate. However, even with that kind of support in prior Congresses, no bills have been brought to floor votes.

Although the latest hearing focused on the current repeal bill, much of the discussion centered on the potential for revisions rather than repeal. Experts said that both reductions were based on limited and even flawed data when they were created decades ago, and that the SSA now has better information that could be used to revise the existing formulas.

Congressman John Larson (D-CT) made a passionate opening statement emphasizing that the WEP and GPO are “blatantly unfair,” adding “we need not only a hearing—we need a vote.” Larson explained that Social Security reform has not occurred in 50 years. “Nobody is getting wealthy on Social Security,” said Larson. “I support the intent to repeal...but I believe it should be paid for.”

A series of witnesses with expertise varying from economists to research strategists provided expert testimony during the hearing. The witnesses offered a variety of opinions on solutions to reforming and repealing the WEP and GPO, as well as how to improve the solvency of Social Security overall. (A previous hearing held in November 2023 featured the testimony of public servants explaining how these provisions have negatively impacted their retirement income).

Jason Fichtner, Ph.D., Chief Economist for the Bipartisan Policy Center, explained that the original policy intent of GPO and WEP was to ensure fair treatment between those who work in jobs covered by Social Security and those who work in jobs where they do not pay in. He added that these provisions are “overly complex and unfair,” and that they should be addressed in tandem with Social Security reform.

He also added that the lack of transparency and communication with those workers who are hit by the WEP and/or GPO prevents those workers from being able to prepare adequately for retirement. His perspective was that now is the opportunity to “get the formula right.”

Rachel Greszler, Visiting Fellow in Workforce, Economic Policy Innovation Center, expressed that eliminating both provisions is not good policy, explaining that the estimated cost of repeal is \$183 billion. Greszler added, “policymakers should implement fair and accurate fix.” She explained that the GPO was put into place when most women did not participate in the workforce, and that now, most are earning their own Social Security benefits. Her perspective was that these issues must be addressed within \$22.4 trillion Social Security shortfall, and that Congress must address the program’s imminent insolvency.

Nancy Altman, President of Social Security Works, supports full repeal of the WEP and GPO, and believes Social Security benefits “should be increased across the board.” She supports Congressman Larson’s Social Security 2100 Act, a proposal that would increase and expand 12 essential benefits, and includes full repeal of GPO and WEP.

Charles Blahous, Ph.D., J. Fish and Lillian F. Smith Chair and Senior Research Strategist, Mercatus Center at George Mason University, explained that for workers who split their careers between jobs where they pay into Social Security and do not pay in, the issue is very complicated. He also stated

that the WEP and GPO “fulfill a need but are not flawless,” and that they “under-adjust for some and over-adjust for others.” He said WEP and GPO do not represent ideal policy and represent the data that was accessible at the time of their enactments.

Blahous’s perspective is that there should be “parity” between workers who split their careers and those who do not. He emphasized the importance of doing no harm, and that any reforms should not worsen the shortfall. Fichtner said that although some income data is accessible for American workers, a true data exchange is needed to ensure the proper calculation of benefits for all workers. While Blahous did not disagree that better data is needed, he emphasized that Congress needs a new formula.

Congressman Jodey Arrington (R-TX) made comments in support of a bipartisan solution to WEP and GPO, adding that momentum from resolving this issue could be used to improve Social Security overall. Arrington, who was inspired by a high school teacher to go into public service, said that Social Security is an “important safety net for seniors,” adding that it is “critical that we prioritize addressing this program.” Though he felt the witnesses had differing views on how to solve these issues, he asked for their support and the support of his fellow committee members to come together, utilizing a combination of policy and revenue solutions.

The testimony provided stark differences in views on how to move forward with fixing WEP and GPO, but also contrasted the vastly different views of the coming Social Security reforms that may impact the nation. Nothing from the hearing, though, suggests that any action steps are imminent.

HEALTH CARE

Senate Hearing on Medicare

The Senate Committee on Finance held a hearing on April 11th to discuss changes to the Medicare system and the burdens associated with administrative tasks, cost-sharing, practicing as a primary care provider, and other areas for improvement.

Chairman Ron Wyden (D-OR) said traditional Medicare fails to guarantee high quality care for enrollees with chronic conditions. He pointed out cost sharing and primary care payment fee schedules as two issues necessary for reform. Ranking Member Mike Crapo (R-ID) criticized budget neutrality, high administrative burdens for physicians, and fees that have not kept up with inflation. Senators across the aisle took issue with the current fee-for-service (FFS) system of physician payment and said it was insufficient to reflect the importance of coordination between health care professionals, as well as the essential role of primary care physicians.

Members of the committee showed bipartisan support for creating a system that provides patient-centered care and reduces complexity.

House and Senate Hearings on HHS FY25 Budget

Key committees held hearings on subsequent days reviewing the Biden administration proposed FY25 budget for Health and Human Services (HHS).

On April 16th, the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies held a hearing entitled “A Review of the President’s Fiscal Year 2025 Budget Request for the Department of Health and Human Services.” Topics discussed in the hearing included programs for opioid use disorder (OUD), the Inflation Reduction Act (IRA), insulin price cap provisions, abortion funding, cardiovascular disease, extending telehealth flexibilities, supporting the Alzheimer’s workforce, maternal health, rural health, the 988 Suicide and Crisis Lifeline, Advanced Research Projects for Health (ARPA-H) research, the stability of Medicare

Advantage (MA), program management at the Centers for Medicare and Medicaid Services (CMS), and HHS employee return to office policy.

Chair Tammy Baldwin (D-WI) praised HHS's budget request, saying it supports domestic manufacturing of medical countermeasures, strengthens public health infrastructure, workforce, and data modernization programs, and supports biomedical innovation.

Ranking Member Shelly Moore Capito (R-WV) said the budget funding levels were more realistic than prior Appropriations bills, but the priorities of HHS's budget are polarizing and partisan. She also expressed concerns that important issues like Alzheimer's research, primary prevention, rural health programs, and telehealth are being left behind. The Secretary of HHS, Xavier Becerra, highlighted the Biden Administration's successes in managing the pandemic and strengthening Medicare. He said the FY25 budget will continue to expand coverage, innovation, and access to health care.

On April 17th, the House Energy and Commerce Subcommittee on Health held a hearing entitled, "Fiscal Year 2025 Department of Health and Human Services Budget." Topics discussed during the hearing included IRA provisions, mental health, oversight and accountability, surprise billing, Medicare coverage, the Affordable Care Act (ACA), federal rulemaking, price transparency, Medicaid and CHIP, workforce shortages, school-based care, research funding, nicotine products, maternal mortality, preparedness, home and community-based care, substance use disorder (SUD), private equity, fentanyl, and migrant children.

Chairwoman Cathy McMorris Rodgers (R-WA) and Subcommittee Chairman Brett Guthrie (R-KY) criticized the budget's spending policies in the midst of ongoing inflation and pulled out specific problematic initiatives. They also expressed concerns that the budget was not addressing the fentanyl crisis.

Ranking Member Frank Pallone (D-NJ) and Subcommittee Ranking Member Anna Eshoo (D-CA) praised the Medicare drug price negotiations and the strides made in health insurance enrollment numbers. They both affirmed their support for defending access to reproductive care.

Budget discussions are expected to continue throughout the summer. The FY25 federal fiscal year begins October 1st, 2024.

FEDERAL LEGISLATION BOARD REPORT
118th United States Congress
(Prepared by Chris Collins as of May 3, 2024)

H.R.82

SPONSOR: Rep. Graves, Garret (R-LA)

LAST ACTIONS: House - 01/09/2023 Referred to the House Committee on Ways and Means

CAPTION: Social Security Fairness Act of 2023

COMMENT: Repeals the GPO and WEP. 318 co-sponsors; 11 Ohioans

S.597

SPONSOR: Sen. Brown, Sherrod [D-OH]

LAST ACTIONS: Senate - 03/01/2023 Read twice and referred to the Committee on Finance.

CAPTION: Social Security Fairness Act

COMMENT: Repeals the GPO and WEP. 53 co-sponsors; Both Ohio Senators

H.R.4260

SPONSOR: Rep. Neal, Richard (D-MA)

LAST ACTIONS: House - 06/21/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 103 co-sponsors; two Ohioans

H.R.4583

SPONSOR: Rep. John Larson (D-CT)

LAST ACTIONS: House - 07/12/2023 Referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

CAPTION: Social Security 2100 Act. To protect our Social Security system and improve benefits for current and future generations.

COMMENT: 184 co-sponsors; four Ohioans

H.R.5342

SPONSOR: Rep. Jodey Arrington (R-TX)

LAST ACTIONS: House - 09/05/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment, and for other purposes.

COMMENT: 33 co-sponsors; two Ohioans

H.R.7780

SPONSOR: Rep. Greg Murphy (R-NC)

LAST ACTIONS: House - 03/21/2024 Referred to the House Committee on Ways and Means

CAPTION: To amend the Internal Revenue Code of 1986 to prohibit certain retirement plans from making investment decisions on the basis of factors other than financial risk and return factors.

COMMENT: 3 co-sponsors; no Ohioans

STATE LEGISLATION BOARD REPORT
(Prepared by Chris Collins as of May 3, 2024)

135th General Assembly

SB 6 ESG POLICIES-STATE ENTITIES (Schuring, K) - Regarding environmental, social, and corporate governance policies with respect to the state retirement systems, Bureau of Workers' Compensation, and state institutions of higher education.

Current Status: 05/23/2023, Referred to House Financial Institutions

HB 4 LEGISLATIVE INTENT-ECONOMIC BOYCOTTS (Young, T., King, A.) To declare the General Assembly's intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.

Current Status: 11/14/2023 Substitute Bill Accepted

HB 33 FY24-25 OPERATING BUDGET (Edwards, J.) To make operating appropriations for the biennium beginning July 1, 2023, and ending June 30, 2025, to levy taxes, and to provide authorization and conditions for the operation of state programs. [Includes SERS' CBBC provision]

Current Status: 01/24/2024 Consideration of Governor's Veto; Senate Overrides Veto, Vote 24-8

HB 146 SERS BENEFIT CAP (Bird, A.) To establish a contribution based benefit cap in calculating a School Employees Retirement System member's retirement benefit.

Current Status: 05/16/2023, REPORTED OUT, House Pensions, (Third Hearing)

HCR 6 URGE CONGRESS - REPEAL WINDFALL ELIMINATION PROVISION (King, Plummer) To urge Congress to repeal the Windfall Elimination Provision.

Current Status: 04/10/2024, ADOPTED BY SENATE; Vote 30-0

HB 257 VIRTUAL MEETINGS FOR PUBLIC BODIES (Hoops, Claggett) - To authorize certain public bodies to meet virtually, and to declare an emergency.

Current Status: 02/28/2024 Senate Government Oversight, (First Hearing)

HB 491 STATE, LOCAL GOVERNMENT EXPENDITURE DATABASE REQUIREMENTS (Young, Peterson) - To require a political subdivision or state retirement system to provide information on expenditures to the Treasurer of State for inclusion in the Ohio State and Local Government Expenditure Database.

Current Status: 04/23/2024 Referred to State and Local Government Committee

Memo

To: Retirement Board
From: Richard Stensrud
CC: Karen Roggenkamp, Joe Marotta, Michelle Miller
Date: May 13, 2024
Re: Staffing, Succession Planning and Re-Employment

Over the last few months, I have been discussing with the Compensation Committee the possible utilization at SERS of the 'retire/rehire' employment option permitted under Ohio law. While it is not something that has historically been employed at SERS, given the demographic profile of SERS' staff and the highly competitive labor market in which SERS operates, it is my belief that in appropriate situations, it would be a valuable tool for helping to maintain excellence and continuity in critical business operations. Before using the retire/rehire option, however, I wanted to make sure that it has the Board's support, starting with the Compensation Committee.

The discussions with the Compensation Committee have included consideration of:

- When the retire/rehire option might be used (i.e., in what situations);
- Why it would be used (i.e., the purpose or objectives to be accomplished);
- How it would be implemented;
- How it would be monitored;
- The difference and relationship between succession planning and replacement planning; and
- How the retire/rehire option could be used as a replacement planning tool that complements, and does not impede, succession planning and internal advancement.

At the April Board Meeting the Compensation Committee reported that, as a result of these discussions and within the identified parameters, the Committee is comfortable with utilization of the retire/rehire option. The purpose of the discussion at the May Board Meeting is to confirm that the full Board is also comfortable with use of the retire/rehire option within the prescribed parameters.

To support and inform the Board's consideration, the following materials are included with this memorandum:

- The Memorandum for the April Compensation Committee discussion which highlights SERS' commitment to succession planning and internal advancement; discusses the relationship between succession planning and replacement planning; the reasons to consider and value to be gained by using retire/rehire as a replacement planning tool to bridge a staffing gap; and proposed parameters for when and how retire/rehire would be utilized and implemented, including prior notice and ongoing reports to the Board on the objectives for the engagement.
- A draft Re-Employment Policy that formally incorporates the identified parameters into a policy that governs how and when the retire/rehire option would be used.

- Retire/Rehire Scenarios that illustrate situations where use of retire/rehire would be of substantial value to SERS relative to other options.
- Staffing and Re-Employment Data that provides SERS' staffing demographics, including the rate of internal promotions; the time to fill vacant positions through external recruitment; the number of employees at or approaching retirement eligibility; and retire/rehire utilization by job category by SERS' participating employers.
- SERS' Succession and Replacement Planning Guide, which provides an overview and description of SERS' succession planning goals, process and approach, and how succession planning is integrated in SERS' talent management philosophy and strategy.

As noted above, I believe the limited use of the retire/rehire option in appropriate situations would be very valuable for maintaining operational continuity and an excellent complement to SERS' succession planning efforts. Accordingly, I ask that you support its use within the prescribed parameters.

Memo

To: Compensation Committee
From: Richard Stensrud
cc: Farouki Majeed, Karen Roggenkamp
Date: April 12, 2024
Re: **Retire/Rehire Policy Discussion Memo**

The purpose of this Item for the Special Compensation Committee Meeting is to continue the discussion at the last two Compensation Committee Meetings regarding the potential use at SERS of the 'retire/rehire' employment option permitted under Ohio law. In particular, I will address various questions/concerns that have come up in previous discussions and suggest some revised parameters and reporting practices for the Committee's consideration.

Previously, I have communicated that:

- Retaining high quality staff is vital to maintaining SERS' success at our mission and to that end, it is essential to have a strategic and systematic process for identifying key positions that are central to that success and being prepared to fill those positions when they become vacant. Having an effective talent management plan that recognizes, develops and retains high quality employees is not only integral to SERS' success, it also fosters an environment where high potential and high performing employees want to come and choose to stay.
- SERS' preference is to fill a vacant position with an existing staff member when appropriate. To meet that objective, SERS has established a robust and comprehensive succession planning structure and process intended to maintain business continuity, operational efficiency and high quality, uninterrupted service.
- While succession planning addresses long range staffing needs and the cultivation of high quality talent to meet those needs, it must also be supplemented by replacement planning, which concentrates on immediate needs, including assessment of the availability of high quality replacements when critical positions become vacant or at risk of becoming vacant.
- The retire/rehire option would be a tool used to address replacement scenarios, and to support the implementation of succession plans.

Succession Plan vs. Replacement Plan

Some discussion regarding the differences between succession planning and replacement planning may be helpful to illustrate the last point above and clarify when, why and how the retire/rehire option might be utilized to address replacement scenarios that support long term succession planning.

Based on previous discussions there may be some confusion regarding 'critical positions' for succession planning and whether all those critical positions would be candidates for retire/rehire. The short answer is that positions designated as critical for succession planning can be, but will not always be a position that is suitable for a retire/rehire arrangement.

There also seems to be some confusion regarding why there are so many critical positions in SERS' succession planning program. The following factors are considered when designating a position as critical for succession planning purposes:

- Single incumbent – Only one person can or knows how to perform the position's duties.
- Specialized Knowledge and Expertise – The position requires specialized knowledge and/or experience that is only acquired over time or through specialized education or training.
- Difficult to Replace Inside or Outside of SERS – Position is one that SERS has difficulty finding qualified candidates, despite recruiting efforts.
- Difficult to Retain – Position is one that SERS has difficulty retaining employees due to factors such as environment, position stressors, wage issues, or travel.
- Risk of Attrition – Individuals that are at risk of leaving SERS due to a lack of developmental and/or promotional opportunities.
- Retirement Vulnerable – Employees who are or will be eligible to retire within three to five years.

Even positions that have not been deemed as 'critical' can have succession plans. The critical designation places a priority on that position to have a plan in place, but does not limit other positions from also having succession plans.

As noted above, succession planning takes a long-term approach to development and staffing. Having a retire/rehire option is a short-term staffing strategy to bridge a gap in certain limited situations where there is not a current staff member ready to assume the role at the time the position becomes vacant.

The reasons to consider and value to be gained by utilizing retire/rehire to bridge a staffing gap may include:

- To retain and transfer specialized knowledge;
- To manage a function while a replacement search is conducted;
- To complete a significant project or program development;
- To maintain continuity of critical business operations over a necessary time period; and
- To provide time for internal replacement candidates to gain and develop the requisite knowledge, skills and experience to move into a position.

The attached materials include descriptions of three scenarios that further illustrate when and why a retire/rehire option might be utilized, and what would be achieved by doing so.

Proposed Implementation Parameters

To assure that a retire/rehire option would only be used in appropriate, limited cases, I am proposing that the parameters below be incorporated in a policy governing when and how the retire/rehire option would be utilized:

- A requirement to advise the Board, prior to establishing a retire/rehire arrangement, of the reasons for, objectives and term of the proposed engagement.
 - This will provide transparency into when and why retire/rehire is utilized.
 - It will allow the Board to assess whether the organizational objectives are being achieved.
 - It would also provide transparency into and a basis for assessing how long the arrangement will last.
- A requirement that the objectives of the engagement be incorporated in the job goals for the rehired retiree.

- This will help assure that person engaged is committed to the organizational goals for establishing the engagement.
- Include data on retire/rehires as part of the personnel reports given to the Board.
- Provide an annual report to Board on status of the objectives identified for the retire/rehire engagement.
- Limit the length of the retire/rehire arrangements to up to 3 years, with no more than 2 one-year extensions.
 - This will help assure that a retire/rehire arrangement is not a long term impediment to staff advancement.
- Limit the compensation of the rehired retiree to no more than 50% of the salary range for the position.

A copy of a proposed policy that includes these elements is included with these materials. The noted elements have been highlighted in the proposed policy.

As I have previously conveyed, I believe the retire/rehire option is an excellent complement to SERS' succession planning efforts and could be tremendously helpful in assuring that SERS' operations and culture remain at the highest level. Accordingly, I hope you will support its use in the prescribed, appropriate situations.

Draft Re-Employment Policy

Purpose

The purpose of this policy is to provide guidance for reemployment with SERS after separation or retirement from SERS.

Policy

SERS strives to ensure that staffing needs are met through succession planning and qualified candidate sourcing with emphasis on providing our employees with opportunities for advancement and professional development. There are situations, however, when reemployment of former SERS employees is needed to meet staffing needs. This generally takes one of two forms: Reemployment immediately following retirement from a position at SERS or reemployment after some period of time following leaving SERS' employment due to retirement or to pursue another opportunity.

Reemployment after retirement is not an entitlement. However, in certain situations individuals may possess institutional knowledge or other unique skills and experience that would benefit SERS in terms of project completion, program development, and/or staffing replacement initiatives. As described below, reemployment to the same or similar position held at the time of retirement may be considered based on reasons that are in the best interest of SERS.

Reemployment immediately following retirement from a position at SERS

Employees who retire from SERS through an Ohio state retirement system may be hired to the exact same position held immediately prior to retirement at the discretion of the organization. SERS has sole discretion to determine whether or not reemployment of a SERS retiree is the best solution to sustain and advance SERS' mission.

Retiree Reemployment Evaluation

Approval of a request to retire and rehire into the same position will be based on organizational needs rather than individual desire of employee, with particular emphasis on the ways in which the reemployment can benefit SERS. Reemployment should be considered if it saves resources, maintains productivity, or because the position cannot or should not be filled by a current employee or new hire. An employee must be in good standing in both job performance and attendance to be considered.

Reemployment requests are evaluated on a case-by-case basis. Reasons to reemploy an individual in the same or similar position held at the time of retirement may include:

- a. To retain and transfer specialized knowledge
- b. To manage a function while replacement search is conducted
- c. To complete a significant project or program development

- d. To maintain continuity of critical business operations over a necessary time period.

Reemployment Following Departure or Retirement from SERS

A former employee who had a separation in service due to retirement or pursuit of another opportunity, but is subsequently interested in being rehired, will be interviewed and evaluated with other job candidates for an open position unless otherwise ineligible for rehire in accordance with SERS Recruitment and Selection Policy (HR6-006). Employees who are rehired will not necessarily be placed in the same position or salary range as previously held.

Retiree Reemployment Guidelines

1. Retired employees may be rehired into regular full-time or part-time positions and provisional (temporary) full-time or part-time positions and subject to all SERS' policies including quarterly performance evaluation.
2. Annual salary upon commencement of reemployment shall not exceed their annual salary at retirement, unless this makes their salary below the pay range minimum or FLSA threshold for an exempt position. In addition, an annual salary during reemployment shall not exceed 75% of the salary range of the position held. Excluding promotions, a reemployed retiree is only eligible for annual performance-based salary increases during reemployment.
3. Department Director provides a written justification of the need for the reemployment arrangement and an explanation of longer-term succession plan for approval consideration.
4. Reemployment arrangement shall not to exceed 5 years. Arrangement does not alter at-will employment.
5. Benefit eligibility upon rehire will be determined by SERS Employee Classification Policy (HR6-012). Benefit seniority will include SERS' years of service prior to retirement.
6. It is the responsibility of the retiree to contact OPERS or their other retirement system to discuss how the change in employment status may impact pension and benefit options.
7. Reemployed retirees are requested to provide notice of final separation after original retirement at least 90 days prior to their anticipated separation to allow SERS adequate time to fill the vacancy.

Note: These guidelines do not apply when a retired employee has been retired from SERS for more than two calendar months and has applied, gone through a competitive selection process, and been selected for a position other than the one held immediately prior to retirement.

Procedure

Reemployment of Retired Employees Immediately Following Retirement

1. Employee who is interested in a reemployment arrangement shall notify their department director at least 90 days prior to their anticipated retirement date of their interest to reemploy immediately following retirement. Employee shall also indicate whether or not they intend to observe the two-month break in employment.
2. Department Director is responsible for notifying HR and Executive of the request when received.
3. Department Director provides written justification of the need for reemployment including plans for future succession planning efforts to HR and Executive within 2 weeks of receiving the employee's request.
4. Executive reviews the request and approves or denies request based on policy guidance and what is considered in the best interest of SERS.
5. Department Director and/or HR will notify employee within 30 days of their request if their request has been approved.
6. Employee will decide whether or not to proceed with retirement. If employee chooses to proceed with retirement, they need to submit formal written notice to SERS on their chosen retirement date and also contact OPERS to submit their retirement application, if they have not already done so.

Definitions

Retirement – The voluntary separation of employment from a covered position by OPERS for the purpose of commencing disability or service retirement and receiving a benefit from OPERS or other Ohio state retirement system.

Memo

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cc: Farouki Majeed, Karen Roggenkamp
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Employees who are rehired will not necessarily be placed in the same position or salary range as previously held.

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Note: These guidelines do not apply when a retired employee has been retired from SERS for more than two calendar months and has applied, gone through a competitive selection process, and been selected for a position other than the one held immediately prior to retirement.

Procedure

Reemployment of Retired Employees Immediately Following Retirement

1. Employee who is interested in a reemployment arrangement shall notify their department director at least 90 days prior to their anticipated retirement date of their interest to reemploy immediately following retirement. Employee shall also indicate whether or not they intend to observe the two-month break in employment.
2. Department Director is responsible for notifying HR and Executive of the request when received.
3. Department Director provides written justification of the need for reemployment including plans for future succession planning efforts to HR and Executive within 2 weeks of receiving the employee's request.
4. Executive reviews the request and approves or denies request based on policy guidance and what is considered in the best interest of SERS.
5. Department Director and/or HR will notify employee within 30 days of their request if their request has been approved.
6. Employee will decide whether or not to proceed with retirement. If employee chooses to proceed with retirement, they need to submit formal written notice to SERS on their chosen retirement date and also contact OPERS to submit their retirement application, if they have not already done so.

Definitions

Retirement – The voluntary separation of employment from a covered position by OPERS for the purpose of commencing disability or service retirement and receiving a benefit from OPERS or other Ohio state retirement system.



Retire/Rehire Situational Scenarios

Scenario 1

Key Person to Retire Mid-Project within a 12-Month Period

Experienced Information Technology Project Manager discusses retirement planning during a large-scale organization-wide project. The Project Manager is a critical player in the project and there is not another SERS employee with enough demonstrated large-scale project management experience to step directly into the role to complete the project. A succession plan is in place. However, project manager is key to successful project rollout. Internal successors are being developed, but not ready to meet the project's knowledge requirements. Short-term staffing options to be considered are:

1. Hire a contract Project Manager to finish the project.
2. Externally recruit a new Project Manager hired by SERS.
3. Pursue a reemployment arrangement with the current Project Manager.

Option 1 – This option fills an immediate need for a project manager. Ideally, an experienced project manager would be able to be sourced in a few weeks. Although a short-term strategy to keep the project moving forward, it is very likely the consulting fee would be more expensive than hiring an employee. Most of these arrangements are on an hourly rate along with a sourcing fee paid to an IT recruiting firm. There would also be a reduction in productivity and likely project delays until the new Project Manager was selected and could learn the SERS related project details.

Option 2 – This option would likely take more time to source our own candidate. We would expect approximately 60 days to fill the position. We would expect the cost to be less expensive than outsourcing/contracting the work, but there would be a longer period of time the position would potentially be vacant causes project implementation delays. In this scenario, our search would focus on hiring an experienced Project Manager who can transition to other projects after this project is completed.

Option 3 – This option under the proposed Retire/Rehire policy allows the Project Manager to retire and receive their pension benefit (two-month pension benefit penalty) and stay employed with SERS to help complete the project. The reemployment period objectives are to solely focus on implementing the large project. In this example, the Project Manager could also scale back hours to part-time for post conversion wrap up and remain as an employee. SERS benefits from retaining the project knowledge, getting additional time to find a permanent replacement, avoids consulting and placement expenses, and project knowledge transition time. Permanent replacement options to be considered would be to either hire an experienced Project Manager and have transition period when both project managers are on staff until the completion of the project or continue internal successor development with the goal of promoting an internal candidate if they are ready to assume the role on a permanent basis.

Scenario 2

Career Employee in a Highly Competitive Knowledge/or Leadership Position Plans to Continue Full-time Work beyond Retirement

A career public employee has 32 years of pensionable service. The employee plans to continue working for a number of years post-retirement within their areas of expertise. From a personal financial perspective, there is no compelling financial incentive to defer retirement benefit payments. During their career they have developed specialized skills, achieved industry credibility/recognition, and continued to be a high-level performer. Other considerations may include they work in a specialized position within the pension industry and SERS or already identified successor left organization leaving no immediately viable internal candidates for consideration. (Example – employee leaving SERS for another position outside the organization.) Under this scenario due to both specialized skills of the employee and current competitive labor market, they have opportunities to move into the private sector, pursue another opportunity in the public sector, or seek to stay in their present position.

Like Scenario 1, SERS has up to three options. In Option 1, the costs to hire a consultant are higher due to required knowledge and expertise, Under Option 2, the time to back fill the position is extended and may require a technical or executive recruiter to complete a comprehensive market search (typically longer than 90 days). Under Option 3, the proposed draft Retire/Rehire Policy would apply extending the employee's employment period with a planned exit strategy/timeline while meeting defined SERS' goals and objectives. Per the draft policy, the employee would have a 3-year limit and would only be extended due to unusual/justifiable circumstances, not to exceed 5-years.

During the reemployment period, longer-term staffing strategies would be evaluated and implemented. In this scenario, an evaluation of the timeline of reemployment period goals and objectives would be completed, and a review conducted of internal successors, if any. It should be noted that some position's succession plan is an external recruitment strategy because there are not qualified or interested people on staff to fill those roles. This is common for smaller organizations like SERS. Examples of this could be the Chief Audit Officer, I, Investment Officer, Specialized IT positions, etc.

Based on the time period estimated to complete the goals a objectives and internal successor availability, a plan would be created. For example, if there are no internal successors and if the estimated timeline was 2 years, there would be frequent check ins over the first year and around the 18-month mark we would draft a recruiting plan. The goal would be to hire someone and have adequate overlap for transition and knowledge transfer. If there are one or more internal successors, development planning will continue with those individuals to prepare them to be viable candidates for the role in the future.

Scenario 3

Career Employee with High SERS “Institutional” Knowledge Retires/ Moves to Part-time

A career public employee has over 32 years of pensionable service. The employee plans to continue working for a number of years post-retirement within their areas of expertise. Because of skills, labor market conditions, transition planning, or changing needs within the organization, SERS asks the employee to consider returning part-time as a retire/rehire in lieu of retaining an industry specific consultant (example, Legal, Investments, Healthcare, IT) while we implement a longer-term knowledge transfer strategy. In addition to cost savings, we would expect more productivity from an experienced employee compared to an external consultant or recently hired employee.

If the employee met the proposed draft policy guidelines, the employee would become a part-time SERS employee. Like Scenario 2, the part-time employee would have a 3-year limit and would only be extended due to unusual/justifiable circumstances, not to exceed 5-years.

Similar to Scenario 2, longer-term staffing strategies would be evaluated and implemented.

Based on the time period estimated to complete the goals a objectives and internal successor availability, a plan would be created to have adequate overlap for transition and knowledge transfer for either an internal or external successor.



STAFFING AND REEMPLOYMENT

March 2024

School Employees Retirement System (SERS) Staffing and Reemployment

Retaining high-quality staff is vital to SERS' mission and to maintaining SERS' success. It is essential to have a strategic and systematic process for identifying key positions and for being prepared to fill those positions when they become vacant. Having an effective talent management plan with various options helps foster an environment where high potential and high performing employees want to come and choose to stay.

Being the state capital, Columbus has a high concentration of state government, university, and retirement system employees. These employers have numerous entry-level positions available to workers who want to begin their career after high school or with some additional post-secondary education. For those that remain as career employees, under Ohio Public Employees Retirement System (OPERS), similar to SERS' members, employees can become fully retirement eligible in their mid-fifties. Many who retire plan to remain in the labor force and have opportunities in today's labor market. During the NASRA February Winter Meeting (2024), labor trends were a key discussion topic with several retirement systems providing commentary, including that they aggressively recruit pension system retirees because of their knowledge of defined benefit and hybrid plans. Such recruits can better relate to active members planning for retirement, have a culture of public service, and can help transition institutional knowledge.

The following data provides an overview of SERS' staffing trends over the past six years. As noted in the metrics, 61 SERS' employees can retire in the next five years (34%). With over 40% of our staff recruited from the public sector, a strong labor market, and people choosing to work longer, there are opportunities for retirement and then reemployment in our work force. SERS is experiencing increasing turnover and longer time periods to fill positions. All of these factors increase recruiting expenses and impact operational efficiency.

Human Resources Metrics						
	FY23	FY22	FY21	FY20	FY19	FY18
Employee Demographics						
Male	40%	39%	38%	37%	35%	34%
Female	60%	61%	62%	63%	65%	66%
Average Age	49	49	48	48	48	47
Average Employee Tenure (Years)	12.0	11.3	10.6	10.8	11.4	11.3
Eligible for Retirement within 1 Year	31	30	31	21	25	29
Eligible for Retirement within 5 Years	30	26	22	26	31	28
Staffing						
Average Headcount (By Person)	180	180	178	177	180	180
Recruiting						
Recruiting Source						
Public Sector	42%	38%	44%	22%	37%	8%
Time to fill positions (Days)	78	64	63	60	60	59
Internal Promotion Rate for Vacant Positions	38%	14%	18%	26%	24%	40%

Turnover						
Total Turnover	8.3%	6.7%	8.4%	10.7%	9.4%	6.1%
Involuntary	0.5%	0.6%	1.7%	0.6%	2.2%	0.6%
Voluntary	7.8%	6.1%	6.7%	10.2%	7.2%	5.5%
Percentage of retirements included in voluntary turnover	2.8%	3.3%	3.4%	3.4%	3.3%	2.2%

As an OPERS-covered employee, when a SERS staff member decides to retire, there are regulatory guidelines. Below are Frequently Asked Questions about retirement and potential reemployment:

Frequently Asked Questions

Q: Does OPERS allow an OPERS retiree to return to work after an age and service retirement?

A: Yes, as an age and service retiree, an individual may become reemployed in an OPERS-covered position.

Q: What types of employment are permissible?

A: Employment in the private sector and public employment.

Q: Do reemployed retirees continue to receive their retirement pension benefit during reemployment?

A: Yes, in most instances. However, if reemployed in a position covered by an Ohio public retirement system anytime within the first two months after retirement benefit effective date, the retirement pension benefit is forfeited during this two-month period.

Q: While reemployed, are employers required to provide primary health care coverage?

A: Yes, if it is available to other employees.

Q: Is the reemployed retiree required to pay pension contributions?

A: Yes, the amount is currently 10 percent.

Q: Is the employer required to pay contributions?

A: Yes. Employers currently pay 14 percent in contributions. In a retire/rehire status, 8% of the contribution funds an annuity for the employee and 6% goes to OPERS. The employee can then choose an annuity or a lump sum payment when they stop working.

Q: Can OPERS retirees work as an Independent Contractor?

A: OPERS retirees can perform work for a public employer as an independent contractor; however, it may significantly impact the contractor's pension benefit. Retirees cannot receive pension benefits while working as an independent contractor for the public employer from which they retired. This prohibition is applicable regardless of the number of hours or days the contractor works.

Q: On average, what is a reemployed retiree pension benefit?

A: Each benefit calculation varies by multiple circumstances including age, years of service, earnings timing, etc. A general reference is 2.2 percent for each year of service. Therefore, a 30- to 32-year retiree would expect to receive between 66.0 – 70.4 percent of their final average salary in pension benefits as illustrated by the following calculation example:

Final Average Salary (FAS) = \$75,500
Retirement Factor = 2.2%
Service Years = 30
Percent of Total (FAS) = 66.0%
Monthly Retirement Benefit = \$4,152

Q: Can SERS offer additional incentives to employees to delay retirement?

A: Yes. In limited circumstances, the Board can offer retention incentives to executive and/or Board-reporting positions. However, for the majority of positions, SERS does not believe it can offer additional monetary incentives that would entice an employee to delay retirement if that employee is interested in employment post-retirement.

SERS will not be able to offer an incentive that would compete with a post-retirement employment salary and monthly pension benefits combined. Additionally, adding ad-hoc incentives for a select group of employees may cause inequity among staff. Also, awarding bonuses, similar to the current approved investment compensation plan, will require changes to administrative rule.

Q: Would a SERS employee as an age and service retiree of OPERS be allowed to return to work at SERS as a full-time employee or independent contractor?

A: As an employee, the employee would be allowed to return but would be subject to either forfeit the two months of pension payments as noted above or wait to reemploy 60 days after retirement. As an independent contractor, the independent contractor would forfeit their pension benefits the entire time they provide services to SERS.

Q: How does SERS benefit from a retire and rehire arrangement?

A: In certain situations, individuals may possess institutional knowledge or other unique skills and experience that would benefit SERS in terms of project completion, program development, and/ or staffing replacement initiatives. A rehire arrangement also may reduce, or delay recruitment and loss of productivity costs associated with replacing the position. Certain executive and technical positions may require professional recruiting services. Recruitment expenses are approximately one-third of the new hire compensation. The time range for filling these positions is typically four to six months, in addition to internal staff time to assist the recruiter and interview prospective candidates.

Q: In what situations should a retire and rehire arrangement be considered?

A: Reasons to reemploy an individual in the same or similar position held at the time of retirement may include:

- To retain and transfer specialized knowledge.
- To manage a function while replacement search is conducted.

- To complete a significant project or program development.
- To maintain continuity of critical business operations over a necessary time period.

Q: How long would SERS allow a retire and rehire arrangement under the proposed policy?

A: Reemployment arrangement would continue to be an “at will” relationship and could be up to but shall not exceed 5 years. During this time, the reemployed retiree is still subject to meeting performance standards as they were before retirement. Five years should be a sufficient period of time to transfer knowledge, develop internal staff, conduct a search, complete a project, etc.

Q: Does a reemployed retiree salary and benefits change when they are rehired under the proposed policy?

A: In most cases, no. If an employee is rehired into the same or similar position immediately following retirement, their compensation and benefits will be the same as when they were working. There are some exceptions, including the proposed policy that limits a person’s salary to 75% of the position’s salary range. If someone’s salary was above 75% of the position’s range, their salary would be reduced to 75% of the range.

For example, if a salary range is \$60,000 - \$90,000, with a mid-point of \$75,000, the reemployed retiree’s salary could not exceed \$82,500 at the time of reemployment.

Another exception is if the employee is reemployed into a different classification (Full-time, part-time, and provisional). Benefit offerings and employee cost sharing vary by classification. If a full-time employee retired and was rehired into a part-time position, their benefits would be adjusted to the part-time benefits package available at the time of reemployment.

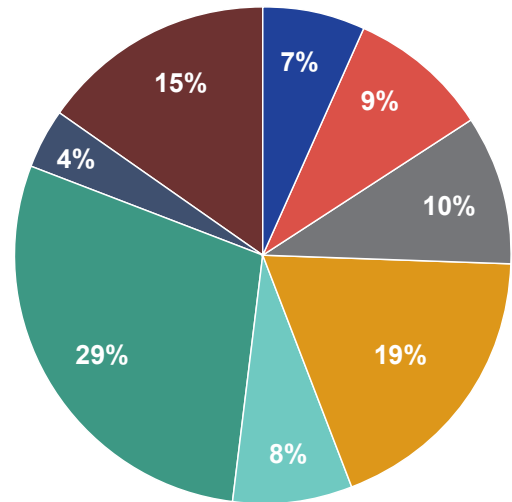
Q: Do the other Ohio retirement systems have a policy or practice regarding retire rehire arrangements?

A: The other systems do not have formal policies addressing retire rehire arrangements. Like SERS, the other Ohio retirement systems have not hired employees directly into the same position post-retirement. However, all the systems have, at some point in time, rehired a retiree for a specific project or short period of time for a specific purpose. It should be noted that while these arrangements are not common at the systems, this is a common practice in State government agencies.

Retire/Rehire Statistics

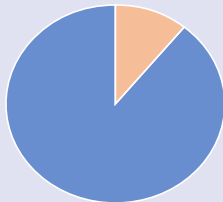
Although SERS does not have access to OPERS' post-retirement demographics, we do have internal data concerning SERS' retirees who retire then are rehired. The chart below reflects that rehiring occurs across the various position levels and is indicative of a competitive labor market. Based on the statistics, currently 11 percent of our retirees and covered beneficiaries are in that status. Further details are noted in the charts below:

SERS Members in Retired/Rehire Status	
	Count
Administrative	613
Clerical/Secretarial	790
Custodial/Maintenance	861
Educational Aide	1,646
Food Service	699
Other (as reported by employers)	2,543
Supplemental	356
Transportation	1,326
Total	8,834



*Per FY 24 Annual Statements

**As reported by Employers to SERS



Of the 81,833 FY2023 retirees and beneficiaries currently receiving benefits, 11% are in retire/rehire status.

SUCCESSION AND REPLACEMENT PLANNING

Managing SERS' Greatest Asset



School Employees Retirement System of Ohio
Serving the People Who Serve Our Schools®

SUCCESSION AND REPLACEMENT PLANNING

Managing SERS' Greatest Asset

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Overview

The Succession and Replacement Planning Guide establishes a strategic and systematic process of identifying critical or key positions in the organization and preparing to fill those positions when they become vacant. The process is intended to create a pool of talent prepared to lead SERS when existing leaders and technical experts exit the organization or are away from their positions for a significant period of time. The preference is to fill a vacant position with an existing staff member when appropriate. The success of this program lies in the building and nurturing of a talent pool for future opportunities.

SERS' Talent Management Philosophy and Strategy

An effective talent management program is an integral piece of SERS' strategic plan. Our talent management strategy is in alignment with SERS' mission, vision, values, and core beliefs. It is critical to the success of the organization to provide a process that recognizes, develops, and retains top talent. SERS' talent management model is an inclusive program that engages all employees. It is a way of life for the organization and is a common thread that runs through every aspect of our culture.

The key elements of SERS' talent management strategy include:

- A change-ready inclusive culture
- A culture that rewards and recognizes performance
- A culture that values continuous process improvement
- An effective performance management system that measures what matters
- Career and development opportunities
- An aligned promotion/succession management process
- Programs that support being a learning organization (Internal and external training opportunities, tuition reimbursement, and certification programs)
- Hiring the right people for the right position

Having a talent management strategy in place fosters an environment where high-potential and high-performing individuals choose to stay. They want to work with organizations where there are opportunities for them to advance and develop in their careers.



Succession Planning

The goal of SERS' succession plan is to ensure that SERS maintains business continuity, operates effectively, and continues to provide uninterrupted service to our members, retirees, and employers when individuals occupying critical or key positions leave our employment due to retirement, promotion, and general attrition. Critical or key positions can be defined as those positions that are crucial for the operations of SERS and, because of skill, knowledge, seniority, and/or experience, may be difficult to replace.

The primary task of succession planning is to identify and prepare internal talent for critical positions in advance of actual need. This prior identification permits opportunities for training, mentoring, coaching, and developmental activities to improve an individual's readiness to succeed to specific positions. It also provides tangible decision-making information needed to minimize the chance of poor choices or the adverse impacts of unplanned vacancies that can disrupt business continuity, organizational effectiveness, as well as service to our members, retirees, employers, and employees. It should be noted that a person chosen for a role as a successor may not necessarily be the same person(s) being developed through succession planning due to timing and candidate readiness.

Succession planning will assist SERS in accomplishing the following:

- Identifying critical positions and highlighting potential vacancies
- Selecting key competencies and skills necessary for business continuity
- Focusing development of individuals to meet future business needs by grooming future leaders rather than recruiting outside the organization
- Safeguarding the departure of critical institutional knowledge
- Increasing employee engagement and loyalty by investing in staff
- Reinforcing our commitment to being a learning organization
- Surviving in a talent shortage environment



Replacement Planning

When appropriate, SERS will also need to focus on replacement planning, which differs from succession planning. Succession planning addresses long-range needs and the cultivation of qualified talent to satisfy those needs. Whereas replacement planning concentrates on immediate needs and a “snapshot” assessment of the availability of qualified backup for critical positions. It should be noted that a person chosen for a role as a replacement position may not necessarily be the same person(s) being developed through succession planning due to timing and candidate readiness.

The chart below details the differences between replacement and succession planning strategies.

Variable	Replacement	Succession
Time Frame	0-12 Months	12-36 Months
Readiness	Best candidate available	Candidate with the best development potential
Commitment	Designates a preferred replacement candidate	Occurs only when a vacancy happens
Planning Focus	Vertical lines of succession within units or functions	A pool of talented candidates with capabilities for several assignments
Planning Development	Usually informal, a status report on strengths and weaknesses	Specific plans and goals set for the individual
Flexibility	Limited by plan structure; however, in practice has a great deal of flexibility	Flexible plans that are intended to promote development and considering alternatives
Plan Basis	Each manager’s best judgment based on observation and experience, and employee’s interest	The result of input and discussion among multiple leaders
Evaluation	Observation of performance and the job over time; demonstrated competence; progress through the department	Multiple observations or evaluations by different managers on different assignments; testing and broadening in career

Building Workforce Readiness

SERS will build workforce readiness by developing a pool of talent across the organization. Developing talent consists of preparing individuals for one of four levels:

- Technical Subject Matter Experts (SMEs)
- Leaders - Supervisors, Managers, and Senior Managers
- Senior Leaders - Assistant Directors, Directors, and Chiefs
- Executive Leaders – Executive Director, Deputy Executive Director

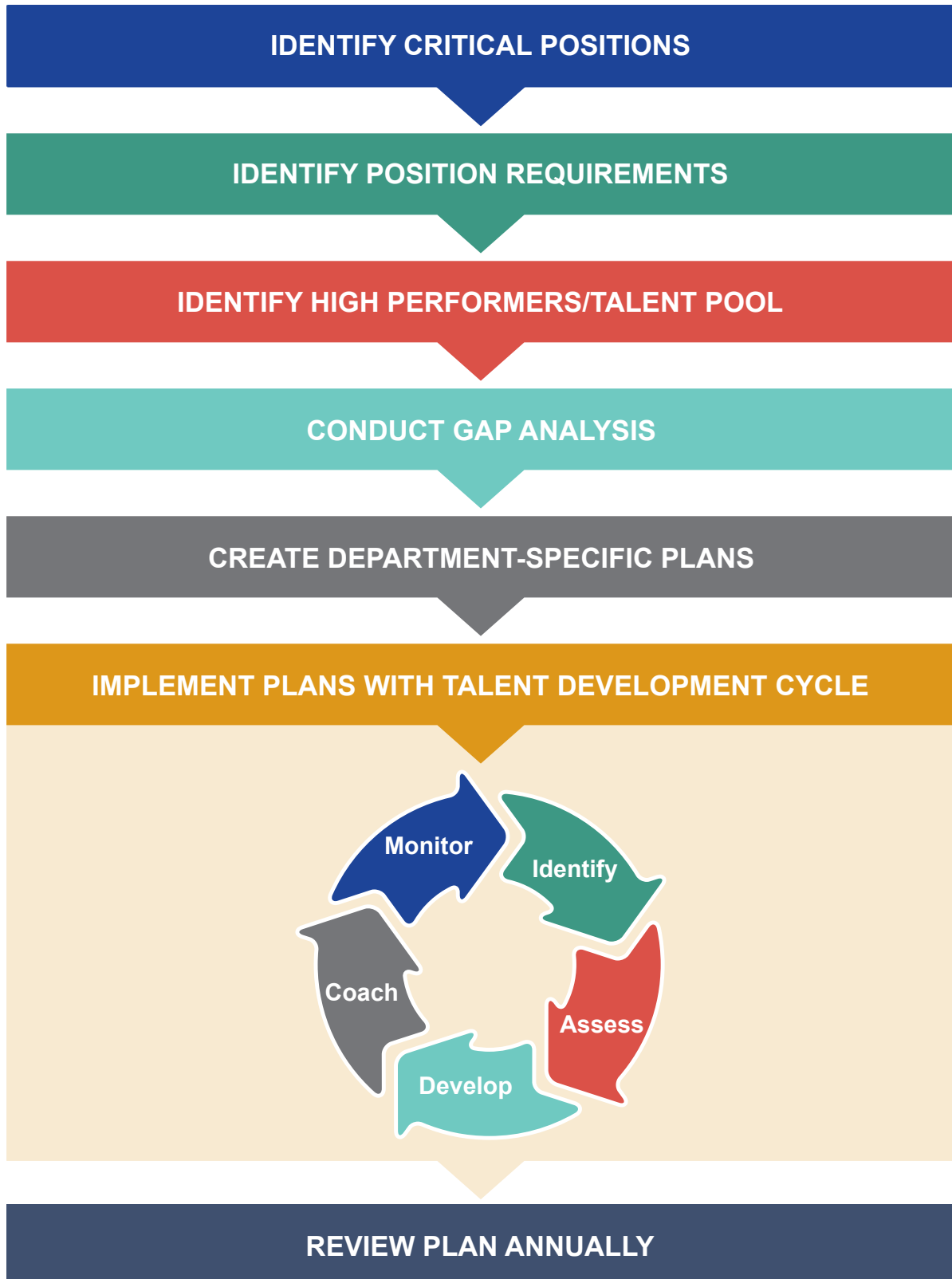
Talent will be developed according to each department's succession plan that is created and maintained by the department director.

Keys to Success

For this succession plan to work, it will require the following elements:

- Leadership support – at all levels
- Integration with strategic business planning and projected changes in the organization
- Identification of critical leadership and technical SME positions to be included in the process
- A process for identification and selection of potential successors
- Maintenance of job descriptions that identify critical knowledge, skills, abilities, experience, education, and behavioral competencies for effective performance in specific jobs
- A commitment to leadership development and onboarding
- A process for monitoring a candidate's development plan progress that includes feedback, plan modification, and encouragement
- Timelines for succession, both for organizational need and for individual readiness
- Regular review and update of the department plans, this guide, and supporting materials.

Steps to Succession Planning



Critical Positions and Current Incumbent by Department

The first step in the process is to identify critical positions that can potentially impact business operations (e.g., financial operation, process efficiencies, loss of institutional knowledge, etc.) due to retirement, promotion, and general attrition. A critical position is one that, if it were vacant, would have a significant impact on SERS' ability to conduct normal business. These positions may be leadership or technical in nature.

The following should be considered when determining if a position is critical to the organization.

- **Single incumbent** – only one person can or knows how to perform the position's duties.
- **Specialized Knowledge and Expertise** – the position requires specialized knowledge and/or experience that is only acquired over time or through specialized education or training.
- **Difficult to Replace Inside or Outside of SERS** – position is one that SERS has difficulty finding qualified candidates, despite recruiting efforts.
- **Difficult to Retain** – position is one that SERS has difficulty retaining employees due to factors such as environment, position stressors, wage issues, or travel.
- **Risk of Attrition** – individuals that are at risk of leaving SERS due to a lack of developmental and/or promotional opportunities.
- **Retirement Vulnerable** – employees are or will be eligible to retire within three to five years.

Below is a list of critical positions by department identified by SERS' Senior Leadership Team.

Executive

1. Executive Director – Richard Stensrud
2. Deputy Executive Director – Karen Roggenkamp
3. Sr. Executive & Board Administrator – Tina Gray
4. Government Relations Officer – Chris Collins
5. Chief Audit Officer – Jeff Davis

Risk Management

1. Chief Risk Officer – Joe Bell
2. Enterprise Risk Management Officer – Susan Bradley
3. Information Security Officer – Phil Grim

Legal

1. General Counsel – Joe Marotta
2. Associate General Counsel – Susan Russell

Communications & Print Shop

1. Assistant Director – Engagement and Communication Strategy – Nikki Whitacre
2. Sr. Manager – External Communications – Tim Barbour
3. Sr. Internal Communication Coordinator – Pam Burton
4. Manager – Printing & Mailing – Brad Skeen
5. Graphic Designer – Sara Howard

Investments

1. Chief Investment Officer – Farouki Majeed
2. Assistant Director – Investments – Judi Masri
3. Senior Investment Officer – Global Private Equities – Steve Price
4. Senior Investment Officer – Global Real Assets – Paul Cheng
5. Senior Investment Officer – Global Fixed Income – Jason Naber
6. Senior Investment Officer – Private Credit & Opportunistic – Adam Messerschmitt
7. Investments Operations Manager -- Terri Martin

Finance including Investment Accounting

1. Chief Financial Officer – Marni Hall
2. Assistant Director – Finance Operations – Maria Robinson
3. Assistant Director – Financial Accounting – Stacy Easterday
4. Manager – General Accounting – Trisha Rider
5. Manager – Employer Services – Chris Castle
6. Lead Investment Accountant – Mike Berger
7. Tax Analyst – Tim O'Brien
8. Budget Analyst – Adrienne Zigo
9. Purchasing Coordinator – Donita Thomas

Information Technology

1. Chief Technology Officer – Jay Patel
2. Assistant Director - Application Development – Scott Murta
3. Assistant Director – IT Infrastructure Services – Mike Flanagan
4. Senior Manager – Applications Support – David Greer
5. Manager – IT Applications Development – Thavamani Baskaran
6. Application Architect – George Beamer
7. Cloud Engineer – John Bailey
8. Enterprise Solutions Engineer – Cory Lee
9. IT Service Desk Manager – Todd Williams
10. Database Administration – Suresh Kamat
11. Sr. Information Security Engineer – Tom McLennan
12. Sr. Network Engineer – Jeff Carrabine
13. Senior M365 Solution Engineer – Kirk Trickett
14. IT Technical Project Manager – Melody Meininger
15. System Analyst III – Veera Podila
16. Lead Business Analyst – Karen Ochoa
17. Sr. IT QA Analyst –Carolyn Hoy

Member Services

1. Director of Member Services – John Grumney
2. Assistant Director (Operations) – Chad Hanson
3. Assistant Director (Outreach) – Holly Cox
4. Senior Manager – Member Support Team – Audra Kaiser
5. Senior Manager – Benefits Processing – Mary Beth Clark
6. Supervisor – Disability & SPC – Sharon Amos
7. Supervisor – Benefits Processing – Wendy Dean-Files
8. Supervisor – Member Support Team – Tonya Cross
9. Supervisor – Counseling & Member Outreach – Stephanie Thompson
10. Supervisor – Post, Survivor, Refunds – Matt Fenner
11. Senior Operations Coordinator – Member Services – Erin Knight

Healthcare Services

1. Director of Healthcare Services – Christi Pepe
2. Assistant Director - Health Care – Mike Steiner
3. Program Coordinator – Medical Plans – Jennifer Phillips
4. Manager – HC Operations – Andrea Whisman
5. Supervisor – Health Care Systems & Reporting – Ashley Campbell
6. Health Care Communications Specialist – Alisa Nass

Building Services

1. Assistant Director – Building Services – Mike McManaway
2. Supervisor – Building Services – Jason Chenault

Administrative Services

1. Director of Administrative Services – Michelle Miller
2. Sr. Payroll & A/P Coordinator – Sarah Spain
3. Manager – Information Governance – Todd Hayes
4. Manager – HR – Becky Shera

Identify Work Requirements

It is important for leadership to identify success factors for critical positions to assess the position's impact, vacancy risks, and potential successors. SERS has chosen to use our current job descriptions to support succession planning instead of maintaining two separate documents. Job descriptions shall document all essential duties, education, experiences, core competencies, and other factors necessary for success of each critical position. The job description will be used to evaluate current and potential successors and the types of learning and development opportunities that will be needed for successful transition.

Job descriptions should be periodically reviewed and updated to accurately reflect the position.

This process is necessary for:

- Establishing minimum requirements for success
- Creating a baseline for assessing potential candidates
- Identifying appropriate learning and development opportunities

Identify High Performers/Talent Pool

All employees have different levels of knowledge, skill, competencies, interest, and desire to compete for critical positions. While employee development of any kind is desirable and should be offered to all staff, a “talent pool” does not include everyone. A talent pool should only include those who show the most potential to assume critical positions. Length of time in any position is not the determining factor in succession.

It should be noted that participation in the “talent pool” process does not equal pre-selection or a guarantee that any participant will eventually be selected for a position. All employment decisions must be based on a person’s knowledge, skill, ability, and readiness to successfully assume a new position.

Department Directors shall evaluate all staff members with the goal of identifying those who have the skills and knowledge or potential along with the desire to be promoted to existing and new positions.

- The evaluation can be formal or informal and can include, but is not limited to, performance reviews and informal conversations with the individuals under consideration.
- Senior Leadership may be aware that an employee in another area who has aspirations and the capacity to move up. This may be an opportunity to recognize this goal and support it.
- Leadership should provide the opportunity for development to less experienced workers. Many new employees enthusiastically enter an organization and then, finding few opportunities for advancement, leave. Junior or new employees can remain engaged if their supervisor helps match their interests to opportunities provided through effective succession planning.

Conduct Gap Analysis

It is important for leadership to identify any succession gaps early in the process so that they are able to develop effective plans to minimize the exposure to vacancy risk.

Senior Leadership should assess the organization’s current and future needs against the current talent pool. This is done by assessing the known capabilities of employees against the critical components of the job description. This assessment will help focus individual learning and development opportunities to prepare a person for future roles at SERS.

Determining whether there are one or more succession candidates ready to successfully assume the role and responsibilities is the primary function of assessing leadership talent.

Senior Leadership in each department will review the critical positions identified in the previous section and update the position’s official job description. The job description documents all education, experiences, competencies, and other factors necessary for success of each critical position. The position’s job description will be used to evaluate current and potential successors and the types of development that is needed for successful transition.

Senior Leadership will identify and document technical and leadership gaps by asking questions such as:

- Which individuals are slated to or likely to leave (through retirement, project completion, etc.) and when?
- Which new positions will be required to support the strategic plan?
- Which positions have become or will become obsolete?
- What skills and knowledge will need to be developed (for example, to support a new program)?

Create Department-Specific Plans

The department-specific plans identify the people with the skills, potential, and desire to perform in future roles, to strengthen the overall capability of SERS, and ultimately, to achieve organizational goals. Succession plans also highlight the most pressing future staffing needs.

The Executive Director and Deputy Executive Director are responsible for ensuring a succession plan is in place for each department covering all critical positions in the organization. These department plans are developed by the department director with assistance from Human Resources and the Senior Leadership Team.

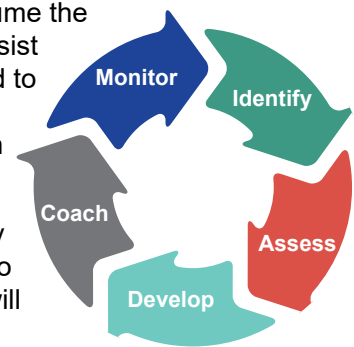
Although each department plan will be different based on need, the plans will generally include a combination of training and developing existing staff, and external recruitment strategies when necessary.

Implement Plans

Department leadership will identify the person or people to develop to assume the identified critical positions in the future. The position(s) direct leader will assist in the individual development process and establish the timeframe required to prepare them for a future role. Departments will build workforce readiness by developing a pool of talent via the talent development cycle as shown in the [Steps to Succession Planning](#) chart shown earlier in this guide.

- Identify** talent for key positions from SERS' internal talent pool. Identify a broad or narrow range of talent while focusing on high potentials. If no potential successors exist within the organization, an external search will be utilized at the appropriate time.
- Assess** talent's development needs and readiness. The assessment step takes an impartial look at talent and offers specific feedback concerning the potential and capabilities of each person in the talent pool. It includes the identification of gaps in education, skills, competencies, knowledge, and experience. Other considerations may include salary history and personal career goals. DiSC and emotional intelligence assessments may be used to identify strengths and areas for development. Performance review data and any other relevant performance data will also assist in assessing talent.
- Develop** talent. Create individualized development plans with timelines. Timelines will vary according to the anticipated need for succession. Using a development plan will help track, monitor, and facilitate development discussions with the employee.

Provide formal learning opportunities and on-the-job stretch assignments. Encourage different ways of developing employees such as: self-development, books/journals, mentor programs,



and special project work. Create development opportunities for everyone, but concentrate most resources on high potential employees.

- d. **Mentor and coach** talent. Use common mentoring and coaching models to guide and prepare employees. Executive leadership shall hold leaders accountable for coaching, mentoring, and developing talent.
- e. **Monitor** progress of talent development. Review progress of talent development at least in conjunction with the quarterly performance check-ins and the annual review process. More frequent meetings are encouraged. Assess whether the successor is ready, near ready, or not ready to be in place and update development plans accordingly.

Employee Development Expanded

Education and Training

Formal education, training, coaching, mentoring, and assessment activities should be used in an employee's development plan. The mix of activities included within the action plan should be linked to timelines and specific outcomes. Choose appropriate career development activities for the employee. Examples of activities include:

- On-the-job training, cross training, and/or participation in projects
- Participation on teams or committees
- Leading a meeting or project
- Giving a presentation
- Computer-based training and in-person course work from external providers
- Attending work-related conferences
- Membership affiliation with industry specific associations, and societies
- Working with a mentor, coach, or consulting with others
- Leadership development programs and training courses

Career Paths

Department leadership should utilize the individual development planning program to also identify the career paths that the selected individuals should be following. Customize the path to fit the individual's abilities and talents by developing an action plan. Work with the employee to create a career development plan to close the gaps and/or strengthen existing skills and competencies. The following are essential actions to be considered when implementing career development plans:

- Individual takes ownership of career and prepares a formal career developmental plan and is committed to the plan
- Formalize objectives for long-term and short-term goals by identifying developmental needs, activities, target dates, and resources
- Leader provides development opportunities and tailors opportunities to the individual.
- Hold ongoing coaching sessions between manager(s) and employee to assess progress
- Ensure that annual performance review process is integrated with development planning and succession planning goals

A career path does not always mean a complete job change, but can include a change in responsibility and duties. The individual's plan must be dynamic and flexible -- able to be changed

as the individual's and the organization's needs change. It must also consider the specific needs, learning styles, and personalities of the individuals involved in order to be effective.

Although difficult in a small organization like SERS, if possible, leadership should move people into different areas for experience and training before they are needed in critical positions. Have individuals job-shadow for an agreed upon period of time to give the successor a real sense of the responsibilities and to allow the organization the chance to determine whether the individual really is well suited for the new position.

Finally, leadership must be prepared to address issues such as concerns of staff who have not been selected for career advancement. Department leadership shall ensure alternative paths are identified to allow all employees who are interested in career enhancement be given some type of professional development opportunity. Professional development can include a wide range of activities such as formal education and training, workshops, and seminars as well as less formal learning opportunities such as the chance to run a meeting, present at a meeting, or oversee a project.

Review Plan

The final step in the succession planning process is to monitor and evaluate the strategies implemented to close an identified and prioritized talent gap(s). It is important to regularly evaluate the succession planning process to ensure effectiveness.

Senior Leadership shall review the succession plan strategy on an annual basis to ensure it is still in alignment with SERS' strategic plan and goals. The succession plan must be agile and change ready to be effective.

Department directors are responsible for reviewing and updating their respective department specific plans at least annually as people leave the organization and new people assume their responsibilities. The plan will have to be updated regularly to identify the next person(s) to be developed for promotion and the requirements of their individual development plan.

It is essential to recognize that no matter how well you plan, something can still happen that the succession plan doesn't address. For example, the organization may have dutifully invested in a person only to have that person leave. Even though there may be no one able to fill the gap immediately, the succession plan will ensure that there is a process to follow in filling the position.

Communication

A key driver of success is the communication of SERS' succession planning strategy. Employees need to understand that succession planning is key to continuity of SERS' business operations. A lack of clear communication can be one of the biggest threats to a successful succession program. With this in mind, there are six topics to focus on with the communication strategy:

1. **Involve Senior Leadership and the Board**

Succession planning isn't the sole responsibility of the HR Department. Senior Leadership and the Board (for positions that report directly to the Board) need to be involved in shaping, regularly reviewing, and communicating throughout the organization about the succession planning strategy. With Senior Leadership and Board involvement, the organization can maintain a successful succession plan that will cascade down through the departments.

2. **Identify, engage, and develop talent**

Leaders in all departments should have regular career conversations with potential successors. Leaders within the departments are perfectly positioned to identify prospective future leaders, and can provide vital background information that can mean the difference between inclusion and exclusion from SERS' succession plan. These leaders should develop talent in line with the SERS succession plan. Leaders should encourage staff to think about the future and think broadly about roles they may want to play in the future.

3. **Reinforce that all positions are important**

Although not every position is listed in the formal succession plan, it does not mean that every position and person is not important and needed to fulfill SERS' mission. The identification of critical positions for succession planning purposes should not be interpreted to mean that only some positions in the department are considered important or meaningful. Rather, the purpose of this process is to identify imminent workforce risks and challenges, and develop strategies to address those needs first

It is a best practice in succession planning to identify critical positions in order to focus efforts and prioritize the allocation of resources. With more than 100 different positions at SERS, it would not be practical or meaningful to do succession planning for all of them. By identifying and managing the most critical positions first, SERS will ensure that leadership and technical continuity is in place and that strategic and operational capacity is sustained long-term. Then as time and resources permit, planning efforts can be focused beyond the critical positions designated in the formal plan.

Leadership has a responsibility to communicate with all staff that the work they do is important and valued, regardless of the fact their position may or may not require a succession plan.

4. **Practice fair and open recruitment policies**

Practicing fair and open recruitment policies can help minimize staff discontent with the process and the candidates selected for knowledge transfer and/or succession. Regardless of circumstances, ensure the organization promote vacancies internally and externally, so employees know SERS is looking for the right person for the role and not simply opting for a quick fix. All things being equal, SERS does favor an internal applicant, but that person needs to be qualified and ready to assume the new position.

As it relates to succession, there may be positions in the organization that have been identified in the succession plan, but do not have clearly identified successors. The issue with this is that if the organization has to fill a vacant position unexpectedly, there is a risk of simply appointing the next person in line to take over. This seemingly arbitrary recruitment approach can have

unforeseen consequences, such as the appointee lacks the right skillset for the role as they were not trained in advance. This can result in underperformance, team resentment, internal conflict, and in the worst case, increased employee turnover.

5. **Balance transparency with confidentiality**

Succession planning deals with sensitive issues so it is crucial to balance transparency with discretion. Furthermore, there will always be a degree of subjectivity and fluidity in the analysis of potential successors. Which types of information can and should be made public, shared internally, or treated as confidential? Leadership should take time to assess who needs to know which details. At the least, the Succession and Replacement Planning Guide and the job descriptions should be shared that contain the key criteria for developing and choosing successors. Both will be available on the Boulevard. Leaders must be aware that if staff members are not informed of the succession planning process, they may not know to express their interest in a specific position or advancing their career in general.

6. **Communicate during a transition**

It is important to acknowledge and manage the dynamic between the outgoing person and the new incumbent. How the outgoing person interacts with their named successor and the way that relationship is portrayed is a key element to success.

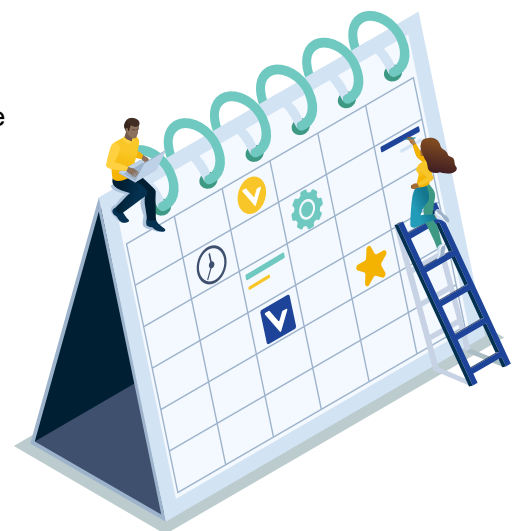
It is important to remember:

- Internal candidates are generally viewed more positively by all stakeholders than external candidates. Although, if the department is not operating well, then bringing in an external candidate could be seen as a positive.
- That succession is taking place as a result of expected, voluntary departure or retirement is the best message to convey in a transition. In other words, the position is being filled as a part of the SERS succession plan. The message should be “It’s a change in leadership or person, not a change in strategy or direction.”
- It’s important to acknowledge the legacy of the outgoing person, unless the exit is taking place under negative circumstances.

Every situation is unique and has its challenges, but the transition between leaders is an opportunity to reaffirm the commitment to SERS’ future.

Summary

The succession planning process should not be considered an end in itself. Rather, it should be considered an integral part of the strategic planning and talent management strategy. By projecting future changes in the organization as well as anticipating loss of key leadership and technical subject matter experts, succession planning also becomes interchangeably linked with the human resources planning and development processes.



Finance Headline News – May 2024



- Budget Administration
 - FY25 draft budget presentation
 - SERS administrative expenses are expected to finish FY24 under budget
- The following detailed reports are attached for further analysis:
 - FY24 Budget Administrative expense reports
 - Budget Analysis for SERS and OSERS Broad Street through March 2024
 - Administrative expense summary for April 2024
 - Administrative expense detail for April 2024
 - Parameters report for April 2024
 - Financial highlights
 - As of April 2024

School Employees Retirement System of Ohio
System Year-to-Date Budget Analysis
Through March 31, 2024

FYTD24

	FYTD23 Actual	Actual	Budget	Actual to Budget %	Budget to Actual Under/(Over)	Notes
PERSONNEL SERVICES	\$ 18,122,373	\$ 19,099,054	\$ 19,760,103	96.7%	\$ 661,049	Note 1
Salaries & Wages	14,048,426	14,096,864	14,722,102	95.8%	625,238	
PERS Retirement Contributions	1,846,440	1,868,414	1,961,335	95.3%	92,921	
Benefits	2,227,507	3,133,776	3,076,666	101.9%	(57,110)	
PROFESSIONAL SERVICES	4,310,126	4,328,462	5,029,437	86.1%	700,975	
Actuarial Advisors	305,562	228,916	241,375	94.8%	12,459	
Audit Services	181,031	164,465	234,000	70.3%	69,535	Note 2
Banking Fees	844,705	830,141	947,205	87.6%	117,064	Note 3
Investment Related	1,881,507	1,939,690	1,864,532	104.0%	(75,158)	Note 4
Medical	33,750	33,750	33,750	100.0%	-	
Technical	1,063,571	1,131,500	1,708,575	66.2%	577,075	Note 5
COMMUNICATIONS EXPENSE	748,558	558,141	893,829	62.4%	335,688	
Postage	459,418	336,229	605,439	55.5%	269,210	Note 6
Telecommunications Services	180,699	136,571	159,665	85.5%	23,094	
Member/Employer Education	6,876	5,087	10,325	49.3%	5,238	
Printing & Publication	101,565	80,254	118,400	67.8%	38,146	
OTHER OPERATING EXPENSE	2,755,632	2,995,971	3,509,286	85.4%	513,315	
Computer Support Services	1,594,151	1,858,826	2,069,629	89.8%	210,803	Note 7
Office Equipment & Supplies	131,228	124,239	136,559	91.0%	12,320	
Training	92,726	96,481	219,352	44.0%	122,871	Note 8
Transportation & Travel	100,804	116,532	170,154	68.5%	53,622	
Memberships Subscriptions	139,768	134,000	156,970	85.4%	22,970	
Property & Mgmt. Liability Insurance	519,591	504,501	582,403	86.6%	77,902	Note 9
Maintenance	45,292	23,858	30,825	77.4%	6,967	
Staff Support	90,688	84,139	97,689	86.1%	13,550	
School District Reimbursement	5,094	5,776	9,405	61.4%	3,629	
Mandatory Costs- ORSC	36,290	47,619	36,300	131.2%	(11,319)	Note 10
TOTAL DEPARTMENT EXPENSES	25,936,689	26,981,628	29,192,655	92.4%	2,211,027	
TOTAL SERS ADMIN EXPENSES	25,936,689	26,981,628	29,192,655	92.4%	2,211,027	
NET BUILDING EXPENSE	935,236	677,101	1,001,470	67.6%	324,369	Note 11
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 26,871,925</u>	<u>\$ 27,658,729</u>	<u>\$ 30,194,125</u>	91.6%	<u>\$ 2,535,396</u>	

See notes on following page

FYTD = Fiscal Year To Date

Notes to System Year-to-Date Budget Analysis Through March 31, 2024

- Note 1: **Personnel** actuals are tracking slightly under budget. There were three pay period ends budgeted in March, but the 3rd pay should have been budgeted in May; therefore, the temporary salaries and wages positive variance will reverse in May. Benefits are trending over budget due to higher prescription drug claims. This was offset by an Express Scripts rebate received in March 2024.
- Note 2: **Audit Services** are under budget for several reasons. The external audit of the financial statements has unbilled services for the GASB Allocation reports. One outside audit planned in January by the Internal Audit Department will take place in the last quarter of fiscal year 2024, and the second outside audit planned by internal audit was removed from the audit schedule.
- Note 3: **Banking fees** consist of investment and DDA custodial fees. DDA banking fees are posted in arrears causing a variance through March 31, 2024. Investment custodial fees are based on a combination of investment values and transaction volume, and they are trending lower than originally estimated.
- Note 4: **Investment related** professional services are over budget mainly due to class action fees. SERS contracts with Financial Recovery Technologies who monitors SERS' portfolio for potential class actions to join. SERS was awarded a \$1 million settlement in the Valeant Pharmaceuticals International suit producing a \$87,500 claim expense.
- Note 5: **Technical resources** are under budget for multiple reasons. CBBC programming was budgeted, but it was completed prior to the beginning of the fiscal year and won't be needed. Sagitec was budgeted for an additional consultant that hasn't been used, and then their projects were paused from early December until February. Additional Sagitec resources have since been secured, which should consume the year-to-date budget savings during the 4th quarter of FY24. An outsourced helpdesk position was budgeted, but it was filled by repurposing an internal position. Additional consulting for various services has been underutilized thus far, including ImageNow, unplanned consulting, digital workplace, and ServiceNow.
- Note 6: **Postage** realized savings when 2024 board elections were not required. The candidates ran unopposed.
- Note 7: **Computer support services** are under budget mainly due to timing of subscription and maintenance renewals compared to when they were budgeted. Sagitec maintenance was paused in early December but resumed in February. The Microsoft true up was less than budgeted. The subscription for a new phone system wasn't needed after the implementation was terminated. Hardware maintenance was included with an upgrade that took place in FY23 and won't be needed this fiscal year.

- Note 8: **Training, Transportation & Travel** are budgeted evenly throughout the year and timing can vary. Training budgeted for staff agile training in the 2nd quarter was delayed.
- Note 9: **Insurance** is under budget due to anticipated premium increases not occurring.
- Note 10: **Mandatory ORSC** expense is based on the total fund value and committee activity. The committee has been more active resulting in higher expenses than anticipated.
- Note 11: **Net Building Expense** is under budget due to pending invoices for security and janitorial services, savings from performing groundskeeping in-house, and insurance savings. In addition, anticipated building remodeling has not been needed.

OSERS Broad Street, LLC
Year-to-Date Budget Analysis
Through March 31, 2024

	FYTD 2024					
	FY2023 Actuals	FY2024 Budget	Budget	Actuals	Budget to Actual Under/(Over)	Notes
OPERATING INCOME						
Suite Income	\$ 436,731	\$ 506,057	\$ 393,394	\$ 389,735	3,659	
Parking Income	212,775	206,100	155,775	175,760	(19,985)	Note 1
Miscellaneous Income	53,571	-	-	1,869	(1,869)	
	703,077	712,157	549,169	567,364	(18,195)	
OPERATING EXPENSES						
Property Management & Labor	305,000	305,000	228,750	254,167	(25,417)	Note 2
Administrative Services	6,365	6,825	1,050	770	280	
Building Maintenance	1,062,340	1,129,299	841,959	725,246	116,713	Note 3
Utilities	323,827	408,940	311,580	262,583	48,997	Note 4
Building & Equipment Insurance	71,396	87,000	87,000	75,496	11,504	
Real Estate Taxes	285,677	288,050	152,050	148,165	3,885	
	2,054,605	2,225,114	1,622,389	1,466,427	155,962	
NON-OPERATING EXPENSES						
Lease Commission Fees	10,611	-	-	2,657	(2,657)	
Special Counsel Fees	1,556	5,000	5,000	213	4,787	
Building Remodeling	6,805	122,000	122,000	3,046	118,954	Note 5
	18,972	127,000	127,000	5,916	121,084	
CAPITAL						
Leasehold Improvements	266,088	58,000	30,000	26,289	3,711	
	266,088	58,000	30,000	26,289	3,711	
TOTAL	\$ 1,636,588	\$ 1,697,957	\$ 1,230,220	\$ 931,268	298,952	

FY - Fiscal Year

FYTD - Fiscal Year To Date

Notes to OSERS Broad Street, LLC Year-to-Date Budget Analysis Through March 31, 2024

- Note 1: **Parking Income** is higher for FY2024 than FY2023, due to an increase in parking space rent charged and additional parking tenants.
- Note 2: **Property Management & Labor** is a fixed monthly fee each month. The April expense was posted in the month of March.
- Note 3: **Building Operations & Maintenance** is less due to the timing delay of receiving invoices for Security, Janitorial services, and HVAC maintenance. These services are also under budget year to date compared to what was budgeted. Additionally, some of the grounds keeping that was budgeted to be outsourced was completed by staff.
- Note 4: **Utilities** are below budget due to the timing delay of invoices, and warmer temperatures for the first half of the fiscal year have kept the heating costs down.
- Note 5: **Building Remodeling** is budgeted for tenant requested improvements and new tenant renovations. There have been minimal requests for improvements to date.

School Employees Retirement System of Ohio

Summary of administrative operation expenses during the period **April 1, 2023-April 30, 2023.**

Actuals
Apr-2024

Account	Amount
Salaries & Wages	1,204,331.89
Salaries & Wages- Overtime	878.26
Vacation Leave Expense	114,875.72
Sick Leave Expense	39,249.09
Voluntary Life Insurance Reimbursement	241.36
Employer Contributions- PERS	182,376.61
Group Life	9,914.94
Long Term Disability	3,470.22
Short Term Disability	2,674.40
Group Health Claims	181,555.43
Group Health- Admin Fees	7,648.17
Prescription Claims	68,383.87
Prescription Admin Fees	1,059.20
Group Health- Stop Loss Admin	20,491.29
Vision Claims	2,745.98
Vision Admin Fees	125.28
Group Health- Employee Cost	(39,627.06)

Account	Amount
Group Health- Wellness Incentive	3,855.00
Group Health- Tobacco Premiums	(692.85)
Medicare Premium- Employer	19,191.67
Workers Compensation	2,659.00
Deferred Compensation Match	4,905.00
Actuarial Services	20,110.00
Custodial Fees	84,264.59
Custodial Banking	11,077.00
Master Recordkeeper Fees	86,666.67
Performance/ Analytics Fee	97,012.91
Medical Consultant	3,750.00
Special Counsel	50,971.66
Technical	53,621.55
Other Professional Services	63,186.67
Postage	1,449.17
Telecommunications Services	8,633.12
Member/Employer Education	(397.96)
Software Maintenance	35,000.00
Software Subscriptions	20,199.28
Hardware < \$5,000	9,940.00

Account	Amount
Equipment Repairs & Maintenance	9,786.16
Office Supplies & Expenses	358.75
Furniture & Equipment < \$5,000	4,690.47
Records Storage	125.00
Seminars & Conferences	8,887.00
In House Training	1,321.20
Travel & Transportation	15,413.21
Mileage	1,316.85
Subscriptions	2,563.76
Memberships	1,944.00
Interior Landscaping	1,386.37
Vehicle Expense	2,411.28
Staff Support	5,669.41
Board Member- School Board Reimb.	2,372.58
Ohio Retirement Study Council	15,872.90
Reimbursement of Leased Svcs.	(25,416.67)
Total Administrative Expenses	2,424,499.40

School Employees Retirement System of Ohio
REVIEW OF ADMINISTRATIVE EXPENSES
Apr-24

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,204,331.89
	Subtotal	1,204,331.89
53110 - Salaries & Wages - Overtime	ADP, LLC	878.26
	Subtotal	878.26
53111 - Vacation Leave Expense	ADP, LLC	114,875.72
	Subtotal	114,875.72
53112 - Sick Leave Expense	ADP, LLC	39,249.09
	Subtotal	39,249.09
53113- Voluntary Life Insurance Reimbursement	ADP, LLC	241.36
	Subtotal	241.36
53200 - Employer Contributions - PERS	ADP, LLC	182,376.61
	Subtotal	182,376.61
53300 - Group Life	American United Life Insurance Company	9,914.94
	Subtotal	9,914.94
53310 - Long Term Disability	American United Life Insurance Company	3,470.22
	Subtotal	3,470.22
53315 - Short Term Disability	American United Life Insurance Company	2,674.40
	Subtotal	2,674.40
53320 - Group Health Claims	Aetna Daily Wires - ESERS	-
	Subtotal	181,555.43
53321 - Group Health - Admin Fees	Aetna Admin - ESERS	7,648.17
	Subtotal	7,648.17
53322 - Prescription Claims	Express Scripts - Rebate	(13,951.11)
	Express Scripts - ESERS	78,188.57
	SaveonSP, LLC	4,146.41
	Subtotal	68,383.87
53323 - Prescription Admin fees	Beyond Blue Corporation	1,059.20
	Subtotal	1,059.20
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS	20,491.29
	Subtotal	20,491.29
53326 - Vision Claims	VSP - (OH)	2,745.98
	Subtotal	2,745.98
53327 - Vision Admin Fees	VSP - (OH)	125.28
	Subtotal	125.28
53330 - Group Health - Employee Cost	Employee Premiums	(39,627.06)
	Subtotal	(39,627.06)
53331 - Group Health - Wellness Incentive	ADP, LLC	3,855.00
	Subtotal	3,855.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(692.85)
	Subtotal	(692.85)
53340 - Medicare Premium - Employer	ADP, LLC	19,191.68
	ADP, LLC - adjustment	(0.01)
	Subtotal	19,191.67
53350 - Workers Compensation	Ohio Bureau Of Workers Compensation	2,659.00
	Subtotal	2,659.00
53380 - Deferred Compensation Match	ADP, LLC	4,905.00
	Subtotal	4,905.00

Expense Account	Vendor	Amount
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
	Cavanaugh MacDonald Consulting, LLC	8,110.00
	Subtotal	20,110.00
54310 - Custodial Fees	BNY Mellon Asset Servicing	84,264.59
	Subtotal	84,264.59
54320 - Custodial Banking	Treasurer of State - Warrants	59.08
	Huntington National Bank	11,017.92
	Subtotal	11,077.00
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing	86,666.67
	Subtotal	86,666.67
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing	34,401.66
	Barra LLC	59,611.25
	Wilshire Advisors, LLC	3,000.00
	Subtotal	97,012.91
54520 - Medical Consultant	Borchers, M.D., Glen G.	3,750.00
	Subtotal	3,750.00
54610 - Special Counsel	Ice Miller LLP	20,809.16
	Seyfarth Shaw LLP	29,785.00
	Porter, Wright, Morris,	377.50
	Subtotal	50,971.66
54620 - Technical	Sagitec Solutions, LLC	35,978.25
	LexisNexis Risk Data Management, Inc	2,268.30
	Sigital, LLC	925.00
	ComResource	4,370.00
	Revelwood Incorporated	10,080.00
	Subtotal	53,621.55
54630 - Other Professional Services	Wickert, Kimberly	378.00
	Vorys Advisors LLC	3,666.66
	Attorney General	16,492.01
	Hudepohl & Associates Inc.	16,250.00
	Kroll Associates, Inc.	23,000.00
	Saperstein Associates, Inc.	3,400.00
	Subtotal	63,186.67
55100 - Postage	Pitney Bowes Inc.	1,055.71
	Unishippers Association	344.23
	FedEx	49.23
	Subtotal	1,449.17
55200 - Telecommunications Services	Verizon Wireless	74.25
	AT&T	40.10
	LUMEN	3,813.33
	Spectrum	237.34
	Spectrum AWS	1,230.00
	Everstream Solutions LLC	1,376.00
	XO Verizon	1,802.72
	T-Mobile	59.38
	Subtotal	8,633.12
55300 - Member/Employer Education	Eventbrite - Employer payments	(626.62)
	Vaughan, Cameron	228.66
	Subtotal	(397.96)
56030 - Software Maintenance	Sagitec Solutions, LLC	35,000.00
	Subtotal	35,000.00
56035 - Software Subscriptions	ADP, LLC	5,981.04
	Wellable LLC	481.00
	Expedient	13,610.32
	Amazon Web Services	126.92
	Subtotal	20,199.28
56040 - Hardware < \$5,000	Dell Marketing LP	9,940.00
	Subtotal	9,940.00

Expense Account	Vendor	Amount
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc	1,001.95
	Digital Print Solutions	1,119.40
	Canon Financial Services, Inc	2,410.40
	LD Products Inc.	643.96
	Woodhull	297.98
	US Bank Equipment Finance	1,968.72
	BPS Technologies	2,343.75
	Subtotal	9,786.16
56130 - Office Supplies & Expenses	Staples Business Advantage	345.76
	Amazon.com	12.99
	Subtotal	358.75
56150 - Furniture & Equipment < \$5,000	Amazon.com	858.77
	Loth, Inc.	3,831.70
	Subtotal	4,690.47
56160 - Records Storage	Vital Records Holdings, LLC	125.00
	Subtotal	125.00
56210 - Seminars & Conferences	Grumney, John	1,599.00
	Ohio State University	675.00
	Association for Information and Image Management	1,350.00
	Patel, Jay	1,500.00
	Public Retirement Information Systems Management	1,299.00
	The Fire Code Academy	375.00
	MRA	1,790.00
	Meininger, Melody	299.00
	Subtotal	8,887.00
56220 - In House Training	ADP, LLC	1,321.20
	Subtotal	1,321.20
56310 - Travel & Transportation	Fifth Third Bank - hotel refund for deposit	(1,166.93)
	Price, Steve	2,132.56
	Roggenkamp, Karen	649.92
	Stensrud, Richard	935.73
	Rossler, James	255.42
	Haller, James	305.32
	Phillips, Barbra	311.81
	Grim, Phil	773.00
	Sam's Club	42.14
	Moss, Catherine	9.09
	Browning, Michael	603.40
	Wilson, Daniel L.	244.00
	Easterday, Stacy	3,565.55
	King, Matt	244.00
	Weglarz, Frank	330.54
	Messerschmitt, Adam	1,172.33
	Collins, Chris	1,433.16
	Meijer	96.95
	Cheng, Paul	953.30
	Russell, Aimee	298.69
Kurupalli, Deepkia	1,167.42	
Carr, Brad	1,055.81	
	Subtotal	15,413.21
56311 - Mileage	Rossler, James	190.28
	Haller, James	129.72
	Phillips, Barbra	125.70
	Grim, Phil	75.64
	Browning, Michael	5.76
	Wilson, Daniel L.	199.66
	Easterday, Stacy	28.42
	King, Matt	160.80
	Weglarz, Frank	218.42
	Messerschmitt, Adam	8.70
	Cheng, Paul	15.68
	Russell, Aimee	110.02
	Kurupalli, Deepkia	17.49
Carr, Brad	30.56	
	Subtotal	1,316.85

Expense Account	Vendor	Amount
56410 - Subscriptions	Wall Street Journal	125.73
	Constant Contact	227.00
	Shutterstock, Inc.	29.00
	Dow Jones & Company, Inc.	2,169.04
	Toledo Blade	12.99
	Subtotal	2,563.76
56420 - Memberships	International Institute of Business Analysis	139.00
	Public Pension Financial Forum	300.00
	Ohio Ethics Commission	1,380.00
	Human Resources Association of Columbus Ohio	125.00
	Subtotal	1,944.00
56630 - Interior Landscaping	Ambius Inc.	1,386.37
	Subtotal	1,386.37
56640 - Vehicle Expense	Moo Moo Car Wash	12.00
	USAA Subrogation Dept.	2,399.28
	Subtotal	2,411.28
56620 - Staff Support	ADP, LLC	3,395.92
	Premier ProduceOne	323.00
	Hills Market	4.61
	Amazon.com	425.00
	Culligan Bottled Water of Columbus	71.92
	Target	25.00
	Aetna Behavioral Health, LLC	282.60
	Chicken Salad Chick	302.00
	Cuyahoga Franklin Group	492.86
Inspira Financial	346.50	
	Subtotal	5,669.41
56710 - Board Member - School Board Reimb.	Ashland City School District	2,372.58
	Subtotal	2,372.58
56820 - Ohio Retirement Study Council	Ohio Retirement Study Council	15,872.90
	Subtotal	15,872.90
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)
	Subtotal	(25,416.67)
	Total SERS Administrative Expenses	2,424,499.40

FY2024 Administrative Budget
Board Expense to Budget Reporting
Year-to-Date Through April 30, 2024

Major Category/Sub-Major Category	Line Item	Vendor	FY2024 Budget Approved	Year to Date Expense	Additional Information
PROFESSIONAL SERVICES			\$ 6,456,305.00	\$ 4,799,122.55	
ACTUARIAL ADVISORS			\$ 292,500.00	\$ 249,026.00	
	Actuarial	Cavanaugh Macdonald	292,500.00	249,026.00	Actuarial Consultant
AUDITING			\$ 234,000.00	\$ 164,464.50	
	Auditing	Plante Moran	184,000.00	162,790.00	External Auditor
BANKING FEES			\$ 1,262,940.00	\$ 925,482.56	
	Custodial Banking		1,068,000.00	791,991.22	
		Fifth Third	336,000.00	259,811.11	Domestic Custodian
		BNYM	732,000.00	532,180.11	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	194,940.00	133,491.34	Banking Services
INVESTMENT RELATED			\$ 2,465,349.00	\$ 2,123,369.54	
	Master Recordkeeper		1,056,000.00	864,979.70	
	Investment Consulting & Advisory Services		525,000.00	393,749.99	
		Wilshire	450,000.00	337,499.99	Investment Consulting
	Performance Analytics Services		703,264.92	626,507.64	
		Barra-One Risk Mgmt Sys	238,445.00	238,445.00	Investment Risk Analytics
		BNY Mellon GRS	412,820.00	344,282.60	Investment Performance Analytics
TECHNICAL			\$ 2,156,516.00	\$ 1,299,279.95	
	Special Counsel		240,000.00	294,479.35	
	Technical		1,360,084.00	589,226.05	
		Merative	121,000.00	90,000.00	Data Warehouse
		Sagitec	550,000.00	232,617.01	SMART Development Resources
	Other Professional Services		556,432.00	415,574.55	
OTHER OPERATING EXPENSE			\$ 4,108,942.00	\$ 2,881,061.44	
COMPUTER SUPPORT SERVICES			\$ 2,737,127.00	\$ 1,923,965.00	
	Software Maintenance		1,047,108.00	737,953.26	
		Hyland	119,061.00	117,916.85	ImageNow
		Dell	290,000.00	246,943.83	Microsoft Enterprise Agreement/ True Up
		Sagitec	420,000.00	315,000.00	SMART Silver Support
	Software Subscriptions		1,444,815.00	1,126,592.01	
		DRaaS	158,000.00	134,033.92	Expedient
		Dynamo	202,000.00	199,940.00	Dynamo Software, INC
		Carahsoft	124,850.00	125,911.80	ServiceNow System
		UCaaS Vendor- TBD	128,500.00	-	Telecommunication Services
PROPERTY MANAGEMENT LIABILITY INSURANCE			\$ 582,403.00	\$ 504,500.50	
	Management Liability Insurance		582,403.00	504,500.50	
		Cyber Liability Insurance	190,315.00	163,592.50	ARC Excess & Surplus, LLC
		Crime Fiduciary D&O Insurance	389,388.00	340,908.00	ARC Excess & Surplus, LLC

PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Additional Information
PROFESSIONAL SERVICES	TECHNICAL				

SERS

UNBUDGETED PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Expense Reallocation
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OSERS BROAD STREET, LLC

UNBUDGETED PROJECT ITEMS

Major Category	Line Item	Project	FY2024 Budget	YTD Expense
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SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

FINANCIAL HIGHLIGHTS

As of March 31, 2024 and 2023

(unaudited)

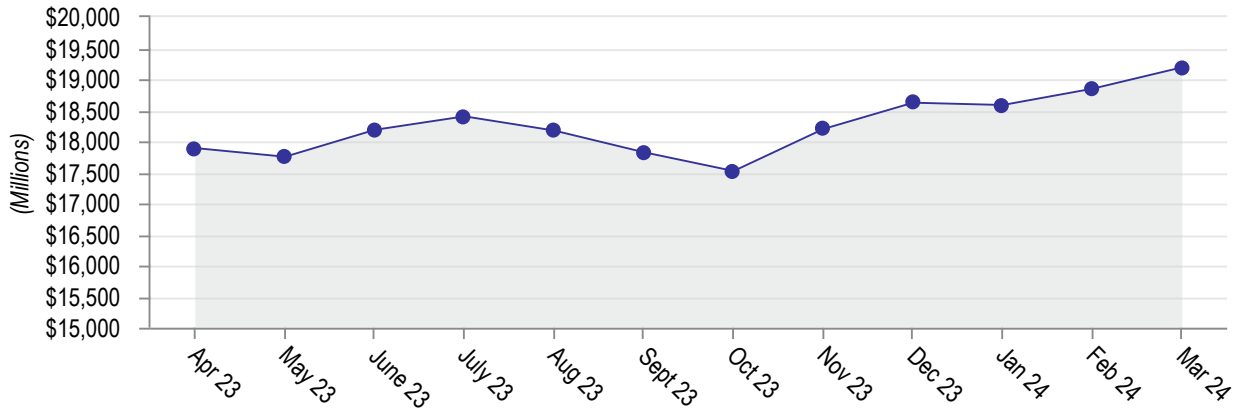
SERS (All Funds)	3/31/24 YTD	3/31/23 YTD	Comparative Difference	% Difference
<u>ADDITIONS</u>				
Employer Contributions	\$478,172,481	\$453,096,774	\$25,075,707	6%
Member Contributions	312,611,274	295,970,141	16,641,133	6
Other Income	104,264,001	75,094,182	29,169,819	39
Total Investment Income, Net	1,293,640,101	630,428,531	663,211,570	105
TOTAL ADDITIONS	2,188,687,857	1,454,589,628	734,098,229	50
<u>DEDUCTIONS</u>				
Retirement, Disability, Survivor & Death Benefits	1,062,905,333	1,025,669,774	37,235,559	4
Health Care Expenses	104,941,072	103,554,705	1,386,367	1
Refunds & Transfers	70,881,801	73,905,999	(3,024,198)	(4)
Administrative Expenses (excluding Investments)	22,609,259	22,497,737	111,522	—
TOTAL DEDUCTIONS	1,261,337,465	1,225,628,215	35,709,250	3
Changes in Net Position	927,350,392	228,961,413	698,388,979	305
Net Position - Beginning	18,265,722,222	17,574,319,449	691,402,773	4
SERS Net Position - Ending	\$19,193,072,614	\$17,803,280,862	\$1,389,791,752	8%

HEALTH CARE FUND

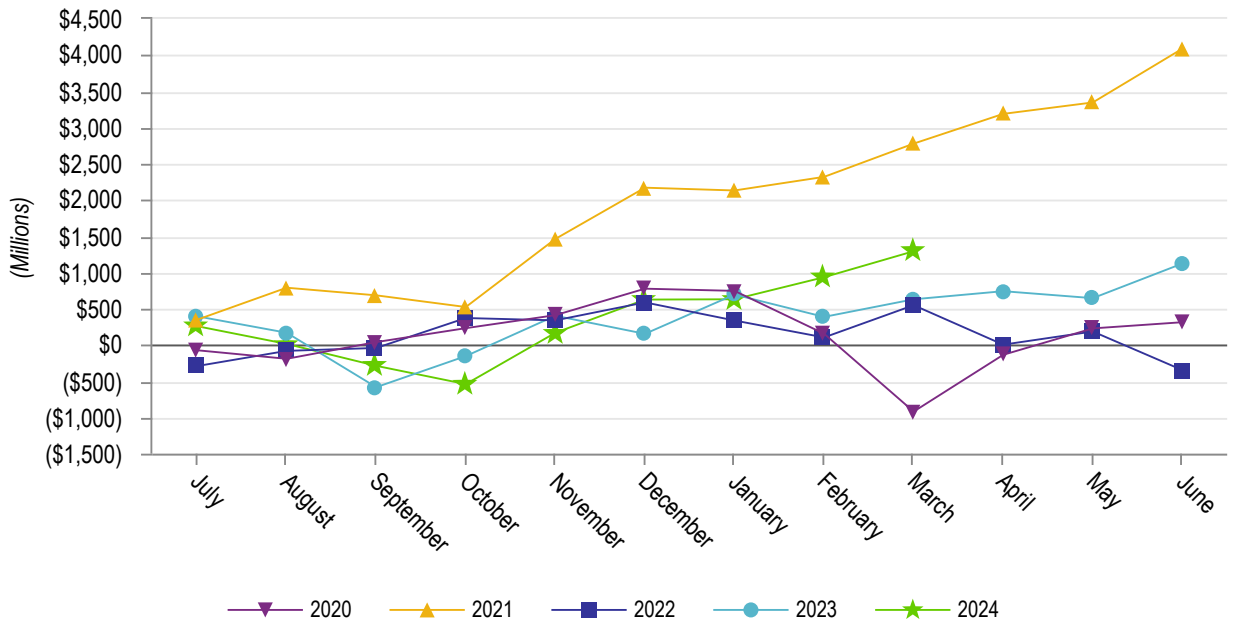
HEALTH CARE ADDITIONS

Employer Contributions	\$42,298,923	\$39,598,296	\$2,700,627	7%
Health Care Premiums	43,914,012	45,727,801	(1,813,789)	(4)
Federal Subsidies & Other Receipts	60,309,458	29,279,816	31,029,642	106
Total Investment Income, Net	43,561,861	18,863,668	24,698,193	131
TOTAL HEALTH CARE ADDITIONS	190,084,254	133,469,581	56,614,673	42
TOTAL HEALTH CARE DEDUCTIONS	107,118,654	105,487,611	1,631,043	2
Changes in Net Position	82,965,600	27,981,970	54,983,630	196
Net Position - Beginning	706,785,561	611,574,409	95,211,152	16
SERS Health Care Fund Net Position - Ending	\$789,751,161	\$639,556,379	\$150,194,782	23%

Total SERS Fund Balance for Previous 12 Months



Investment Income (includes realized and unrealized gains & losses)



Health Care Fund Balance Trend



Memo

To: Retirement Board
From: Richard Stensrud, Executive Director
CC: Karen Roggenkamp, Deputy Executive Director
Date: May 8, 2024
Re: FY2025 Budget Review

At the meeting in May, you will receive the FY2025 Administrative Budgets for SERS and OSERS Holdings, LLC. At the June meeting, we will request approval of these budgets through separate resolutions: one for SERS' operating and one for the transfer of funds to OSERS Holdings, LLC to cover the net operating expenses of OSERS Broad Street, LLC.

As noted in the letter to the Board, found in the front of the budget book, the budget presented reflects an increase of 4.5% over the FY2024 budget and an 8.56% increase over the FY2024 projected expenses.

I look forward to reviewing this document with you and answering any questions that may arise.



DRAFT



FY2025 ADMINISTRATIVE BUDGET

School Employees Retirement System of Ohio | *Serving the People Who Serve Our Schools®*

SERS is a public defined benefit pension fund that provides pensions and access to health care coverage for the people who serve our schools.

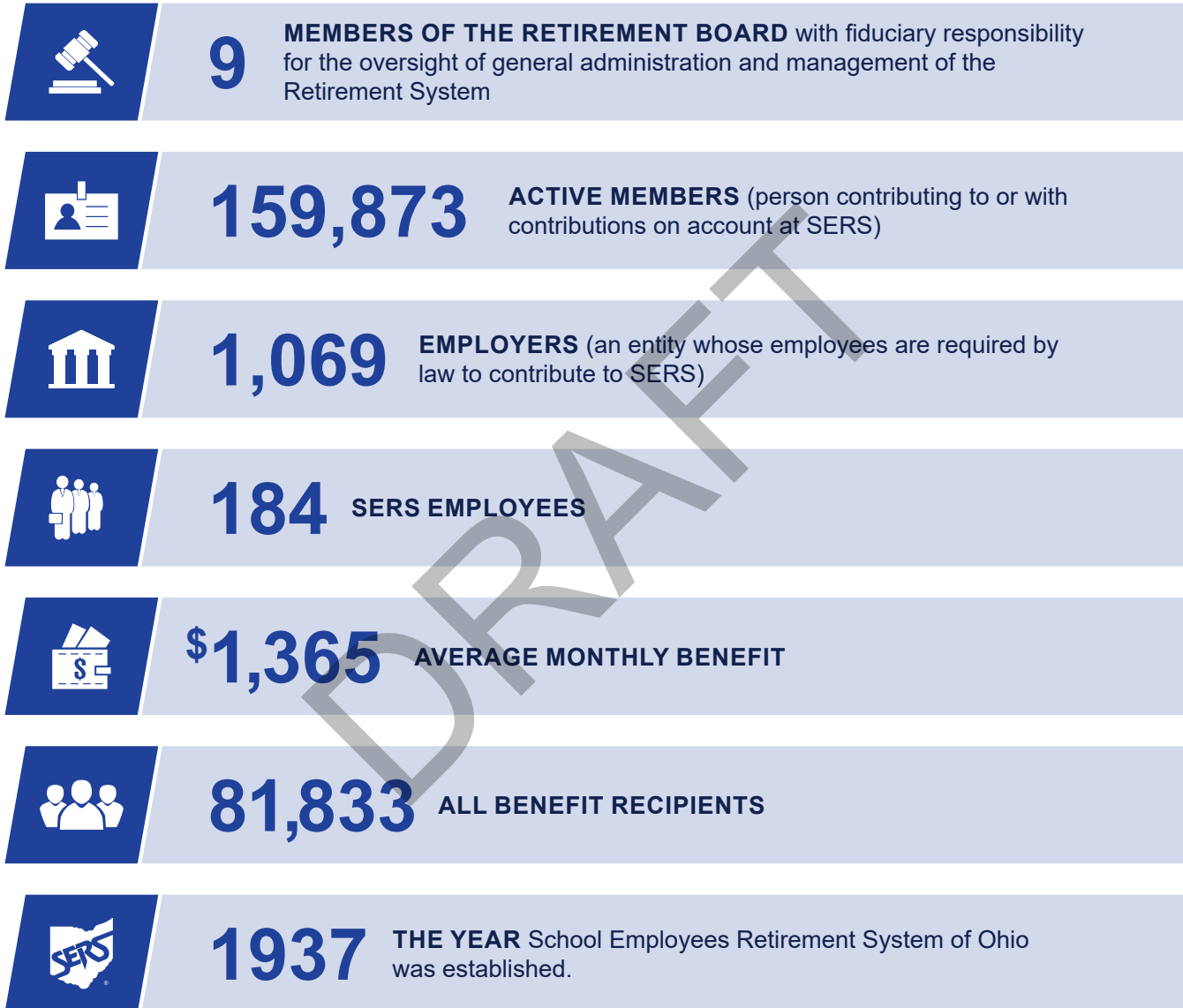


School Employees Retirement System of Ohio
Serving the People Who Serve Our Schools®

CORE BELIEFS

- We are here to serve.
- We are open and honest.
- We are professional.
- We are dedicated.
- We are enthusiastic.
- We are high performers.
- We are valuable partners.
- We are member advocates.
- We are innovators.
- We are SERS.**

SERS AT A GLANCE



SERS is located at 300 East Broad Street, Columbus, Ohio, or online at www.ohsers.org. All statistical information obtained from SERS' 2023 Annual Financial Report publication.



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD
Executive Director
KAREN D. ROGGENKAMP
Deputy Executive Director

May 16, 2024

Dear Chairperson Weglarz and SERS Retirement Board Members:

We are pleased to present the Retirement Board with the proposed FY2025 Administrative Budget, which supports our approximately 242,000 active members, retirees, and beneficiaries with valuable pension benefit programs and health care services.

FY2024 Recap

In FY2024, we developed the next five-year strategic plan to help guide SERS in the direction we want to go during the FY2025-2029 period.

Pension sustainability efforts were enhanced with the passage of the Contribution Based Benefit Cap (CBBC), which becomes effective August 1, 2024. We completed the second year of the Five-Year Technology Roadmap budget to ensure IT infrastructure and SMART enhancements meet the needs of our members. We anticipate closing the year at \$37.3 million or 3.7% below budget.

Administration

- Internal Audit procured an audit of the Identity and Access Management of IT software and systems.
- The SERS Health Care Fund increased solvency to 39 years beginning in FY2024.

- Health Care Services secured an estimated \$12.5 million savings for calendar years 2024 and 2025 through a Pharmacy Benefit Manager (PBM) Market Check.
- Staff completed a full migration of information from the Legacy SharePoint environment including all department files as well as several network drives.
- Records staff completed the microfilm digitization project.
- Building Services continued to market available tenant space in FY2024 and successfully grew parking revenue.
- Building Services replaced two drivers on building elevators, including the freight elevator.

Technology/Information Security

- A cyber event tabletop test was held as well as the annual disaster recovery exercise.
- The Artificial Intelligence Usage policy and a draft governance charter were created to assist with the new AI Oversight Committee (AIOC).
- Information Security continued to deploy tools to manage security and technology needs for a cloud-based environment.



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RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

- A new standard operating system was deployed to all staff to stay current with vendor recommendations.
- eSignature platforms were migrated to better support collaboration with existing software products, simplify license management and take advantage of single sign-on capabilities.

Employers and Membership

- Member Services continued their pattern of exceptional service, receiving a score of 9.1 out of 10 in all major service categories from the Cobalt survey.
- Member Services continued to expand educational outreach and reduce transportation costs by providing education virtually and in person at SERS.
- Employer Outreach continued offering in-person Employer 101 Workshops. Expanded topics delivered through eSERS virtual training and live webinars produced greater participation levels.

Five-Year Technology Enhancement Project

- Completed the SMART MVVM upgrade which enables SMART portals to be user friendly on devices such as tablets and cell phones.
- Successfully implemented the UCaaS/CCaaS solution, by implementing Zoom as SERS' digital phone service provider.
- Initiated the Refund Reimagination project, which allows refund applications to be performed online through the member portal. Part of SERS' Technology Roadmap is to provide more functionality through our portal, allowing

members to refund their account online with robust security.

- Continued progress on the Portal Reimagination project, which focuses on enhancing SERS' member portal to allow for a more seamless process for registration and logging in to an existing account while ensuring our system remains secure.
- Replaced the legacy accounting system, Great Plains, with NetSuite with a July 1, 2024 cutover date.

FY2025 Budget Request

As detailed in the following pages, the proposed FY2025 budget of \$40.5 million reflects a 4.5% increase over the FY2024 budget and an 8.56% increase over the FY2024 projected expenses. The significant drivers of this change are a budgeted merit increase of 4.0%, salary adjustments based on CBIZ recommendations to align with current market conditions, and one additional Information Security FTE. In addition, subscription-based services increased as the organization continues its move to a cloud-based environment. Additional budget adjustments are as follows:

- An actuarial audit commissioned by the Ohio Retirement Study Council, as required per statute.
- Two planned Board elections will increase postage and paper supplies costs. These were also planned in FY2024, but the election did not occur after the board members ran unopposed.
- Procurement of cyber security tools to protect hardware, systems, and data on SERS network. This includes



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RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

micro-segmentation, access management, and firewall equipment replacement activities.

- Annual licensing for Finance's new general ledger software increased. The implementation costs were included in the Five-Year Technology Road Map in FY2024.
- Cyclical equipment upgrades and support.
- First-year implementation costs for initiatives included in the new five-year strategic plan.
- Implementation of online chat capabilities available from the new ZOOM subscription.

The financials include the third year of the five-year Technology Project Enhancement Roadmap approved in FY2023. Forecasted FY2025 projects total \$2.3 million. Projects slated for FY2025 are as follows:

- Network infrastructure projections include evaluating VDI Hosts and F5 Virtual Appliances and Licenses.

- Hybrid technology replacements include updating the Board Room and O'Keefe AV equipment.
- Server Infrastructure replacement (VXRail system)
- Continued investment in the SMART system for eDelivery and Finance General Ledger mapping projects.
- Continued work on the Portal Vision Re-imagination project that would improve the functionality and design as well as incorporate new features for the Member portal, including Health Care.
- Business Process Module updates included in the SMART framework.
- Artificial intelligence tools.

We appreciate your consideration of this budget and look forward to discussions regarding its contents.

Respectfully,

Richard Stensrud
Executive Director

Marni Hall, CPA
Chief Financial Officer



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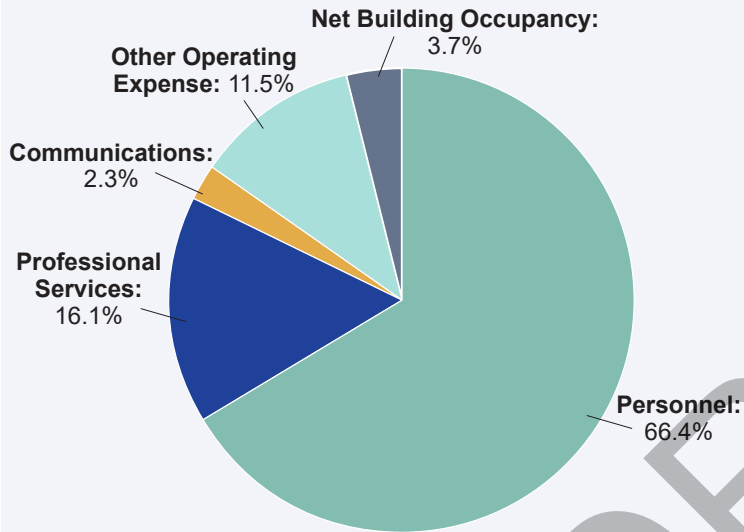


BUDGET OVERVIEW

Category and Description	FY2025 Budget	\$ 40,508,034
PERSONNEL		\$ 26,904,494
A performance-based merit increase of 4%, salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions, one additional FTE, retirement contributions, Investment Staff professional incentive, and actuarial derived insurance-related staff benefits are included in this category.		
Operational Impact		66.4%
PROFESSIONAL SERVICES		\$ 6,493,858
Investment-related fees are analogous to expected investment performance. Also in this category are infrastructure third-party services, health care medical and pharmacy claims data repository, medical/pharmacy pricing advisement, external auditing services, and actuarial and other consulting services across the organization.		
Operational Impact		16.1%
COMMUNICATIONS		\$ 944,448
Member Services, Health Care, and Employer Services will continue to provide the same standard of service to members and retirees. Retirement Board elections will be held for one retiree and one active member seats. Also included in this category are printing and postage costs for the organization.		
Operational Impact		2.3%
OTHER OPERATING EXPENSE		\$ 4,655,782
This includes annual requisite computer technology-related support for SERS' network and cloud based applications, Board and staff training and education, insurance, and mandatory legislative oversight.		
Operational Impact		11.5%
CAPITAL		-
There are no capital projects planned for FY2025.		
Operational Impact		0.0%
NET BUILDING OCCUPANCY-OSERS BROAD STREET, LLC		\$ 1,509,452
OSERS Broad Street, LLC will notice a decrease in tenant income in a soft commercial real estate market. This budget includes routine maintenance, upkeep, and tenant alterations. It also includes remodeling anticipated for tenant improvements.		
Operational Impact		3.7%

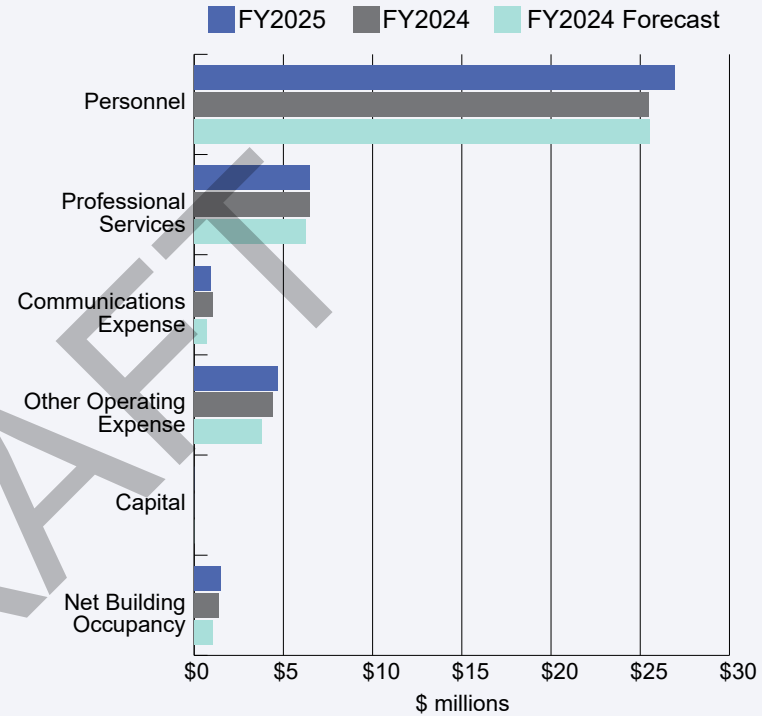
FY2025 Operating Budget by Category

Total: \$40,508,034



Category	Amount
Personnel	\$ 26,904,494
Professional Services	\$ 6,493,858
Communications	\$ 944,448
Other Operating Expense	\$ 4,655,782
Capital	\$ -
Net Building Occupancy	\$ 1,509,452

Budget Comparison by Category



BUDGET CATEGORY	BUDGET		FORECAST
	FY2025	FY2024	FY2024
Personnel	\$26,904,494	\$25,471,425	\$25,534,264
Professional Services	\$6,493,858	\$6,456,305	\$6,252,615
Communications Expense	\$944,448	\$1,015,710	\$704,863
Other Operating Expense	\$4,655,782	\$4,413,942	\$3,795,907
Capital	\$-	\$-	\$-
Net Building Occupancy	\$1,509,452	\$1,392,957	\$1,029,157
TOTAL OPERATING	\$40,508,034	\$38,750,339	\$37,316,806

FY2025 BUDGET SUMMARY

Budget Category	FY2025 Budget	FY2024 Budget	FY2024 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 19,925,657	\$ 18,853,159	\$ 18,707,347	5.7%
OPERS Retirement Contributions	2,683,322	2,527,867	2,502,468	6.1%
Benefits	4,295,515	4,090,399	4,324,449	5.0%
PERSONNEL	26,904,494	25,471,425	25,534,264	5.6%
Actuarial	425,500	292,500	314,091	45.5%
Audit Services	220,000	234,000	214,945	-6.0%
Custodial Banking Fees	1,020,000	1,068,000	947,727	-4.5%
Master Recordkeeper	1,056,000	1,056,000	1,042,313	0.0%
Investment Consulting	1,474,364	1,409,349	1,534,614	4.6%
Other Consulting	2,104,614	2,201,516	2,030,401	-4.4%
Banking Expense	193,380	194,940	168,524	-0.8%
PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS	6,493,858	6,456,305	6,252,615	0.6%
Printing & Postage	801,150	807,752	530,771	-0.8%
Telecommunications	120,868	196,208	164,235	-38.4%
Member/Employer Education	22,430	11,750	9,857	90.9%
COMMUNICATIONS	944,448	1,015,710	704,863	-7.0%
Conferences & Education	257,030	274,586	134,019	-6.4%
Travel	240,360	228,602	187,191	5.1%
Computer Support Services	3,003,345	2,737,127	2,431,577	9.7%
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,087,047	1,125,227	979,628	-3.4%
Ohio Retirement Study Council	68,000	48,400	63,492	40.5%
OTHER OPERATING	4,655,782	4,413,942	3,795,907	5.5%
TOTAL OPERATING	38,998,582	37,357,382	36,287,649	4.4%
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	-	-	-	0.0%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
CAPITAL	-	-	-	0.0%
NET BUILDING OCCUPANCY EXPENSE	1,509,452	1,392,957	1,029,157	8.4%
TOTAL OPERATING AND CAPITAL BUDGETS	\$ 40,508,034	\$ 38,750,339	\$ 37,316,806	4.5%

THREE-YEAR REVIEW FY2023 – FY2025 BUDGET PRESENTATION

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Description	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$18,711,412	\$18,707,347	\$(4,065)	0.0%	Salaries & Wages	\$19,925,657	\$1,218,310	6.5%
\$2,452,580	\$2,502,468	\$49,888	2.0%	OPERS Retirement Contributions	\$2,683,322	\$180,854	7.2%
\$2,740,685	\$4,324,449	\$1,583,764	57.8%	Benefits	\$4,295,515	\$(28,934)	-0.7%
\$23,904,677	\$25,534,264	\$1,629,587	6.8%	PERSONNEL	\$26,904,494	\$1,370,230	5.4%
\$373,710	\$314,091	\$(59,619)	-16.0%	Actuarial	\$425,500	\$111,409	35.5%
\$186,971	\$214,945	\$27,974	15.0%	Audit Services	\$220,000	\$5,055	2.4%
\$1,206,174	\$1,116,251	\$(89,923)	-7.5%	Banking Fees	\$1,213,380	\$97,129	8.7%
\$2,435,829	\$2,576,927	\$141,098	5.8%	Investment Related	\$2,530,364	\$(46,563)	-1.8%
\$45,000	\$45,000	\$-	0.0%	Medical	\$45,000	\$-	0.0%
\$1,488,587	\$1,985,401	\$496,814	33.4%	Technical	\$2,059,614	\$74,213	3.7%
\$5,736,271	\$6,252,615	\$516,344	9.0%	PROFESSIONAL SERVICES	\$6,493,858	\$241,243	3.9%
\$608,330	\$392,092	\$(216,238)	-35.5%	Postage	\$653,900	\$261,808	66.8%
\$254,255	\$164,235	\$(90,020)	-35.4%	Telecommunication Services	\$120,868	\$(43,367)	-26.4%
\$12,597	\$9,857	\$(2,740)	-21.8%	Member/Employer Education	\$22,430	\$12,573	127.6%
\$132,278	\$138,679	\$6,401	4.8%	Printing & Publication	\$147,250	\$8,571	6.2%
\$1,007,460	\$704,863	\$(302,597)	-30.0%	COMMUNICATIONS	\$944,448	\$239,585	34.0%
\$2,128,534	\$2,431,577	\$303,043	14.2%	Computer Support Services	\$3,003,345	\$571,768	23.5%
\$161,573	\$157,554	\$(4,019)	-2.5%	Office Equipment & Supplies	\$148,163	\$(9,391)	-6.0%
\$115,617	\$134,019	\$18,402	15.9%	Conferences & Education	\$257,030	\$123,011	91.8%
\$164,313	\$187,191	\$22,878	13.9%	Transportation & Travel	\$240,360	\$53,169	28.4%
\$177,093	\$171,198	\$(5,895)	-3.3%	Memberships & Subscriptions	\$211,597	\$40,399	23.6%
\$519,591	\$504,501	\$(15,090)	-2.9%	Property & Management Liability Insurance	\$566,375	\$61,874	12.3%
\$52,339	\$28,516	\$(23,823)	-45.5%	Maintenance	\$35,725	\$7,209	25.3%
\$127,011	\$108,378	\$(18,633)	-14.7%	Staff Support	\$112,642	\$4,264	3.9%
\$8,743	\$9,481	\$738	8.4%	School District Reimbursement	\$12,545	\$3,064	32.3%
\$48,386	\$63,492	\$15,106	31.2%	Mandatory Costs - ORSC	\$68,000	\$4,508	7.1%
\$(305,000)	\$(305,000)	\$(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	\$(305,000)	\$0	0.0%
\$3,198,200	\$3,490,907	\$292,707	9.2%	OTHER OPERATING EXPENSE	\$4,350,782	\$859,875	24.6%
\$33,846,608	\$35,982,649	\$2,136,041	6.3%	TOTAL DEPARTMENT EXPENSES	\$38,693,582	\$2,710,933	7.5%
\$-	\$-	\$-	0.0%	Furniture & Equipment > \$5,000	\$-	\$-	0.0%
\$54,181	\$-	\$(54,181)	-100.0%	Computer Hardware > \$5,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Computer Software > \$25,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Vehicles	\$-	\$-	0.0%
\$54,181	\$-	\$(54,181)	-100.0%	ADMINISTRATIVE CAPITAL	\$-	\$-	0.0%
\$33,900,789	\$35,982,649	\$2,081,861	6.1%	TOTAL ADMINISTRATIVE EXPENSES	\$38,693,582	\$2,710,933	7.5%
\$1,636,589	\$1,334,157	\$(302,432)	-18.5%	OSERS BROAD STREET, LLC	\$1,814,452	\$480,295	36.0%
\$35,537,378	\$37,316,806	\$1,779,428	5.0%	TOTAL OPERATING AND CAPITAL EXPENSES	\$40,508,034	\$3,191,228	8.6%



FY2025

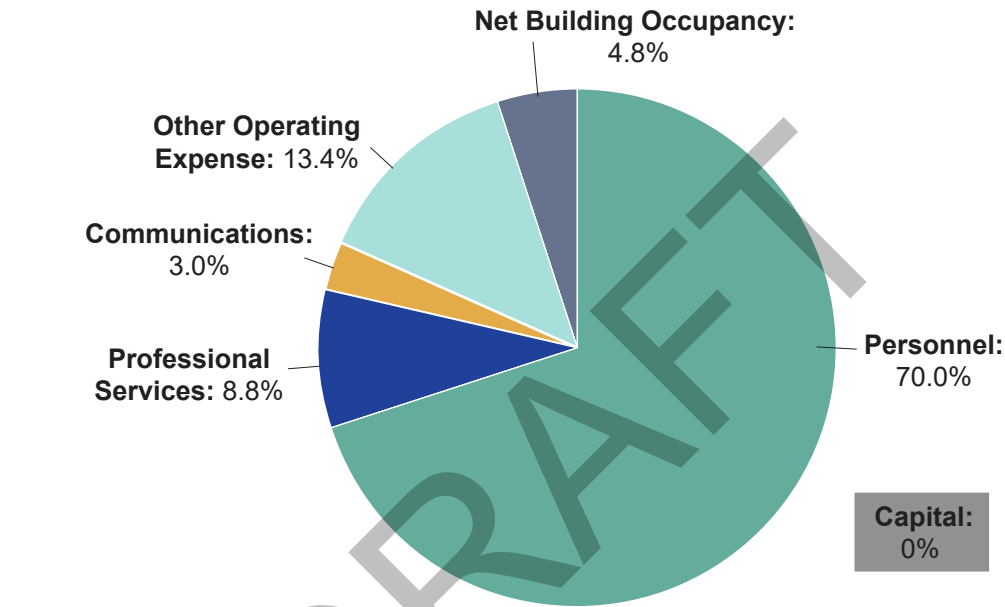
SERS OPERATING BUDGET DETAIL



FY2025 SERS OPERATING BUDGET BY CATEGORY

EXCLUDING INVESTMENTS

Total: \$31,703,621



BUDGET CATEGORY	BUDGET		FORECAST
	FY2025	FY2024	FY2024
Personnel	\$22,213,579	\$21,095,539	\$21,302,298
Professional Services	\$2,794,693	\$2,833,640	\$2,565,051
Communications	\$944,448	\$1,015,710	\$704,863
Other Operating Expense	\$4,241,449	\$4,013,200	\$3,469,640
Capital	\$-	\$-	\$-
Net Building Occupancy	\$1,509,452	\$1,392,957	\$1,029,157
TOTAL OPERATING	\$31,703,621	\$30,351,046	\$29,071,009

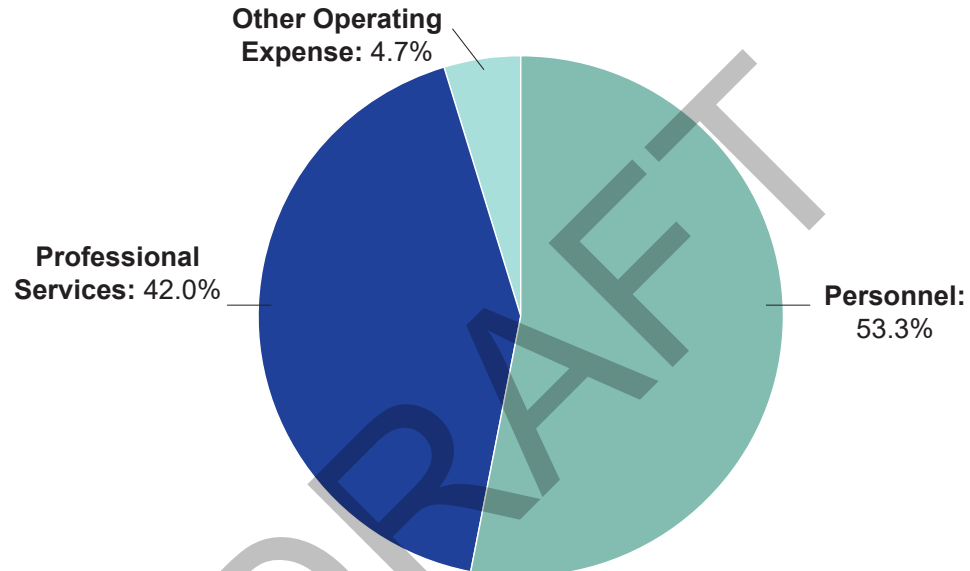
THREE-YEAR REVIEW FY2023 – FY2025 SERS BUDGET PRESENTATION EXCLUDING INVESTMENTS

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Description	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$15,406,888	\$15,309,142	\$(97,746)	-0.6%	Salaries & Wages	\$16,176,455	\$867,313	5.7%
\$2,053,518	\$2,080,173	\$26,655	1.3%	OPERS Retirement Contributions	\$2,211,138	\$130,965	6.3%
\$2,479,651	\$3,912,983	\$1,433,332	57.8%	Benefits	\$3,825,986	\$(86,997)	-2.2%
\$19,940,057	\$21,302,298	\$1,362,241	6.8%	PERSONNEL	\$22,213,579	\$911,281	4.3%
\$373,710	\$314,091	\$(59,619)	-16.0%	Actuarial	\$425,500	\$111,409	35.5%
\$186,971	\$214,945	\$27,974	15.0%	Audit Services	\$220,000	\$5,055	2.4%
\$186,968	\$168,524	\$(18,444)	-9.9%	Banking Fees	\$193,380	\$24,856	14.7%
\$58,428	\$60,212	\$1,784	3.1%	Investment Related	\$61,199	\$987	1.6%
\$45,000	\$45,000	\$-	0.0%	Medical	\$45,000	\$-	0.0%
\$1,329,216	\$1,762,279	\$433,063	32.6%	Technical	\$1,849,614	\$87,335	5.0%
\$2,180,293	\$2,565,051	\$384,758	17.6%	PROFESSIONAL SERVICES	\$2,794,693	\$229,642	9.0%
\$608,330	\$392,092	\$(216,238)	-35.5%	Postage	\$653,900	\$261,808	66.8%
\$254,255	\$164,235	\$(90,020)	-35.4%	Telecommunication Services	\$120,868	\$(43,367)	-26.4%
\$12,597	\$9,857	\$(2,740)	-21.8%	Member/Employer Education	\$22,430	\$12,573	127.6%
\$132,278	\$138,679	\$6,401	4.8%	Printing & Publication	\$147,250	\$8,571	6.2%
\$1,007,460	\$704,863	\$(302,597)	-30.0%	COMMUNICATIONS	\$944,448	\$239,585	34.0%
\$1,980,420	\$2,237,761	\$257,341	13.0%	Computer Support Services	\$2,795,659	\$557,898	24.9%
\$161,228	\$157,208	\$(4,020)	-2.5%	Office Equipment & Supplies	\$147,455	\$(9,753)	-6.2%
\$104,230	\$124,563	\$20,333	19.5%	Conferences & Education	\$234,175	\$109,612	88.0%
\$86,524	\$120,641	\$34,117	39.4%	Transportation & Travel	\$148,360	\$27,719	23.0%
\$112,150	\$115,142	\$2,992	2.7%	Memberships & Subscriptions	\$120,693	\$5,551	4.8%
\$519,591	\$504,501	\$(15,090)	-2.9%	Property & Management Liability Insurance	\$566,375	\$61,874	12.3%
\$52,339	\$28,516	\$(23,823)	-45.5%	Maintenance	\$35,725	\$7,209	25.3%
\$127,011	\$108,335	\$(18,676)	-14.7%	Staff Support	\$112,462	\$4,127	3.8%
\$8,743	\$9,481	\$738	8.4%	School District Reimbursement	\$12,545	\$3,064	32.3%
\$48,386	\$63,492	\$15,106	31.2%	Mandatory Costs - ORSC	\$68,000	\$4,508	7.1%
\$(305,000)	\$(305,000)	\$(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	\$(305,000)	\$0	0.0%
\$2,895,622	\$3,164,640	\$269,018	9.3%	OTHER OPERATING EXPENSE	\$3,936,449	\$771,809	24.4%
\$26,023,432	\$27,736,852	\$1,713,420	6.6%	TOTAL DEPARTMENT EXPENSES	\$29,889,169	\$2,152,317	7.8%
\$-	\$-	\$-	0.0%	Furniture & Equipment > \$5,000	\$-	\$-	0.0%
\$54,181	\$-	\$(54,181)	-100.0%	Computer Hardware > \$5,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Computer Software > \$25,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Vehicles	\$-	\$-	0.0%
\$54,181	\$-	\$(54,181)	-100.0%	ADMINISTRATIVE CAPITAL	\$-	\$-	0.0%
\$26,077,613	\$27,736,852	\$1,659,239	6.4%	TOTAL ADMINISTRATIVE EXPENSES	\$29,889,169	\$2,152,317	7.8%



FY2024 Investments Operating Budget by Category

Total: \$8,804,413



BUDGET CATEGORY	BUDGET		FORECAST
	FY2025	FY2024	FY2024
Personnel	\$4,690,915	\$4,375,886	\$4,231,966
Professional Services	\$3,699,165	\$3,622,665	\$3,687,564
Other Operating Expense	\$414,333	\$400,742	\$326,267
TOTAL OPERATING	\$8,804,413	\$8,399,293	\$8,245,797

THREE-YEAR REVIEW FY2023 – FY2025 INVESTMENTS BUDGET PRESENTATION

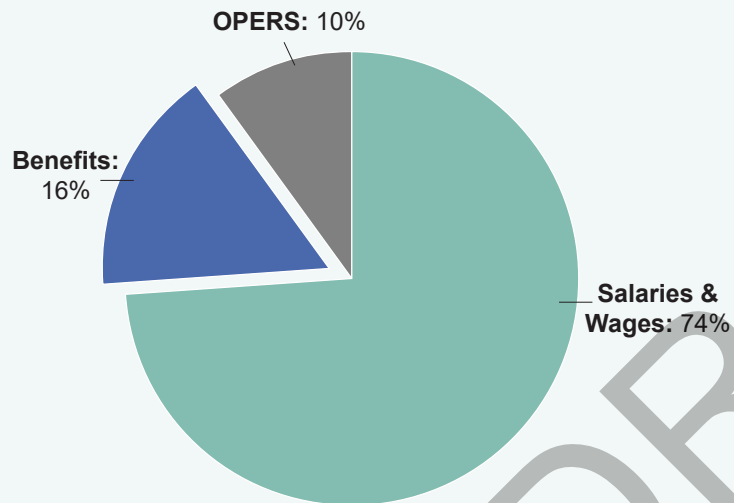
FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Description	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$3,304,524	\$3,398,206	\$93,682	2.8%	Salaries & Wages	\$3,749,202	\$350,996	10.3%
\$399,062	\$422,294	\$23,232	5.8%	OPERS Retirement Contributions	\$472,184	\$49,890	11.8%
\$261,034	\$411,466	\$150,432	57.6%	Benefits	\$469,529	\$58,063	14.1%
\$3,964,620	\$4,231,966	\$267,346	6.7%	PERSONNEL	\$4,690,915	\$458,949	10.8%
\$-	\$-	\$-	0.0%	Actuarial	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Audit Services	\$-	\$-	0.0%
\$1,019,206	\$947,727	\$(71,479)	-7.0%	Banking Fees	\$1,020,000	\$72,273	7.6%
\$2,377,401	\$2,516,715	\$139,314	5.9%	Investment Related	\$2,469,165	\$(47,550)	-1.9%
\$-	\$-	\$-	0.0%	Medical	\$-	\$-	0.0%
\$159,371	\$223,122	\$63,751	40.0%	Technical	\$210,000	\$(13,122)	-5.9%
\$3,555,978	\$3,687,564	\$131,586	3.7%	PROFESSIONAL SERVICES	\$3,699,165	\$11,601	0.3%
\$-	\$-	\$-	0.0%	Postage	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Telecommunication Services	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Member/Employer Education	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Printing & Publication	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	COMMUNICATIONS	\$-	\$-	0.0%
\$148,114	\$193,816	\$45,702	30.9%	Computer Support Services	\$207,686	\$13,870	7.2%
\$345	\$346	\$1	0.3%	Office Equipment & Supplies	\$708	\$362	104.6%
\$11,387	\$9,456	\$(1,931)	-17.0%	Conferences & Education	\$22,855	\$13,399	141.7%
\$77,789	\$66,550	\$(11,239)	-14.4%	Transportation & Travel	\$92,000	\$25,450	38.2%
\$64,943	\$56,056	\$(8,887)	-13.7%	Memberships & Subscriptions	\$90,904	\$34,848	62.2%
\$-	\$-	\$-	0.0%	Property & Management Liability Insurance	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Maintenance	\$-	\$-	0.0%
\$-	\$43	\$43	0.0%	Staff Support	\$180	\$137	321.2%
\$-	\$-	\$-	0.0%	School District Reimbursement	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Mandatory Costs - ORSC	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	\$-	\$-	0.0%
\$302,578	\$326,267	\$23,689	7.8%	OTHER OPERATING EXPENSE	\$414,333	\$88,066	27.0%
\$7,823,175	\$8,245,797	\$422,622	5.4%	TOTAL DEPARTMENT EXPENSES	\$8,804,413	\$558,616	6.8%
\$-	\$-	\$-	0.0%	Furniture & Equipment > \$5,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Computer Hardware > \$5,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Computer Software > \$25,000	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Vehicles	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	ADMINISTRATIVE CAPITAL	\$-	\$-	0.0%
\$7,823,175	\$8,245,797	\$422,622	5.4%	TOTAL ADMINISTRATIVE EXPENSES	\$8,804,413	\$558,616	6.8%



PERSONNEL

PERSONNEL FY2025 BUDGET

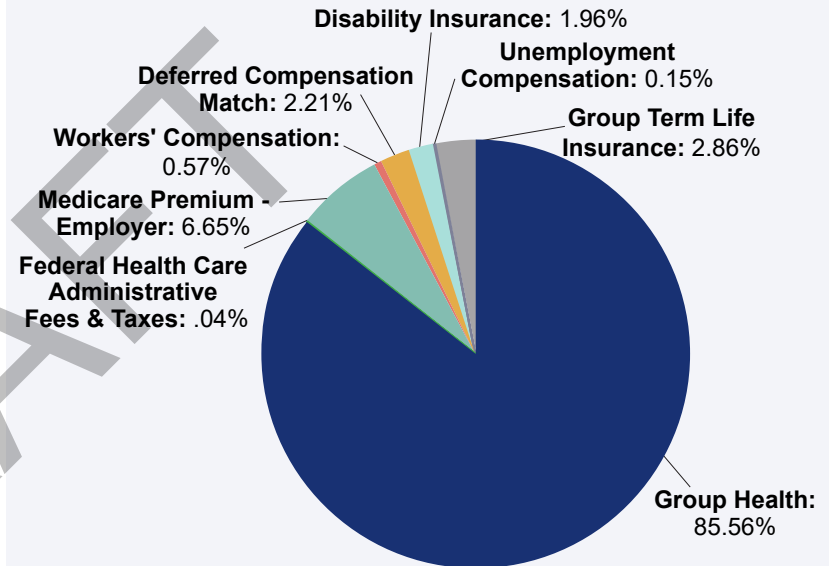
TOTAL: \$26,904,494



Personnel Budget	FY2025
Salaries & Wages	\$19,925,657
Benefits	\$4,295,515
OPERS Retirement Contributions	\$2,683,322
TOTAL	\$26,904,494

BENEFITS

(16% OF TOTAL)




Benefits	FY2025
Group Health	\$3,681,384
Federal Health Care Administrative Fees & Taxes	\$1,356
Medicare Premium- Employer	\$287,632
Workers' Compensation	\$18,495
Deferred Compensation Match	\$92,076
Disability Insurance	\$85,284
Unemployment Compensation	\$6,000
Group Term Life Insurance	\$123,288
TOTAL	\$4,295,515

PERSONNEL


FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$17,877,789	\$17,802,272	\$(75,517)	-0.4%	Salaries & Wages	\$18,948,657	\$1,146,385	6.4%
\$833,623	\$905,076	\$71,453	8.6%	Incentive Payout	\$977,000	\$71,924	7.9%
\$18,711,412	\$18,707,348	\$(4,064)	0.0%	Salaries & Wages	\$19,925,657	\$1,218,309	6.5%
\$2,452,580	\$2,502,468	\$49,888	2.0%	OPERS Retirement Contributions	\$2,683,322	\$180,854	7.2%
\$-	\$-	\$-	0.0%	Unemployment Compensation	\$6,000	\$6,000	0.0%
\$111,215	\$113,600	\$2,385	2.1%	Group Term Life Insurance	\$123,288	\$9,688	8.5%
\$74,041	\$74,895	\$854	1.2%	Disability Insurance	\$85,284	\$10,389	13.9%
\$2,222,262	\$3,796,453	\$1,574,191	70.8%	Group Health	\$3,681,384	\$(115,069)	-3.0%
\$1,197	\$1,269	\$72	6.0%	Federal Health Care Administrative Fees & Taxes	\$1,356	\$87	6.9%
\$257,317	\$262,647	\$5,330	2.1%	Medicare Premium- Employer	\$287,632	\$24,985	9.5%
\$10,258	\$14,354	\$4,096	39.9%	Workers' Compensation	\$18,495	\$4,141	28.8%
\$64,395	\$61,230	\$(3,165)	-4.9%	Deferred Compensation Match	\$92,076	\$30,846	50.4%
\$2,740,685	\$4,324,448	\$1,583,763	57.8%	Benefits	\$4,295,515	\$(28,933)	-0.7%
\$23,904,677	\$25,534,264	\$1,629,587	6.8%	PERSONNEL	\$26,904,494	\$1,370,230	5.4%

SALARIES AND WAGES:


 The **Personnel** budget is based on 184 full-time equivalent personnel. This budget includes a performance-based merit increase of 4% and salary adjustments based on recommendations from the compensation advisory consultants to align with current market conditions.

Incentive Payouts are payments calculated for Investment staff professionals according to Retirement Board policy and are based on FY2024 Investment portfolio performance.

RETIREMENT CONTRIBUTIONS:

 **OPERS Retirement Contributions** are based on the portion of Salaries & Wages and incentive payments subject to OPERS coverage.

BENEFITS:

 Employee **Group Health** expenses have been budgeted based on rates supplied by SERS' actuary, considering the number of covered lives on the plan, national trends, and SERS' experience.

SERS holds a stop-loss insurance policy for group claims and

prescriptions. It provides protection for self-insured employers that serves as a reimbursement mechanism for catastrophic claims that exceed a certain level.

Employee Health Plan Premiums offset the cost of group claims and remain unchanged this fiscal year. The slight increase is attributed to the additional FTE.

SERS' **Unemployment Compensation** is self-funded. In FY2025, there are no anticipated reductions in staff or on-going unemployment claims.

Salary-based benefits include **Group Term Life Insurance**, **Disability Insurance**, and **Medicare**. The level of benefits remains unchanged for FY2025.

As mandated by the Affordable Care Act, SERS is required to pay **Federal Health Care Administrative Fees & Taxes**.

Worker's Compensation is based on payroll-driven rates.

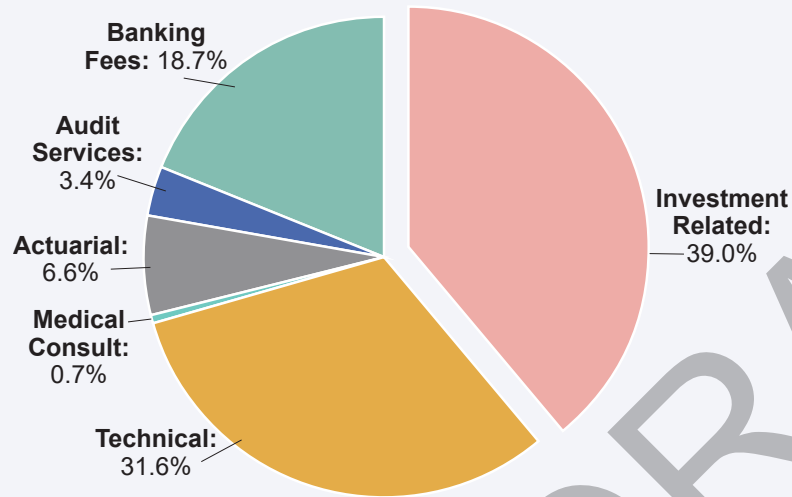
SERS' per-pay match contribution to the Ohio Public Employees **Deferred Compensation Match** program are made on behalf of the SERS' employees who are actively enrolled in the program.



PROFESSIONAL SERVICES

PROFESSIONAL SERVICES FY2025 BUDGET

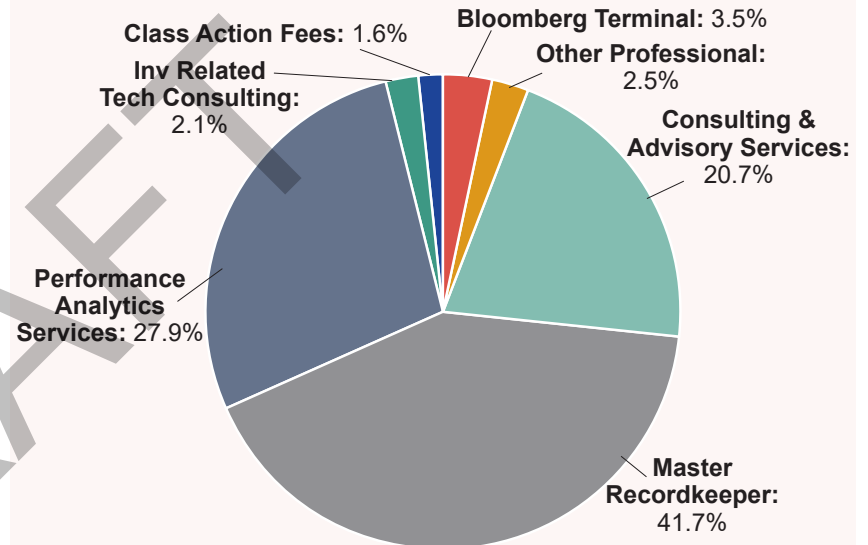
TOTAL: \$6,493,858



SERS Professional Services Budget	FY2024
Investment Related	\$2,530,364
Technical	\$2,059,614
Medical Consult	\$45,000
Actuarial	\$425,500
Audit Services	\$220,000
Banking Fees	\$1,213,380
TOTAL	\$6,493,858

INVESTMENT-RELATED

(39% OF TOTAL)




Investment-Related Professional Services Budget	FY2025
Bloomberg Terminal	\$89,000
Other Professional	\$62,599
Consulting & Advisory Services	\$525,000
Master Recordkeeper	\$1,056,000
Performance Analytics Services	\$704,765
Inv Related Tech Consulting	\$53,000
Class Action Fees	\$40,000
TOTAL	\$2,530,364


PROFESSIONAL SERVICES

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$373,710	\$314,091	\$(59,619)	-16.0%	Actuarial	\$425,500	\$111,409	35.5%
\$186,971	\$214,945	\$27,974	15.0%	Audit Services	\$220,000	\$5,055	2.4%
\$1,019,206	\$947,727	\$(71,479)	-7.0%	Custodial Banking	\$1,020,000	\$72,273	7.6%
\$186,968	\$168,524	\$(18,444)	-9.9%	Administrative Banking Expense	\$193,380	\$24,856	14.7%
\$1,206,174	\$1,116,251	\$(89,923)	-7.5%	Banking Fees	\$1,213,380	\$97,129	8.7%
\$1,011,276	\$1,042,313	\$31,037	3.1%	Master Recordkeeper	\$1,056,000	\$13,687	1.3%
\$535,771	\$525,000	\$(10,771)	-2.0%	Investment Consulting & Advisory Services	\$525,000	\$0	0.0%
\$706,489	\$704,562	\$(1,927)	-0.3%	Performance Analytics Services	\$704,765	\$203	0.0%
\$15,960	\$44,000	\$28,040	175.7%	Investment-Related Technical Consulting	\$53,000	\$9,000	20.5%
\$59,762	\$61,554	\$1,792	3.0%	Other Professional Investment-Related	\$62,599	\$1,045	1.7%
\$79,941	\$84,425	\$4,484	5.6%	Bloomberg Terminal Rental	\$89,000	\$4,575	5.4%
\$26,630	\$115,073	\$88,443	332.1%	Class Action Fees	\$40,000	\$(75,073)	-65.2%
\$2,435,829	\$2,576,927	\$141,098	5.8%	Investment -Related	\$2,530,364	\$(46,563)	-1.8%
\$45,000	\$45,000	\$-	0.0%	Medical Consultant	\$45,000	\$-	0.0%
\$220,351	\$303,508	\$83,157	37.7%	Special Counsel	\$301,000	\$(2,508)	-0.8%
\$868,614	\$1,215,632	\$347,018	40.0%	Technical	\$1,285,720	\$70,088	5.8%
\$399,622	\$466,261	\$66,639	16.7%	Other Professional Services	\$472,894	\$6,633	1.4%
\$1,488,587	\$1,985,401	\$496,814	33.4%	Technical	\$2,059,614	\$74,213	3.7%
\$5,736,271	\$6,252,615	\$516,344	9.0%	PROFESSIONAL SERVICES	\$6,493,858	\$241,243	3.9%


ACTUARIAL:

 **Actuarial** fees include amounts for studies on calculations of joint retirement system transfers, special analyses, and legislative analyses. In addition, SERS' health care plan and actuarial premiums calculations will occur, along with Government Accounting Standards Board (GASB) Statement evaluations for pension reporting requirements. Included in FY2025 is an ORSC commissioned decennial Actuarial Audit.


AUDIT SERVICES:

 FY2025 **Audits** include an outsourced IT Audit and year-end financial audit.

BANKING FEES:

 **Custodial Banking** fees have decreased slightly due to lower transaction volumes and associated costs.

INVESTMENT-RELATED PROFESSIONAL SERVICES:

 **Master Recordkeeper** fees will remain the same in FY25 due to anticipated transaction volume and associated costs.

Investment Consulting & Advisory Services include contracted services with Wilshire


Investment-Related Technical Consulting includes investment-related databases and local tax advisors in countries that require special tax consultants.

PROFESSIONAL SERVICES, *CONTINUED*


Other Professional Investment-Related Consulting includes proxy and divestiture services.

Bloomberg Terminal Rental fees are for the licenses to use the Bloomberg information systems.

MEDICAL:

 The **Medical Consultant** reviews about 1,500 cases per year with the Disability Section staff, participates in the monthly meetings of the Medical Advisory Committee, and attends Board Meetings as needed.

TECHNICAL:

 **Special Counsel** are contingent amounts for the costs of outside legal counsel. Anticipated legal fees for investment contracts

comprise approximately 70% of the FY2025 Special Counsel budget.

The **Technical** account includes the cost of outside consultants that provide computer security, health care data warehouse services, medical and prescription program pricing, specialized benefit system support, and website administration and design. The reduction in FY2025 is due to filling the outsourced help desk support with a repurposed SERS internal position.

Other Professional Services includes the cost for other consultants and advisory services, such as legislative news and political consulting providers, organizational leadership and development, professional work-study internships, surveying and focus groups, and Attorney General Staff reimbursement.

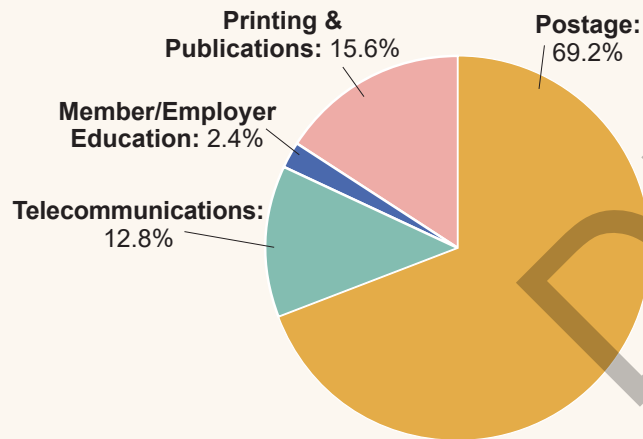
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COMMUNICATIONS

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$608,330	\$392,092	\$(216,238)	-35.5%	Postage	\$653,900	\$261,808	66.8%
\$254,255	\$164,235	\$(90,020)	-35.4%	Telecommunications	\$120,868	\$(43,367)	-26.4%
\$12,597	\$9,857	\$(2,740)	-21.8%	Member/Employer Education	\$22,430	\$12,573	127.6%
\$41,214	\$38,414	\$(2,800)	-6.8%	Printing Paper & Supplies	\$46,200	\$7,786	20.3%
\$91,064	\$100,265	\$9,201	10.1%	Communications & Publications	\$101,050	\$785	0.8%
\$132,278	\$138,679	\$6,401	4.8%	Printing & Publications	\$147,250	\$8,571	6.2%
\$1,007,460	\$704,863	\$(302,597)	-30.0%	COMMUNICATIONS	\$944,448	\$239,585	34.0%

Communications FY2025 Budget



Communications	FY2025
Postage	\$653,900
Telecommunications	\$120,868
Member/Employer Education	\$22,430
Printing & Publications	\$147,250
Total	\$944,448

POSTAGE:

The **Postage** budget decreased slightly due to the frequency of retiree mailings moving to biannually. This was offset by an increase in the cost of postage.

TELECOMMUNICATIONS:

The **Telecommunications** budget reflects monthly services for websites, point-to-point connection, hybrid work environment video/audio communication resources and webhosting. The landlines have been replaced with a cloud-based solution decreasing expenses in this account.

MEMBER/EMPLOYER EDUCATION:

SERS continues to maintain its outstanding service to members and retirees and plans to continue in-person meetings, conducting membership meetings in school facilities, and remaining in partnership with organizations that benefit SERS' member population. Member Services and Health Care plan to conduct in-house counseling, remote sessions, and virtual open enrollment conferences based upon need and membership requests. In FY2025, Member Services plans to continue to offer retirement conferences and counseling sessions virtually in response to positive member feedback and outreach Employer Services will continue to provide outreach services and group training for the member benefits system in-person and virtually.

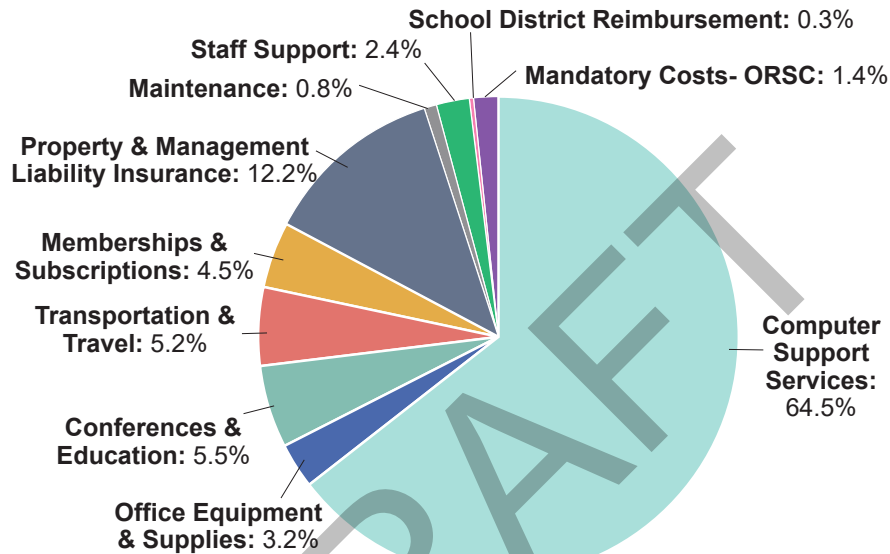
PRINTING & PUBLICATIONS:

This category includes the costs of paper and supplies, and large-quantity specific outsourced printing jobs. The Print Shop continually increases SERS' internal printing capabilities by producing items such as the *Open Enrollment Guide* booklets, *Member Benefit* and *Disability Guides*, and member benefit statements.



OTHER OPERATING EXPENSE

Other Operating Expense FY2025 Budget




Other Operating Expense	FY2025
Computer Support Services	\$3,003,345
Office Equipment & Supplies	\$148,163
Conferences & Education	\$257,030
Transportation & Travel	\$240,360
Memberships & Subscriptions	\$211,597
Property & Management Liability Insurance	\$566,375
Maintenance	\$35,725
Staff Support	\$112,642
School District Reimbursement	\$12,545
Mandatory Costs- ORSC	\$68,000
Reimbursement of Leased Services	\$(305,000)
Total	\$4,350,782

OTHER OPERATING EXPENSE

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$79,693	\$166,660	\$86,967	109.1%	Hardware Maintenance	\$209,000	\$42,340	25.4%
\$931,118	\$886,372	\$(44,746)	-4.8%	Software Maintenance	\$1,013,621	\$127,249	14.4%
\$1,055,612	\$1,347,926	\$292,314	27.7%	Software Subscriptions	\$1,732,520	\$384,594	28.5%
\$59,120	\$27,649	\$(31,471)	-53.2%	Hardware < \$5,000	\$33,204	\$5,555	20.1%
\$2,991	\$2,970	\$(21)	-0.7%	Software < \$25,000	\$15,000	\$12,030	405.1%
\$2,128,534	\$2,431,577	\$303,043	14.2%	Computer Support Services	\$3,003,345	\$571,768	23.5%
\$161,573	\$157,554	\$(4,019)	-2.5%	Office Equipment & Supplies	\$148,163	\$(9,391)	-6.0%
\$115,617	\$134,019	\$18,402	15.9%	Conferences & Education	\$257,030	\$123,011	91.8%
\$164,313	\$187,191	\$22,878	13.9%	Transportation & Travel	\$240,360	\$53,169	28.4%
\$177,093	\$171,198	\$(5,895)	-3.3%	Memberships & Subscriptions	\$211,597	\$40,399	23.6%
\$519,591	\$504,501	\$(15,090)	-2.9%	Property & Management Liability Insurance	\$566,375	\$61,874	12.3%
\$52,339	\$28,516	\$(23,823)	-45.5%	Maintenance	\$35,725	\$7,209	25.3%
\$127,011	\$108,378	\$(18,633)	-14.7%	Staff Support	\$112,642	\$4,264	3.9%
\$8,743	\$9,481	\$738	8.4%	School District Reimbursement	\$12,545	\$3,064	32.3%
\$48,386	\$63,492	\$15,106	31.2%	Mandatory Costs- ORSC	\$68,000	\$4,508	7.1%
\$(305,000)	\$(305,000)	\$(0)	0.0%	Reimbursement from OSERS Broad Street, LLC, for Leased Services	\$(305,000)	\$0	0.0%
\$3,198,200	\$3,490,907	\$292,707	9.2%	OTHER OPERATING EXPENSE	\$4,350,782	\$859,875	24.6%

COMPUTER SUPPORT SERVICES:

 **Hardware Maintenance** category contains annual maintenance contracts to support SERS' computer servers.

Software Maintenance account includes licenses to use specific software products. SERS maintains a master list of these licenses, which is reviewed each year as part of the budgeting process.


Software Subscriptions cover software used by SERS that is provided as a service and hosted locally on SERS servers. Annual renewed subscriptions include the Human Resources management system, ServiceNow, comprehensive Microsoft product license, member benefits system performance and stress testing, conferencing services, financial and investment accounting system and tools, ERM risk repository, USPS data feeds, media and publishing licenses, security compliance, e-Discovery litigation services, monthly phone services, a software as a

service model for disaster recovery and cloud storage for system back-ups.

Hardware less than 5,000 account is comprised of routine maintenance and repair and unplanned hardware needs that may arise throughout the fiscal year.


Software less than 25,000 category includes routine software purchases and unplanned software needs that may arise throughout the fiscal year.

TRANSPORTATION & TRAVEL:

 Travel costs are associated with both in-state and out-of-state conferences, and due diligence trips to current and prospective investment managers. Whenever possible, staff access training either virtually or via teleconferences instead of travel and combine trips.

OTHER OPERATING EXPENSE, CONTINUED


MEMBERSHIPS & SUBSCRIPTIONS:

 SERS holds memberships in several national organization that advocate and educate on issues that affect our members and retirees. The major organizations are:

- Coalition to Preserve Retirement Security
- Council of Institutional Investors
- International Foundation of Employee Benefit Plans (IFEBP)
- National Association of State Retirement Administrators
- National Council for Real Estate Investment Fiduciaries
- Professional Resources in Information Systems Management (PRISM)
- Public Pension Financial Forum
- Public Sector Health Care Roundtable
- State and Local Government Benefits Association

In addition to attending conferences and receiving publications from these organizations, SERS' staff serves on the boards of some of these industry organizations.


PROPERTY & FIDUCIARY INSURANCE:

 SERS' insurance policies cover fiduciary liability, directors and officers liability, crime, cyber liability, auto, and property and general liability.


MAINTENANCE:

 This category includes interior plant maintenance and SERS' vehicle maintenance.


OFFICE EQUIPMENT & SUPPLIES:

 The majority of this category consists of equipment repairs and maintenance. Furniture and office supplies are purchased to meet staff needs.


CONFERENCES & EDUCATION:

 This category includes both staff and Board training. This includes out-of-state conferences, courses included in the Learning Management System within the ADP platform, and continuing education for professional designations.


STAFF SUPPORT:

 Staff Support includes kitchen supplies, cleaning supplies, and first-aid items. This account also includes SERS' staff wellness program, employee assistance program, innovation awards, the administrative expenses associated with employee flexible spending accounts (health and dependent care), employee recruitment and onboarding, and cellular phone reimbursement.


BOARD MEMBER REIMBURSEMENT:

 Employers of SERS' Board may receive reimbursement for compensation paid while Board Members attend to Board business.

MANDATORY COSTS - ORSC

 The five Ohio retirement systems are required to pay a proportionate share of the Ohio Retirement Study Council's (ORSC) expenses based on their respective assets under management.

REIMBURSEMENT FROM OSERS BROAD STREET, LLC, FOR LEASED SERVICES:

 SERS' Administrative Services staff provides building management services to OSERS Broad Street. To allow OSERS Broad Street expenses to reflect the value of these services and to pass the proportionate costs to tenants, OSERS Broad Street pays a monthly fee to SERS for the use of these services. This amount is accounted for under Facilities Expense in SERS' Annual Financial Report.



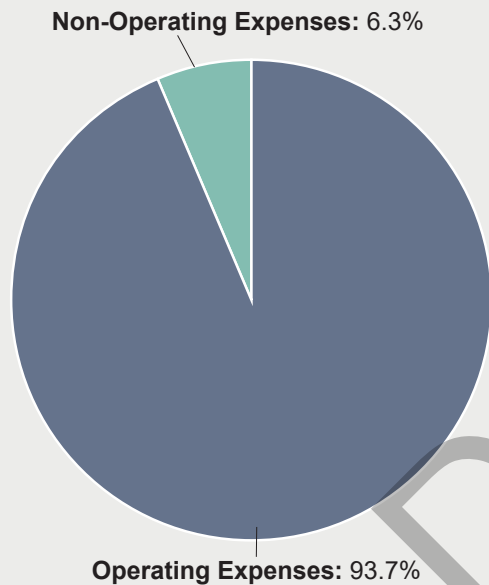
FY2025

**OSERS BROAD STREET, LLC
AND OSERS HOLDINGS, LLC BUDGET**



BUILDING OCCUPANCY BUDGET / OSERS HOLDINGS, LLC

OSERS Broad Street, LLC FY2025 Budget



OSERS Broad Street, LLC	FY2024
Operating Expenses	\$2,318,332
Non-Operating Expenses	\$155,000
TOTAL	\$2,473,332

OSERS Holdings is a limited liability company set up to own and oversee the property of its subsidiary, OSERS Broad Street, LLC, which holds the title to and operates 300 East Broad Street, a class "A" office building with 168,632 square feet of rentable space. SERS occupies 71.1% of the rentable space (119,823 square feet).

SERS does not pay rent to OSERS Broad Street, LLC; however, net expenses and operating capital in excess of rental income are funded by SERS upon request from OSERS.


The Board of Directors of SERS Broad Street, LLC, requests operating contributions from SERS to cover the OSERS Broad Street, LLC, Operating Budget, not to exceed \$1,814,452.

Net building occupancy is \$1,509,452 after deducting budgeted operating revenue and reimbursement of leases services.

OSERS BROAD STREET, LLC


FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$436,731	\$524,534	\$87,803	20.1%	Suite Leases	\$430,400	\$(94,134)	-17.9%
\$212,775	\$234,260	\$21,485	10.1%	Parking	\$228,480	\$(5,780)	-2.5%
\$53,571	\$29,460	\$(24,111)	-45.0%	Miscellaneous	\$-	\$(29,460)	-100.0%
\$703,077	\$788,254	\$85,177	12.1%	Operating Revenue	\$658,880	\$(129,374)	-16.4%
\$305,000	\$305,000	\$-	0.0%	Property Management & Labor	\$305,000	\$-	0.0%
\$6,365	\$7,045	\$680	10.7%	Other Administrative Expenses	\$6,900	\$(145)	-2.1%
\$1,062,340	\$1,006,615	\$(55,725)	-5.2%	Building Operations & Maintenance	\$1,231,822	\$225,207	22.4%
\$323,827	\$354,443	\$30,616	9.5%	Utilities	\$409,060	\$54,617	15.4%
\$71,396	\$75,496	\$4,100	5.7%	Building/ Equipment Insurance	\$78,000	\$2,504	3.3%
\$285,677	\$280,811	\$(4,866)	-1.7%	Real Estate Taxes	\$287,550	\$6,739	2.4%
\$2,054,605	\$2,029,410	\$(25,195)	-1.2%	Operating Expenses	\$2,318,332	\$288,922	14.2%
\$10,612	\$5,313	\$(5,299)	-49.9%	Lease Commission Fees	\$-	\$(5,313)	-100.0%
\$1,556	\$213	\$(1,344)	-86.3%	Special Counsel & Other Fees	\$5,000	\$4,788	2252.9%
\$6,805	\$4,546	\$(2,259)	-33.2%	Remodeling for Tenants	\$150,000	\$145,454	3199.6%
\$18,973	\$10,072	\$(8,901)	-46.9%	Non-Operating Expenses	\$155,000	\$144,928	1438.9%
\$266,088	\$55,789	\$(210,299)	-79.0%	Capital Improvements	\$-	\$(55,789)	-100.0%
\$266,088	\$55,789	\$(210,299)	-79.0%	Capital Improvements	\$-	\$(55,789)	-100.0%
\$1,636,589	\$1,334,157	\$(302,433)	-18.5%	OSERS Broad Street, LLC Budget	\$1,814,452	\$480,296	36.0%
\$(305,000)	\$(305,000)	\$-	0.0%	Less Reimbursement to SERS for Leased Services	\$(305,000)	\$-	0.0%
\$1,331,589	\$1,029,157	\$(302,432)	-22.7%	Net Building Occupancy Expense	\$1,509,452	\$480,295	46.7%

OPERATING REVENUE:

 **Suite Lease** revenue is based on contracted occupancy. **Parking** includes currently contracted tenant monthly parking and outside contracts.

Miscellaneous includes contracted storage space rental for tenants and telecommunications.

OPERATING EXPENSES:

 **Property Management & Labor** is a reimbursement to SERS for leased services- the services provided to OSERS Broad Street, LLC by SERS' Administrative Services staff. The amount is based on a service agreement between OSERS Broad Street, LLC and SERS, that sets the reimbursement to a fair, reasonable and consistent market value rate.


The **Other Administrative Expenses** category includes expenses budgeted to run the facility administrative offices, including the costs of

office supplies and banking fees.

The **Building Operations & Maintenance** category includes maintenance, supplies needed for the upkeep of the facility and its public spaces, the cost of janitorial and building security services, and an emergency notification system for life safety.

Building/Equipment Insurance includes some policies that are shared with SERS. The FY2025 budget is based on general market rates and an estimate of the replacement cost of the building. Real Estate Taxes are based on the rates and assessed commercial value published by the Franklin County Auditor.

NON-OPERATING EXPENSES:

 **Special Counsel** is budgeted for potential outside counsel needs regarding existing tenant lease agreements.

Remodeling includes expenses for tenant improvements, and new tenant renovations.

OSERS BROAD STREET, LLC CAPITAL IMPROVEMENTS

FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Budget Category	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$266,088	\$55,789	\$(210,299)	-79.0%	CAPITAL IMPROVEMENTS	\$-	\$(55,789)	-100.0%

CAPITAL IMPROVEMENTS:

 There are no leasehold improvements planned for FY2025.

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FY2025

FIVE YEAR TECHNOLOGY ROADMAP



FIVE YEAR TECHNOLOGY ROADMAP BUDGET

Description	Total 5-Year Plan	FY2023 Actuals	FY2024 Forecast	Total Projected Spend FY2023-FY2024	FY2023 & FY2024 Forecast % of Plan Spend	FY2025 Plan*	Remaining Roadmap Amount
Telecommunications	\$250,000	\$175,848	\$119,516	\$295,364	118.1%	\$-	\$(45,364)
Security Stack	\$899,600	\$-	\$132,643	\$132,643	14.7%	\$30,000	\$736,957
Network Infrastructure Refresh	\$886,000	\$638,914	\$22,179	\$661,093	74.6%	\$301,500	\$(76,593)
Hybrid Technology Replacement	\$419,000	\$121,297	\$10,203	\$131,500	31.4%	\$386,000	\$(98,500)
Server Infrastructure	\$1,216,700	\$-	\$-	\$-	0.0%	\$341,100	\$875,600
Backup and Recovery	\$532,754	\$140,455	\$-	\$140,455	26.4%	\$121,250	\$271,049
SMART Portals	\$196,000	\$-	\$82,500	\$82,500	42.1%	\$-	\$113,500
SMART Framework	\$760,000	\$175,000	\$310,000	\$485,000	63.8%	\$215,000	\$60,000
SMART Enhancements	\$2,623,000	\$73,836	\$152,496	\$226,332	8.6%	\$803,567	\$1,593,101
SMART Business Tools	\$500,000	\$96,400	\$252,480	\$348,880	69.8%	\$100,000	\$51,120
SMART TOTAL	\$4,079,000	\$345,236	\$797,476	\$1,142,712	28.0%	\$1,118,567	\$1,817,721
INFRASTRUCTURE TOTAL	\$4,204,054	\$1,076,514	\$284,541	\$1,361,055	32.4%	\$1,179,850	\$1,663,149
TOTAL BUDGET	\$8,283,054	\$1,421,750	\$1,082,017	\$2,503,767	30.2%	\$2,298,417	\$3,480,870


*Projects in FY25 include the continuation of projects from FY24 as well as new initiatives in FY25

Technology plays an important and extensive role in delivering on the mission of the SERS. The Technology Enhancement Plan provides a framework of needed investments in Technology over the next five years. It is a series of well planned initiatives that will enhance SERS' digital capabilities around SMART, add expanded tools for operational efficiencies, meet infrastructure needs, and respond to changing electronic expectations of our members, employers, and employees. This is not an


considered as an operating budget, but a framework of carefully planned annual projects that are in alignment with the SERS Strategic Plan goals with oversight by the SERS Technology Committee. The overall projects are intended to remain flexible/agile within the guardrails of SERS' strategic direction, while accommodating the fast pace of technology evolution so that our technology and operations continue to stay fresh and relevant as we support SERS' mission.

FIVE YEAR TECHNOLOGY ROADMAP BUDGET, CONTINUED


SMART

 SERS Member and Retiree Tracking is the enterprise-wide integrated system that enables SERS staff to service all customers.

SMART FRAMEWORK

 The technology and software layers underlying the Pension Administration Software. The Sagitec Framework includes the Sagitec Enterprise Application Management Services, the Sagitec Framework Services, and the .NET Foundation services as well as the development tool. The Sagitec Framework may sometimes be referred to as the “Neospin Framework.” Included in the project budget are mandated upgrades.


SMART PORTALS

 SERS SMART application has a portal for the Employers and a different portal for Members and Retirees. The portals allow SERS to put out Alerts and Messages specific to an Employer or Person.


The Employer Self-Serve provides Employers with an effective, time-saving way to submit and view critical financial and employee information online. Employers can upload files for enrolling new Employees as well as submit Contribution Reporting files.

Member Self-Serve is a resource for Member and Retirees to access and manage their account with SERS. Features available include reviewing the account balance and service credit, creating estimates, completing applications for Service and Disability benefits, and updating personal information such as address, beneficiary, direct deposit and tax withholding. Members and Retirees can also review documents like Monthly Pay Statement, Member Annual Statements, and Tax Documents.

SMART ENHANCEMENT


 SMART Enhancement is a category to expand the features of the core business application. Exploring the next phase of SMART’s evolution. The enhancements are the product of SERS re-imagining and re-engineering the SMART functionality to assist staff to provide better support to Employers and Members and Retirees. The goal is to preserve and enrich high touch engagement and outcomes.

BUSINESS TOOLS


 Included in this category are applications to improve the effectiveness and efficiency of financial processes: Replacement

of the financial software to a software-as-a-service cloud solution and a reconciliation tool to gain efficiencies in the reconciliation process.


TELECOMMUNICATIONS

 Refers to the technology supporting voice and other multi-modal communications, including fax, web chat and web conferencing. The modern phone system consists of software and hardware and physical connections to a phone service provider via fiber or copper trunks.


SECURITY STACK

 Security is an integrated set of services and cyber security tools used to protect the hardware, systems and data on SERS network. It includes both physical appliances such as a perimeter firewall and software appliances to scan documents for potential threats.


NETWORK INFRASTRUCTURE

 Refers to the hardware, software and wiring that provides a physical or wireless connection to the network and keeps the network running, allowing devices to communicate with each other and the outside world via the internet.


HYBRID TECHNOLOGY REPLACEMENT

 Technology deployed for end-users to support the hybrid work model at SERS, including laptops that can be used when working on-site or remote and conference room equipment for improved virtual meeting experiences.

SERVER INFRASTRUCTURE

 Servers are comprised of hardware and software, on-site or in the cloud that provide functionality for multiple programs or clients to perform work. Examples of typical servers are web, application, database, and file servers.

BACKUP AND RECOVERY

 Technology used to create multi-level backups of SERS data in compliance with information governance retention policies and support business continuity of critical processes in the event of a catastrophic failure of the onsite network and server infrastructure. Examples include Disaster Recovery as a Service or DRaaS and cloud storage of data backed up daily.



FY2025 ADMINISTRATIVE BUDGET

May 16, 2024

GOALS & OBJECTIVES



- Budget Policy/Process
- Review the Proposed FY2025 Budget
- Questions / requests for future meetings
- No action required today



BUDGET POLICY



The Retirement Board shall be responsible for:

- Approving the Administrative Budget before the start of the budget fiscal year.
- Approving authority levels for capital contributions to any SERS-controlled LLCs.
- Approving expenditures that cumulatively exceed 110% of the approved Administrative Budget for any Major Category or total expenditures in excess of total budgeted expenditures require prior approval of the Retirement Board.
- The approved Administrative Budget is the expenditure authority given to the Executive Director by the Retirement Board.

MAJOR CATEGORIES



Personnel

- Salaries & Wages
- Employee benefits



Other Operating Expenses

- Computer Support Services
- Network Security
- Travel & Transportation
- Liability Insurance
- Employee Professional Growth
- Office Equipment & Supplies



Professional Services

- Audit
- Actuarial
- Investment related services
- Technical consulting services



Capital Items

- Computer Hardware > \$5k
- Computer Software > \$25k
- Other Equipment



Communications

- Printing & Postage
- Member/Employer Education
- Telecommunications



Broad St. LLC

- Operating Expenses
- Capital Items

BUDGET MONITORING



- **Administrative Expense Report**
Detailed information of all expenses in that month. Provided to the Board, monthly agenda item, and posted to SERS website.
- **Parameters Report**
All budgeted purchases in excess of \$100,000 and all unbudgeted projects. Provided to the Board monthly and a quarterly agenda item.
- **Monthly Financial Reports**
Financial reports including a budget-to-actual and year-to-date Administrative Budget report provided to the Board monthly.
- **Quarterly Financial Updates**
Financial reports presented to the Board which includes review of budget-to-actual and year-to-date administrative expenses.



BUDGET PROCESS



- Zero-based expense justification – clean slate
- FY2024 financial review and FY2025 carryover
- Strategic Planning
 - How are ongoing and new projects related to the strategic plan?
- New Capital Projects
- Projected Business Area needs – identification by month



ACCOMPLISHMENTS IN FY2024



- Successfully implemented the Unified Communication as a Service solution throughout SERS
- Completed the Microfilm digitization project by converting microfilm to a digital format
- Completed system enhancements to the member self-serve portal to be user friendly on all devices including tablets and cell phones
- Successfully completed our cyber incident response and disaster recovery exercises
- Created an Artificial Intelligence Usage policy and draft governance charter to assist with the new AI Oversight Committee
- Staff completed organization wide training on how to navigate high-stake situations
- Implemented a new cloud based general ledger system (go-live 7/1/2024)
- Prepared the FY25-29 Strategic plan

FY2025 PROPOSED PROJECTS



- Actuarial Audit to comply with ORSC requirements
- Enhancements to the member self-serve portal will enable online refund processing
- Implementation of online chat capabilities
- Planned upgrades to the Board Room and O'Keefe conference room AV equipment
- Implementation of security tools to better protect SERS data and systems
- Year one implementation of the new 5-year strategic plan



CALENDAR



First Draft	Early February
Review by Executive Mgmt.	Early March
ORSC Draft ready for Board	Early April
Presentation of ORSC info	Late April
Initial Board Presentation	May
Vote by Board	June



FY2025 BUDGET SUMMARY



Budget Category	FY2025 Budget	FY2024 Budget	FY2024 Forecast	Budget Change % (+/-)
Salaries & Wages	\$ 19,925,657	\$ 18,853,159	\$ 18,707,347	5.7%
OPERS Retirement Contributions	2,683,322	2,527,867	2,502,468	6.1%
Benefits	4,295,515	4,090,399	4,324,449	5.0%
PERSONNEL	26,904,494	25,471,425	25,534,264	5.6%
Actuarial	425,500	292,500	314,091	45.5%
Audit Services	220,000	234,000	214,945	-6.0%
Custodial Banking Fees	1,020,000	1,068,000	947,727	-4.5%
Master Recordkeeper	1,056,000	1,056,000	1,042,313	0.0%
Investment Consulting	1,474,364	1,409,349	1,534,614	4.6%
Other Consulting	2,104,614	2,201,516	2,030,401	-4.4%
Banking Expense	193,380	194,940	168,524	-0.8%
PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS	6,493,858	6,456,305	6,252,615	0.6%
Printing & Postage	801,150	807,752	530,771	-0.8%
Telecommunications	120,868	196,208	164,235	-38.4%
Member/Employer Education	22,430	11,750	9,857	90.9%
COMMUNICATIONS	944,448	1,015,710	704,863	-7.0%
Conferences & Education	257,030	274,586	134,019	-6.4%
Travel	240,360	228,602	187,191	5.1%
Computer Support Services	3,003,345	2,737,127	2,431,577	9.7%
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,087,047	1,125,227	979,628	-3.4%
Ohio Retirement Study Council	68,000	48,400	63,492	40.5%
OTHER OPERATING	4,655,782	4,413,942	3,795,907	5.5%
TOTAL OPERATING	38,998,582	37,357,382	36,287,649	4.4%
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	-	-	-	0.0%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
CAPITAL	-	-	-	0.0%
NET BUILDING OCCUPANCY EXPENSE	1,509,452	1,392,957	1,029,157	8.4%
TOTAL OPERATING AND CAPITAL BUDGETS	\$ 40,508,034	\$ 38,750,339	\$ 37,316,806	4.5%

PROPOSED FY2025 DRAFT BUDGET



Comparison of FY2024 Budget to FY2025 Proposed

BUDGET CATEGORY	BUDGET		FORECAST
	FY2025	FY2024	FY2024
Personnel	26,904,494	25,471,425	25,534,264
Professional Services	6,493,858	6,456,305	6,252,615
Communications Expense	944,448	1,015,710	704,863
Other Operating Expense	4,655,782	4,413,942	3,795,907
Capital	0	0	0
Net Building Occupancy	1,509,452	1,392,957	1,029,157
TOTAL OPERATING	\$ 40,508,034	\$ 38,750,339	\$ 37,316,806

FY2025 DRAFT BUDGET DRIVERS



The 4.5% increase in the FY2025 budget over FY2024 is attributed to the following:

- Primarily for the Personnel category:
 - CBIZ, an independent compensation consultant, recommended a 5% salary budget growth
 - 4% shared merit pool awarded based on performance
 - One new FTE for information security
 - Promotions
 - Increased software costs to enhance security of systems and data



RECONCILIATION OF CHANGES FROM FY2024 BUDGET TO FY2025 BUDGET



FY2024 Budget	\$ 38,750,339	
Personnel Services	\$ 1,433,069	<ul style="list-style-type: none"> ▪ Increase due to salary adjustments and recommended 4% performance-based merit increase ▪ Increase in leave expense earned and not taken as required by GASB ▪ Increase in incentive compensation and retirement contributions ▪ Additional full- time employee
Professional Services	\$ 37,553	<ul style="list-style-type: none"> ▪ Increase due to ORSC commissioned actuarial audit ▪ Increase in investment related tech consulting and class action fees ▪ Increase in Special Counsel for investment related legal counsel ▪ Decrease in banking fees based on investment value and transaction volume ▪ Decrease in technical consulting for outsourced service desk consulting and CBBC programming ▪ Decrease in Other Professional services due to completion of the new 5-year Strategic plan and microfilm conversion project
Communications	\$ (71,262)	<ul style="list-style-type: none"> ▪ Increase in Member/Employer Education for materials for member conferences ▪ Decrease in Postage due to frequency of member mailings ▪ Decrease in Telecommunications due to landlines transitioning to software as a services
Other Operating	\$ 241,839	<ul style="list-style-type: none"> ▪ Increase in Travel & Transportation due to change in board travel policy ▪ Increase in Hardware Maintenance for battery replacement ▪ Increase in software subscription - on-prem transition to Cloud, Telecommunications services, increase in cloud storage capacity, new security tool for data protection, general ledger accounting tool cloud service ▪ Increase in ORSC expenses due to fund value and committee activity
Capital	\$ 0	There are no planned Capital Expenses for FY2024 or FY2025
OSERS Broad Street LLC	\$ 116,496	<ul style="list-style-type: none"> ▪ Decrease in lease revenue ▪ Increase in building operations for cyclical maintenance of garage charging stations ▪ Increase in Security and Janitorial expenses
FY2025 Budget Requested	\$ 40,508,034	\$1.76 million or 4.54% increase

RECONCILIATION OF CHANGES FROM FY2024 FORECAST TO FY2025 BUDGET

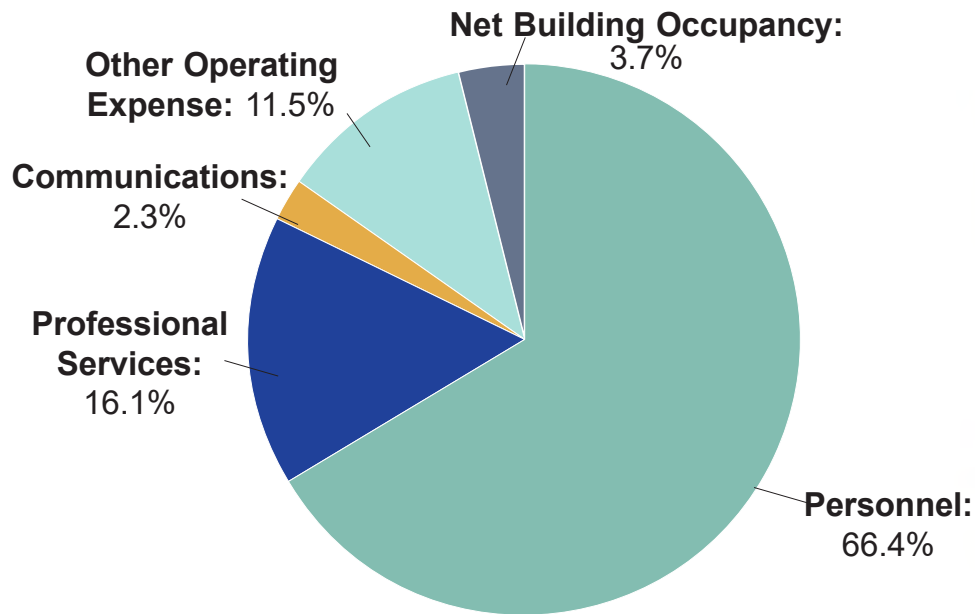


FY2024 Forecast	\$ 37,316,806	
Personnel Services	\$ 1,370,230	<ul style="list-style-type: none"> ▪ Increase due to salary adjustments and recommended 4% performance-based merit increase ▪ Increase in leave expense earned and not taken as required by GASB ▪ Increase in incentive compensation and retirement contributions ▪ Additional full- time employee
Professional Services	\$ 241,244	<ul style="list-style-type: none"> ▪ Increase due to ORSC commissioned actuarial audit ▪ Increase in investment related tech consulting and class action fees ▪ Increase in Special Counsel for investment related legal counsel ▪ Decrease in Banking fees based on investment value and transaction volume ▪ Decrease in technical consulting for outsourced service desk support and CBBC consulting
Communications	\$ 239,585	<ul style="list-style-type: none"> ▪ Increase due to two Board elections ▪ Increase in Member Employer Education for materials for member conferences ▪ Decrease in Telecommunications due to landlines transitioning to software as a service
Other Operating	\$ 859,874	<ul style="list-style-type: none"> ▪ Increase in Travel & Transportation due to change in board travel policy ▪ Increase in Hardware Maintenance for battery replacement ▪ Increase in software subscriptions- on-prem transition to Cloud, Telecommunications services, increase in cloud storage capacity, new security tool for data protection, general ledger accounting tool cloud service ▪ Increase in OSRC expenses due to fund value and committee activity
Capital	\$ 0	<ul style="list-style-type: none"> ▪ There are no planned Capital Expenses for FY2024 or FY2025
OSERS Broad Street LLC	\$ 480,296	<ul style="list-style-type: none"> ▪ Decrease in lease revenue ▪ Increase in building operations for cyclical maintenance of garage charging stations ▪ Increase in Security and Janitorial expenses
FY2025 Budget Requested	\$ 40,508,034	\$3.19 million or 8.55% increase

FY2025 OPERATING BUDGET BY CATEGORY



Total: \$40,508,034

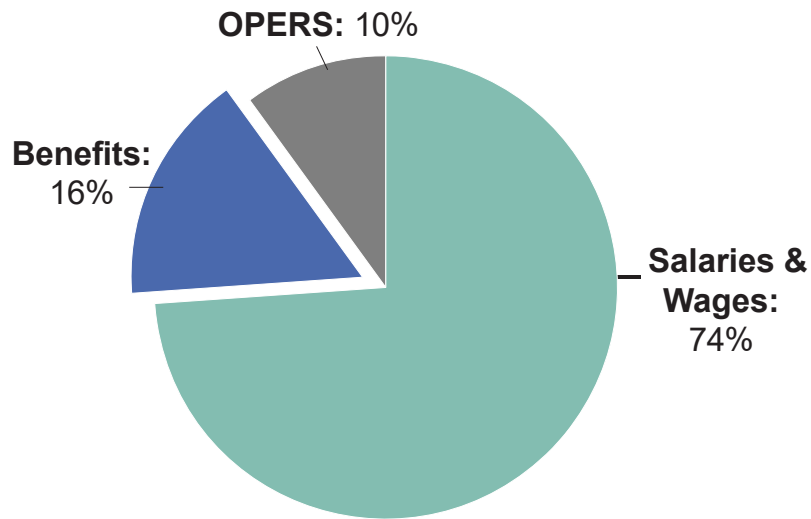


Category	Amount
Personnel	\$26,904,494
Professional Services	\$6,493,858
Communications	\$944,448
Other Operating Expense	\$4,655,782
Capital	\$0
Net Building Occupancy	\$1,509,452

PROPOSED FY2025 DRAFT BUDGET



Personnel Services



Personnel Budget	FY2025
Salaries & Wages	\$ 19,925,657
Benefits	\$ 4,295,515
OPERS Retirement Contributions	\$ 2,683,322
Total	\$ 26,904,494

66.4% of the Total Budget
(5.6% increase)

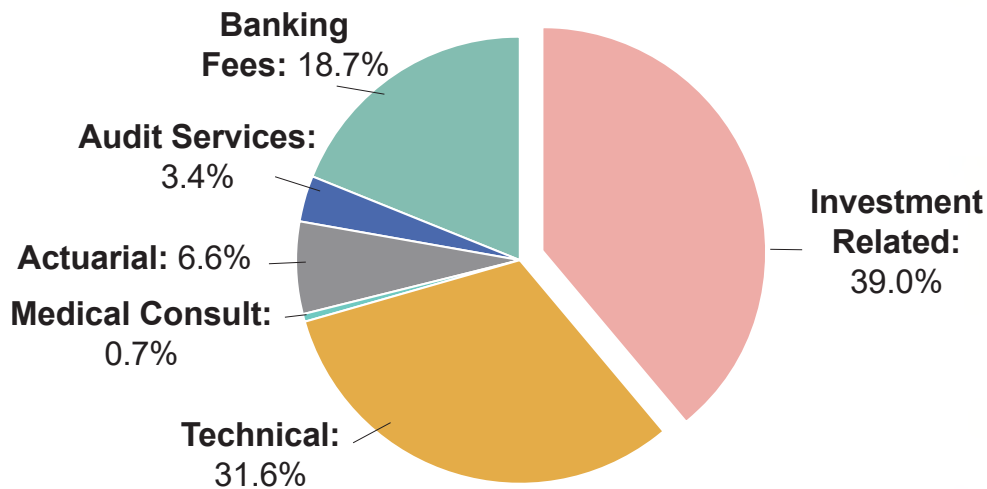
FY2025 Budget Summary:

- One new position (FTE = 184)
- Performance-based merit increase of 4.0%
- Incentive payouts based on FY2024 Investment Portfolio Performance
- Level of benefits remains unchanged for FY2025, but reflect an increase over FY2024 budget
- Government Accounting Standards Board required recognition of accrued but unused leave

PROPOSED FY2025 DRAFT BUDGET



Professional Services



Total SERS Professional Services	FY2025
Investment Related	\$ 2,530,364
Technical	\$ 2,059,614
Medical Consult	\$ 45,000
Actuarial	\$ 425,500
Audit Services	\$ 220,000
Banking Fees	\$ 1,213,380
Total	\$ 6,493,858

16.1% of the Total Budget
(0.5% increase)

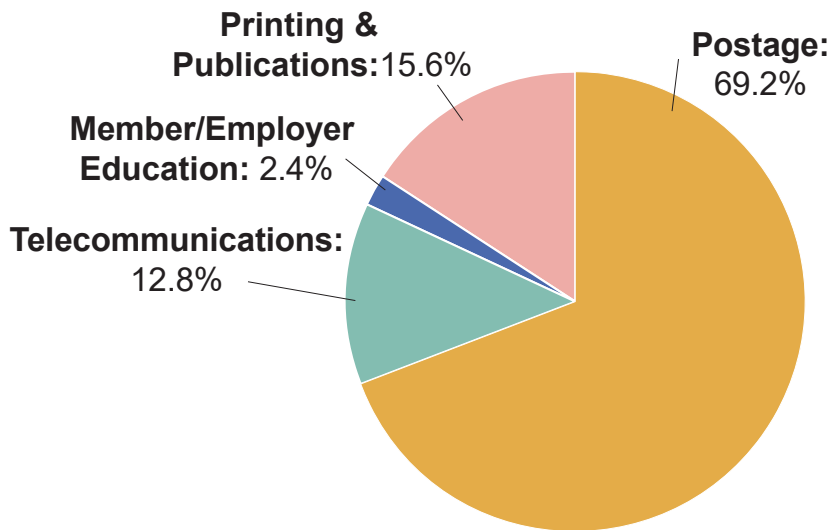
FY2025 Budget Summary:

- Actuarial and Audit fees
 - ORSC Actuarial Audit
- Banking and Custodial Fees
- Investment Consulting and Advisory, Master Recordkeeping Fees, Performance Analytics and Investment-Related Technical Consulting
- Infrastructure third-party services, medical/pharmacy pricing advisement, consulting services across the organization
- Completion of the Microfilm project in FY2024

PROPOSED FY2025 DRAFT BUDGET



Communications



Communications	FY2025
Postage	\$ 653,900
Telecommunications	\$ 120,868
Member/Employer Education	\$ 22,430
Printing & Publications	\$ 147,250
Total	\$ 944,448

2.3% of the Total Budget
(7.0% decrease)

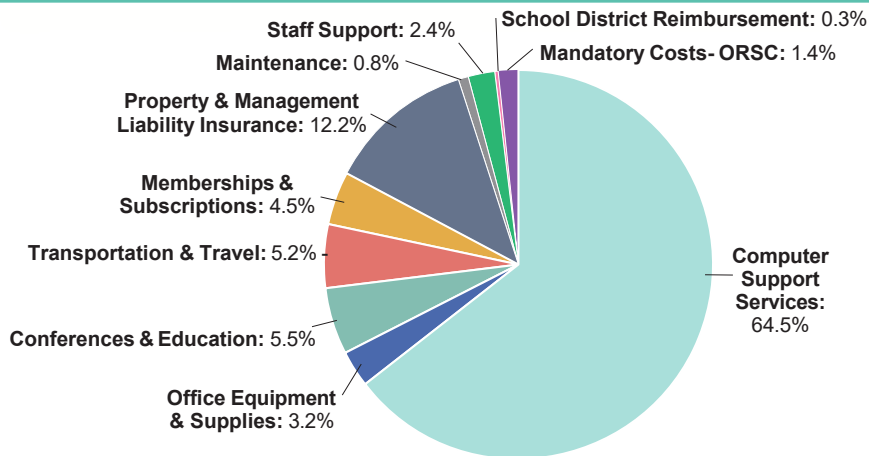
FY2025 Budget Summary:

- Printing and Postage:
 - Includes two board elections
 - Decrease due to the off year of open enrollment mailings
- Telecommunication - includes web services, point-to-point connection, and hybrid work environment video/audio communication resources
 - Decrease due to replacing the landlines with a software solution in FY2024
- Member/Employer Education - includes costs associated with conducting meetings and outreach services

PROPOSED FY2025 DRAFT BUDGET



Other Operating Expense



Other Operating Expense	FY2025
Computer Support Services	\$ 3,003,345
Office Equipment & Supplies	\$ 148,163
Conferences & Education	\$ 257,030
Transportation & Travel	\$ 240,360
Memberships & Subscriptions	\$ 211,597
Property & Management Liability Insurance	\$ 566,375
Maintenance	\$ 35,725
Staff Support	\$ 112,642
School District Reimbursement	\$ 12,545
Mandatory Costs- ORSC	\$ 68,000
Reimbursement of Leased Services	\$ (305,000)
Total	\$ 4,350,782

11.5% of the Total Budget
(5.6% increase)

FY2025 Budget Summary:

- Computer Support Services – includes Hardware and Software Maintenance as well as Software Subscriptions
 - New software subscriptions include: General ledger and accounting, Information security tools, and Telecom as a cloud service
- Conferences, Education, and Travel
- Property and Fiduciary Insurance
- Staff Support
- Mandatory ORSC costs
- Reimbursement from OSERS Broad Street, LLC for Leased Services

PROPOSED FY2025 DRAFT BUDGET



ADMINISTRATIVE CAPITAL

0.0% of the Total Budget

FY2025 Budget Summary:

- **Capital Priorities**

There are no planned Capital initiatives for FY2025

BROAD STREET CAPITAL

0.0% of the Total Budget

There are no Capital initiatives for FY2025

Capital Priorities for FY2026-FY2029

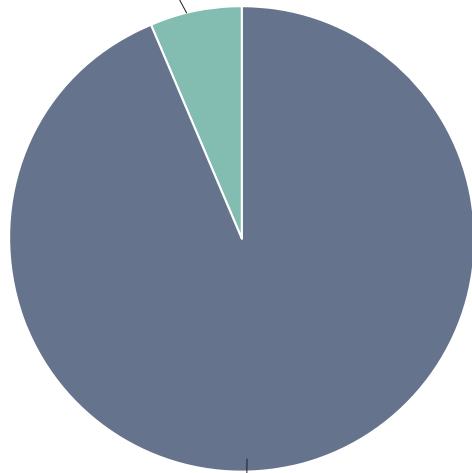
- Cooling Tower (FY2026)
- Generator
- Roof

PROPOSED FY2025 DRAFT BUDGET



OSERS Broad Street, LLC

Non-Operating Expenses: 6.3%



Operating Expenses: 93.7%

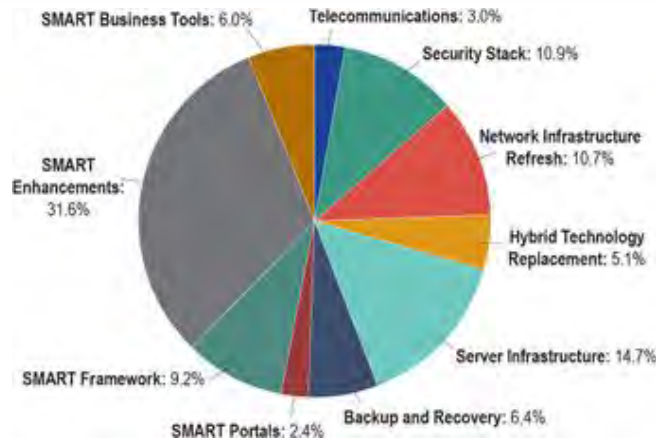
OSERS Broad Street, LLC Budget	FY2025
Operating Expenses	\$ 2,318,332
Non-Operating Expenses	\$ 155,000

3.7% of the Total Budget
(8.3% increase)

FY2025 Budget Summary:

- Operating Revenue – includes Suite Lease revenue for tenants and parking
 - Decrease in tenant revenue offset by and increase in parking income
- **Operating Expenses**
 - Property Management and Labor
 - Other Administrative Expenses
 - Building Operations and Maintenance
 - Utilities and Building/Equipment Insurance
 - Increase due to cost of security services and 5-year cyclical refresh of electric charging stations
- **Non-Operating Expenses**
 - Special Counsel
 - Remodeling – includes anticipated cost for tenant improvements

FIVE-YEAR TECHNOLOGY ENHANCEMENT PROJECT



Description	FY2023 - FY2027
Telecommunications	\$ 250,000
Security Stack	\$ 899,600
Network Infrastructure Refresh	\$ 886,000
Hybrid Technology Replacement	\$ 419,000
Server Infrastructure	\$ 1,216,700
Backup and Recovery	\$ 532,754
SMART Portals	\$ 196,000
SMART Framework	\$ 760,000
SMART Enhancements	\$ 2,623,000
SMART Business Tools	\$ 500,000
SMART total	\$ 4,079,000
Infrastructure Total	\$ 4,204,054
Total Project Budget	\$ 8,283,054

Planned FY2025 Technology Enhancement Projects		
Description	Amount	Project Impact
Telecommunications	\$ 0	0.0%
Security Stack	\$ 30,000	0.4%
Network Infrastructure Refresh	\$ 301,500	3.6%
Hybrid Technology Replacement	\$ 386,000	4.7%
Server Infrastructure	\$ 341,100	4.1%
Backup and Recovery	\$ 121,250	1.5%
SMART Portals	\$ 0	0.0%
SMART Framework	\$ 215,000	2.6%
SMART Enhancements	\$ 803,567	9.7%
SMART Business Tools	\$ 100,000	1.2%
SMART total	\$ 1,118,567	13.5%
Infrastructure Total	\$ 1,179,850	14.2%
Total FY2024 Budget	\$ 2,298,417	

- 30% forecasted spend through FY2024
- 28% planned for FY2025
- 42% of the total project remaining
- Progress is reported quarterly at the board technology committee

FY2025 PROPOSED TECHNOLOGY ENHANCEMENT PROJECTS



- SMART framework upgrade to improve application processing and performance
- SMART Enhancements to automate services for finance
- SMART Enhancements to expand eDelivery of electronic information to Members and Retirees
- Evaluation of Gen AI tools for potential efficiencies



FY2025 PROPOSED TECHNOLOGY ENHANCEMENT PROJECTS



- Board Room and O’Keefe Conference Room AV refresh will upgrade current audio-visual equipment for a more engaging presentation experience
- Network Infrastructure evaluations to explore the use of potential technologies that will streamline operations and boost efficiency
- Upgrade the Server Infrastructure by replacing outdated servers nearing end-of-life and vendor support
- Increase Backup and Disaster Recovery storage capacity



QUESTIONS?



Memo

To: Retirement Board
From: SERS Legal
CC: Richard Stensrud
Date: May 3, 2024
Re: Definition of Compensation

At the April Board meeting, the Board spent considerable time discussing different types of compensation received by SERS members in their jobs and whether they should be counted as compensation for SERS purposes. Legal has included an updated chart reflecting the outcome of those discussions. At this month's meeting, we'd like to follow up with the Board on several types of compensation for additional direction. Staff will also seek feedback on next steps.



Board Consideration of Compensation

May 2024

*Chart reflects discussions held at April 2024 Board meeting

Compensation Element	In	Out	Notes
Regular base salary	X		
Regular/base hourly wages	X		
Pick up on Pick up	X		
Overtime paid to non-exempt employees	X		
Paid leave	X		
Compensation time cash out			Additional discussion needed
Leave cash-in		X	
Longevity/length of service (payment based on total years of employment per written contract or policy and applicable to all employees)	X		
Employer payments to an eligible retirement plan (e.g..403(B), 457 account)	X		
Lump sum amounts that are not incentive payments set forth in a collective bargaining agreement	X		
Lump sum amounts that are not incentive payments set forth in an individual contract			Additional discussion needed

Compensation Element	In	Out	Notes
Commissions (per contract terms)	X		
Lump sum merit/performance as set forth in a written contract or policy	X		
Bonus payment (discretionary payment not governed in a contract)		X	e.g. In recognition of a good year, all employees get \$500.
Retention (payment to current employee to remain for a certain period of time)			Additional discussion needed
Attendance (payments for limited use of sick leave per a policy or contract)		X	
Education (attaining or having a certification or degree only per a written policy or contract)			Additional discussion needed
Signing (payment to new employee for accepting position)	X		
Wellness rewards (payments to employees for achieving measurable health goals as set forth in a written policy)		X	
Recruitment (payment for referring a job applicant who is hired)		X	
Back wages	X		
Severance payment		X	
Extended Days			New compensation element for discussion

Only If Needed

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

IN EXECUTIVE SESSION AT _____ A.M. / P.M.

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

RETURNED TO OPEN SESSION AT _____ A.M. / P.M.

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 **

AUDIT COMMITTEE MEETINGS

June 20, 2024 – 2:30 p.m. **(Thurs.) ** New Date ****
September 18, 2024 - 2:30 p.m. (Weds.)
December 18, 2024 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

June 21, 2024 – 7:30 a.m. **(Fri.) ** New Date ****
July 18, 2024 – 7:30 a.m. (Thurs.) * **Special Meeting** *
September 19, 2024 – 7:30 a.m. (Thurs.)
December 19, 2024 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

June 20, 2024 – 1:30 p.m. **(Thurs.) ** New Time ****
September 19, 2024 – 12:30 p.m. (Thurs.)
December 19, 2024 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

June 21, 2024 - 8:30 a.m. **(Fri.) ** New Date ****
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.) **** Board Picture Day ****
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)
November 21 – 22, 2024 – 8:30 a.m. (Thurs. and Fri.)
December 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)

**** Please note that these dates and times are tentative.**

CONTINUED OR NEW BUSINESS

Board Information Requested

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

ADJOURNMENT(R)

_____ moved that the SERS Retirement board adjourn to meet on Friday, June 21, 2024, for their next regularly scheduled meeting.

The meeting adjourned at _____ a.m./p.m.

Frank Weglarz – Chair

Richard Stensrud, Secretary