



**Retirement Board Agenda  
Friday, June 21, 2024**

**Click Link to Join Zoom Meeting:**

<https://ohsers.zoom.us/j/92023513021?pwd=VkVGUmYyMU0zMUdaU2dKdndPRmNXdz09>

**Meeting ID:** 920 2351 3021

**Password:** 12345

To join by phone, dial: (301) 715-8592 and enter the meeting ID: **920 2351 3021** and password: **12345** when prompted.

**PLEDGE OF ALLEGIANCE**

1. Roll Call
2. Approval of Out-of-State Board Travel (R)
3. **CONSENT AGENDA (R)**
  - Approval of **May 16, 2024** Board Meeting Minutes
  - Summary of Investment Transactions – **April 1, 2024 through April 30, 2024**
  - Retirement Report
    - Superannuations, Survivor Benefits, and Transfers
    - Special Cases
  - Disability Report
    - Approval of Disability Benefits
    - Disapproval of Disability Benefits
    - Termination of Disability Benefits
    - Approval of Appeal for Disability Benefits on Personal Appearance

**INVESTMENT REPORT**

4. Annual Investment Plan – FY25 (R)
5. Investment Policy Amendment (R)
6. Monthly Investment Report

**EXECUTIVE DIRECTOR'S REPORT**

7. Executive session pursuant to R.C. 121.22 (G)(5) to discuss a matter required to be kept confidential by law (R)
  - Personal Appearance **10:30 a.m.**
  - Personal Appearance **11:00 a.m.**
8. Executive Director's Update
9. Review of Administrative Expenses
10. FY 2025 Administrative Budget (R-2)
11. Filing of Proposed Rescinded and New Administrative Rules (R-2)
12. Definition of Compensation Discussion

**HEALTH CARE REPORT**

13. Approval of 2025 Health Care Premiums and Plan Design Changes (R)
14. Premium Discount Program (R)

**AUDIT COMMITTEE UPDATE**

15. Audit Committee Update
16. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

**TECHNOLOGY COMMITTEE REPORT**

17. Technology Committee Update

**COMPENSATION COMMITTEE REPORT**

18. Compensation Committee Update
19. Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

**RETIREMENT REPORT**

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

**EXECUTIVE DIRECTOR'S REPORT (cont.)**

21. Board Self-Assessment Discussion

**BOARD COMMUNICATION AND POLICY ISSUES**

22. Calendar Dates for Future Board Meetings
23. Board Officer Elections
24. Continued or New Business
  - Board Information Requests and Follow-up Items

**ADJOURNMENT (R)**

**APPROVAL OF OUT-OF-STATE BOARD TRAVEL**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the travel request by a Board Member to travel and receive reimbursement for the following out-of-state conferences and meetings be approved.

<b>Conference</b>	<b>Attendee</b>	<b>Conference Date(s)</b>	<b>Conference Location</b>	<b>Estimate of Expenses</b>
Certificate of Achievement in Public Plan Policy (CAPPP®): Pensions Part I	Aimee Russell	July 30, 2024 – July 31, 2024	Boston, MA	\$2,158.36
Certificate of Achievement in Public Plan Policy (CAPPP®): Pensions Part II	Aimee Russell	August 01, 2024 – August 02, 2024	Boston, MA	\$352.81
Certificate of Achievement in Public Plan Policy (CAPPP®): Health Part II	Aimee Russell	November 09, 2024 – November 10, 2024	San Diego, CA	\$1,695.81

Upon roll call, the vote was as follows:

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

BOARD: Travel  
R.C. 3309.04

FY2024 SERS Board Roll Call

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

## **MAY 2024 CONSENT AGENDA**

1. Minutes of the
  - a. **May 16, 2024**, Retirement Board meeting
2. Summary of Investment Transactions – **April 1, 2024 to April 30, 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
  - d. Approval 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. **May 16, 2024**, Retirement Board meeting
- 2. Summary of Investment Transactions – **April 1, 2024 to April 30, 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
  - d. Approval of Appeal for Disability Benefits on Personal Appearance

Upon roll call, the vote was as follows:

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

# SERS Retirement Board Meeting Minutes

## May 16, 2024

The nine hundredth and sixty-seventh 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, May 16, 2024.

### Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 a.m. with the Pledge of Allegiance. Matthew King served as Acting Chair in Frank Weglarz's absence.

### Roll Call

The roll call was as follows: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Frank Weglarz. Also attending 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 **May 16, 2024**, included:

- Minutes of the **April 18, 2024**, Retirement Board meeting
- Summary of Investment Transactions for the period of **March 1, 2024**, to **March 31, 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 Disapproval of Appeal for Disability on Personal Appearance

Barbra Phillips moved and James Rossler seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, May 16, 2024. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Frank Weglarz. The motion carried.

### Investment Report

#### **Asset Class Benchmark Review – Presented by Wilshire Associates**

Joanna Bewick of Wilshire Associates introduced her new colleague, Chris Tessman, who will be working with her on the SERS retirement fund. Ms. Bewick then began her presentation stating that the purpose of benchmarking is to serve as a clear and objective means of evaluating performance. Benchmarks provide investors with a realistic and achievable starting point.

Ms. Bewick summarized benchmarking as:

- **Performance Attribution** - Decomposition of sources of return, such as asset allocation, active vs. passive management, manager skill, etc.
- **Insight on Risks>Returns** - Insight into the 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 asset in retention/termination decisions.

Ms. Bewick continued, stating that 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.

# SERS Retirement Board Meeting Minutes

## May 16, 2024

- **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.

Ms. Bewick continued, providing an overview of each type of asset class and the benchmarks used for each one. SERS' asset classes are Global Equity, Global Private Equity, Global Fixed Income, Global Private Credit, Real Estate, Infrastructure, Opportunistic and Tactical, and Cash Equivalents. After a robust discussion and several questions, the board thanked Ms. Bewick for her report.

### Quarterly Performance Report - Presented by Wilshire Associates

Ms. Bewick continued with a quarterly performance report. Ms. Bewick reported that 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 and energy. The worst performing and only negative sector was real estate.

Ms. Bewick also reported that the European economy remains weak with consumers hesitant to spend, fewer exports and lower investment, all reflecting diminished economic demand. Ms. Bewick also reported the stock market has been great for the past 5-10 years and returns were great in the immediate past. However, it is likely that returns will be much more modest looking forward.

### Quarterly Investment Report

SERS Chief Investment Officer, Farouki Majeed, followed up and provided a quarterly investment presentation. Mr. Majeed reported that US inflation is flat at 3% and the fed has held interest rates steady for the last few months. Mr. Majeed reported that the investment staff is continuing to review and find ways to grow the retirement fund even when the economy is declining and there remains a risk of recession. Following several questions and a robust discussion, the board thanked Mr. Majeed and his staff for all their hard work.

### Annual Investment Plan Discussion – FY25 Draft (Possible Vote)

Mr. Majeed continued his investment report by introducing the FY2025 Annual Investment Plan. Mr. Majeed stated that the SERS Annual Investment Plan is a roadmap for the next year after reviewing the FY2024 plan and determining what needs to be adjusted. The major strategic goals remain unchanged. The focus of the FY2025 Annual Investment Plan 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. Another FY2025 objective is to implement the asset allocation framework and targets approved by the Board in December 2023. The final goal is to continue to develop and engage the Investment team by adding a new Administrative Assistant due to the retirement of the Operations Manager.

Mr. Majeed reported that the economic outlook and portfolio strategies remained the same. The changes center around implementation guidelines. There will also be newly proposed targets for excess returns. Also, Real Assets will be split into two classes with specific targets for each new category. Following a brief discussion, Mr. Majeed advised the board that the policy would be brought in front of the board for approval at the June meeting. The board thanked Mr. Majeed for his presentation.

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# SERS Retirement Board Meeting Minutes

## May 16, 2024

### Investment Department Incentive Program – Draft (Discussion)

Mr. Majeed proposed changes to the SERS Investment Department Incentive Program. Changes to the program will target excess returns for each asset class and the total fund for the purpose of calculating incentive payments effective FY 2025. Currently, the target for each asset class and the total fund is uniformly 0.50%.

Mr. Majeed continued, stating a review of the excess returns of the asset classes and total fund over the last 10 fiscal years shown in attached table indicates that excess returns across asset classes differ on account of the potential of the respective asset classes to generate excess returns over their benchmarks. For example, the average of the 1-year excess returns over the last 10 years ranges from a low of 0.41% for Global Equity to a high of 3.77% for Private Equity. Similarly, the 3-year excess return ranges from a low of 0.44% for Global Equity to a high of 3.01% for Private Equity. It has been much easier to meet the current target of 0.50% in Private Equity than in Global Equity due to the efficiency of the public equity markets and the precision of the benchmarks. In view of this about 40% of Global equity is indexed to benchmarks, such that excess returns could be earned only from the remaining 60% that is actively managed. Private Equity can generate a higher excess return since it is 100% actively managed with control over management, the use of higher levels of leverage, and the benchmark is less precise than in public equities.

Mr. Majeed stated that SERS experience shows that the private asset classes (Private Equity, Real Assets, Private Credit) have consistently generated higher excess returns than the public asset classes (Global Equity, Global Fixed Income). Hence, having a uniform target excess return for all asset classes does not serve the purpose of fair incentive payment for achieving excess returns.

Mr. Majeed continued, reporting SERS total fund excess returns have increased over the last ten years with a 1-yr average of 0.94% and 3-yr average of 0.79%, well exceeding the current 0.50% target. In view of the above staff is proposing new excess return targets as follows:

	<b>Proposed</b>	<b>Current</b>
<b>Global Equity</b>	0.40% or 40 b.p.	50 b.p.
<b>Private Equity</b>	1.5% or 150 b.p.	50 b.p.
<b>Global Fixed Income</b>	0.60% or 60 b.p.	50 b.p.
<b>Real Estate</b>	1.0% or 100 b.p.	50 b.p.
<b>Infrastructure</b>	1.0% or 100 b.p.	50 b.p.
<b>Private Credit</b>	1.0% or 100 b.p.	50 b.p.
<b>Opportunistic</b>	1.0% or 100 b.p.	

Following a robust discussion, James Rossler moved and Barbra Phillips 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: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Frank Weglarz. The motion carried.

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

The board reconvened at 10:23 a.m.

### **Health Care Report**

#### **Presentation of FY2025 Self-Insured Rates**

Alisa Bennett of Cavanaugh Macdonald provided an update on the preliminary plan for Health Insurance Cost Estimates for Self-Funded Plans for 2025. Ms. Bennett reported that Cavanaugh Macdonald used 2022 and 2023 medical data to set 2025 rates. Ms. Bennett also reported that there will be dramatic changes to Medicare Part D in 2025.



# **SERS Retirement Board Meeting Minutes**

## **May 16, 2024**

Ms. Bennett stated industry projections suggest that projected medical plan cost increases for 2024 will be similar to pre-pandemic levels. It is also projected that double-digit increases in specialty prescription costs, mostly driven by price increases and new specialty drugs and biologics. It is also projected that health plan costs continue to significantly outpace general inflation and average wage increases.

Ms. Bennett also reported the marketplace Wraparound HRA Plan allows participants to 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 and Ms. Bennett noted that 2019 through 2023 claims have been well below cost threshold. Also noted, the American Rescue Plan Act of 2021 (COVID-19 relief) law passed in March 2021 expanded 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 cost savings for SERS.

Ms. Bennett continued her report, stating that Medicare Part D will undergo dramatic changes in 2025 due to the Inflation Reduction Act and out of pocket maximums will be capped at \$2000. Ms. Bennett closed her presentation with a summary of current and projected healthcare costs. Following several questions and a robust discussion, the board thanked Ms. Bennett for her presentation.

### **2025 Health Care Review and Benefit Considerations**

Christi Pepe, SERS Director of Health Care Services, provided an update on the SERS health care services. Ms. Pepe reported that since the mandate for counseling before enrollment was implemented, Wraparound elections have increased. While there are no proposed 2025 premium changes for recipients with Aetna Medicare Plan (PPO) and Aetna Traditional Choice, benefit recipients with Aetna Choice POS II can expect an approximate 7% increase to premiums, and increased child and spouse base premiums consistent with the actuary's recommendation. Benefit recipients with AultCare PPO can expect an approximate 3% increase to premiums.

Ms. Pepe continued, stating proposed benefit changes for recipients with Aetna Choice POS II included an ambulance co-pay of \$150 due to the Mental Health Parity and Addiction Equity Act.

Another proposed benefit change for benefit recipients with the non-Medicare Wraparound HRA includes an increase of the federally authorized reimbursement amount to \$2,150.

Another proposed benefit change for benefit recipients with the Aetna Medicare Plan (PPO) includes a reduction in the primary care office visit co-pay to \$0 to align with the individual market.

Ms. Pepe then introduced Michael Steiner, SERS Assistant Director of Health Care Services, who provided an update on the SERS Medicare Advantage Plan, which covered 36,000 enrollees and had overall high member satisfaction. Mr. Steiner reported that over time, SERS maximized improvements on common out-of-pocket expenses, including primary care provider, specialist, and rehabilitative co-pays and over-the counter pharmacy benefits. Additionally, Medicare Advantage revenue continued to improve and offset pharmacy expenses.

Mr. Steiner stated that the 2025 recommendation for the SERS Medicare Advantage Plan is to continue reducing out-of-pocket expenses while keeping the premiums the same, along with analyzing the actual Part D claims and revenue experience during the plan year 2025 as well as conducting a survey to identify the primary reason retirees select other plans.

The Board discussed the proposed recommendations and SERS staff will request approval at the June board meeting. Following a robust discussion, the board thanked Ms. Pepe and Mr. Steiner for their reports.

# SERS Retirement Board Meeting Minutes

## May 16, 2024

### **PBM Contract Renewal**

Ms. Pepe reported that 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.

Catherine Moss moved and James Haller 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: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, Barbra Phillips, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Frank Weglarz. The motion carried.

### **Executive Director's Report**

#### **Ohio Retirement Study Council**

SERS Executive Director, Richard Stensrud, began his report stating the ORSC met on May 9. The next regularly scheduled meeting is Thursday, June 13, subject to the call of the chair. At the May meeting, Mr. Stensrud presented a draft FY2025 budget to the Council. ORSC had no concerns but asked about the increased actuarial costs. SERS leadership advised that the additional costs were due to the ORSC commissioned audit that will happen in FY2025. SERS leadership was also asked about the EV charging station update and what is involved. The ORSC was provided with additional information on this topic. Other topics discussed at the May meeting included the ORSC budget, the STRS budget, an OP&F solvency update, and a quarterly investment review by RVK, the ORSC's independent investment consultant. RVK reported SERS investment numbers continue to look good. Also discussed were the recent developments at STRS.

#### **School Teachers Retirement System (STRS) Board Governance Issues**

Mr. Stensrud continued his report, stating STRS has been in the headlines recently with several governance issues. Their risk consultant, AON, sent a letter of resignation to the pension system and there is an ongoing investigation into violations of fiduciary duty being initiated by Ohio Attorney General Yost. Mr. Stensrud wanted to remind the board and the public that SERS is committed to accountability and sustainability. SERS staff will continue to work to differentiate the work we do from the other Ohio pension systems.

#### **Advocacy Groups**

Mr. Stensrud continued his report stating that SERS staff attended the annual OASBO/SERS update meeting that was held virtually on May 3. Nearly 100 OASBO members attended the virtual meeting as well as several board members. SERS staff provided an overview and an update about current issues and future challenges and opportunities. Several board members attended and thought the meeting went very well.

Mr. Stensrud also reported that SERO had its annual meeting on May 7 at Villa Milano. SERS staff provided a system update and health care program review. Approximately 25 SERO members were in attendance.

#### **Ohio General Assembly**

Mr. Stensrud continued his report stating the House Pension committee has changed its chairman again. The seat remains vacant for now. SERS staff will continue to follow these developments.

Mr. Stensrud also stated HB491 was introduced and will require Ohio pension systems to participate in the checkbook kept by the state. The checkbook lists publicly salaries earned by Ohio public employees. SERS staff will continue to monitor this bill and its progress.

# **SERS Retirement Board Meeting Minutes**

## **May 16, 2024**

### **Federal Legislative Activity**

Mr. Stensrud reported a WEP/GPO hearing was held. Expert witnesses were invited to Capitol Hill to discuss the pros and cons of repeal vs. reform. Repeal legislation continues to gain co-sponsors, but WEP/GPO reform is not likely to be addressed until more comprehensive Social Security reform happens.

### **Upcoming Webinars and Board Trainings**

Mr. Stensrud continued his report stating that several programs are upcoming, including workshops and webinars for employers and retirees. There were also several programs for members last month. SERS remains committed to engaging with employers, members, and retirees and strives to provide the best possible service.

### **Board Governance Activities**

Mr. Stensrud continued his report stating the annual board self-evaluation will occur at the June meeting. Self-evaluation is an ongoing effort to identify ways for the board to improve. SERS staff will continue work to create a governance charter by putting board activities into categories and putting them into a calendar that will provide a “year at-a-glance” view of SERS board activities. This calendar will be provided at the June meeting.

### **Collections Actions**

Mr. Stensrud posed the following question to the board: Should SERS members be collected against when they underpay for the SERS health care plan premiums and it is SERS fault they underpaid, meaning they had no idea they were underpaying. Several board members provided their opinions about the possibility of collections. After a robust discussion, the board agreed to update the premium payment amounts, so they are billed correctly moving forward. The board also requested additional information before deciding on whether or not to create a new rule and exceptions around collections.

### **Retire/Rehire Policy**

The retire/rehire draft policy has been an ongoing discussion in the Compensation Committee. Compensation Committee Chair Daniel Wilson stated that the committee determined that this is something that will benefit SERS and should be socialized by the full board. Mr. Stensrud added that this is not succession planning but is a complement to succession planning. This policy would be used only for critical positions, but not all positions. Following a robust discussion, Mr. Wilson requested that a draft policy be submitted to the Compensation Committee for review. Once approved by the Compensation Committee, the draft policy will then be reviewed by the full board.

The board took a lunch break at 12:56 p.m.

The board reconvened following lunch at 1:34 p.m.

### **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.

### **SERS FY2025 Administrative Budget Review**

Ms. Hall provided a report on the FY2025 SERS Administrative Budget. Ms. Hall stated that there is no action required today, this is simply a review of the draft budget. Ms. Hall restated the board’s responsibility to approve a budget before July 1 of each year. The budget process starts with a zero-based budget. The budget is monitored throughout the year by finance staff, SERS leadership, and the board. Following a robust discussion, the board thanked Ms. Hall for her presentation.

# SERS Retirement Board Meeting Minutes

## May 16, 2024

### Pensionable Compensation Discussion

SERS Legal Counsel revisited the pensionable compensation topic with the board. SERS Legal Counsel requested clarification on several types of compensation that could potentially be pensionable. Following a robust discussion, legal counsel agreed that once the board determined what compensation types would be included, the actuaries will be asked to calculate how these compensation changes would potentially affect the retirement fund. SERS Legal Counsel will create a draft rule for the board to consider at the next board meeting.

### Retirement Report

There was no executive session for the retirement report.

### Board Communication and Policy Issues

#### Board Information Request & Follow Up Items

The board requested a draft rule to address additional pensionable compensation.

#### Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2024 and noted the June meeting schedule has been adjusted due to the holiday.

### 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.)  
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.**

### Adjournment

Board Vice Chair, Matthew King, moved to adjourn to meet on Thursday, June 20, 2024, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

**SERS Retirement Board Meeting Minutes  
May 16, 2024**

The SERS board meeting adjourned at 2:34 p.m.

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Matthew King, Board Vice Chair  
(Acting Chair on 5/16/2024)

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Richard Stensrud, Secretary

DRAFT

## SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

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

The following is a summary of the investment transactions made during the period of **April 1, 2024**, through **April 30, 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	\$116.2
Fixed Income	396.4
Private Equity Capital Calls	23.4
Real Estate Capital Calls	24.2
Infrastructure Capital Calls	1.1
Opportunistic & Tactical	17.0
Global Private Credit	7.5
Cash Equivalents	279.7

## B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$168.1	29.5
Fixed Income	359.4	(4.6)
Private Equity Distributions	9.1	n/a
Real Estate Distributions	11.6	n/a
Infrastructure Distributions	5.0	n/a
Opportunistic & Tactical	n/a	n/a
Global Private Credit	5.3	0.5
Cash Equivalents	262.3	n/a

# Memo

**To:** Retirement Board  
**From:** Farouki Majeed  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** June 7, 2024  
**Re:** **Investment Report for the June Board Meeting**

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

- FY2025 Annual Investment Plan discussion. If acceptable to the Board, a resolution has been prepared for a vote to approve the FY25 Plan.
- Statement of Investment Policy Amendment. If acceptable to the Board, a resolution has been prepared for a vote to approve.
- Monthly Investment report for the period ended April 30, 2024.

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

- Quarterly Risk Report – March 31, 2024.
- Monthly Top 20 Equity and Fixed Income Holdings Reports – April 30, 2024.
- Monthly Compliance Update memo – April 30, 2024.

If anyone has any questions prior to the Board meeting, please email me at [fmajeed@ohsers.org](mailto:fmajeed@ohsers.org).



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  
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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%
<b>Total Fund</b>	<b>100%</b>		<b>100%</b>
<b>Leverage</b>	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%

**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.



- *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

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.

## 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.

## 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%.

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.

### **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.*

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 <del>Equity</del> 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:

- US Equity: Russell 3000 Index
- Non-US Equity Developed Market: MSCI World ex-USA Net Total Return Index (USD)
- 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
<b>US Equity Allocation</b>	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

<b>Non-US Equity Implementation Guidelines</b>			
	<b>Investment Benchmark</b>	<b>Global Equity Target Allocation</b>	<b>Permissible Range</b>
<b>Non-US Equity Developed Markets</b>	MSCI World ex-USA Net Total Return Index (USD)	MSCI ACWI Non-US Developed Market Allocation	+/- 7%
<b>Non-US Equity Emerging Markets</b>	MSCI Emerging Markets Net Total Return Index (USD)	MSCI ACWI Emerging Market Allocation	+/- 7%
<b>Broad Market Exposure</b>			
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%
<b>Portfolio Structure</b>			
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%
<b>Total</b>		
Domestic	55%	95%
International	5%	45%
<b>Total</b>		
Primary Commitments	75%	100%
Fund of Funds	0%	15%
Co-Investments	0%	25%
<b>Total</b>		

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.

## 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.

### **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~~  
~~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 <del>Universal Bond Index</del> <del>Aggregate Bond Index</del>
Tactical & Diversifying	200 basis points	N/A	Bloomberg US <del>Universal Bond Index</del> <del>Aggregate Bond Index</del>
Total Portfolio	60 basis points	0 – 5%	Bloomberg US <del>Universal Bond Index</del> <del>Aggregate Bond Index</del>

## 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%

**VI. PERMISSIBLE INVESTMENTS**

Security Type	Core	Core Plus	Tactical & Diversifying
<b>Governments</b>			
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
<b>Corporates</b>			
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
<b>Structured Credit</b>			
Mortgages	Y	Y	Y
Asset Backed	Y	Y	Y
Collateralized Loan Obligations	N	Y	Y
<b>Other</b>			
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.

**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%
<b>Asset Based Lending and Specialty Finance-/Other</b>	10%	0%	15%
<b>Total</b>	100%		
Domestic	60%	40%	85%
International	40%	15%	60%
<b>Total</b>	100%		
Primary Commitments	100%	80%	100%
Secondaries	0%	0%	10%
Co-Investments	0%	0%	10%
<b>Total</b>	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.



## 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 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 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.

### **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/real assets** target allocation at **13-20%**, with a permissible range of **10-15%/17%-22%**, and the **global infrastructure** target allocation at **7%**, with a permissible range of **5-10%**.

## III. BENCHMARK

The global real **estate/assets** 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
<b>Total Real Estate*</b>	<b>13%</b>	<b>10%</b>	<b>15%</b>
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%
<b>Total Infrastructure*</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>
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
<b>Secondary Transaction of Real Assets Funds</b>	<b>Y</b>
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

**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% <del>32%</del>	15% - <del>50%</del> 45%
Office	22% <del>26%</del>	5% - <del>30%</del> 40%
Retail	14%	5% - 25%
<i>Subtotal</i>	99%	80% - 100%
Niche/Other	<1%	5% - <del>25%</del> 20%
<b>Total</b>	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% <del>42%</del>	20% - 50%
East	30% <del>29%</del>	20% - 45%
Midwest	67%	5% - 20%
South	24% <del>23%</del>	10% - 35%
<b>Total</b>	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%
<b>Total</b>	<b>100%</b>	

### 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%
<b>Total</b>	<b>100%</b>	

\*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.

### **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 a 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.

### 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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**ANNUAL INVESTMENT PLAN FY 2025**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Annual Investment Plan for fiscal year ending June 30, 2025 (“the FY25 Plan”), as presented to the Board on June 21, 2024. The FY25 Plan replaces the FY24 Plan originally approved June 15, 2023.

Upon roll call, the vote was as follows:

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



# Statement of Investment Policy

<b>INV1-001</b>					
<b>Effective Date:</b>	08/02/1985	<b>Revision Date:</b>	<del>01/01/2024</del> 07/01/2024	<b>Audience:</b>	Investments
<b>Owner:</b>	Investments	<b>Certifier:</b>	Richard Stensrud	<b>Co-Owner (s):</b>	Board
<b>Document Links:</b>	Purpose, Policy, Procedure, Definitions, Related Documents, Policy History				

## I. Purpose of Statement of Investment Policy

The purpose of this Statement of Investment Policy (SIP) is to set forth the investment philosophy and objectives of the Retirement Board (Board) for the School Employees Retirement System of Ohio (SERS).

This SIP:

- A. incorporates and is subject to all restrictions and obligations set forth in Chapter 3309 of the Ohio Revised Code;
- B. establishes investment policies and describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; and
- C. establishes a framework for making investment decisions, and monitoring investment activity, and promotes effective communication between the Board, Staff, and other involved parties.

This SIP is subject to change at any time by the Board. The Board will review the SIP and revise it periodically to assure it continues to reflect the investment philosophy, objectives and strategies of the Board.

## II. Investment Philosophy

The Board recognizes the need to manage SERS assets prudently (the Total Fund) to meet its statutory and fiduciary obligations and to achieve or exceed its objectives. The Board's investment philosophy is grounded in fundamental, prudent investment principles, incorporating modern portfolio theory, risk management and portfolio management practices. These principles are incorporated in the "Investment Beliefs" below. The Board believes it can provide consistent, long-term performance at appropriate levels of risk. By delineating responsibilities and defining policy objectives, this SIP reflects the Board's investment philosophy and governance.

SERS Investment Beliefs:

### Financial Markets

- A. Capital markets are not perfectly efficient. Inefficiencies create opportunities that skilled investors could exploit to generate excess returns. Investment Staff will prudently attempt to add value by exploiting such inefficiencies across different assets selectively, although it is not easily achieved.
- B. Markets generally afford higher prospective returns for riskier assets, such as equity or credit risk premiums over the long term. Anomalies could occur in intermittent periods on account of shifting valuations. When valuations are elevated returns tend to be lower.

### Investment Process

- C. Strategic asset allocation is the key determinant of risk and return and represents the Board's tolerance for risk in achieving funding goals. It is important to diversify across risk factors and return sources and to be explicit about the role of asset classes.

- D. Risk is the likelihood of loss or less than expected outcomes and is not fully captured by a single metric such as volatility. Risk has many dimensions, subjective and objective, which must be comprehensively assessed and managed in the investment process.
- E. Long-term horizon is an advantage as it enables SERS to tolerate volatility, capture illiquidity and other risk premia, and take advantage of trends and opportunities.
- F. Costs matter. Managing fees and transaction costs adds value to the Fund. Costs must be judged relative to expected value added.

#### Organizational Skills and Design

- G. Investment success is dependent on good governance, decision process, skill and judgment. Having an experienced and talented staff with appropriate decision authority is an advantage. SERS' Board will delegate authority as appropriate to staff to facilitate execution of the investment process, but retain policy and oversight powers.
- H. Explicit investment objectives, guidelines and collaborative teamwork among staff as well as external partners is essential for success.

#### Sustainability and Corporate Governance

- I. Good governance of markets and entities comprising the markets improves outcomes for investors. SERS Board and Staff will exercise corporate ownership responsibly and with the best fiduciary interest of members and stakeholders.
- J. SERS Board and Staff must be attentive to important environmental, social and governance issues that affect markets and promote its interests in a responsible manner in the best fiduciary interest of members and stakeholders.

### III. Investment Objectives

The Investment Objectives of SERS are:

- A. to assure that SERS provides statutorily-mandated retirement benefits;
- B. to earn a net-of-fees total return that equals or exceeds over the long term the Actuarial Assumed Rate approved by the Board; and
- C. to enhance risk-adjusted investment returns of the Total Fund in a prudent and cost-effective manner.

### IV. Risk Management

- A. The Board evaluates risk in terms of the probability of not earning the actuarial assumed rate over the long-term. Diversification across asset classes, within asset classes and across investment styles, sectors and securities is employed to manage overall portfolio risk and volatility.
- B. SERS utilizes a risk budgeting approach in management of volatility risk of investment portfolios. Active risk of the Total Fund, asset class and individual portfolios and their respective risk contribution to total risk are important factors in the management of the capital allocations to individual asset classes and portfolios. The Total Fund shall be managed within a forecast active risk (tracking error) range of 0% to 3.0% relative to the policy benchmark and within the asset allocation range specified elsewhere in this SIP. Active risk is determined by asset allocation deviations and active security selection decisions as well as underlying market volatility. Furthermore, active risk (tracking error) shall be inclusive of any applied leverage. In times of high market volatility, the active risk may exceed 3%. In any event, if the active risk exceeds 3% staff will discuss this with the Board and present appropriate recommendations. The realized tracking error is also expected to be below 3% over rolling three-year periods. Individual asset classes will be managed within the tracking error range specified in the respective asset class implementation guideline. Private asset classes (Private Equity, Private Credit and Real Assets) are excluded at this point from tracking error guidelines.
- C. Other risks, including but not limited to those such as interest rate risk, credit risk, and liquidity risk, will be managed and carefully monitored by Investment Managers and Investment Staff.

## V. Implementation Approach

- A. The Board reserves certain responsibilities for itself, while delegating other responsibilities to the Executive Director, the Chief Investment Officer, the Investment Committee, Investment Staff, Investment Managers, Investment Consultants, the Investment Compliance Department and other Investment Service Providers. These responsibilities are described in this SIP.
- B. In fulfilling its fiduciary duties, the Board utilizes a competent and qualified Staff to implement the investment program and to manage daily operations.
- C. The Board utilizes Investment Managers or Funds selected by Staff to invest most assets of the Total Fund. The Board recognizes that costs associated with external Investment Managers and Funds are typically higher than costs associated with internal management. However, the Board believes external Investment Managers that act as fiduciaries possess specialized investment expertise and economies of scale, and can generate higher returns on a net-of-fee basis.
- D. The Board requires regular reporting on the Total Fund's investment program to ensure compliance with its SIP.

## VI. Investment Organization and Responsibilities

### A. Responsibilities of the **Board**

The Board as a fiduciary is responsible for ensuring that Total Fund assets are managed prudently and effectively, in compliance with applicable laws and with this SIP, for the exclusive benefit of participants and beneficiaries.

Responsibilities of the Board include:

1. establishing controls and systems to ensure that Total Fund fiduciaries comply with applicable laws;
2. establishing asset allocation and investment policies for SERS assets;
3. appointing and discharging the Executive Director and Board Investment Consultants;
4. confirming or rejecting the Executive Director's proposed appointment of a Chief Investment Officer for SERS;
5. designating the individual as Chief Investment Officer of SERS for purposes of R.C. 3309.043, and then notifying the Ohio Department of Commerce, Division of Securities in writing of the designation as required by the Ohio Revised Code;
6. monitoring and reviewing investment performance and policy compliance;
7. requesting, receiving and reviewing reports from Investment Staff, Board Consultants and other entities, if applicable;
8. approving an Annual Investment Plan;
9. approving Statement of Investment Policy and changes thereto; and
10. conducting an annual evaluation of the performance of the Board's Investment Consultant.

### B. Responsibilities of **Staff**

Staff will administer Total Fund assets as fiduciaries in accordance with applicable federal and state laws and regulations, and in accordance with this SIP, ethics laws, codes of professional conduct (in particular, the CFA Code of Ethics and Standards of Professional Conduct), and other applicable codes and/or regulations. Staff will establish plans, policies and procedures to carry out these duties.

1. The **Executive Director** is responsible for:
  - a. ensuring that reports of the Total Fund's investment performance are presented on a timely basis;

- b. retaining vendors, consultants and advisors as necessary to assist Staff, and assist the Board in the retention of Investment Consultants;
  - c. appointing, discharging and retaining the Chief Investment Officer and Investment Staff;
  - d. overseeing the investment function,
  - e. executing investment documents when necessary,
  - f. conducting a fiduciary audit of investment operations at least on a seven- to ten-year cycle unless circumstances require an audit to be conducted sooner.
2. The **Chief Investment Officer** is responsible for:
- a. overseeing the investment program and keeping the Executive Director advised;
  - b. conducting periodic asset liability studies with the assistance of Investment Consultants and recommending asset allocation targets and ranges;
  - c. reviewing the SIP on an annual basis and recommending changes as needed for approval by the Board;
  - d. preparing and presenting the Annual Investment Plan to the Board for approval;
  - e. implementing the Annual Investment Plan;
  - f. investigating, researching and recommending new and emerging investment concepts and strategies, and implementing appropriate strategies in accordance with approved policies and procedures;
  - g. informing Investment Managers, Investment Consultants, and others providing investment services to SERS about the requirements of applicable laws and Board policies, and monitoring their compliance with said laws and policies;
  - h. adjusting allocations to Asset Classes, Investment Managers and Funds as needed, subject to any approved allocation ranges;
  - i. approving implementation guidelines for each asset class to establish allocation ranges for sub-strategies, risk parameters and risk limits, and providing such guidelines to the Board;
  - j. appointing and discharging Investment Managers and approving investments in or redemptions from Funds subject to conditions and guidelines in Section VII.;
  - k. executing investment documents;
  - l. approving Investment Manager guidelines, changes and additions;
  - m. hiring and supervising Investment Staff;
  - n. monitoring and evaluating the effectiveness of executed securities transactions and reporting annually to the Board regarding the performance of agents who execute securities transactions on behalf of SERS;
  - o. regularly reporting to the Board on market conditions, the status of the Total Fund, and its multi-period performance relative to benchmarks. Performance will be calculated on a gross-of-fees and net-of-fees basis; and
  - p. Conducting Investment Committee meetings as the Chair and ensuring appropriate due diligence prior to investment decisions.
3. The **Investment Committee** is responsible for:
- a. ensuring that a policy and procedure are in place defining the Committee's structure and establishing rules for reviewing and approving investments;
  - b. reviewing Investment Manager and Fund due diligence; and

- c. approving Investment Managers or Funds.
- 4. The **Investment Staff** is responsible for:
  - a. regularly reporting the status of the respective asset classes and Total Fund and its multi-period performance to the Chief Investment Officer;
  - b. periodically meeting and speaking with existing or potential Investment Managers to review and assess the quality of their investments and management of assets;
  - c. performing ongoing due diligence to evaluate and monitor Investment Manager capabilities relative to managing Total Fund assets;
  - d. recommending to the Chief Investment Officer implementation guidelines for the respective asset classes to establish allocation ranges for sub-strategies, risk parameters and risk limits, and managing the portfolio to the approved implementation guidelines;
  - e. recommending to the Chief Investment Officer any additions or withdrawals from Investment Manager accounts or Funds, or rebalancing of asset class allocations;
  - f. recommending to the Chief Investment Officer and the Investment Committee the appointment or discharge of Investment Managers and investments in or redemptions from Funds;
  - g. investing assets of the cash equivalents portfolio;
  - h. investigating and researching new and emerging investment concepts and strategies, and recommending those strategies to the Chief Investment Officer;
  - i. preparing periodic reports for the Chief Investment Officer on the performance of agents who execute securities transactions on behalf of SERS; and
  - j. maintaining a list of Ohio-qualified Investment Managers and their investment products.

C. Responsibilities of **Investment Service Providers**

Investment Service Providers who do business or seek to do business with SERS will act in the best interest of SERS when providing services to SERS or the Total Fund. Investment Service Providers will:

1. comply with all applicable federal and state laws and regulations, with this SIP, and with all applicable professional codes and regulations;
2. have established ethics and conflict of interest policies and procedures, and proper internal compliance controls in place as needed;
3. at the earliest opportunity disclose to Investment Staff any actual or potential conflict of interest;
4. as permitted by law, disclose any investigation of, or litigation involving, its operations to Investment Staff; and
5. provide annual or other periodic disclosures as required.

D. Responsibilities of **Investment Managers**

Investment Managers and Investment Staff managing assets internally are responsible as fiduciaries for investing prudently the Total Fund assets. In addition to those applicable responsibilities described in VI.B., Investment Managers and internal Investment Staff members will:

1. manage assets within their control in compliance with all applicable federal and state laws and regulations, including but not limited to applicable ethics requirements, this SIP, contractual obligations, and applicable professional codes of conduct;
2. inform the Chief Investment Officer and Investment Staff of any substantial changes in investment strategy, portfolio structure, asset value, and of any organizational changes,



including that of ownership, affiliation, organizational structure, financial condition, or changes in professional personnel staffing in the investment management organization;

3. present in-depth reports to Investment Staff;
4. recommend to Investment Staff changes to investment guidelines the Investment Manager believes would enhance investment performance on a risk adjusted basis; and
5. select such agents for the execution of transactions, at such prices, and at such commission rates as in the good faith judgment of the Investment Manager will be in the best interest of the Total Fund, taking into consideration in the selection of such agents not only the available prices and rates of brokerage commissions, but also other factors relevant to the transaction.

E. Responsibilities of ***Investment Consultants***

Investment Consultants will:

1. provide services as fiduciaries and in accordance with all applicable federal and state laws and regulations, including but not limited to applicable ethics requirements; in accordance with this SIP and its written Agreement with SERS; and with all applicable professional codes and/or regulations;
2. provide independent and unbiased research, information and advice to the Board and Staff;
3. assist in the development and amendment of this SIP;
4. assist in the development of investment guidelines as may be requested by Staff;
5. assist in the development of strategic asset allocation targets and ranges;
6. assist in the development of performance measurement standards;
7. monitor and evaluate Investment Manager and Fund performance as appropriate on an ongoing basis;
8. recommend to Staff the retention or discharge of Investment Managers and investment in or redemption from Funds;
9. collaborate with Investment Staff on the due diligence of potential Investment Managers and Funds, and existing Investment Managers and Funds, as requested by Staff;
10. assist in the development of criteria for and procedures to be utilized in the selection of Investment Managers and Funds;
11. provide research, information and advice on investment topics and strategies considered relevant by the Investment Consultant, or when requested by the Board or Investment Staff;
12. provide those services delineated in the Advisory or Consultant Agreement;
13. provide any other advice or services that the Board, Executive Director or Chief Investment Officer determines are necessary, useful or appropriate to fulfill the objectives of this SIP; and
14. regularly report the status of the Total Fund and its multi-period performance to the Board. Performance will be calculated on a net-of-fee basis.

F. Responsibilities of the ***Investment Compliance Department***

The Investment Compliance Department is responsible for:

1. monitoring and reporting compliance with this SIP and Board Resolutions;
2. ensuring that investment management agreements and related contracts comply with the SIP;
3. ensuring that Investment Service Providers and Investment Managers comply with Section VI., herein; and
4. identifying and, in concert with Investment Staff, resolving compliance violations by Investment Managers and Investment Staff relative to their respective investment guidelines.

Staff will ensure that those accounts with guideline violations are efficiently and effectively brought back into compliance;

G. Responsibilities of the **Government Relations Officer**

The Government Relations Officer is responsible for:

1. promptly voting proxies and related actions in accordance with Board approved procedures, and maintaining detailed records of proxy votes and related actions for the Proxy Review Committee; and
2. reporting proxy voting activity to the Board on a quarterly basis and highlighting any emerging issues related to this activity.

H. Responsibilities of the **Investment Accounting Department**

Responsibilities of the Investment Accounting Department related to the Investments Department are defined in Policy FIN4-004 Investment Valuation.

**VII. Conditions and Guidelines for Making Investments**

A. Conditions

1. In cooperation with legal counsel, Staff will endeavor to ensure that the legal structure of each investment limits potential losses to no more than the amount invested;
2. Investments will be of institutional quality;
3. Investments will require the approval of the Chief Investment Officer and the Investment Committee;
4. Investment documents must be approved by SERS' Legal Department and the Investment Compliance Department;
5. The Investment Committee will develop and implement definitive procedures for approving investments in accordance with this SIP; and
6. The Chief Investment Officer or the Executive Director must sign the necessary investment documents when making investments.

B. Guidelines

1. Selected Investment Managers and Funds will have proven track records in the strategy;
2. Monthly reporting by the Fund or Investment Manager is preferred, but there shall be quarterly reporting at a minimum;
3. The liquidity of an investment will be prudent, both for the strategy and for the Total Fund;
4. The amount invested with an Investment Manager or in a Fund will be prudent for the strategy; and
5. Investment limits established by Board resolution remain in effect until modified or eliminated by the Board.

**VIII. Implementation Strategies**

A. Asset Allocation

The Board will conduct an asset and liability study every three- to five-years or sooner, if necessary, in order to establish allocation targets and ranges for asset classes within distinct capital markets. Staff, with the assistance of consultants, will review annually the market outlook and expected returns for asset classes with the Board. If there are significant changes in return assumptions, Staff will conduct an interim review of the Asset Allocation Policy.

In order to identify the investment horizon of SERS and its cash flow requirements, liability considerations will include but not be limited to current and expected future values of the benefits, contributions and total assets.

After giving due consideration to an asset and liability study conducted by the Investment Consultant, which study meets the requirements of this SIP, the Board hereby recognizes and reaffirms the following asset allocation for SERS:

	<b>TARGET</b>		<b>RANGE</b>
<b><u>Equity</u></b>		<b>54%</b>	<b>44% -- 64%</b>
Global Equities	40%		35% - 45%
Global Private Equity	14%		11% - 17%
<b><u>Income</u></b>		<b>26%</b>	<b>41% - 51%</b>
Global Fixed Income	18%		13% - 23%
Global Private Credit	5%		3% - 7%
Cash Equivalents	3%		1% - 5%
<b><u>Global Real Assets (Inflation)</u></b>		<b>20%</b>	<b>17% - 22%</b>
Real Estate	13%		10% -15%
Infrastructure	7%		5% - 10%
<b><u>STRATEGY</u></b>			
Opportunistic and Tactical Investments		0%	0% - 5%
<b>Total</b>	100%	<b>100%</b>	
<b>Leverage</b>		<b>0%</b>	<b>0% - 10%</b>
<b>Total Notional Exposure (Including Leverage)</b>		<b>100%</b>	<b>100% - 110%</b>

#### B. Derivatives

The Board authorizes the use of derivatives in the Total Fund and authorizes the Chief Investment Officer, with the advice and assistance of the Investment Consultant, to develop and implement derivatives strategies as needed. The Chief Investment Officer will follow the derivatives policy setting forth general guidelines for the use of derivatives.

#### C. Leverage

The Board authorizes the use of leverage in the Total Fund and authorizes the Chief Investment Officer, with the advice and assistance of the Investment Consultant, to develop and implement certain leverage strategies. The Chief Investment Officer will follow the leverage policy setting forth general guidelines for the use of leverage. Leverage at the total fund level may be used to gain higher level of exposure than 100% of the above asset allocation targets subject to a limit of 10% of total fund. Economic leverage is obtained by the use of derivatives (equities, bond or other liquid assets) and may be employed to balance risk contribution and/or potentially enhance total fund return. Any active

risk introduced by the total fund leverage shall be governed by the limits specified in Section IV (Risk Management) above.

#### D. Rebalancing

The Total Fund rebalancing is conducted by the Chief Investment Officer within the active risk limit specified in Section IV. (Risk Management) as well as asset class portfolio ranges specified in Section VIII. Within individual asset classes, rebalancing is conducted based on the specific targets and ranges of the sub-strategies specified in the implementation guidelines subject to the overall tracking error limit of each asset class.

#### E. Currency Hedging

The Board authorizes currency hedging in the Total Fund and authorizes the Chief Investment Officer to develop and implement currency hedging strategies as needed. Currency hedging programs and managers shall be approved by the Investment Committee.

#### F. Transition Management

The Board authorizes the Executive Director and the Chief Investment Officer to hire Transition Managers as needed.

#### G. Proxy Voting

The Board authorizes the Proxy Review Committee, which consists of staff members from Executive and Investments, to vote proxies of common stock owned by SERS and to hire proxy services as required to implement this strategy. The Proxy Review Committee will follow a process for voting proxies as described in the Proxy Voting Procedures document.

#### H. Securities Lending

The Board authorizes Investment Staff to develop and implement a securities lending program which may involve the appointment or discharge of third party securities lending agents by the Executive Director or the Chief Investment Officer. The Board recognizes that while the practice of securities lending can generate meaningful income for the Total Fund, it is not without investment risk. To mitigate investment risk the securities lending program will focus on intrinsic value lending and use conservative collateral reinvestment guidelines as outlined in the securities lending policy. If Staff determines the risk/reward relationship of the program is no longer advantageous for the Total Fund, the program will be discontinued.

#### I. Opportunistic and Tactical Investments

The Board authorizes Investment Staff to invest up to 5% of Total Assets in Opportunistic and Tactical Investment Strategies. These investments will comply with the Opportunistic and Tactical Investment Policy approved by the Chief Investment Officer.

#### J. Overlay Program

The Board authorizes Investment Staff to invest in an overlay program which includes tactical asset allocation and active currency strategies. The overlay program trades derivatives of the Total Fund's underlying assets and foreign currency exposures to enhance Total Fund's risk adjusted return. The net notional exposures of the tactical asset allocation should be zero and the gross notional exposure of the currency program is limited to 50% of the Non-US Equity portfolio value. The active risk (tracking error) of the overlay positions are governed by the overall tracking error limit for the Total Fund as stated in Section IV. (Risk Management).

#### K. Investment Managers and Funds

The Board authorizes the Chief Investment Officer and the Investment Committee to approve Investment Managers and Funds based upon recommendations of Investment Staff or Investment Consultants, as may be appropriate, and discussions with Managers. The Chief Investment Officer is authorized to discharge Investment Managers or Funds and report such actions to the Investment Committee or to present the discharge action to the Investment Committee for approval on a

discretionary basis. Allocations to approved Investment Managers and Funds will be determined or adjusted by the Chief Investment Officer in accordance Section VI. Allocations and adjustments are subject to any maximum allocation amounts established by the Board.

Investment Managers will adhere to investment guidelines established by Investment Staff, as well as all applicable laws and policies. The Chief Investment Officer is authorized to establish and amend investment guidelines as needed.

It is a goal of the Board to increase the utilization of Ohio-qualified Investment Managers when an Ohio-qualified Investment Manager offers quality, services and safety comparable to other Investment Managers available to the Board, and the use of such Investment Manager is consistent with the Board's fiduciary duties.

The Board will require that a list of Ohio-qualified Investment Managers and their investment products be maintained, and that public notice be given to Ohio-qualified Investment Managers of Investment Manager searches and search criteria.

SERS will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women.

#### L. Co-investments

The Board authorizes the Chief Investment Officer to approve co-investments in a single investment within a Fund investment previously approved by the Investment Committee. A single co-investment is limited to \$25 million. Such approvals shall be reported to the Investment Committee with supporting investment memoranda. The Chief Investment Officer may present the co-investment to the Investment Committee for approval (on a discretionary basis) if time permits.

#### M. Collective Investment Funds

To the extent SERS' assets are invested in a group trust described in IRS Revenue Ruling 81-100, the instruments governing such trusts, as they may be amended from time to time, are hereby incorporated by reference and made part of the SIP as if fully set forth herein.

#### N. Approved Brokers

Brokers (or broker/dealers) who may provide execution of securities transactions for SERS will be evaluated on the basis of financial soundness, underwriting capabilities, research services, execution costs, and any other capabilities necessary in the execution of such transactions. Investment Managers who use such brokers will use their good faith judgment to ensure that said brokers will perform in the best interest of the Total Fund.

It is a goal of the Board to increase its utilization of Ohio-qualified brokers for the execution of domestic equity and domestic fixed income trades when an Ohio-qualified broker offers quality, services, and safety comparable to other brokers available to the Board or its Investment Managers, and the use of such broker is consistent with the Board's fiduciary duties.

SERS will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women.

#### O. Soft Dollars

SERS allows investment managers to enter into limited soft dollar trading arrangements as governed by the "safe harbor" provision of Section 28(e) of the Securities and Exchange Act of 1934, and guided by the CFA Institute Soft Dollar Standards. SERS does not support any new soft dollar arrangements outside of these noted provisions.

#### P. Securities Litigation

SERS will follow the securities litigation policy and procedures as approved by the Board in setting out a course of action that best represents the interests of SERS' participants and beneficiaries.

#### Q. Other

The strategies listed herein are not meant to constrain the Chief Investment Officer from managing the investment program in a prudent manner. The Chief Investment Officer may develop additional investment strategies as needed and will discuss such additional strategies with the Board prior to implementation.

**IX. Performance**

**A. Performance Measurement Standard**

Performance evaluation for the Total Fund will focus on total return, on an accrual accounting basis, including realized and unrealized capital gains and losses, and income. Valuations are to be made at least on a quarterly basis, and period returns are to be geometrically linked. Private market asset returns may be reported one quarter in arrears. Cash and cash equivalents will be included in the portfolio’s return. Performance will be calculated on a gross-of-fee and net-of-fee basis.

**B. Performance Benchmark – Total Fund**

Performance of the Total Fund relative to benchmarks will be examined monthly, and will be reported for multiple time periods as needed. The Board’s Investment Consultant will report performance net-of-fees on a quarterly basis.

The performance benchmark for the Total Fund will be the target-weighted average of the performance benchmark for each asset class and strategy grouping as stated in Section VIII, excluding leverage. Performance for the Total Fund shall be reported including total fund leverage.

In the event of a significant change in policy targets, the Board may approve interim targets for a period to move progressively toward the final target; interim targets may be used for the purpose of calculating the Total Fund policy benchmark in the interim period.

**C. Performance Benchmarks – Asset Classes and Strategies**

The long-term performance benchmark for each asset class is shown below. Performance benchmarks are determined as appropriate for SERS in cooperation with SERS’ Investment Consultant. For purposes of this section, long-term refers to rolling three- to five-year periods. Performance in each asset class should meet or exceed the Benchmark measure.

<b>ASSET CLASS</b>	<b>BENCHMARK MEASURE</b>
Global Equities	MSCI All Country World Net Total Return Index (USD)
Global Private Equity	Burgiss All Private Equity benchmark (BAPE) (one quarter in arrears)
Global Fixed Income	Bloomberg US <del>Universal</del> Aggregate Bond Index
Global Private Credit	90 day Treasury bill rate+4.5% (one quarter in arrears)
Global Real Assets	NCREIF Property Index (one quarter in arrears)
Global Infrastructure	Quarterly (4 qtrs.) smoothed CPI +1.20% per quarter
Cash Equivalents	FTSE 30 Day Treasury Bill
<b>STRATEGY</b>	<b>BENCHMARK MEASURE</b>
Opportunistic and Tactical Investments	Bloomberg US Aggregate Bond Index + 2%

**D. Performance Benchmarks – Individual Investment Managers**

Investment Staff will establish performance benchmarks for each Investment Manager based on its respective style.

**X. Review and Evaluation**

The Board will review and evaluate periodic reports on the investment performance of Total Fund assets. Greater emphasis will be placed on three- to five-year results. The intended frequency for review and evaluation, subject to change by the Board, is as follows:

- A. Monthly – Investment Report including Total Fund Fair Market value, asset allocation, performance of the Total Fund and each asset class, and the Total Fund’s compliance with this SIP.
- B. Quarterly – Summary Investment Report presented by the Investment Consultant, including highlights and commentary about market conditions, investment performance, asset composition and characteristics for each asset class, and relevant manager level information.

**XI. Related Policies and Procedures**

A list of related policies and procedures that govern the investment program is attached as Appendix I.

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**Appendix I - Related Policies**

SIP	Number	Document
	INV1-001	Statement of Investment Policy
VIII	INV1-002	Derivatives Policy
VIII	INV1-003	Leverage Policy
VIII	INV1-004	Opportunistic and Tactical Investment Policy
IV	INV1-006	Investment Risk Management Policy
VIII	INV1-007	Securities Lending Policy
VI	INV1-012	Cash Equivalents Portfolio Investment Guidelines Policy
VIII	INV1-014	Cash Equitization Policy
VI	INV1-024	Investment Committee and Investment Approval Policy
VIII	INV1-025	Private Market Co-Investment Policy
VI	INV3-001	Investment Oversight Policy
VIII	BD3-008	Securities Litigation Policy
VIII	EXE6-002	Proxy Voting Policy

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**Appendix II – Glossary of Terms**

**Active Risk** – also known as Tracking Error, describes how a portfolio’s performance is different from its benchmark and is measured by the standard deviation of the differences in returns of the actual portfolio and the benchmark portfolio.

**Active Share** – the Active Share of a fund represents the percent of portfolio holdings that differ from the (declared) benchmark index holdings.

**Actuarial Assumed Rate** – also referred to as the actuarial discount rate. This rate is used to value a pension fund’s liabilities and is also used as a long-term investment return objective.

**Asset and Liability Study** – a study to determine the appropriate level of overall investment risk for a pension plan, based on future liabilities and funding resources. The study helps maximize the probability that the return on plan assets exceeds the growth of plan liabilities.

**Benchmark** – a gauge in the securities market by which investment performance can be measured, such as the Standard & Poor’s 500 Index.

**Bloomberg US Aggregate Bond Index** – a market capitalization weighted US bond index published by Bloomberg. Most US traded investment grade bonds are represented in the index. 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.

**Broker** – an individual or firm authorized to act on behalf of another, such as executing a transaction. The broker does not assume any financial risk in the transaction, as a dealer would.

**Brokerage Commission** – fee paid to a broker for the purchase and sale of securities.

**Broker/dealer** – any individual or firm in the business of buying and selling securities for itself and others. Broker/dealers must register with the SEC. When acting as a broker, a broker/dealer executes orders on behalf of a client. When acting as a dealer, a broker/dealer executes trades for the firm's own account. Securities bought for the firm's own account may be sold to clients or other firms or become a part of the firm's holdings.

**Burgiss All Private Equity (BAPE)** – The 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.

**Cash Securitization** – Cash securitization is a method used to obtain asset-like returns on short-term cash investments in equity, fixed income or other accounts by overlaying the short-term cash investments with relevant futures. Securitization of equity cash is referred to as cash equitization.

**Cash Equivalents** – highly liquid, safe investments with maturities of 397 days or less, which can be easily converted into cash. Examples include Treasury Bills, money market funds, and quality commercial paper. The cash equivalents asset class serves as a liquidity pool for SERS.

**Chapter 3309, Ohio Revised Code** – the Ohio statute governing the School Employees Retirement Board and School Employees Retirement System of Ohio.

**Co-investment** – a direct investment in a single asset of a private market Fund, made alongside the Fund’s investment in the asset; typically involves more attractive terms and shorter time frames than those of the Fund.

**Collective Investment Fund** – A fund that is operated by a trust or bank and holds commingled (pooled) assets.

**Conflict of Interest** – a direct or indirect pecuniary interest or a relationship (without regard to whether the relationship is personal, private, commercial, or business) and the interest or relationship could diminish the Investment Service Provider’s independence of judgment in the performance of its responsibilities to SERS; or bias the Investment Service Provider’s evaluation of, or advice with respect to, a transaction or assignment on behalf of SERS.

**Credit Risk** – the possibility that a bond issuer will default by failing to repay principal and interest in a timely manner.

**Currency Hedging** – also known as Currency Management. A technique or strategy used to address foreign exchange fluctuations which affect investment returns on international investments. Currency hedging can be active, passive, or a combination of active and passive. Passive hedging is a strategy to



neutralize fluctuations between US and Non-US currencies to a predetermined level. Active hedging is a strategy to manage currency fluctuations in an effort to generate returns.

**Default Risk** – see Credit Risk.

**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** – spreading a portfolio over many investments to avoid excessive exposure to any one source of risk.

**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.

**External Management** – the management or investment of fund assets by Investment Managers.

**Fiduciary** – a person, company or association holding assets in trust for a beneficiary. One who can exercise discretionary authority or can control important aspects of a pension plan's management.

**Firm Level** – as used in this SIP, Firm Level refers to an Investment Management Firm and includes all investment products, strategies or styles offered by the firm.

**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."

**Foreign Currency Risk** – incurred by investing in foreign countries. Fluctuations in exchange rates between domestic and foreign currencies impact total returns. Impacts may be positive or negative.

**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.

**Fund** – Fund means a limited partnership, trust or commingled investment vehicle in which SERS invests or may invest (e.g., hedge 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 investment allocation guidelines established and amended as necessary, by mutual agreement between the Chief Investment Officer and the Investment Consultant.

**Global Private Credit** - broadly defined as strategies that provide loans and financing to middle market companies in lieu of bank financing. Strategies can have objectives of either preserving capital, with return coming primarily from current pay coupon and fees or maximizing appreciation of more subordinated loans.

**Guidelines** – refers to an Investment Manager's "Investment Guidelines," established between the Investment Manager and Staff as part of an investment management agreement. Guidelines may be general or specific.

**Hedge Fund** – a private investment partnership or an offshore investment corporation in which the general partner has made a substantial personal investment, and whose offering memorandum allows for the Fund to take both long and short positions, using leverage and derivatives, and invest in many markets. Hedge funds often use strategies involving program trading, selling short, swaps and arbitrage.

**Indexing** – the weighting of investments that are in line with one of the major market indices, such as the Standard & Poor's 500 Index. Also referred to as passive investing.

**Interest Rate Risk** – the risk that an investment's value will change due to a change in the absolute level of interest rates.

**Internal Management** – the management or investment of fund assets by Investment Staff.

**Intrinsic Value Lending** – lending that produces returns based upon the securities loan itself, with little incremental benefit from collateral reinvestments.

**Investment Committee** – a committee comprised of the Chief Investment Officer and Investment Officers from SERS' Investment Department who possess the 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 this SIP. 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 equity, real estate, hedge funds, commodities and cash.

**Investment Program** – the implementation of SERS' investment responsibilities and the Board's SIP by fund fiduciaries.

**Investment Service Provider** – an entity or person, other than a Retirement Board member or SERS employee, who provides investment advice to SERS intended to affect or form a basis for investment or fund management decisions by SERS, including but not limited to (a) Investment Consultants, (b) Investment Managers, (c) agents, (d) broker/dealers, (e) master record keepers, and (f) custodian.

**Investment Staff** – members of the Investment Department of SERS, including the Chief Investment Officer, State Retirement System 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.

**Liquidity Risk** – the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or to make the required profit.

**Long-term** – in the context of SERS' liability and investment horizons, long-term is assumed to be at least 10 years.

**Mandate** – mandate is the macro or high-level strategy employed by a manager. Examples of macro strategies include US versus Non-US; large cap versus small cap; real estate versus private equity; etc.

**Master Record Keeper** – the master accountant used by SERS.

**Modern Portfolio Theory** – a theory about how rational investors can construct portfolios in order to optimize market risk for expected returns, emphasizing that risk is an inherent part of higher reward. According to the theory, it is possible to construct an "efficient frontier" of optimal portfolios offering the maximum possible expected return for a given level of risk. This theory was pioneered by Harry Markowitz in his paper "Portfolio Selection," published in 1952 by the *Journal of Finance*.

**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.

**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).

**Private Market Assets** – broadly defined as those assets of alternative mandates utilizing either publicly- or privately-traded securities or other investment instruments. These include, but are not limited to, real assets, private equity, private credit and hedge funds.

**Proxy** – an agent legally authorized to act on behalf of another party. Shareholders not attending a company's annual meeting may choose to vote their shares by proxy by allowing someone else to cast votes on their behalf. Management often encourages shareholders to vote by proxy so that ownership interests are fully represented even if shareholders are unable to attend the company's annual meetings in person.

**Prudent (Prudent Person)** – this phrase generally refers to the prudent person rule which is a legal maxim restricting the discretion in a client's [account](#) to [investments](#) only in those [securities](#) that a prudent person seeking reasonable [income](#) and preservation of [capital](#) might [buy](#) for his or her own [investment](#).

**Rebalancing** – the action of adjusting allocations relative to their targets or ranges to adjust for actual or anticipated market movements.

**Risk** – the chance that an investment's actual return will be different than expected. This includes the possibility of losing some or all of the original investment. It is usually measured by calculating the standard deviation of the historical returns or average returns of a specific investment.

**Risk-Adjusted Return** – a measure of how much risk a Fund or portfolio takes on to earn its returns, usually expressed as a ratio. Usually expressed by a Sharpe Ratio or Information Ratio calculation.

**Russell 3000 Index** – a market-value weighted equity index published by the Frank Russell Company. 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.

**Securities Lending** – the temporary loan of a security from an institutional investor's portfolio to a broker/dealer or dealer bank to support that firm's trading activities. These trading activities include short selling, selling on margin or the satisfaction of some other type of transaction. Loaned securities are generally collateralized, reducing the lender's credit exposure to the borrower. Except for the right to vote proxies, the lender retains entitlement to all the benefits of owning the original securities, including the receipt of dividends and interest.

**Securities Litigation** – refer to SERS' Securities Litigation Policy.

**Soft Dollars** – Soft dollar trading arrangements refer to agreements whereby an investment manager directs transactions to a broker in exchange for brokerage and research services. The research services provided to the investment manager may be either proprietary or originate with a third-party.

**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.

**Total Fund** – Total Fund refers to SERS' total investment assets.

**Total Return** – the return on an investment, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period.

**Tracking Error** – a divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. Calculated as the standard deviation of the difference in returns between a portfolio and its benchmark.

**Transition Management** – management of the transition of assets from one portfolio to another by a transition manager.

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## Related Documents and Information

Statutes:	R.C. 3309, Ohio Revised Code
Rules:	N/A
Document Links:	Purpose, Policy, Procedure, Definitions, Related Documents, Policy History
Forms:	---

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## Policy History

This policy supersedes the policy adopted August 2, 1985 and all revised policies dated [1/1/24](#); [7/1/23](#); [7/1/22](#); [2/17/22](#); [2/18/21](#); [7/1/20](#); [9/17/15](#); [6/18/15](#); [12/18/14](#); [5/01/14](#); [1/01/14](#); [7/01/13](#); [1/19/12](#); [7/21/11](#); [7/01/10](#); [2/01/09](#); [8/01/08](#); [2/21/08](#); [10/01/07](#); [10/20/05](#); [9/15/00](#); [10/23/98](#); [6/19/98](#); [12/12/97](#); [7/25/97](#); [3/21/97](#); [12/20/96](#); [11/22/96](#); [6/21/96](#); [4/25/96](#); [9/15/95](#); [7/28/95](#); [6/16/95](#); [3/17/95](#); [1/20/95](#); [10/21/94](#); [5/20/94](#); [3/06/92](#); [4/07/89](#); [9/04/87](#); [1/09/87](#).

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**STATEMENT OF INVESTMENT POLICY AMENDMENTS**

As discussed during the June 21, 2024, Board meeting, \_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve amendments to the Statement of Investment Policy. The amended Statement of Investment Policy will become effective July 1, 2024, and replaces the Statement of Investment Policy dated January 1, 2024.

Upon roll call, the vote was as follows:

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



# Ohio SERS Investment Report

## Monthly Report to the Board

For the period ending: April 30, 2024

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

*Meeting Date: June 2024*



## Investment Agenda

FY25 Annual Investment Plan (possible vote)  
Statement of Investment Policy Amendment (possible vote)  
Monthly Investment Report (April 30, 2024)



## Economic and Financial Market Outlook

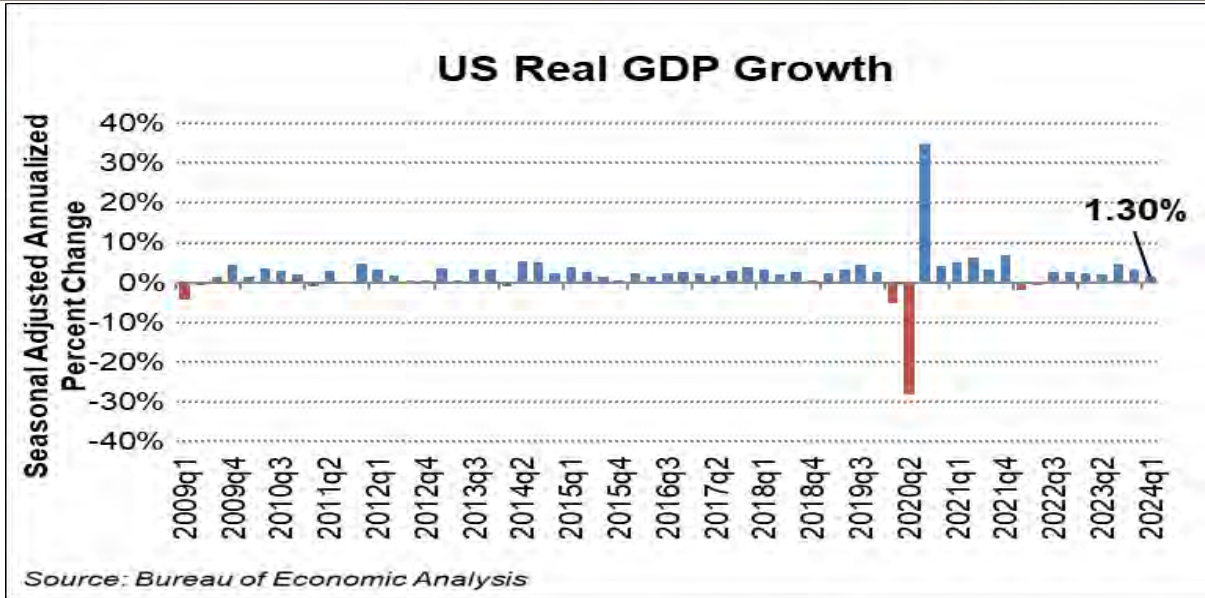
- The US economy increased 1.3% in Q1 2024, down from 3.4% in Q4 2023. The slowdown was mainly due to a softer increase in exports and government expenditures and investment. The Federal spending declined 0.7% in Q1. The personal consumption expenditures (PCE) growth declined to 2.0% from 3.5% in the previous quarter. The BCEI consensus' growth projection remained 2.4% for 2024. (Source: Bureau of Economic Analysis and Blue Chip Economic Indicators (BCEI))
- The US labor market remained resilient although weakened, adding 175,000 jobs in April. It missed expectations and declined by 129,000 from the previous month. The unemployment rate increased by 0.1% to 3.9%. The labor force participation was steady at 62.7%, remaining below the pre-pandemic level of 63.3%. (Sources: Bureau of Labor Statistics and Department of Labor).
- US headline inflation was 3.4% in April, 0.1% lower than the previous month. The food index appreciated 2.2% while the energy index increased 2.6% for the last 12 months. Core inflation declined 0.2% to 3.6% in April. Rent inflation remained elevated with a 5.5% increase over the last 12 months. (Source: Bureau of Labor Statistics).
- The 10-year Treasury nominal yield decreased by 17 bps to 4.51% as of May 31st. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and current headline inflation was 1.29%, trending up, and approaching 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 1.6% for the month and up 7.4% for the last 12 months as of March 2024.
- The Consumer Sentiment Index released by Thomson Reuters and University of Michigan was 69.1 for May, down by 10.5% from the previous month. Both the US and Global Economic Surprise indices declined in May with the US reading at (8.9) and Global at 5.6. The April Leading Economic Index (LEI) issued by the Conference Board was 101.8, contracting 0.6% for the month and 1.9% for the 6-month period, indicating softer economic growth ahead.
- The US Manufacturing PMI was 48.7%, dipping further in contraction in May. The US Service PMI declined to 49.4%, indicating contracting activities in the service sector for the first time after 15 consecutive months of expansion. Global Manufacturing PMI improved to 50.9, showing expanding activities. Overall, 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 up in May. The US market (Russell 3000) and Non-US Developed markets (MSCI World ex-USA) were up 4.72% and 3.82%, respectively. The emerging markets were up 0.56%.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was up 1.70% in May.





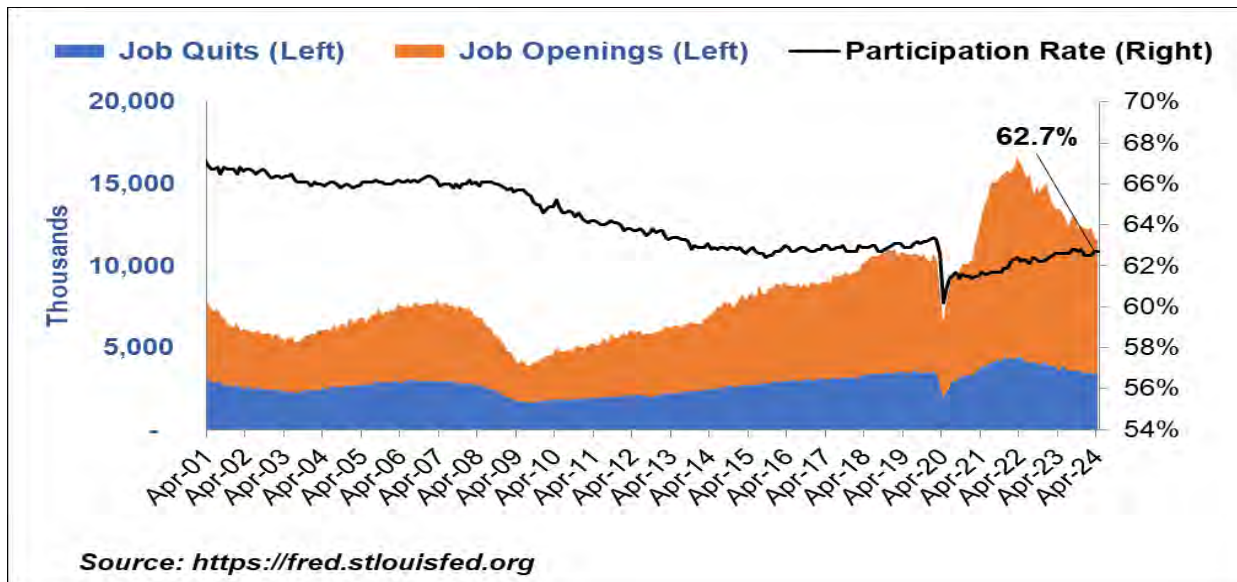
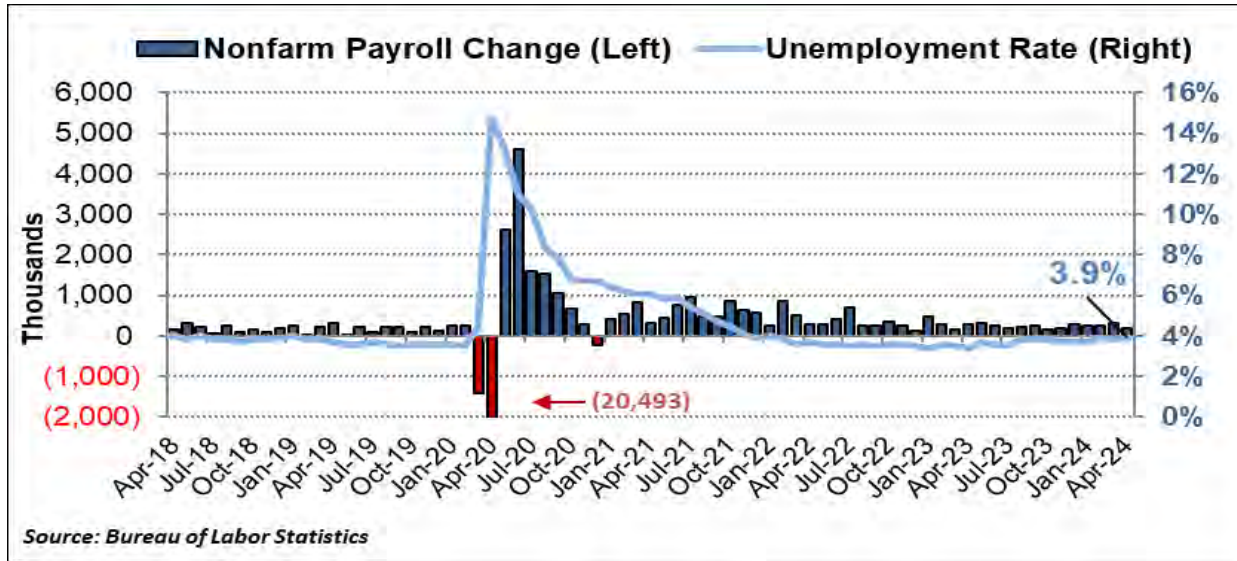
**ECONOMY**

**US Real Gross Domestic Product**





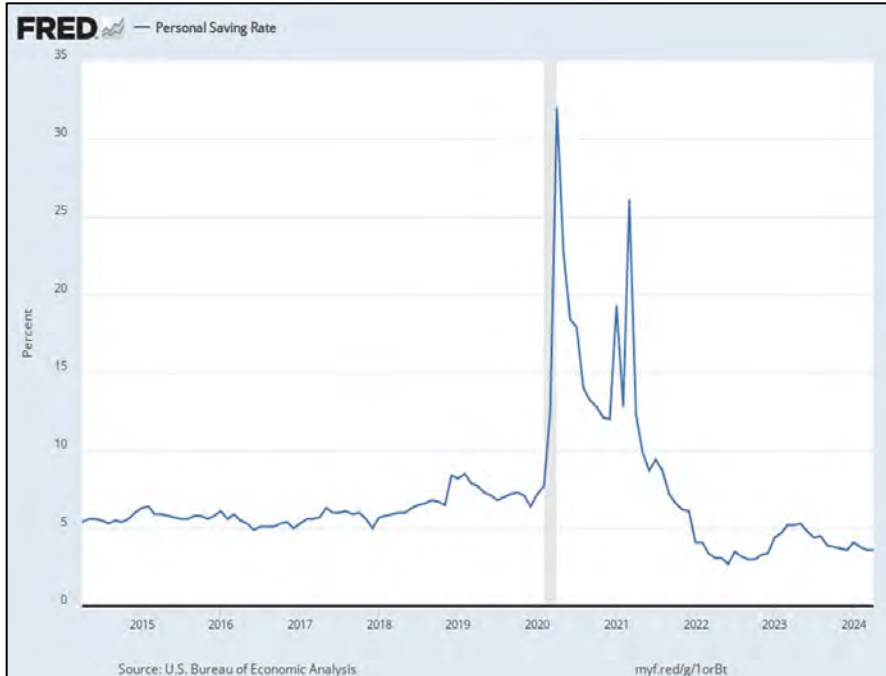
# ECONOMY US Labor Market





**ECONOMY**

**Personal Savings Rate & Personal Expenditures: Goods**



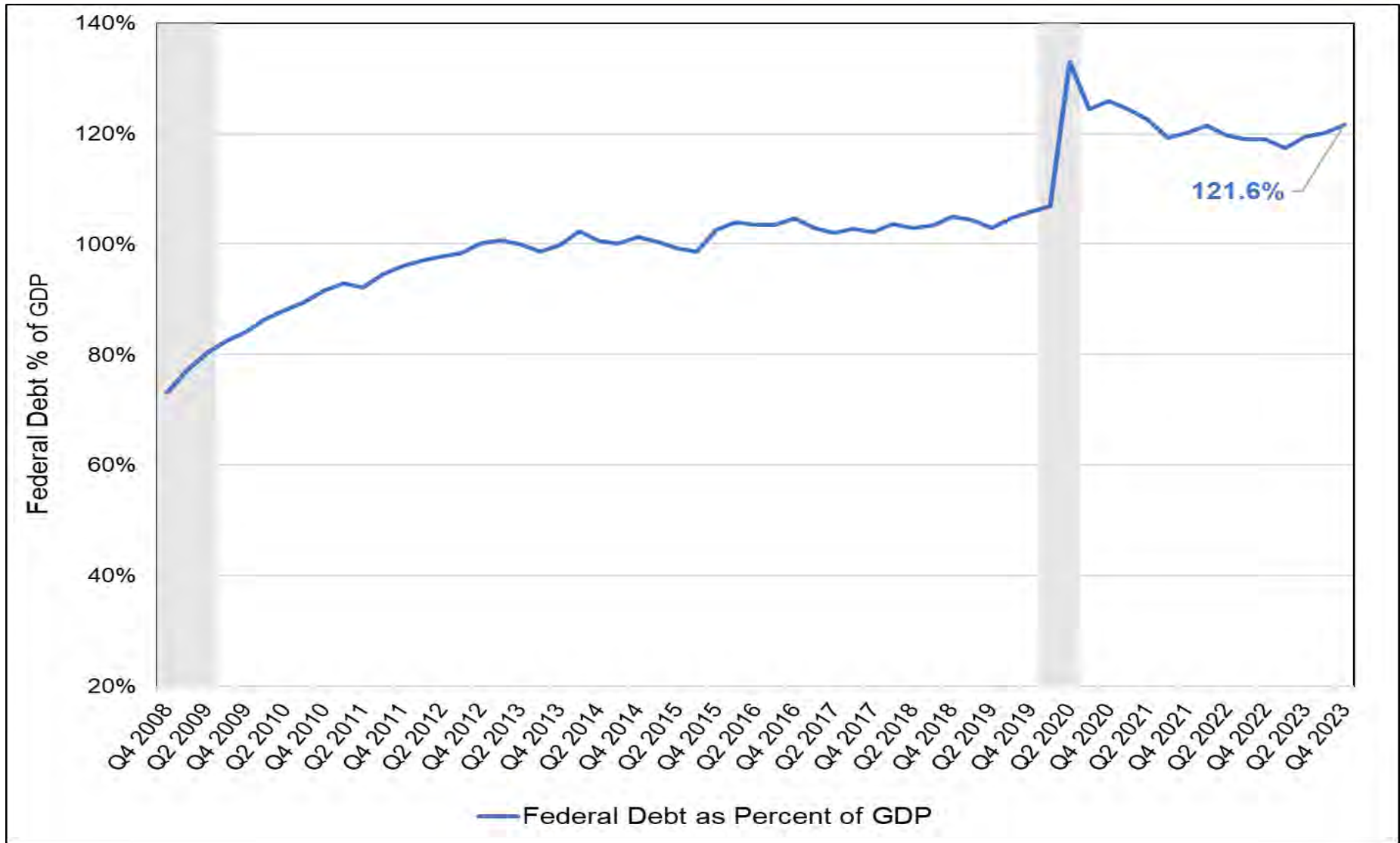
Date	Annual Personal Savings Rate
Jun-20	18.4%
Jun-21	8.7%
Jun-22	2.7%
Jun-23	4.8%
Apr-24	3.6%

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%
Apr-24	2.0%



**ECONOMY**

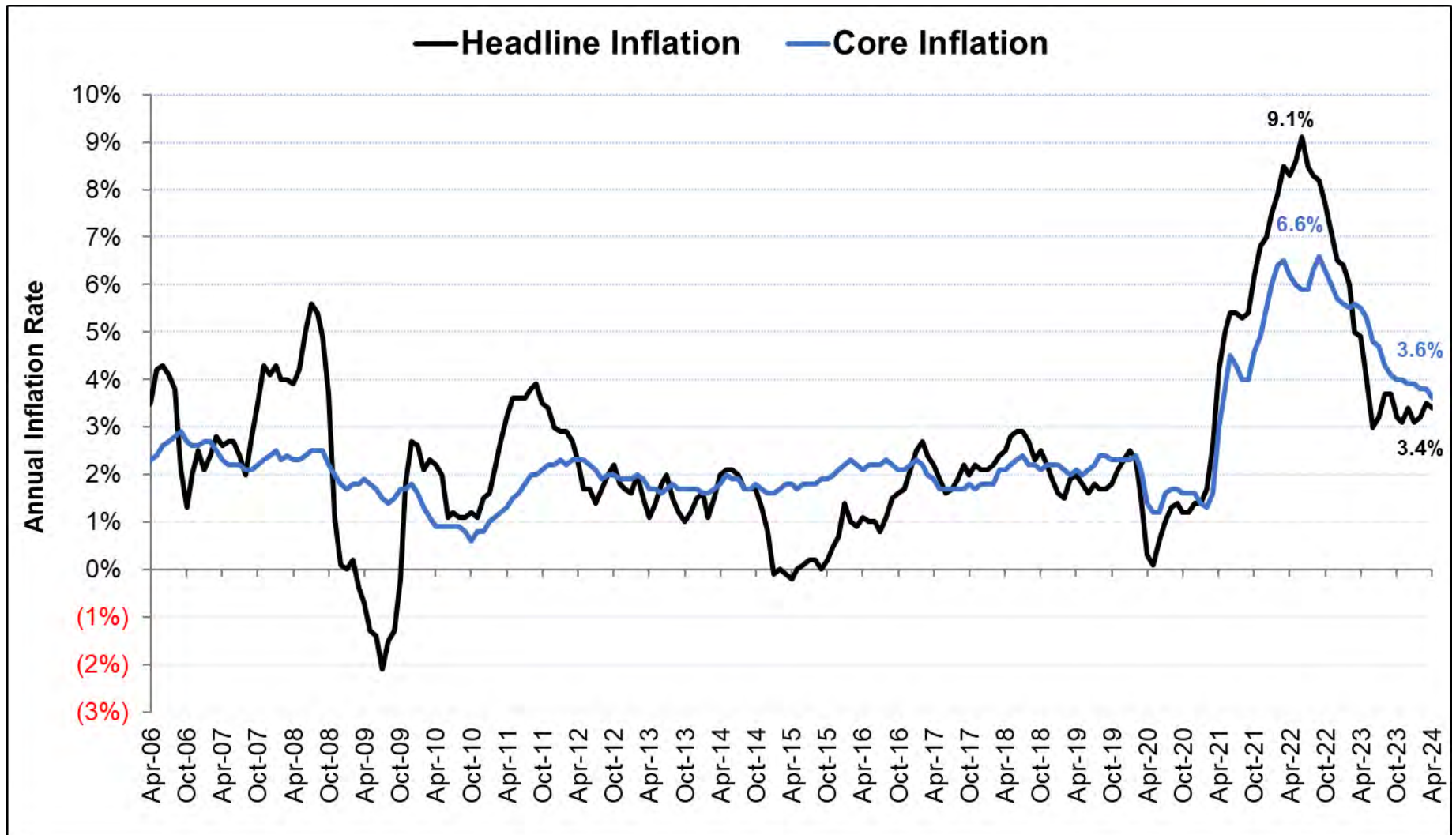
**Federal Debt as Percent of GDP**



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

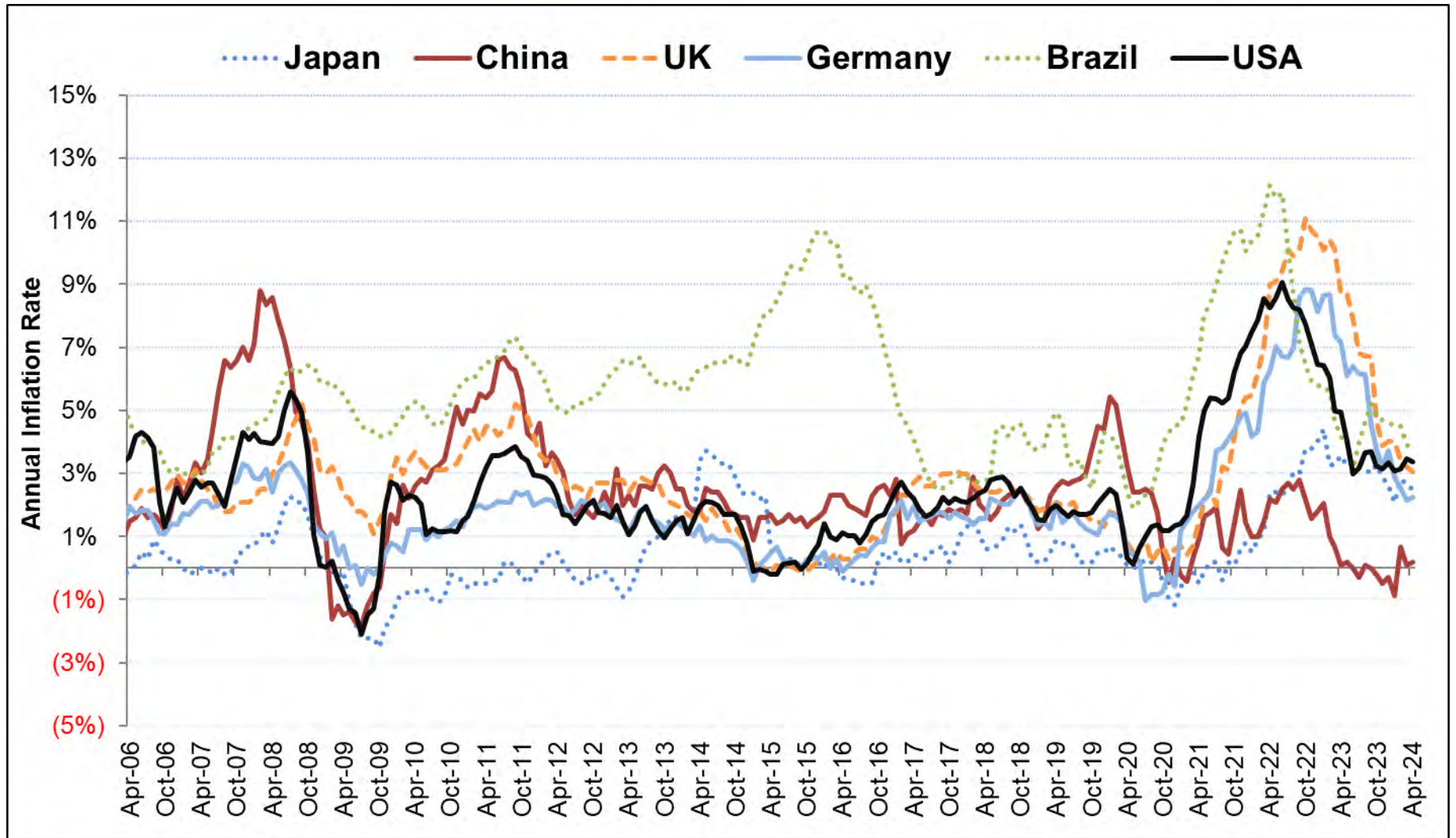


# ECONOMY US Inflation





# ECONOMY Global Headline Inflation



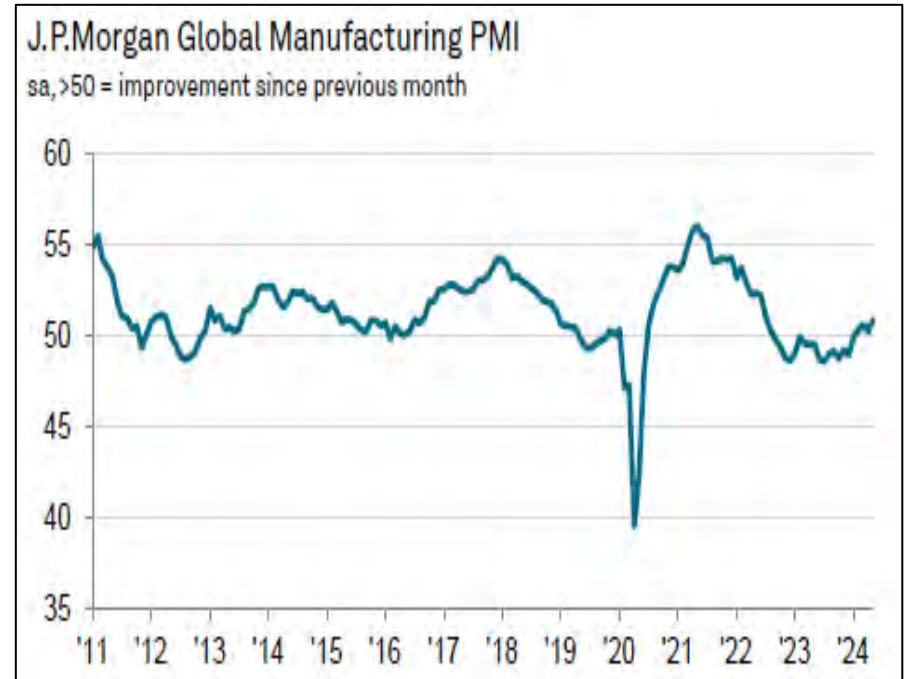
	Japan	China	UK	Germany	Brazil	USA
<b>Apr-24</b>	2.5	0.2	3.0	2.2	3.7	3.4

Sources: [www.ons.gov.uk](http://www.ons.gov.uk), [www.oecd.org](http://www.oecd.org), [www.inflation.eu](http://www.inflation.eu), and [www.tradingeconomics.com](http://www.tradingeconomics.com)



**ECONOMY**

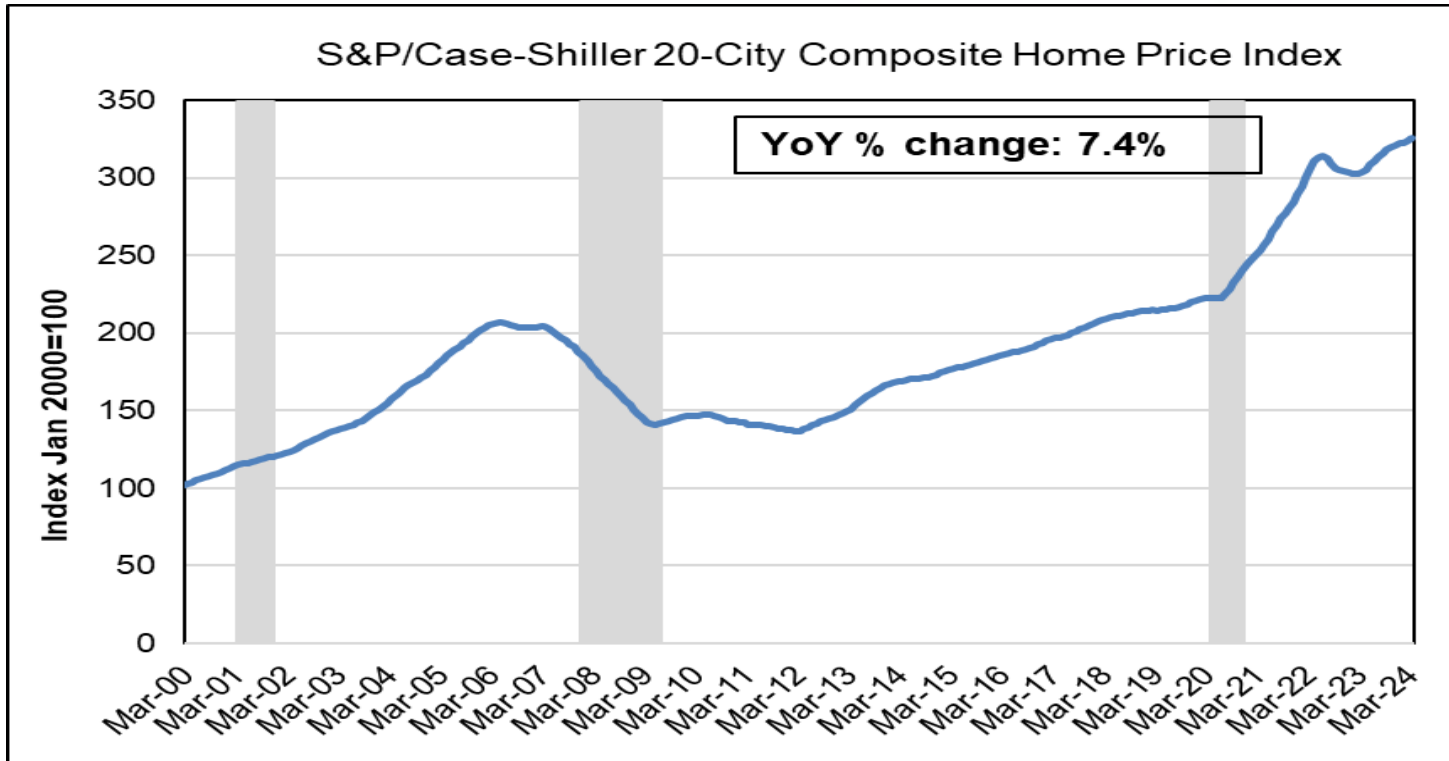
**US & Global Manufacturing Activities**



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**



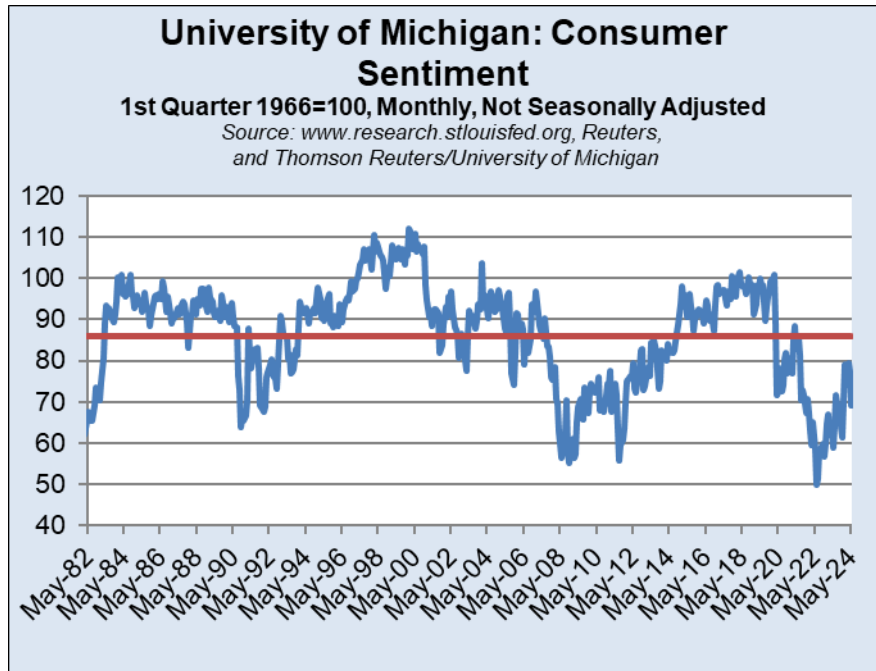
Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-20	224.88
Jul-21	269.65
Jul-22	312.67
Jul-23	313.03
Mar-24	325.49





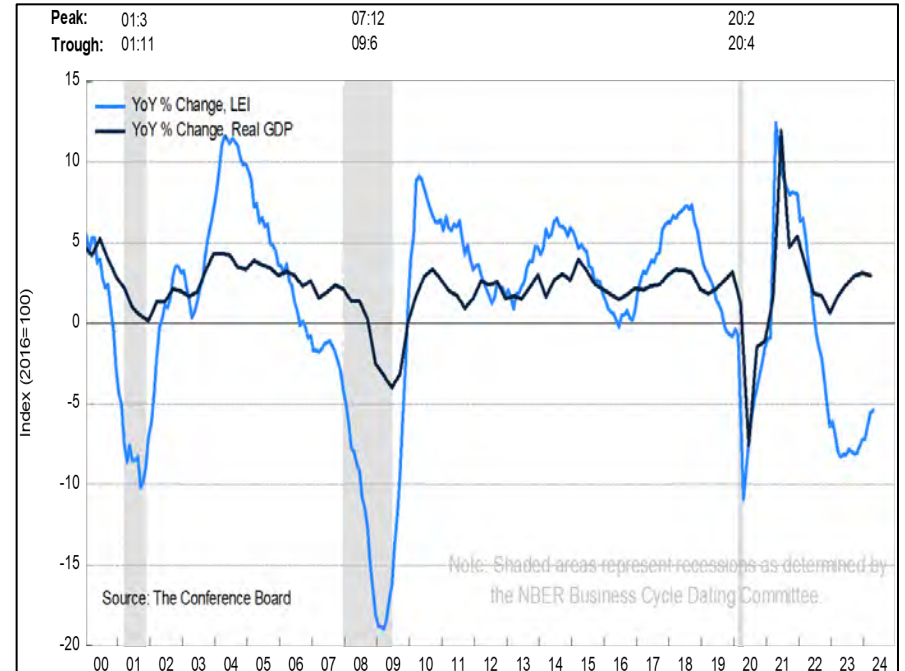
# ECONOMY

## Consumer Sentiment



Index of Consumer Sentiment				
Apr-24	May-24	May-23	M-M Change	Y-Y Change
77.2	69.1	59.0	-10.5%	17.1%

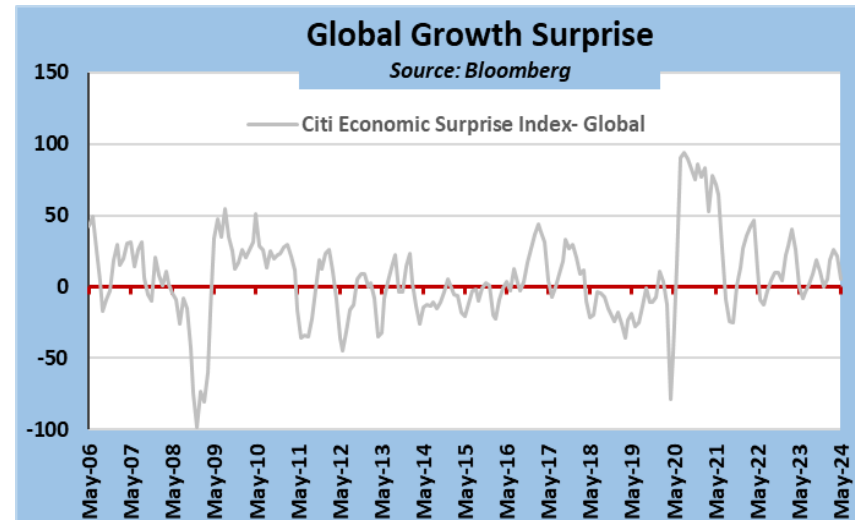
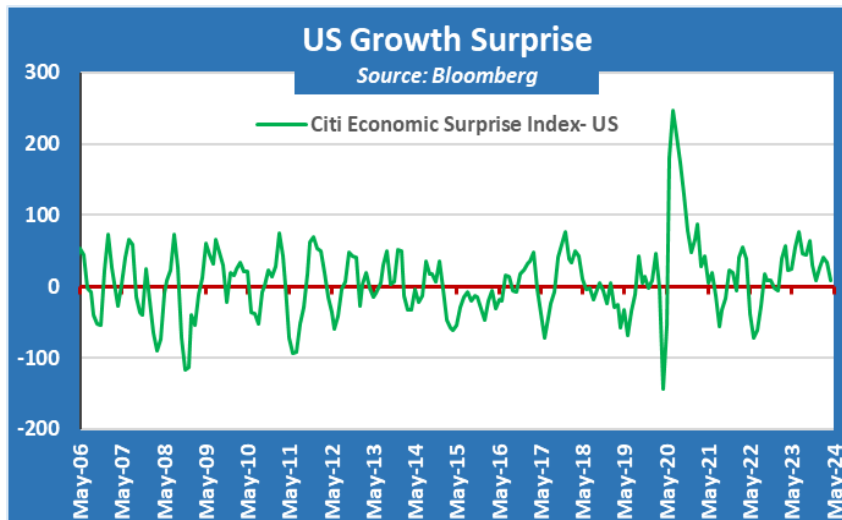
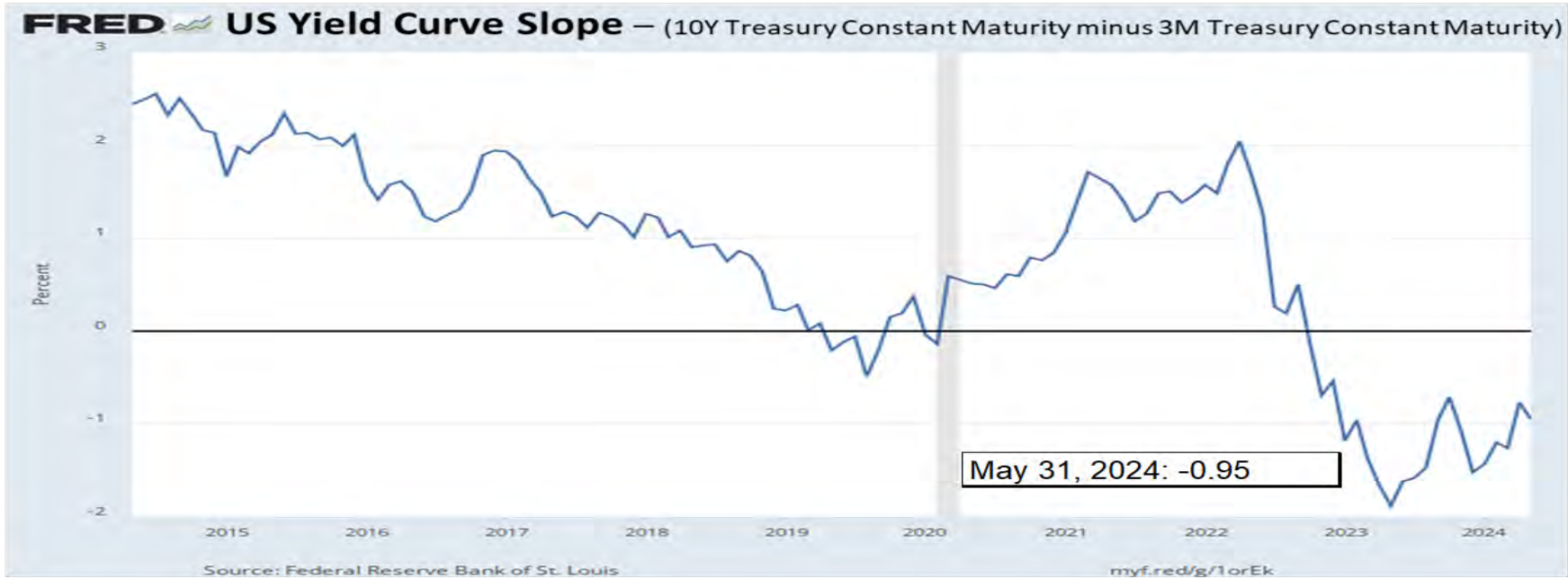
## The Leading Economic Index (LEI)



Index	Mar-24	Apr-24	Month -Month Percent Change	6-Month Percent Change (Oct-Apr)
LEI	102.4 r	101.8 p	-0.6	-1.9

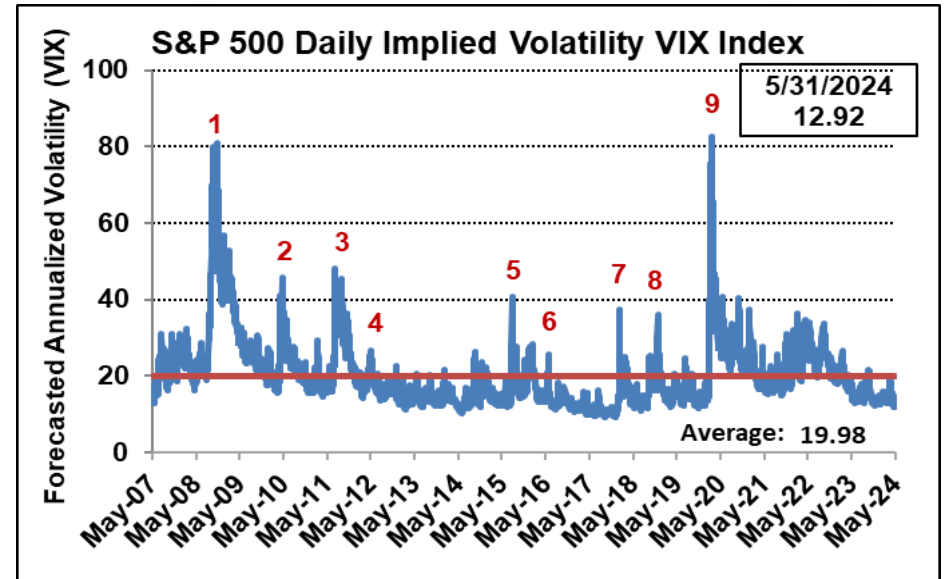
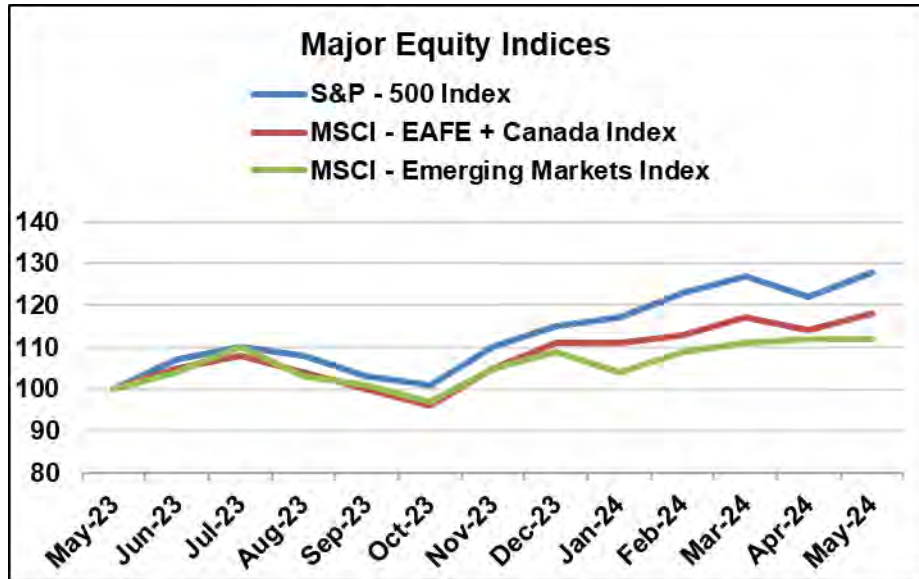


# ECONOMY





# MARKETS Equity

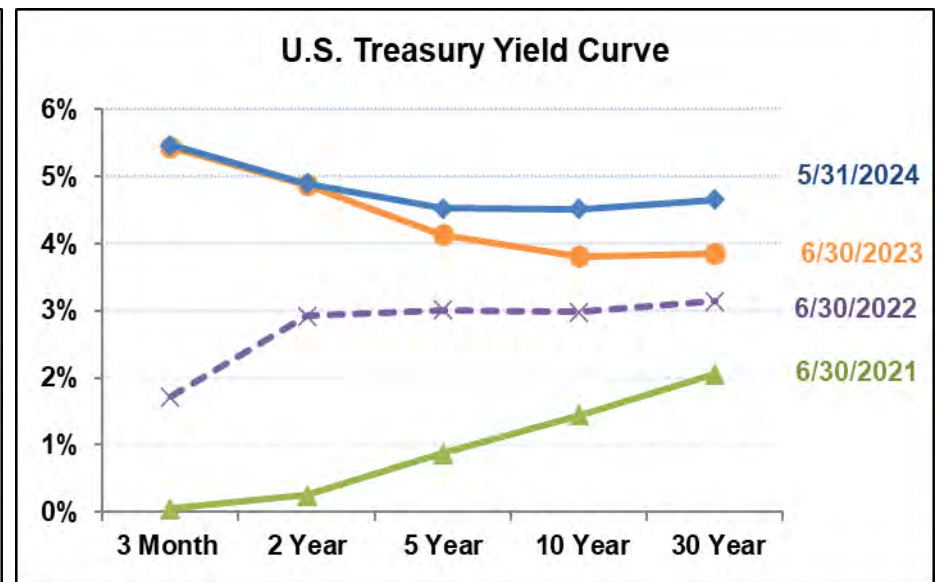
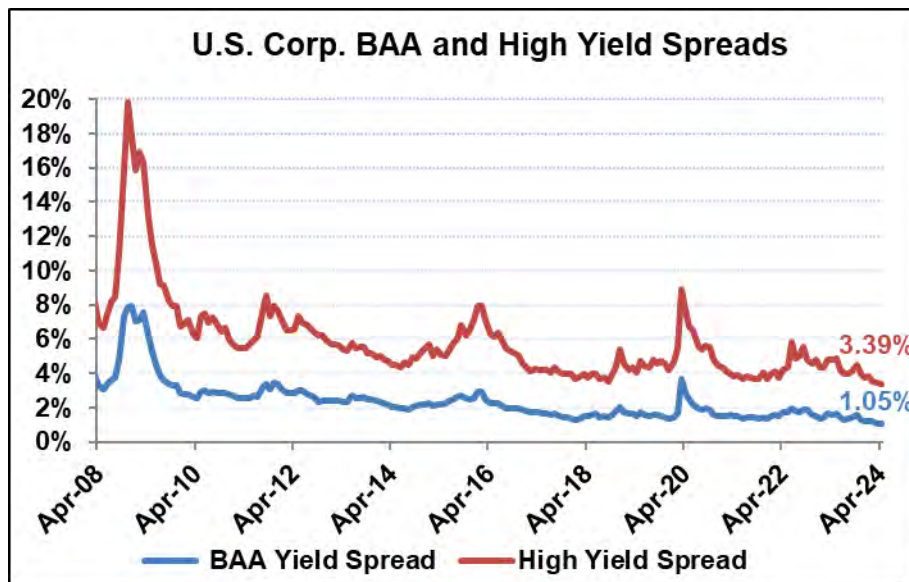


	Return as of 5/31/2024	
	1 Year	FYTD
S&P 500 Index	22.66	14.56
MSCI - EAFE + Canada Index	9.14	8.93
MSCI - Emerging Markets Index	9.88	7.67

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



**MARKETS** Fixed Income





# MARKETS Foreign Exchange



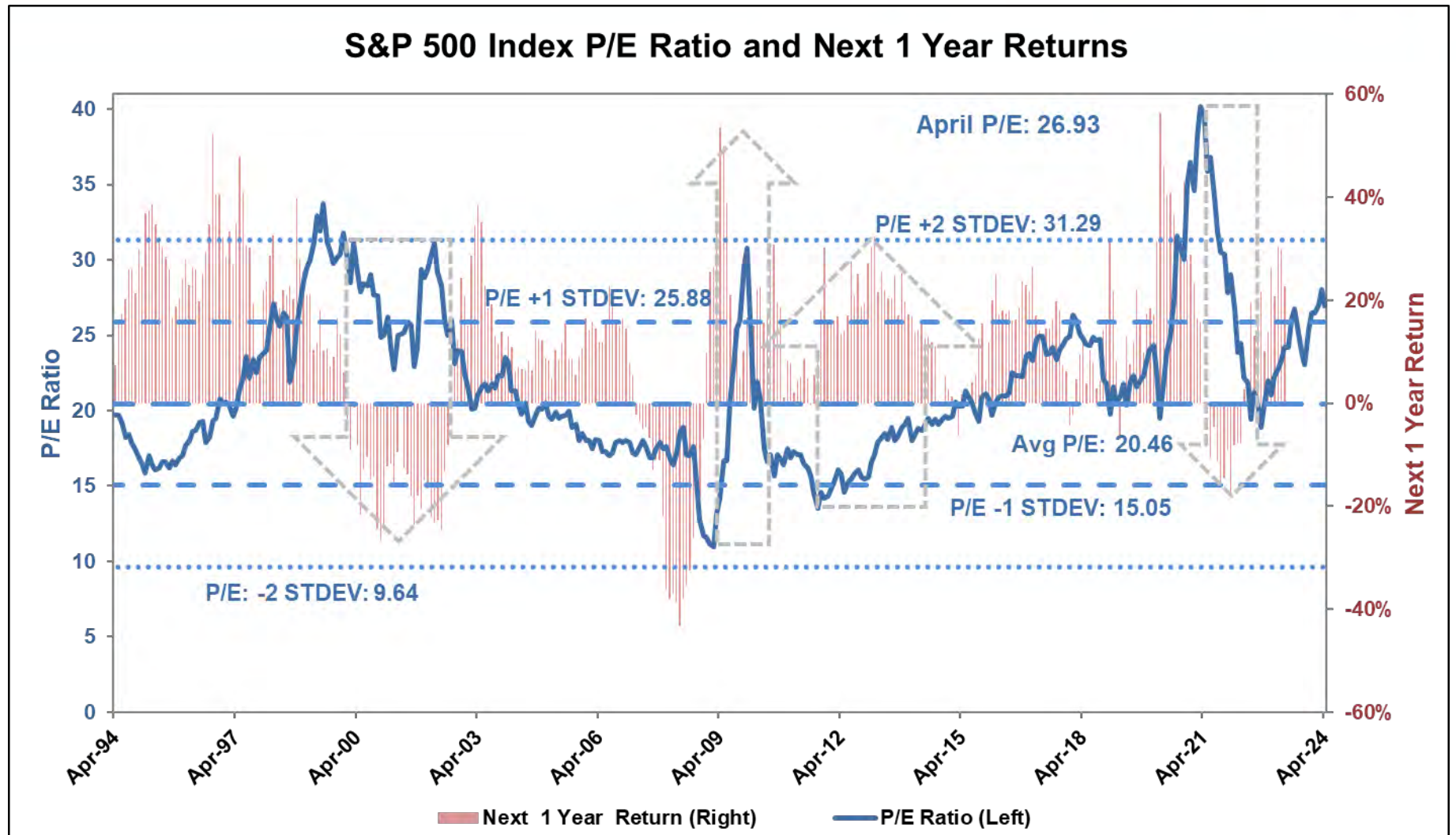
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-20	1.12
June-21	1.18
June-22	1.05
June-23	1.09
May 24, 2024	1.09



Date	Nominal Broad U.S. Dollar Index January 2006=100
June-20	120.86
June-21	112.85
June-22	121.05
June-23	119.89
May 24, 2024	122.02

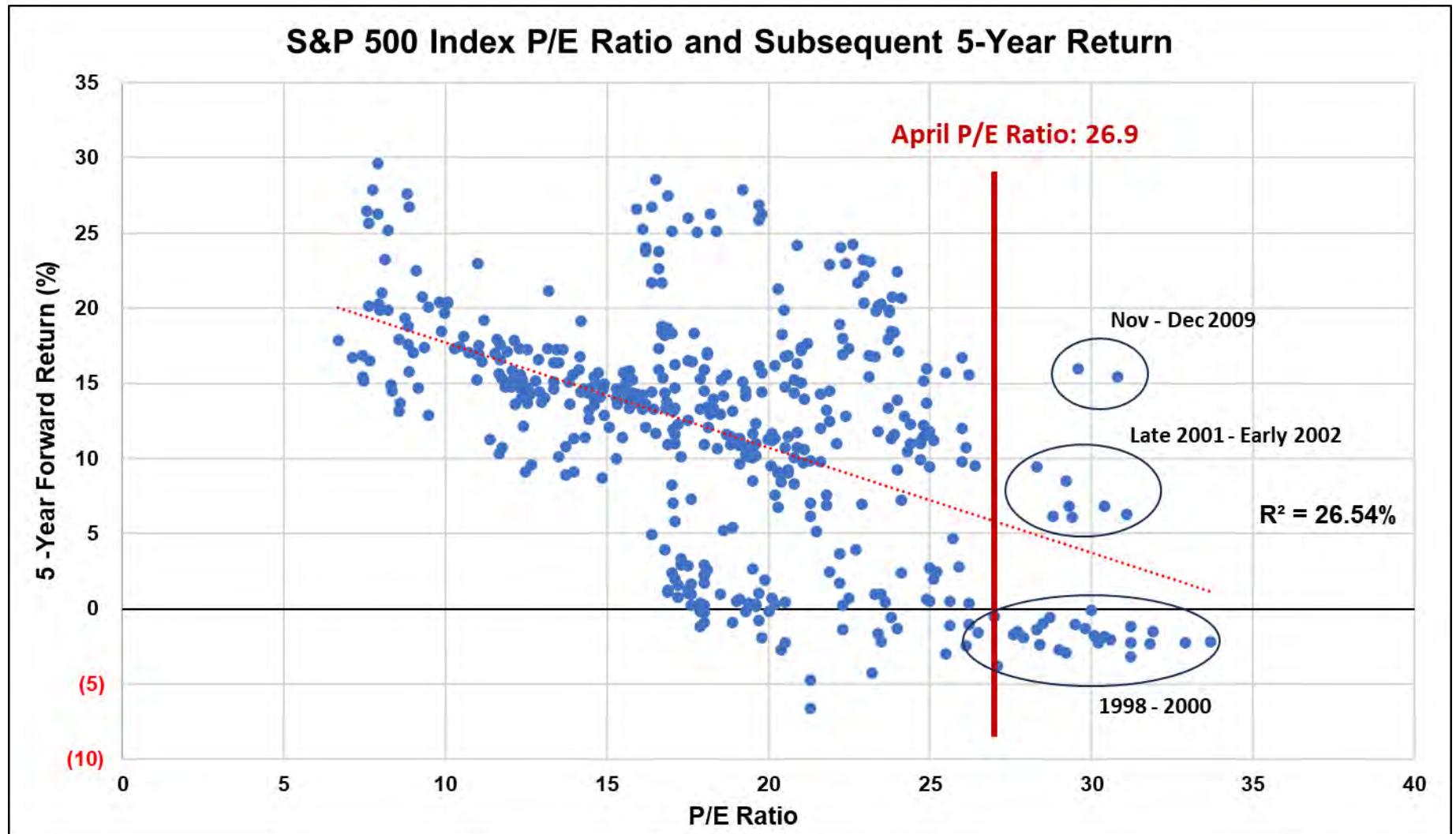


# VALUATION US Equity



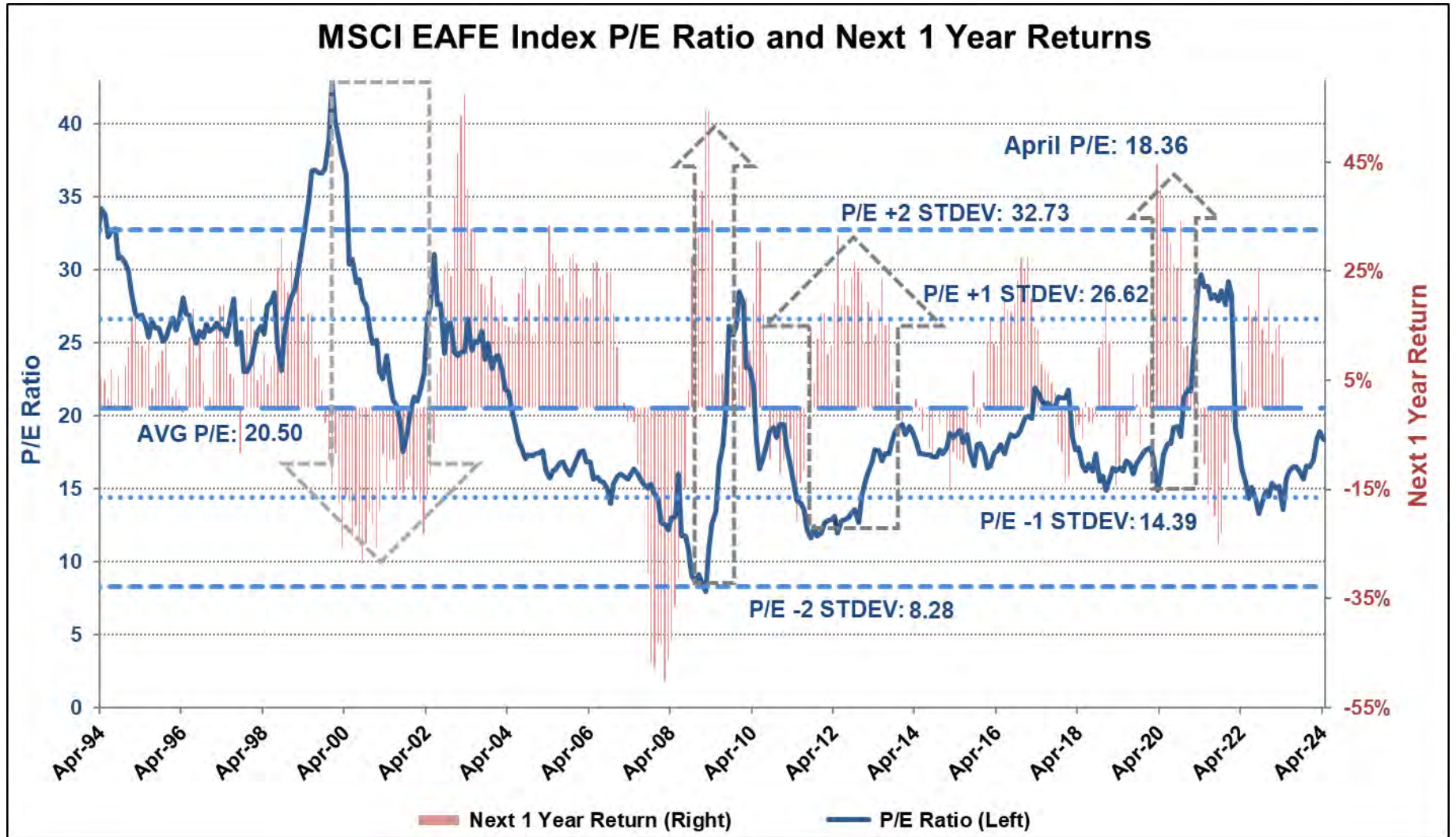


# VALUATION US Equity





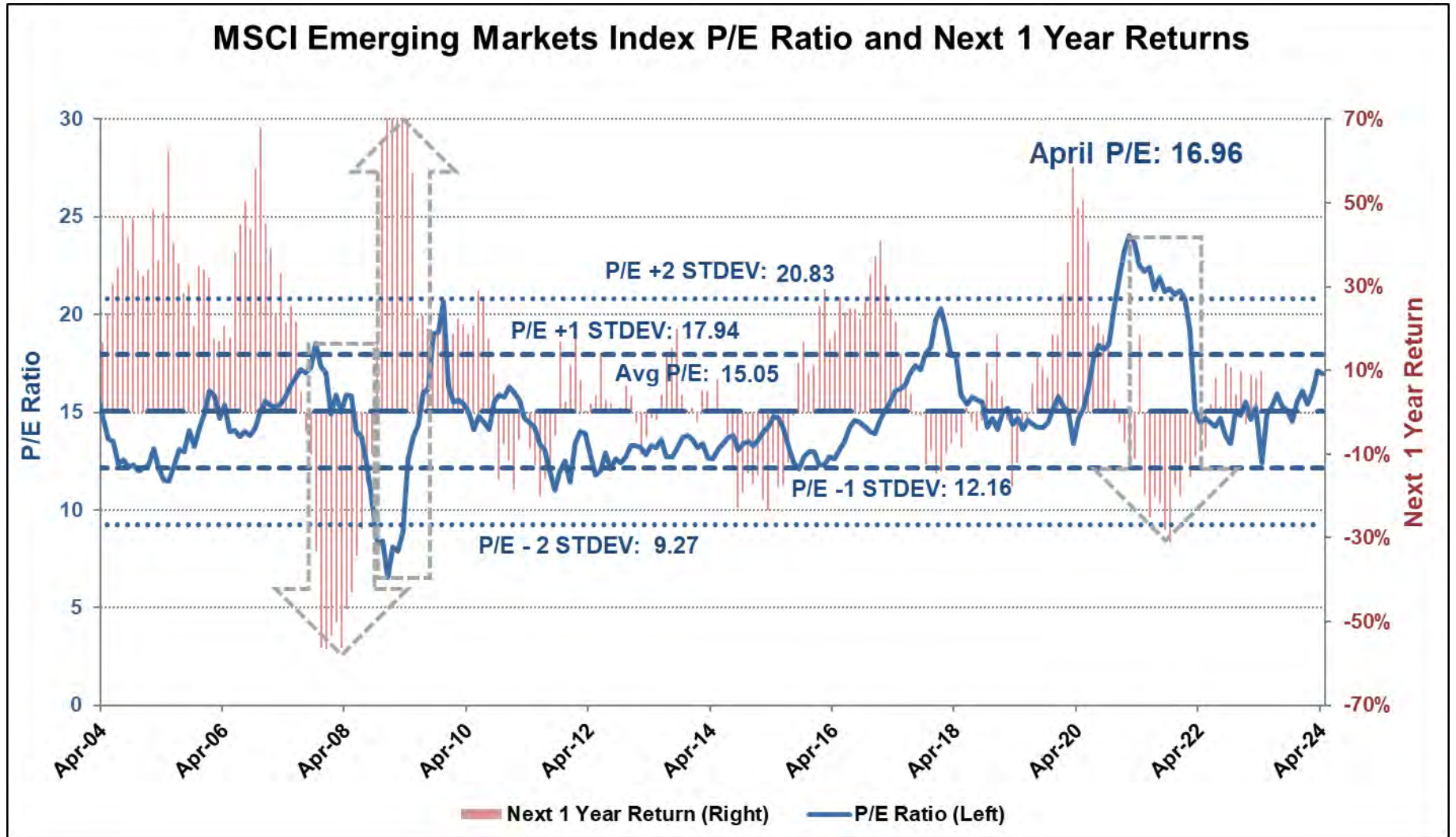
# VALUATION Non US Developed Market Equity





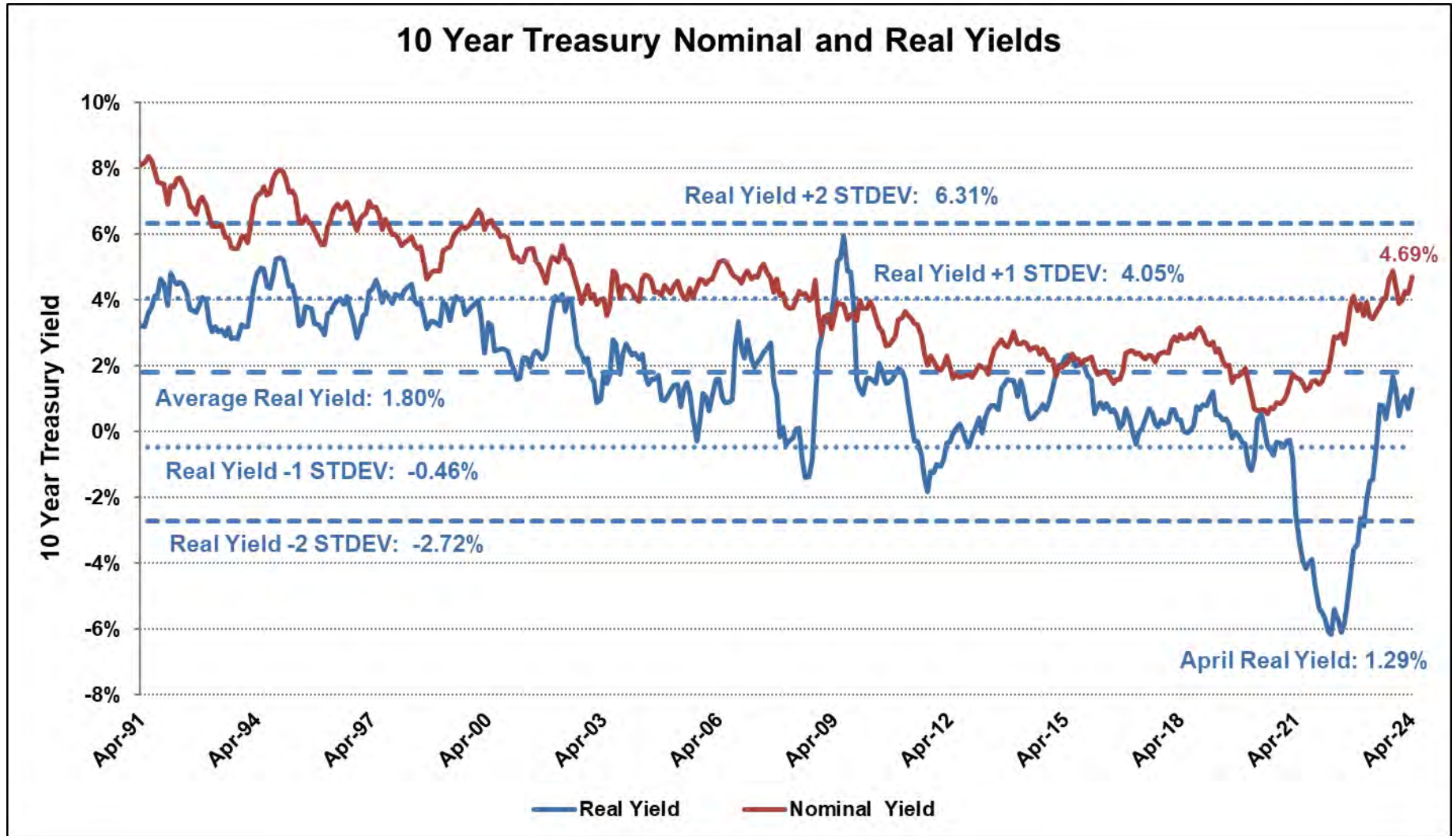


# VALUATION Emerging Market Equity





# VALUATION US Treasury Bonds





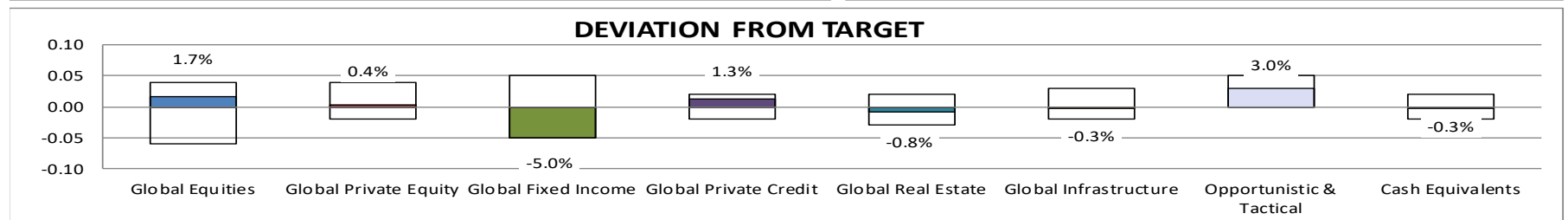
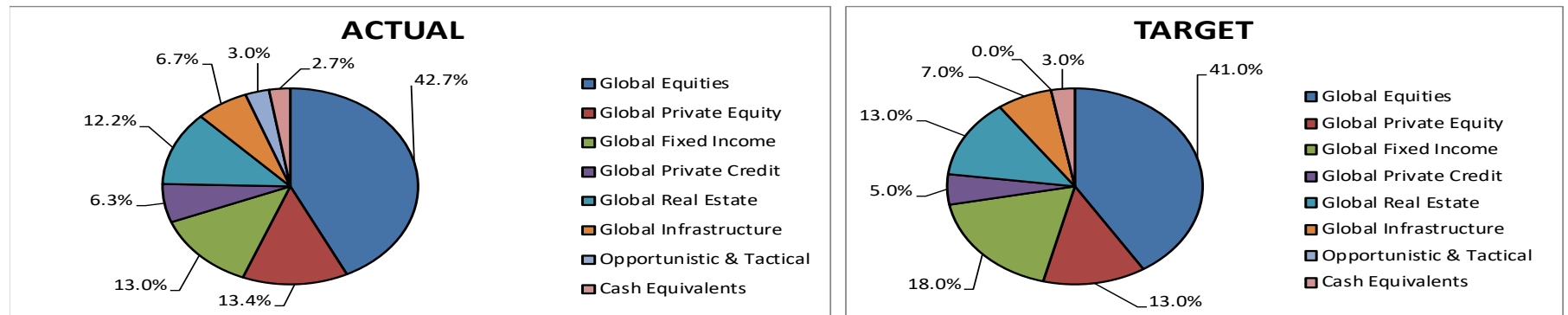
# SERS' Investment Portfolios Review



# Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
<b>Global Equities</b>	<b>7,874,825,233</b>	<b>42.7%</b>	<b>41.0%</b>	35% - 45%
<b>Global Private Equity</b>	<b>2,463,167,990</b>	<b>13.4%</b>	<b>13.0%</b>	11% - 17%
<b>Global Fixed Income</b>	<b>2,396,292,985</b>	<b>13.0%</b>	<b>18.0%</b>	13% - 23%
<b>Global Private Credit</b>	<b>1,170,054,860</b>	<b>6.3%</b>	<b>5.0%</b>	3% - 7%
<b>Global Real Estate</b>	<b>2,257,765,647</b>	<b>12.2%</b>	<b>13.0%</b>	10% - 15%
<b>Global Infrastructure</b>	<b>1,227,781,629</b>	<b>6.7%</b>	<b>7.0%</b>	5% - 10%
<b>Opportunistic &amp; Tactical</b>	<b>559,107,942</b>	<b>3.0%</b>	<b>0.0%</b>	0% - 5%
<b>Cash Equivalents</b>	<b>493,109,354</b>	<b>2.7%</b>	<b>3.0%</b>	1% - 5%
Short-Term	403,052,314	2.2%	2.0%	
Russell EA Overlay	37,976,126	0.2%	0.0%	
Direct Rebalance Overlay	9,040,174	0.0%	0.0%	
Transition / Operational Account	828,986	0.0%	0.0%	
Currency Overlay	42,211,033	0.2%	0.0%	
SERS Cash	720	0.0%	0.0%	
<b>Total Fund</b>	<b>18,442,105,640</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: BNY Mellon GRS

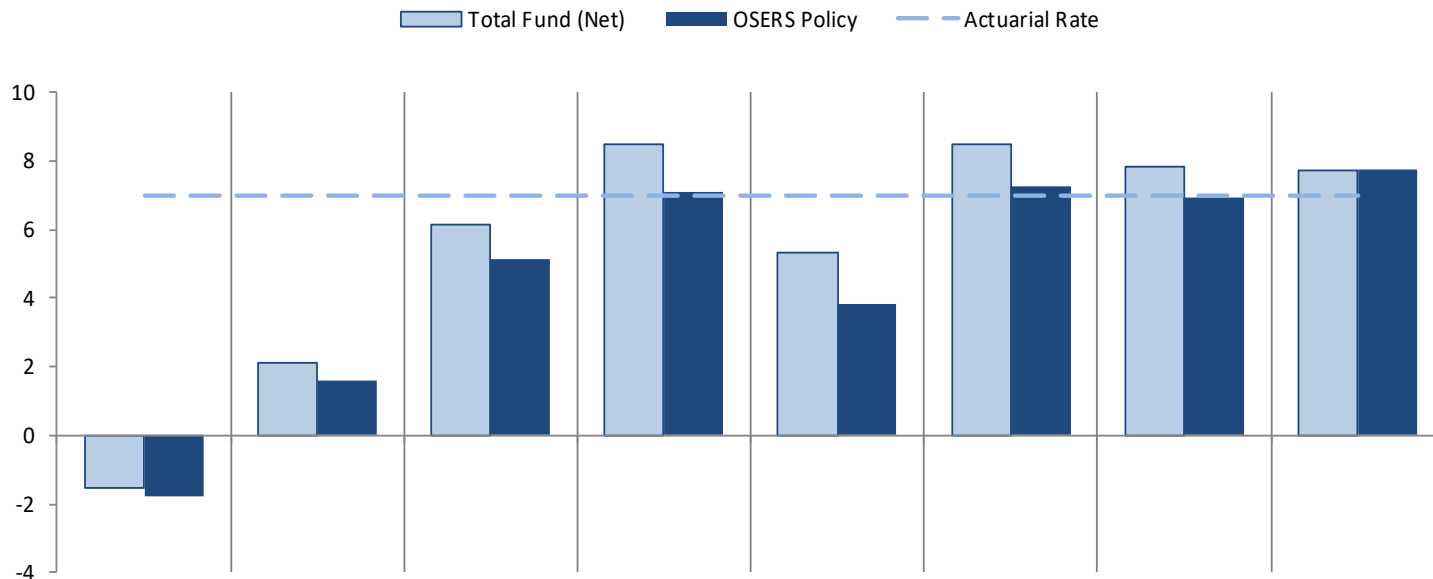




# Total Fund Performance

## 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  
 (1Qtr in Arrears Monthized)  
 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)

	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	(1.48)	2.31	6.75	9.23	6.06	9.19	8.53	8.35
Total Fund (Net)	(1.51)	2.12	6.14	8.46	5.32	8.49	7.83	7.80
OSERS Policy	(1.80)	1.58	5.15	7.09	3.81	7.25	6.92	7.73
Value Added (Net of Fee)	0.29	0.54	0.99	1.37	1.51	1.24	0.91	0.07
<b>Estimated Cumulative Net Value Added (\$MM)**</b>	<b>\$54.0</b>	<b>\$97.4</b>	<b>\$176.3</b>	<b>\$239.6</b>	<b>\$833.2</b>	<b>\$1,102.0</b>	<b>\$1,727.1</b>	

Source: BNY Mellon GRS

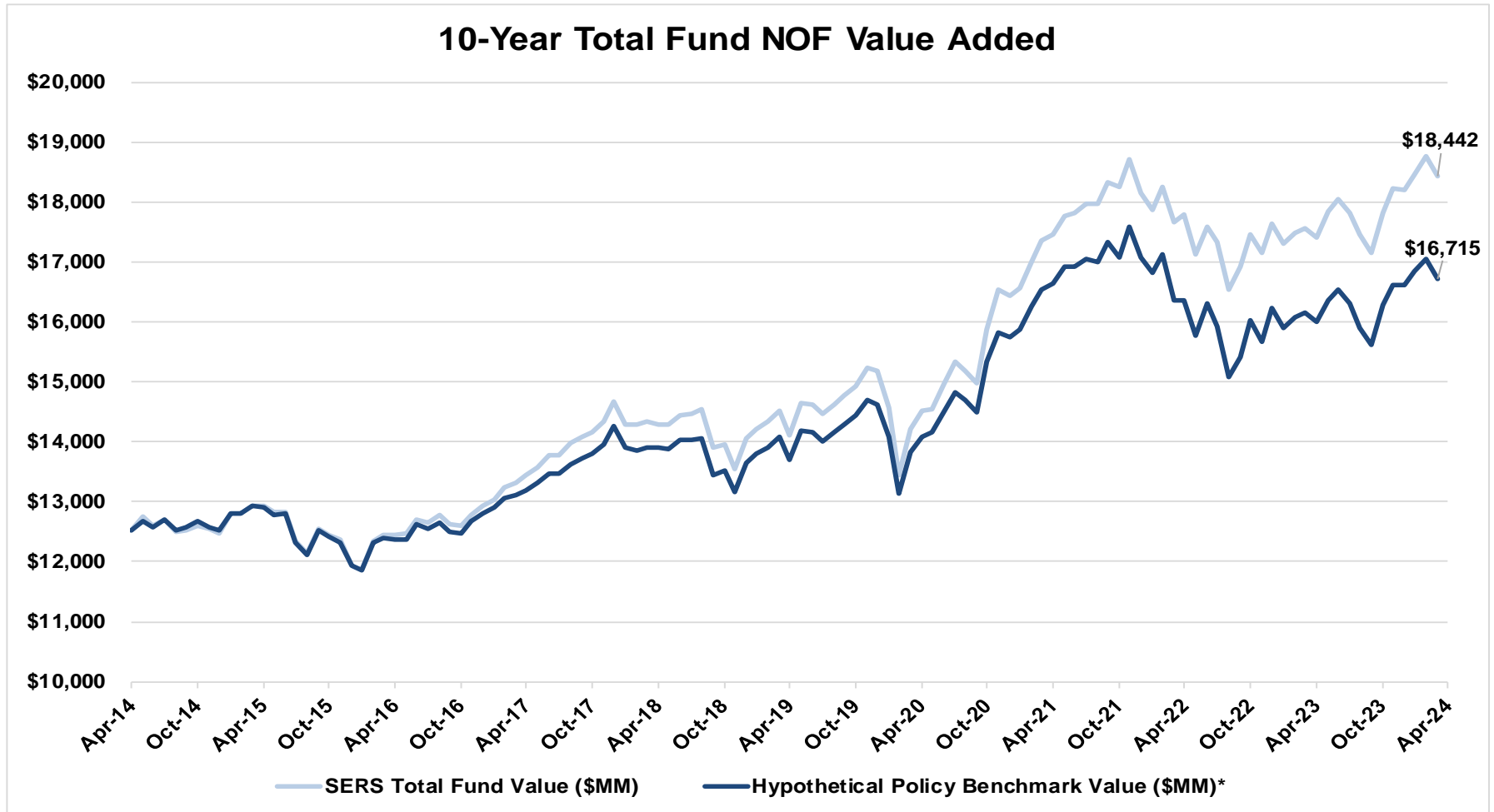
\*ITD is Inception date 10/1/1994 (29 years and 7 months)

\*\*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



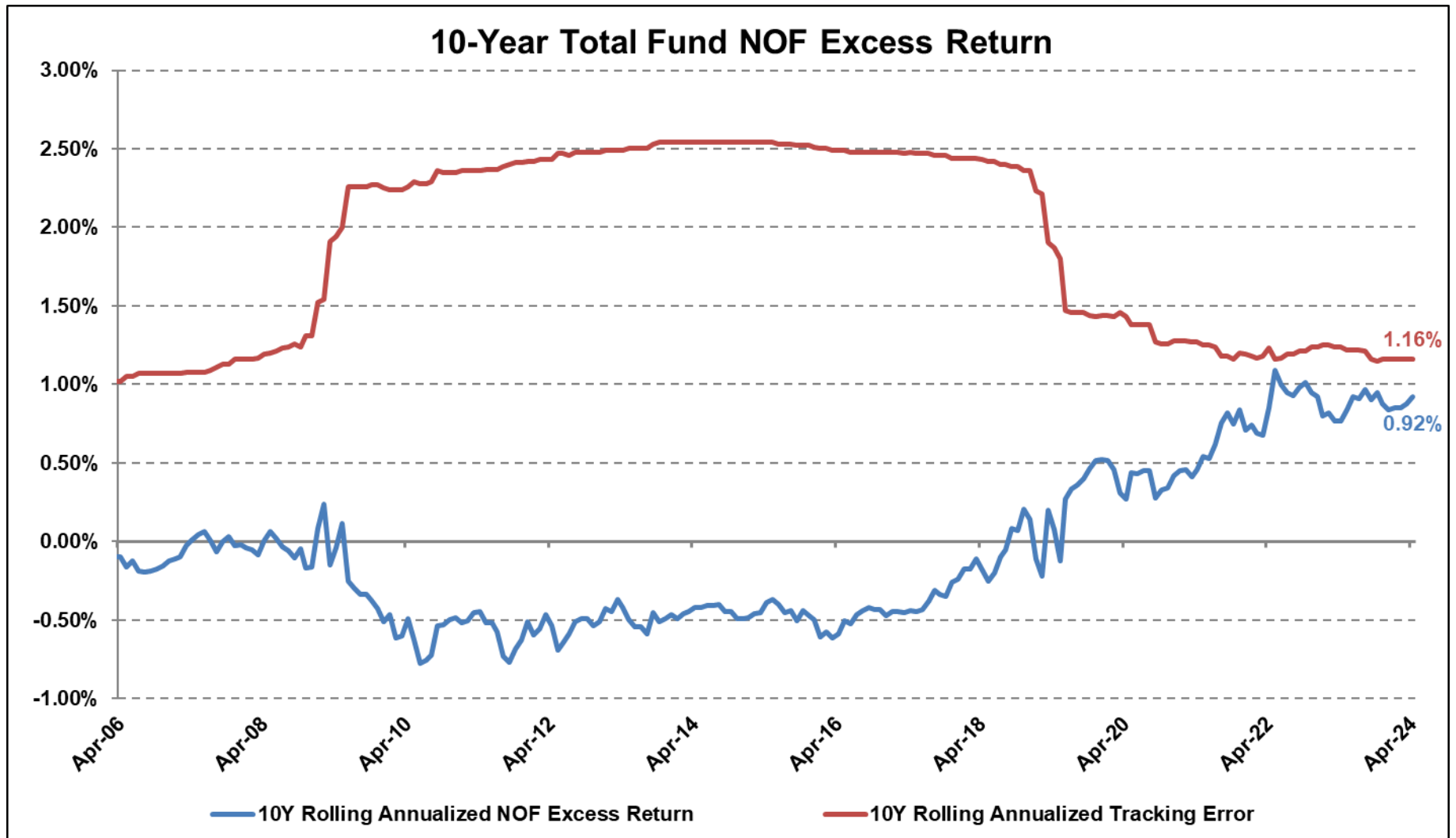
Source: BNY Mellon GRS

\*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.

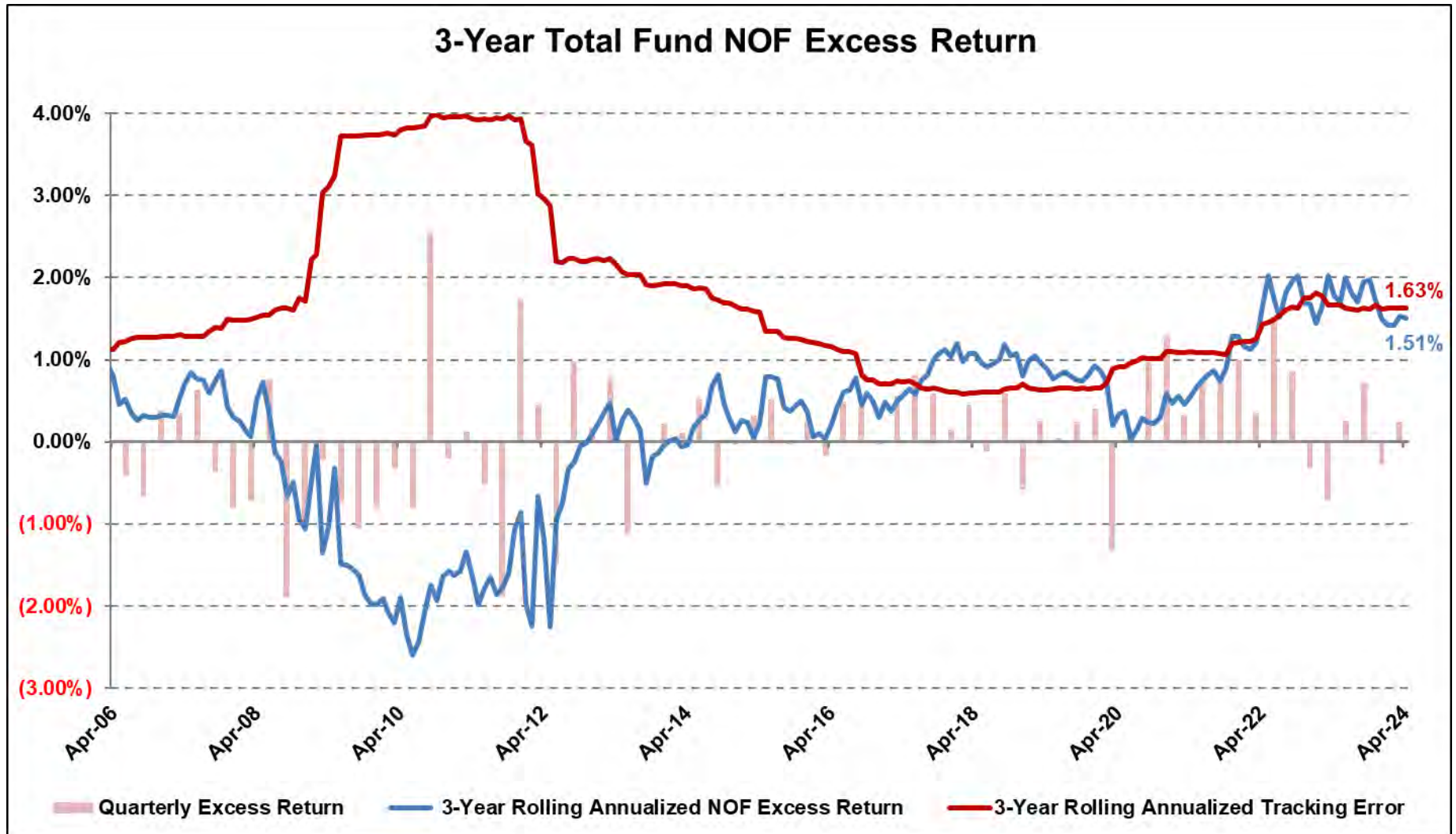


# Total Fund Performance





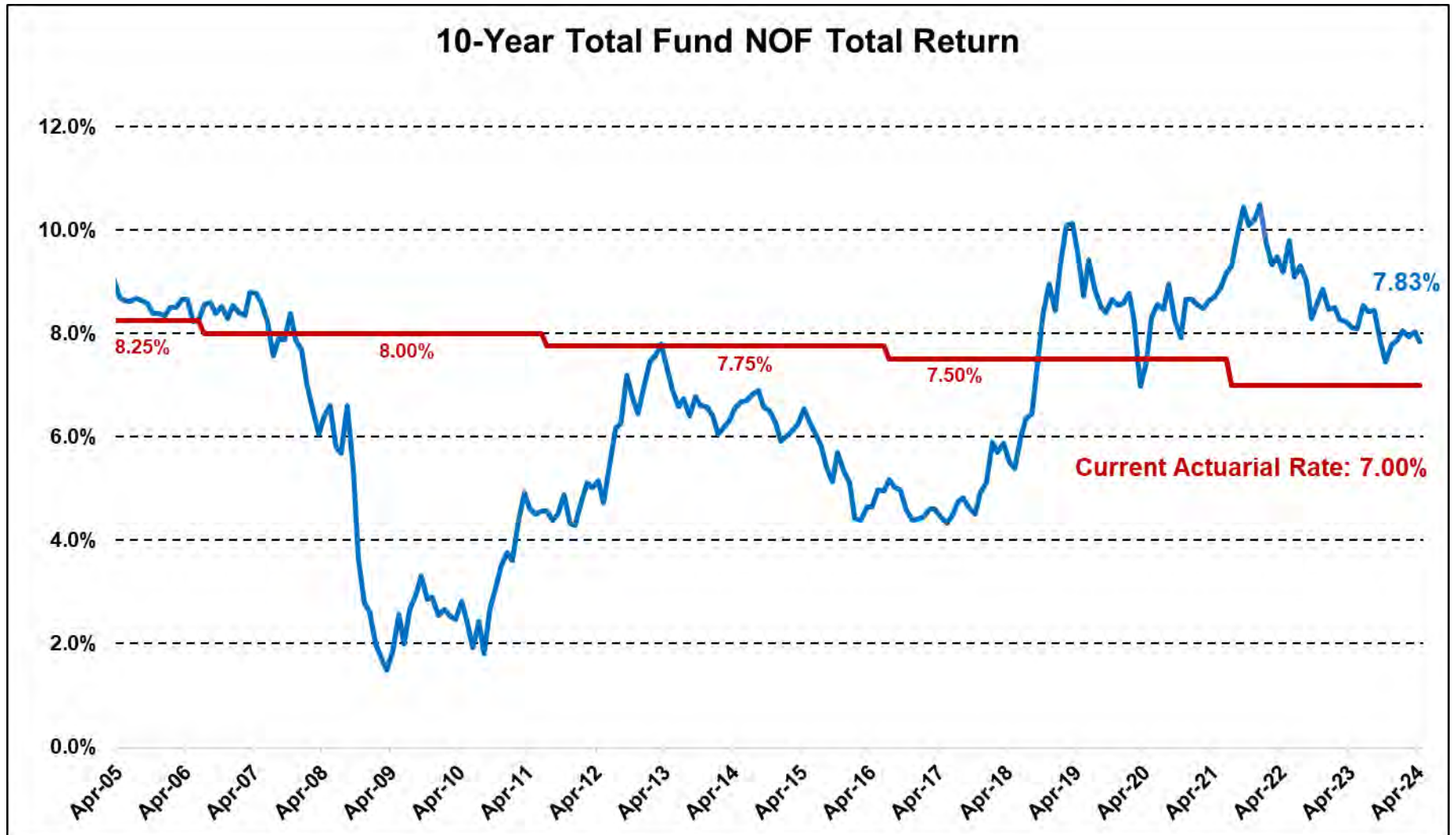
# Total Fund Performance







# Total Fund Performance

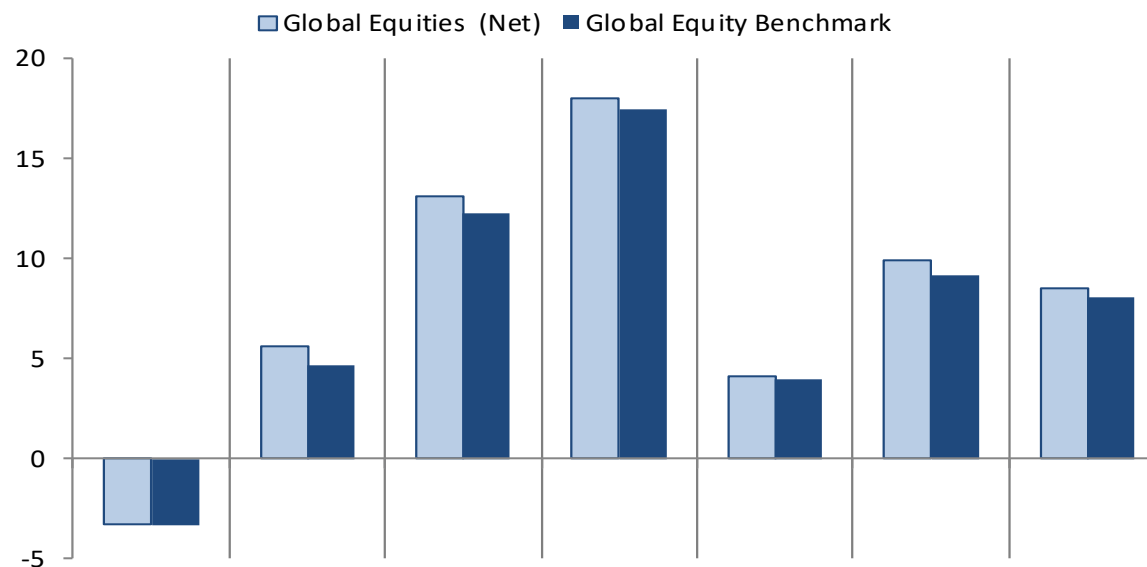




# Global Equities Performance

## Current Benchmark:

MSCI ACWI (Net Dividends)

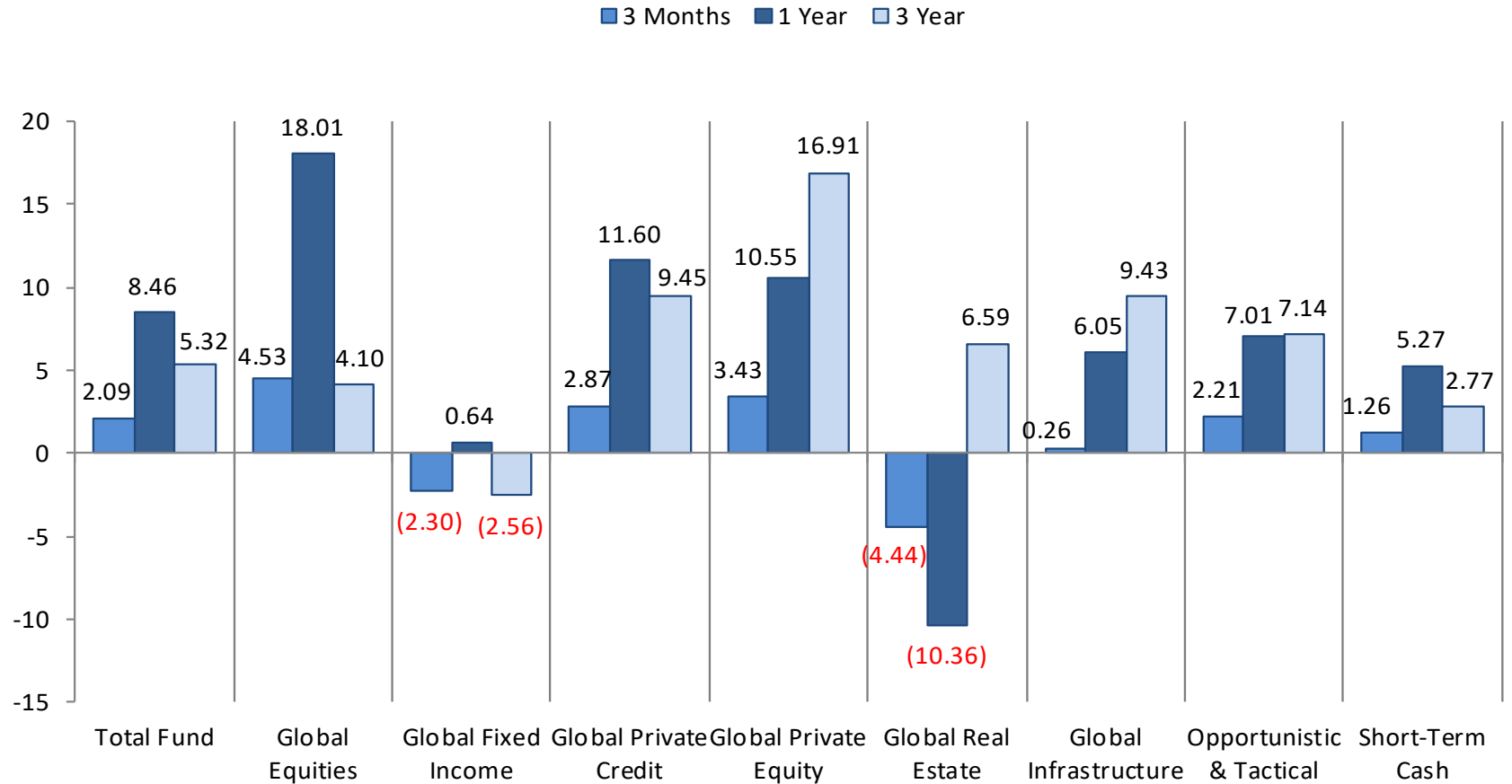


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	(3.27)	5.77	13.40	18.43	4.43	10.25	8.90
Global Equities (Net)	(3.29)	5.61	13.06	18.01	4.10	9.91	8.56
Global Equity Benchmark	(3.30)	4.63	12.22	17.46	3.93	9.14	8.07
Value Added (Net of Fee)	0.01	0.98	0.84	0.55	0.16	0.77	0.48
Regional US Equity	(4.37)	5.18	13.47	20.66	5.75	11.92	11.22
Russell 3000 Index	(4.40)	5.18	14.04	22.30	6.35	12.43	11.81
Value Added (Net of Fee)	0.03	0.00	(0.57)	(1.64)	(0.59)	(0.51)	(0.59)
Regional Non-US Equity	(1.53)	3.23	8.23	9.16	0.46	6.57	5.23
Custom Non-US Equity BM	(1.80)	2.81	8.58	9.32	0.26	4.98	3.90
Value Added (Net of Fee)	0.26	0.42	(0.34)	(0.16)	0.19	1.59	1.33

Source: BNY Mellon GRS



# Total Fund and Asset Class Performance (Net)



Source: BNY Mellon GRS

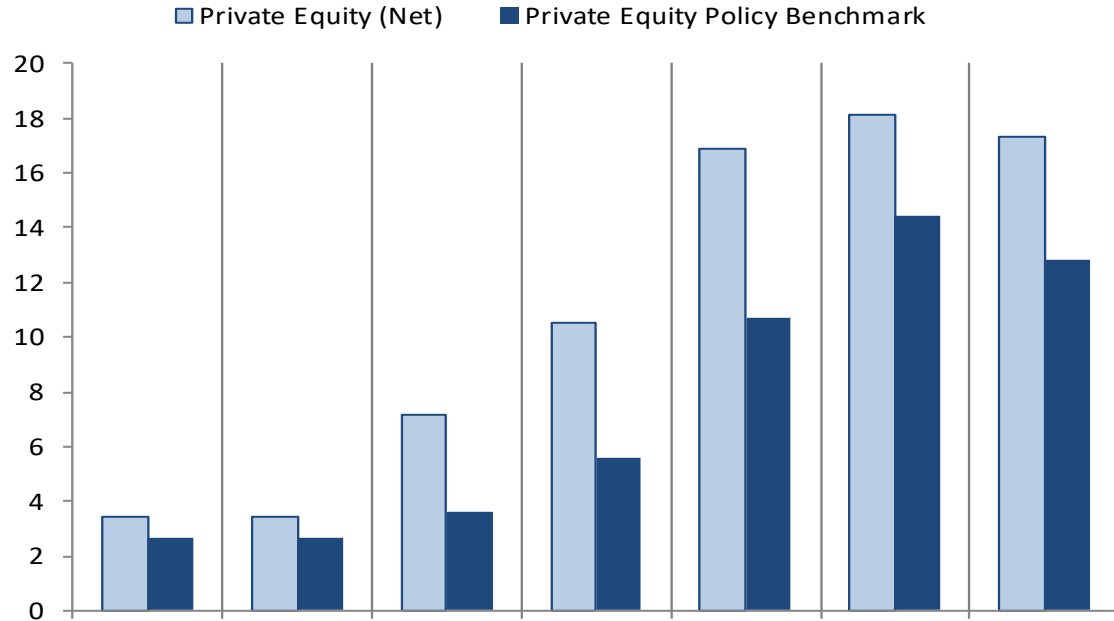


# Global Private Equity Performance

**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.

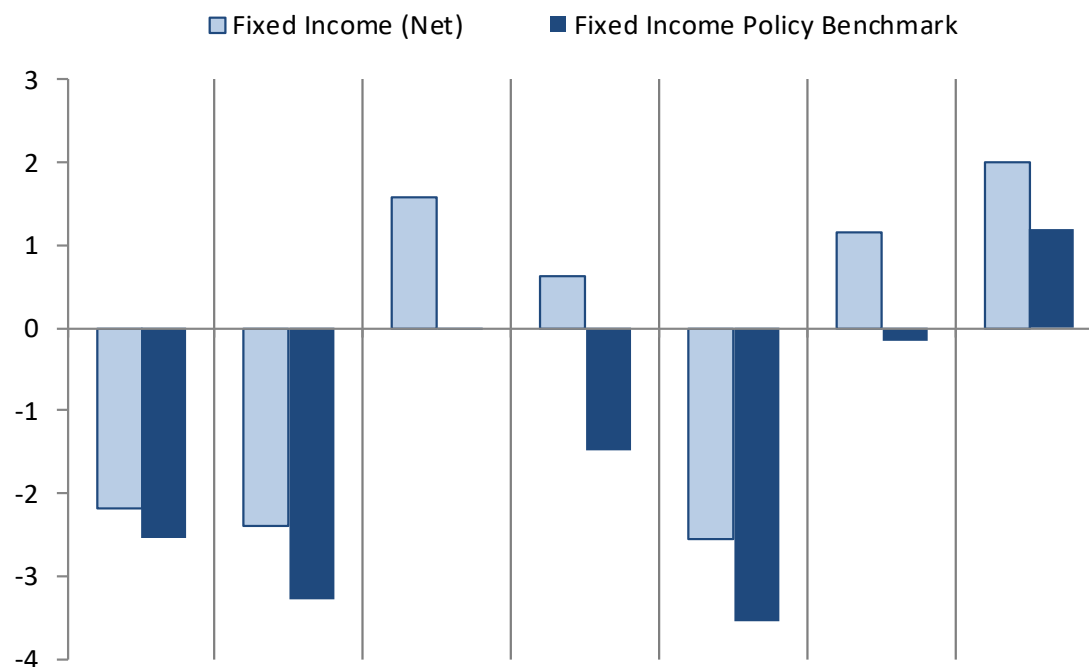
Global Private Equity performance is reported one quarter in arrears.



# Global Fixed Income Performance

## Current Benchmark:

*Bloomberg Aggregate Bond Index*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(2.17)	(2.33)	1.80	0.90	(2.29)	1.40	2.24
Fixed Income (Net)	(2.18)	(2.40)	1.58	0.64	(2.56)	1.15	2.00
Fixed Income Policy Benchmark	(2.53)	(3.28)	(0.03)	(1.47)	(3.54)	(0.16)	1.20
Value Added (Net of Fee)	0.35	0.88	1.61	2.11	0.98	1.31	0.80

Source: BNY Mellon GRS

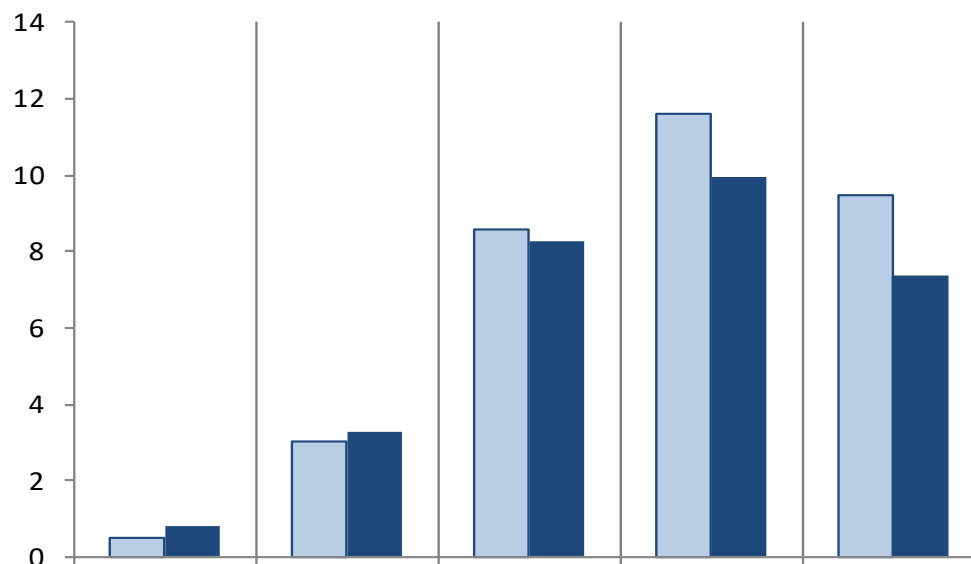


# Global Private Credit Performance

■ Global Private Credit (Net) ■ Global Private Credit Policy Benchmark

## Current Benchmark:

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



	1 Month	CYTD	FYTD	1 Year	3 Year
Global Private Credit (Gross)	0.60	3.40	9.81	13.20	11.05
Global Private Credit (Net)	0.53	3.00	8.59	11.60	9.45
Global Private Credit Policy Benchmark	0.82	3.30	8.28	9.97	7.34
Value Added (Net of Fee)	(0.29)	(0.30)	0.31	1.63	2.11

Source: BNY Mellon GRS

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

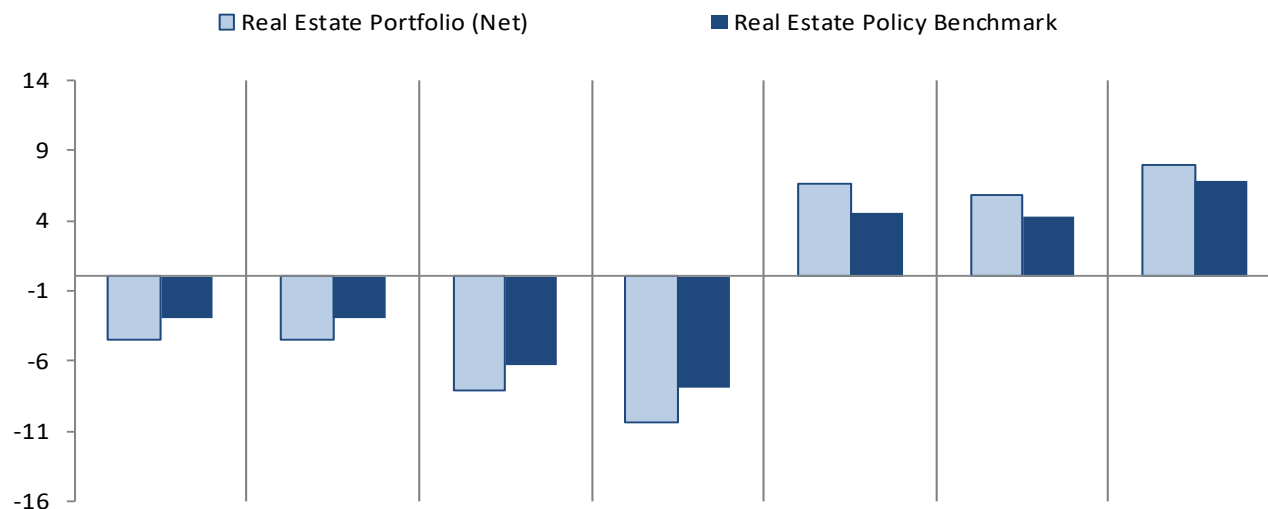


# Global Real Estate Performance

Results as of: 03/31/2024

## 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.

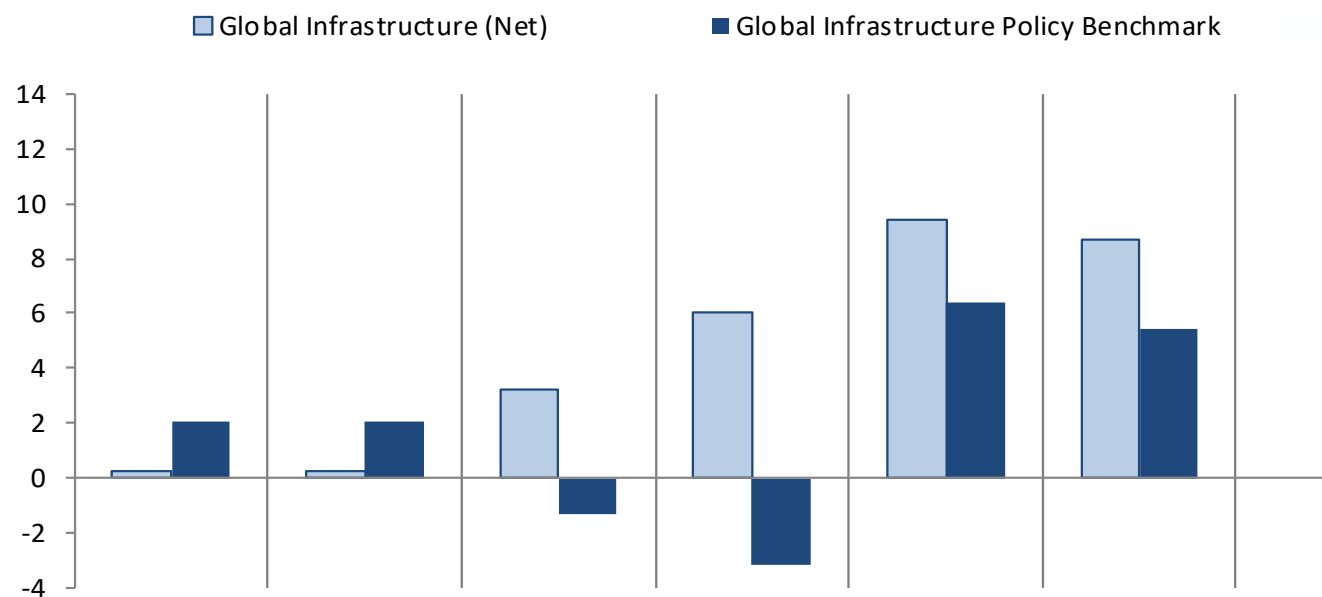


**Results as of: 3/31/2024**

**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.

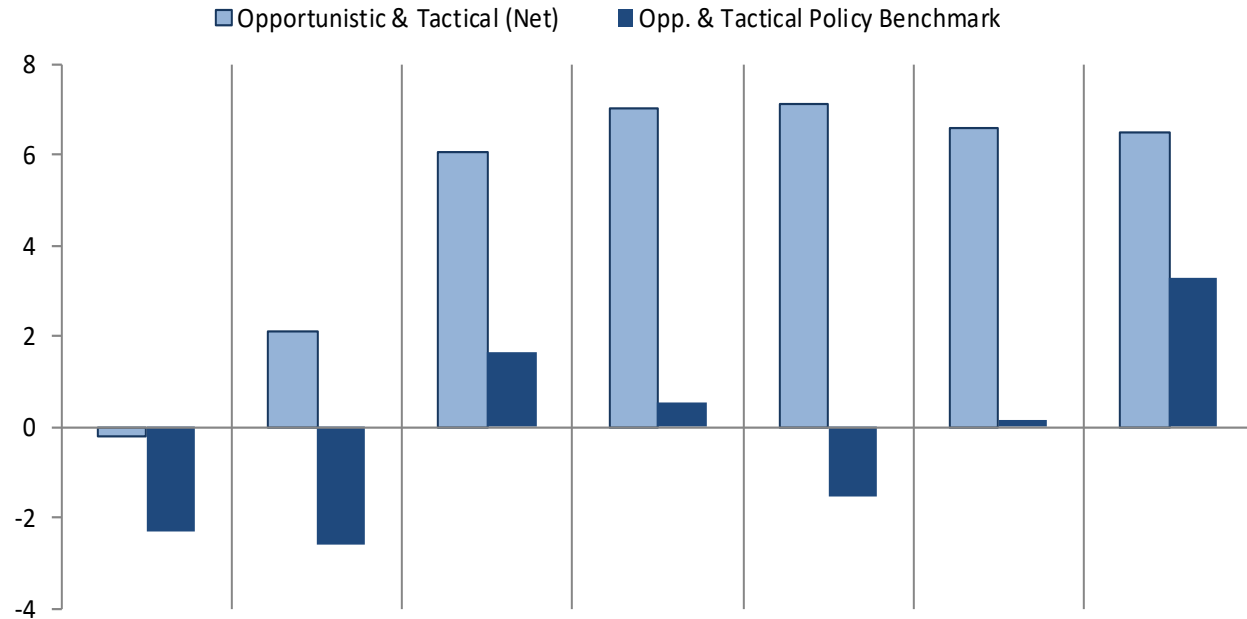
Global Infrastructure performance is reported one quarter in arrears.





# Opportunistic & Tactical Performance

**Current Benchmark:**  
 Bloomberg Aggregate  
 Bond Index + 2%



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Opportunistic & Tactical (Gross)	(0.18)	2.39	6.93	8.16	8.34	7.89	8.03
Opportunistic & Tactical (Net)	(0.19)	2.13	6.07	7.01	7.14	6.59	6.51
Opp. & Tactical Policy Benchmark	(2.31)	(2.61)	1.63	0.53	(1.54)	0.14	3.31
	2.12	4.74	4.44	6.48	8.68	6.45	3.20

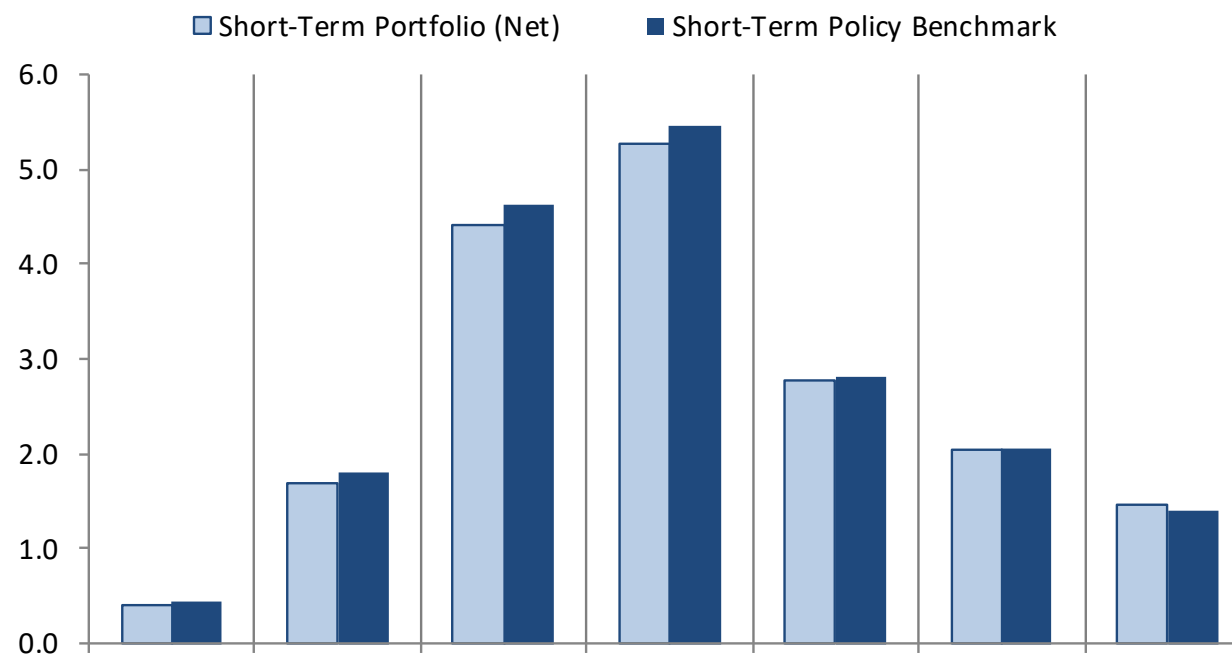
Source: BNY Mellon GRS



## Short-Term Performance

### Current Benchmark:

FTSE 30 Day Treasury Bill Index



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.42	1.70	4.41	5.27	2.77	2.05	1.47
Short-Term Portfolio (Net)	0.42	1.70	4.41	5.27	2.77	2.05	1.47
Short-Term Policy Benchmark	0.44	1.81	4.61	5.46	2.80	2.05	1.39
Value Added (Net of Fee)	(0.03)	(0.11)	(0.20)	(0.19)	(0.03)	0.00	0.08

Source: BNY Mellon GRS



## Overlay Performance

	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Cash Equivalents with Overlays (Net)	4.31	(2.75)	(4.97)	(4.13)	4.60	2.53	2.14
Short-Term Policy Benchmark	0.44	1.81	4.61	5.46	2.80	2.05	1.39
<b>Value Added (Net of Fee)</b>	<b>3.87</b>	<b>(4.56)</b>	<b>(9.58)</b>	<b>(9.59)</b>	<b>1.80</b>	<b>0.48</b>	<b>0.75</b>
Short-term Cash w/o Overlays (Net)	0.42	1.70	4.41	5.27	2.77	2.05	1.47
Short-Term Policy Benchmark	0.44	1.81	4.61	5.46	2.80	2.05	1.39
<b>Value Added (Net of Fee)</b>	<b>(0.02)</b>	<b>(0.11)</b>	<b>(0.20)</b>	<b>(0.19)</b>	<b>(0.03)</b>	<b>0.00</b>	<b>0.08</b>
<b>Overlay Cumulative Net Value Added (\$MM)</b>	<b>\$20.1</b>	<b>(\$24.0)</b>	<b>(\$48.7)</b>	<b>(\$36.0)</b>	<b>\$51.5</b>	<b>\$28.2</b>	<b>\$60.0</b>



## Proposed Investment Agenda – Next Meeting

Annual Overlay Program Review  
Monthly Investment Report (May 31, 2024)

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ 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.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

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

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

# Memo

To: Retirement Board  
From: Richard Stensrud  
CC: Karen Roggenkamp, Joe Marotta, Michelle Miller  
Date: June 14, 2024  
Re: Draft Reemployment Policy

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At the May Board Meeting there was discussion with the Board regarding 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, and within appropriate parameters, it would be a valuable tool for helping to maintain excellence and continuity in critical business operations.

The discussion with the Board 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.

The Board was also presented with and discussed a draft Reemployment Policy that would formally establish the parameters for when and how the retire/rehire option would be utilized and implemented, including the requirement that the Board be provided with notice prior to any proposed engagement and its term and objectives, as well as ongoing reports on the progress on those objectives.

In its discussion of the proposed parameters, the Board requested that two changes be made:

- That the term of a retire/rehire engagement be no longer than three (3) years; and
- Upon commencement of reemployment, the salary paid to an individual returning to the same position from which she/he is retiring be no more than 60% of the salary paid to the individual prior to retirement.

Per the Board's request, those changes have been made to the attached Draft Reemployment Policy. Please note, however, that to be consistent with other SERS personnel policies and practices, the 60% of prior salary limitation may need to be adjusted if that salary level would cause the individual to fall below the minimum of the salary range for the position or if it would fall below the FLSA threshold for an exempt position.

If the Board is satisfied that questions and concerns have been addressed, we will move forward with the process of formally adopting the Policy. In that regard, please note that because the Reemployment Policy is an internal personnel policy, no action is requested or needed from the Board.

I hope this information is helpful. Please let me know if you have any questions.



# School Employees Retirement System of Ohio

## Draft Reemployment 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 employee training, development opportunities, succession planning and qualified external 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. Reemployed retirees' annual salary upon commencement of reemployment shall not exceed 60% of their annual salary at retirement, unless this makes their salary below the pay range minimum or FLSA threshold for an exempt position, in which case their salary will be adjusted to the pay range minimum or FLSA threshold for an exempt position.
3. Excluding promotions, a reemployed retiree is only eligible for annual performance-based salary increases during reemployment.
4. Department Director provides a written justification of the need for the reemployment arrangement and an explanation of longer-term succession plan for approval consideration.
5. A reemployed retiree may not be employed at SERS for more than 3 years in duration. The arrangement does not alter at-will employment or the expectation to meet or exceed performance standards.
6. 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.
7. 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.
8. 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 considers request based on policy guidance and what is considered in the best interest of SERS.
5. Executive Director informs the Board of requests being considered for approval. Board is provided with an explanation of the reasons supporting the arrangement, objectives to be completed, estimated length of arrangement, and long-term staffing strategy for the position prior to approval.
6. Department Director and/or HR will notify employee within 30 days of their request if their request has been approved.
7. 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.
8. Executive Director informs the Board when the reemployment arrangement term has concluded and current staffing status.

## 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

**To:** Retirement Board  
**From:** Chris Collins  
**cc:** Richard Stensrud, Karen Roggenkamp  
**Date:** June 7, 2024  
**Re:** **Federal Legislative Report**

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## OVERVIEW

Campaign season is in full swing. And congressional attention has been focused on election-related issues both in DC and across the country.

### General Assembly acts to ensure President Biden appears on Ohio ballot

Ohio Secretary of State Frank LaRose reminded officials in April that Ohio's presidential nomination deadline comes before the planned Democratic National Convention. In the past, lawmakers have approved temporary fixes to shift the deadline. But this year, GOP leaders in the Ohio Senate determined not to let the opportunity go to waste, and attached the deadline change to a proposal banning foreign influence in citizen initiative campaigns. The Ohio House balked. Governor DeWine called a special session at the end of May to encourage a resolution of the issues.

Ultimately, the Ohio General Assembly signed off on a pair of bills on May 31<sup>st</sup> to get President Joe Biden on Ohio's ballot, and to criminalize foreign influence in statewide ballot issue campaigns. The measures have prompted sharp criticism from Democrats who contend Republicans are leveraging presidential ballot access to restrict future statewide initiatives. The Democratic National Committee (DNC) had announced a planned virtual convention in response to the impasse in Ohio. So, they argue that the precipitating crisis has been averted and there's no need to fast track legislation.

DeWine said after the DNC's announcement that he still wanted the legislation to ensure that Biden is on the ballot, calling it the "prudent" thing to do.

### Special Election to fill vacancy

A June 11<sup>th</sup> special election will decide who will fill the vacancy in Ohio's 6th Congressional District.

Republican state Sen. Michael Rulli and Democrat Michael Kripchak are facing off in the special election that will decide who will represent Ohio's eastern border in Congress.

Former Congressman Bill Johnson vacated his congressional seat earlier this year when he started his new role as Youngstown State University president. Johnson represented the sixth congressional district since 2011.

Rulli and Kripchak won their parties' respective primary race in March. The winner will fill the seat for the remainder of Johnson's current term. The same two candidates will face off in the November general election for the subsequent full two-year term.

The 6th Congressional District includes Belmont, Carroll, Columbiana, Harrison, Jefferson, Mahoning, Monroe, Noble, Stark, Tuscarawas, and Washington Counties.

### Trump convictions

A Manhattan jury made history May 30<sup>th</sup> when it convicted Donald Trump of 34 felonies. They relate to how he paid a porn star to stay quiet just before the 2016 election. Most of Ohio's Republican leaders reacted with outrage to his conviction and the one statewide Democrat said the jury had spoken.

### Appropriations are political too

It is budget season on Capitol Hill and agency leaders are busy defending their 2025 spending plans in front of the appropriations committees. And it's possible the House could finish its appropriations bills this summer. But it's still very unlikely we'll have a full budget passed before the end of the fiscal year.

House Judiciary Chairman Jim Jordan (R-OH) on June 3<sup>rd</sup> recommended using the congressional appropriations process to curtail prosecutions against former President Donald Trump.

The Ohio Republican pitched a series of policy riders for fiscal 2025 appropriations bills in a letter to the House Appropriations Chairman Tom Cole (R-OK).

One proposed policy rider would prohibit funding for an "office of a Special Counsel, who has not been confirmed by the United States Senate to serve as a U.S. Attorney," from being used "to bring a criminal prosecution of a former or current President or Vice President." Special counsel John L. "Jack" Smith, which has brought criminal charges against Trump in Florida and the District of Columbia, would meet that description.

Overall, Jordan's letter contained 11 pages of proposed policy riders across five fiscal 2025 spending bills, and touched on immigration and border security, police grants and multiple firearm-related regulations.

### Manchin goes Independent

Sen. Joe Manchin III of West Virginia announced on May 31<sup>st</sup> that he has officially left the Democratic Party and filed as an independent. Charlotte Laracy, Manchin's communications director, confirmed that he will continue to caucus with the Democrats. Sen. Kyrsten Sinema (I-AZ), who made a similar decision to leave the party in 2022, continues to receive her committee assignments from the Democratic side though she technically doesn't caucus with them. The caucus's other two independents, Bernie Sanders of Vermont and Angus King of Maine, were elected as independents.

Manchin's decision does not change the balance of power in the Senate today, but since he is not running for re-election, who fills his seat could be decisive.

The race for Manchin's seat has been rated Solid Republican by Inside Elections. Manchin has endorsed Glenn Elliott, a Democrat and mayor of Wheeling, WV, in his race against Republican Gov. Jim Justice to succeed Manchin in the Senate.

## **SOCIAL SECURITY AND MEDICARE SOLVENCY**

The 2024 annual reports of the Social Security and Medicare trustees, released on May 7<sup>th</sup>, show mostly small improvements in the programs' financial outlook.

The trustees project that the reserves of the combined Social Security trust funds will be depleted in 2035 and Medicare's Hospital Insurance (HI) trust fund in 2036. For HI, that's five years later than in last year's report. For Social Security, it's one year later.

Changes in economic, private health plan, and other estimating assumptions have also improved the programs' long-term financial picture. While these improvements are welcome, they do not change the outlook for Social Security and Medicare in a fundamental way and could easily be reversed in future years.

The trustees' new projections, like those of the Congressional Budget Office, show a long-run financing problem that needs to be addressed, but the programs are not "bankrupt," as some critics charge. Even if Congress took no action and allowed the trust fund reserves to be depleted, Social Security could still initially pay about 83 percent of scheduled benefits using its annual tax income, and Medicare HI could pay about 89 percent. Benefits would not stop, but trust fund depletion would trigger large across-the-board cuts. (Medicare's programs for physician and outpatient costs and prescription drugs cannot run short of funds because beneficiary premiums and general revenue contributions are automatically set to cover costs.)

Although Social Security and Medicare do not face an immediate financing crisis, lawmakers will be expected to act ahead of trust fund depletion and assure payment of full benefits. Such action would reduce uncertainty and bolster public confidence.

Social Security and Medicare will require an increasing share of our nation's resources as the population ages and health care costs rise. Polls show a widespread willingness to support them through higher taxes.

President Biden's 2025 budget proposal contains Medicare proposals that would permanently close the projected shortfall in the HI trust fund, remove the threat of across-the-board cuts, and simultaneously reduce federal deficits and debt. For households with over \$400,000 in income, the budget would close a loophole that allows some business income to escape both the HI payroll tax and the net investment income tax (NIIT). It would raise the HI payroll tax and NIIT rates from 3.8 percent to 5.0 percent and dedicate the proceeds of the NIIT to the HI trust fund.

And it would further reduce Medicare prescription drug prices and credit the savings to HI. The President's budget does not lay out a specific plan for strengthening Social Security, but it does set out several principles, including the need to raise revenues and prevent benefit cuts.

However, there is no chance of the President's proposed budget being approved by Congress. One alternative solution supported by the Republican Study Committee, a group of more than 170 House republicans, endorses "modest adjustments to the retirement age for future retirees to account for increases in life expectancy." It calls for lowering benefits for the highest-earning beneficiaries. And it emphasizes that those ideas are not designed to take effect immediately, stating that "the RSC Budget does not cut or delay retirement benefits for any senior in or near retirement."

The proposal also calls for converting Medicare to a "premium support model," echoing a proposal that Republican former Speaker Paul Ryan had rallied support for. Under the plan, traditional Medicare would compete with private plans and beneficiaries would be given subsidies to shop for

the policies of their choice. The size of the subsidies could be pegged to the "average premium" or "second lowest price" in a particular market.

Needless to say there is a lot of work to be done to find a solution that will address the crisis without compromising the principles laid out by each of the major parties.

## **WEP/GPO REPEAL**

U.S. Senator Sherrod Brown (D-OH) has scheduled a field hearing of the Subcommittee on Social Security, Pensions, and Family Policy in Columbus on his bipartisan legislation (S. 597) to abolish the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) which penalize government employees who worked in the private sector.

Senator Brown will host the public hearing Friday, June 7<sup>th</sup>, at the Columbus Firefighters Local 67 union hall in downtown Columbus. Testimony will be provided by panels representing public employees including first responders as well as school employees.

The intent is to continue to tell the stories of Ohio public employees who have been impacted by the WEP and GPO on the record, to keep a spotlight on this issue as well as Senator Brown's legislation to repeal the two federal provisions. The current bill has 57 Senate cosponsors, including both Senators Brown and J.D. Vance of Ohio.

## **HEALTH CARE**

The Senate Judiciary Committee recently held a full committee hearing exploring competition in the prescription drug market.

Chairman Dick Durbin (D-IL) highlighted that Americans pay the highest prescription drug prices globally, citing significant price increases by manufacturers, and the manipulation of the patent system to maintain high prices and block competition. He discussed the role of taxpayer-funded NIH research in drug development, while also noting the impact of direct-to-consumer drug advertising on costs.

Ranking Member Lindsey Graham (R-SC) emphasized the need to address patent abuse delaying generics and high US drug prices subsidizing other countries, while ensuring pharmaceutical companies can maintain successful business models and innovation, likening the situation to social media regulation and expressing openness to prescription drug legislation and direct-to-consumer advertising.

Witnesses represented the pharmaceutical industry, patient advocates, and intellectual property lawyers. Discussion focused on balancing intellectual property rights with competition promotion.

### **Public Sector Healthcare Roundtable forum**

The Public Sector Healthcare Roundtable, a national organization that SERS participates in, held a congressional advocacy forum on June 6<sup>th</sup>. Speakers included coalition partners, public employee health care plan sponsor advocates, and congressional staff working on key oversight committees.

While expectations aren't high for significant health care reform legislation during an election year, panelists did see some opportunity for potential bi-partisan legislation during the "lame duck" session at the end of year after the election. Possible items of agreement could include extending tele-medicine waivers and greater hospital billing transparency.

**FEDERAL LEGISLATION BOARD REPORT**  
**118<sup>th</sup> United States Congress**  
**(Prepared by Chris Collins as of June 7, 2024)**

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**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. 322 co-sponsors; 11 Ohioans

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**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. 57 co-sponsors; Both Ohio Senators

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**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

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**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: 186 co-sponsors; four Ohioans

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**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: 35 co-sponsors; two Ohioans

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**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 June 7, 2024)**

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**135<sup>th</sup> General Assembly**

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**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: 05/21/2024 House Financial Institutions, (First Hearing)

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**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

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**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

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**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)

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**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

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**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)

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**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: 05/14/2024 House State and Local Government, (First Hearing)

# Finance Headline News



- Budget Administration
  - FY25 budget presented for approval
  - SERS administrative expenses are expected to finish FY24 under budget
- The following detailed reports are attached for further analysis:
  - Administrative expense reports
    - Administrative expense summary for May 2024
    - Administrative expense detail for May 2024
    - Parameters report for May 2024
  - Financial highlights
    - As of April 2024

### School Employees Retirement System of Ohio

Summary of administrative operation expenses during the period **May 1, 2024-May 31, 2024.**

Actuals  
May-2024

<b>Account</b>	<b>Amount</b>
Salaries & Wages	1,791,179.33
Salaries & Wages- Overtime	2,112.02
Vacation Leave Expense	167,041.09
Sick Leave Expense	61,564.73
Voluntary Life Insurance Reimbursement	482.72
Employer Contributions- PERS	272,049.73
Group Life	9,895.40
Long Term Disability	3,447.68
Short Term Disability	3,963.38
Group Health Claims	339,767.14
Group Health- Admin Fees	7,518.54
Prescription Claims	154,542.07
Group Health- Stop Loss Admin	20,143.98
Vision Claims	3,638.31
Vision Admin Fees	124.56
Group Health- Employee Cost	(52,037.57)
Group Health- Tobacco Premiums	(1,020.00)
Medicare Premium- Employer	27,844.89
Deferred Compensation Match	7,290.00
Actuarial Services	28,460.00

<b>Account</b>	<b>Amount</b>
Audit	8,622.50
Custodial Fees	87,249.04
Custodial Banking	12,101.64
Master Recordkeeper Fees	86,666.67
Performance/ Analytics Fee	40,401.66
Bloomberg Terminal Rentals	21,420.00
Medical Consultant	3,750.00
Special Counsel	25,929.76
Technical	167,224.48
Other Professional Services	50,755.41
Postage	101,458.67
Telecommunications Services	8,666.16
Member/Employer Education	97.85
Hardware Maintenance	23,761.76
Software Maintenance	46,032.83
Software Subscriptions	32,011.40
Equipment Repairs & Maintenance	16,616.04
Office Supplies & Expenses	24.82
Miscellaneous Office Supplies	14.58
Furniture & Equipment < \$5,000	318.54
Records Storage	250.00
Seminars & Conferences	11,289.00
Tuition	1,415.00
Travel & Transportation	23,629.77
Mileage	1,628.88

<b>Account</b>	<b>Amount</b>
Subscriptions	9,254.78
Memberships	7,292.10
Interior Landscaping	1,386.37
Vehicle Expense	123.00
Staff Support	9,713.56
Recruiting Expense	1,089.89
Board Member- School Board Reimb.	1,233.96
Reimbursement of Leased Svcs.	(25,416.67)
<b>Total Administrative Expenses</b>	<b>3,627,941.45</b>

School Employees Retirement System of Ohio  
REVIEW OF ADMINISTRATIVE EXPENSES  
24-May

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,791,179.33
		Subtotal 1,791,179.33
53110 - Salaries & Wages - Overtime	ADP, LLC	2,112.02
		Subtotal 2,112.02
53111 - Vacation Leave Expense	ADP, LLC	167,041.09
		Subtotal 167,041.09
53112 - Sick Leave Expense	ADP, LLC	61,564.73
		Subtotal 61,564.73
53113- Voluntary Life Insurance Reimbursement	ADP, LLC	482.72
		Subtotal 482.72
53200 - Employer Contributions - PERS	ADP, LLC	272,049.73
		Subtotal 272,049.73
53300 - Group Life	American United Life Insurance Company	9,895.40
		Subtotal 9,895.40
53310 - Long Term Disability	American United Life Insurance Company	3,447.68
		Subtotal 3,447.68
53315 - Short Term Disability	American United Life Insurance Company	3,963.38
		Subtotal 3,963.38
53320 - Group Health Claims	Aetna Daily Wires - ESERS	339,767.14
		Subtotal 339,767.14
53321 - Group Health - Admin Fees	Aetna Admin - ESERS	7,518.54
		Subtotal 7,518.54
53322 - Prescription Claims	Express Scripts - correction for overpayment	(5,417.75)
	Express Scripts - ESERS	151,180.44
	SaveonSP, LLC	8,779.38
		Subtotal 154,542.07
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS	20,143.98
		Subtotal 20,143.98
53326 - Vision Claims	VSP - (OH)	3,638.31
		Subtotal 3,638.31
53327 - Vision Admin Fees	VSP - (OH)	124.56
		Subtotal 124.56
53330 - Group Health - Employee Cost	Employee Premiums	(52,037.57)
		Subtotal (52,037.57)
53331 - Group Health - Wellness Incentive	ADP, LLC	3,920.00
		Subtotal 3,920.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(1,020.00)
		Subtotal (1,020.00)

Expense Account	Vendor	Amount
53340 - Medicare Premium - Employer	ADP, LLC	27,844.89
	Subtotal	27,844.89
53380 - Deferred Compensation Match	ADP, LLC	7,290.00
	Subtotal	7,290.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
	Cavanaugh MacDonald Consulting, LLC	16,460.00
	Subtotal	28,460.00
54200 - Audit	Treasurer of State of Ohio	892.50
	Plante & Moran, PLLC	7,730.00
	Subtotal	8,622.50
54310 - Custodial Fees	BNY Mellon Asset Servicing	87,249.04
	Subtotal	87,249.04
54320 - Custodial Banking	Fifth Third Bank	250.00
	Treasurer of State - Warrants	84.28
	Huntington National Bank	11,767.36
	Subtotal	12,101.64
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
	Wilshire Advisors, LLC	6,000.00
	Subtotal	40,401.66
54460 - Bloomberg Terminal Rentals	Bloomberg Finance LP	21,420.00
	Subtotal	21,420.00
54520 - Medical Consultant	Borchers, M.D., Glen G.	3,750.00
	Subtotal	3,750.00
54610 - Special Counsel	Ice Miller LLP	3,367.26
	Seyfarth Shaw LLP	18,305.00
	Calfee Halter & Griswold LLP	3,757.50
	Luper Neidenthal & Logan	500.00
	Subtotal	25,929.76
54620 - Technical	Sagitec Solutions, LLC	123,045.00
	LexisNexis Risk Data Management, Inc	2,914.48
	Sigital, LLC	740.00
	ComResource	10,493.75
	Velosio	956.25
	Improving Ohio, Inc.	29,075.00
	Subtotal	167,224.48
54630 - Other Professional Services	Wickert, Kimberly	351.00
	Vorys Advisors LLC	3,666.66
	Hudepohl & Associates Inc.	22,104.75
	Linea Solutions, Inc.	387.00
	RAMA Consulting Group	24,246.00
	Subtotal	50,755.41
55100 - Postage	Pitney Bowes Inc.	1,246.81
	United States Postal Service	100,000.00
	Unishippers Association	178.14
	FedEx	33.72
	Subtotal	101,458.67

Expense Account	Vendor	Amount
55200 - Telecommunications Services	Verizon Wireless	334.52
	AT&T	40.10
	LUMEN	1,724.00
	Spectrum	237.34
	Spectrum AWS	1,230.00
	Everstream Solutions LLC	1,376.00
	XO Verizon	3,605.44
	T-Mobile	118.76
	Subtotal	8,666.16
55300 - Member/Employer Education	Eventbrite- Employer payments	(270.00)
	Vaughan, Cameron	117.85
	Four Points by Sheraton Hotels	250.00
	Subtotal	97.85
56020 - Hardware Maintenance	Park Place Technologies	13,295.16
	Presidio	10,466.60
	Subtotal	23,761.76
56030 - Software Maintenance	Sagitec Solutions, LLC	35,000.00
	Presidio	11,032.83
	Subtotal	46,032.83
56035 - Software Subscriptions	CDW-Government, Inc.	14,874.00
	DigiCert, Inc	2,121.00
	Wellable LLC	473.20
	Expedient	13,754.92
	Amazon Web Services	61.10
	Total Communication Solutions	727.18
	Subtotal	32,011.40
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc	792.42
	Digital Print Solutions	1,252.27
	Canon Financial Services, Inc	2,410.40
	LD Products Inc.	105.98
	Woodhull	9,350.00
	US Bank Equipment Finance	2,704.97
	Subtotal	16,616.04
56130 - Office Supplies & Expenses	Amazon.com	24.82
	Subtotal	24.82
56140 - Miscellaneous Office Supplies	Amazon.com	14.58
	Subtotal	14.58
56150 - Furniture & Equipment < \$5,000	Grainger	318.54
	Subtotal	318.54
56160 - Records Storage	Vital Records Holdings, LLC	250.00
	Subtotal	250.00
56210 - Seminars & Conferences	Ohio State University	675.00
	Moss, Catherine	1,050.00
	Central Ohio ISSA	1,100.00
	ServiceNow, Inc	2,890.00
	Central Ohio ACFE Chapter	210.00
	Professional Education Services, LP	79.50
	Improving Ohio, Inc.	2,242.50
	Evernorth	1,237.00
	MRA	510.00
	Seitz, Jennifer	1,295.00
	Subtotal	11,289.00



Expense Account	Vendor	Amount
53370 - Tuition	Hyland, Christopher	1,415.00
		Subtotal 1,415.00
56310 - Travel & Transportation	Grumney, John	117.80
	Price, Steve	2,508.54
	Panera Bread	57.77
	Naber, Jason	420.75
	Kroger	66.35
	Rossler, James	260.68
	Haller, James	381.50
	Phillips, Barbra	486.88
	Grim, Phil	1,462.40
	Hall, Jessica	1,109.59
	Sisson, Phil	2,275.03
	Sam's Club	25.66
	J.P. Morgan Investment Management- conference meals	360.00
	Le, Hai Yen	1,579.78
	Majeed, Farouki	3,746.15
	Masri, Judi	467.20
	Moss, Catherine	248.38
	Browning, Michael	467.20
	Wilson, Daniel L.	122.00
	King, Matt	172.83
	Murta, Scott	1,878.70
	Olive Garden	359.12
	Market 65	365.00
	School Employee Retirees of Ohio, Inc.	230.30
	Evernorth	1,144.44
	BNY Mellon	191.42
	Russell, Aimee	463.36
	Blackstone	60.00
	Masink, Sunaina	1,264.83
	Hayes, Todd	1,214.56
	Chick-Fil-A	57.55
	Patina Restaurant Group	64.00
		Subtotal 23,629.77
56311 - Mileage	Price, Steve	13.10
	Naber, Jason	428.38
	Rossler, James	190.28
	Haller, James	129.72
	Phillips, Barbra	125.70
	Le, Hai Yen	17.42
	Moss, Catherine	231.82
	Wilson, Daniel L.	199.66
	King, Matt	160.80
	Russell, Aimee	110.02
	Hayes, Todd	21.98
	Subtotal 1,628.88	
56410 - Subscriptions	Wall Street Journal	209.55
	Constant Contact	505.00
	Shutterstock, Inc.	29.00
	Thomson Reuters	7,194.24
	Time	54.00
	Toledo Blade	12.99
	Currency Research Associates LLC	1,250.00
	Subtotal 9,254.78	

Expense Account	Vendor	Amount
56420 - Memberships	Ohio Society of CPAs	1,396.17
	Project Management Institute	200.93
	NCTR	5,340.00
	Association of Government Accountants	355.00
	Subtotal	7,292.10
56630 - Interior Landscaping	Ambius Inc. (05)	1,386.37
	Subtotal	1,386.37
56640 - Vehicle Expense	Moo Moo Car Wash	12.00
	BP Oil Company	55.00
	Sheetz	56.00
	Subtotal	123.00
56620 - Staff Support	ADP, LLC	4,939.99
	Premier ProduceOne	508.30
	Lowe's	252.96
	Giant Eagle	170.92
	Amazon.com	501.84
	Chenault, Jason	44.41
	Burton, Pam	15.00
	Culligan Bottled Water of Columbus	35.96
	Aetna Behavioral Health, LLC	282.60
	Acorn Distributors Inc.	872.61
	Cuyahoga Franklin Group	1,296.17
	Inspira Financial	346.50
	Sunny Street Cafe	446.30
Subtotal	9,713.56	
56621 - Recruiting Expense	Government Finance Officers Association	150.00
	ADP Screening & Selection Services	192.78
	Indeed	747.11
	Subtotal	1,089.89
56710 - Board Member - School Board Reimb.	Ashland City School District	1,233.96
	Subtotal	1,233.96
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)
	Subtotal	(25,416.67)
	Total SERS Administrative Expenses	3,627,941

FY2024 Administrative Budget  
Board Expense to Budget Reporting  
Year-to-Date Through May 31, 2024

Major Category/Sub-Major Category	Line Item	Vendor	FY2024 Budget Approved	Year to Date Expense	Additional Information
<b>PROFESSIONAL SERVICES</b>			<b>\$ 6,456,305.00</b>	<b>\$ 5,338,487.36</b>	
ACTUARIAL ADVISORS			\$ 292,500.00	\$ 277,486.00	
	Actuarial	Cavanaugh Macdonald	292,500.00	277,486.00	Actuarial Consultant
AUDITING			\$ 234,000.00	\$ 173,087.00	
	Auditing	Plante Moran	184,000.00	170,520.00	External Auditor
BANKING FEES			\$ 1,262,940.00	\$ 1,024,833.24	
	Custodial Banking		1,068,000.00	879,240.26	
		Fifth Third	336,000.00	283,545.50	Domestic Custodian
		BNYM	732,000.00	595,694.76	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	194,940.00	145,592.98	Banking Services
INVESTMENT RELATED			\$ 2,465,349.00	\$ 2,273,641.52	
	Master Recordkeeper		1,056,000.00	951,646.37	
	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	666,909.30	
		Barra-One Risk Mgmt Sys	238,445.00	238,445.00	Investment Risk Analytics
		BNY Mellon GRS	412,820.00	395,464.30	Investment Performance Analytics
TECHNICAL			\$ 2,156,516.00	\$ 1,548,189.60	
	Special Counsel		240,000.00	320,409.11	
	Technical		1,360,084.00	756,450.53	
		Merative	121,000.00	90,000.00	Data Warehouse
		Sagitec	550,000.00	355,662.01	SMART Development Resources
	Other Professional Services		556,432.00	471,329.96	
<b>OTHER OPERATING EXPENSE</b>			<b>\$ 4,108,942.00</b>	<b>\$ 3,061,510.90</b>	
COMPUTER SUPPORT SERVICES			\$ 2,737,127.00	\$ 2,040,001.71	
	Software Maintenance		1,047,108.00	783,986.09	
		Hyland	119,061.00	117,916.85	ImageNow
		Dell	290,000.00	246,943.83	Microsoft Enterprise Agreement/ True Up
		Sagitec	420,000.00	350,000.00	SMART Silver Support
	Software Subscriptions		1,444,815.00	1,172,834.13	
		DRaaS	158,000.00	161,543.76	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 April 30, 2024 and 2023

(unaudited)

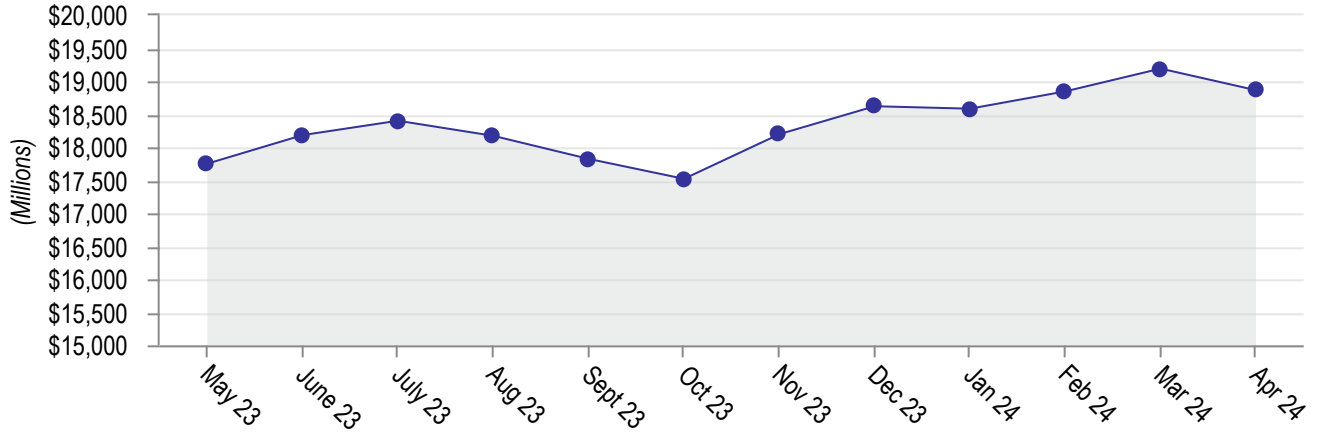
<b>SERS (All Funds)</b>	<b>4/30/24 YTD</b>	<b>4/30/23 YTD</b>	<b>Comparative Difference</b>	<b>% Difference</b>
<b><u>ADDITIONS</u></b>				
Employer Contributions	\$534,269,984	\$502,074,737	\$32,195,247	6%
Member Contributions	349,384,616	327,989,146	21,395,470	7
Other Income	117,423,199	111,907,445	5,515,754	5
Total Investment Income, Net	1,010,141,066	742,321,920	267,819,146	36
<b>TOTAL ADDITIONS</b>	<b>2,011,218,865</b>	<b>1,684,293,248</b>	<b>326,925,617</b>	<b>19</b>
<b><u>DEDUCTIONS</u></b>				
Retirement, Disability, Survivor & Death Benefits	1,181,208,677	1,140,783,327	40,425,350	4
Health Care Expenses	124,480,148	115,282,114	9,198,034	8
Refunds & Transfers	80,845,915	85,560,153	(4,714,238)	(6)
Administrative Expenses (excluding Investments)	24,651,069	24,676,480	(25,411)	—
<b>TOTAL DEDUCTIONS</b>	<b>1,411,185,809</b>	<b>1,366,302,074</b>	<b>44,883,735</b>	<b>3</b>
Changes in Net Position	600,033,056	317,991,174	282,041,882	89
Net Position - Beginning	18,265,722,222	17,574,319,449	691,402,773	4
<b>SERS Net Position - Ending</b>	<b>\$18,865,755,278</b>	<b>\$17,892,310,623</b>	<b>\$973,444,655</b>	<b>5%</b>

### **HEALTH CARE FUND**

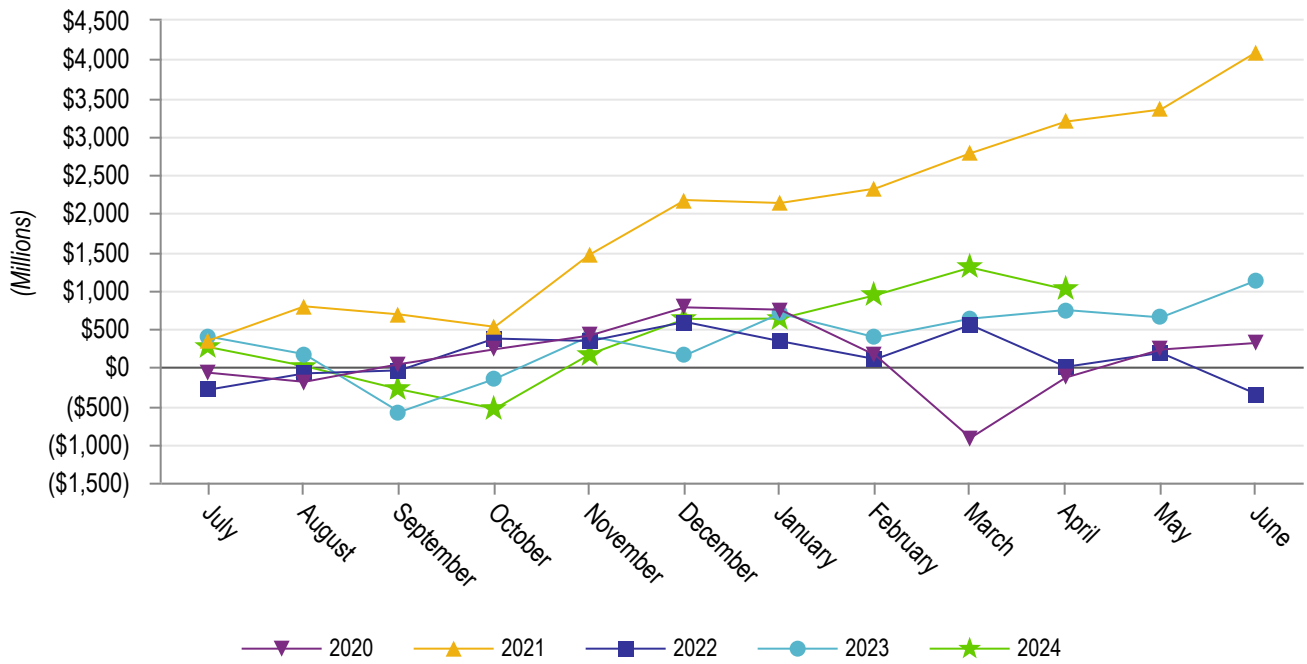
#### **HEALTH CARE ADDITIONS**

Employer Contributions	\$46,998,923	\$43,998,296	\$3,000,627	7%
Health Care Premiums	48,630,988	50,699,455	(2,068,467)	(4)
Federal Subsidies & Other Receipts	68,750,649	61,120,777	7,629,872	12
Total Investment Income, Net	33,969,527	21,870,946	12,098,581	55
<b>TOTAL HEALTH CARE ADDITIONS</b>	<b>198,350,087</b>	<b>177,689,474</b>	<b>20,660,613</b>	<b>12</b>
<b>TOTAL HEALTH CARE DEDUCTIONS</b>	<b>126,873,949</b>	<b>117,412,668</b>	<b>9,461,281</b>	<b>8</b>
Changes in Net Position	71,476,138	60,276,806	11,199,332	19
Net Position - Beginning	706,785,561	611,574,409	95,211,152	16
<b>SERS Health Care Fund Net Position - Ending</b>	<b>\$778,261,699</b>	<b>\$671,851,215</b>	<b>\$106,410,484</b>	<b>16%</b>

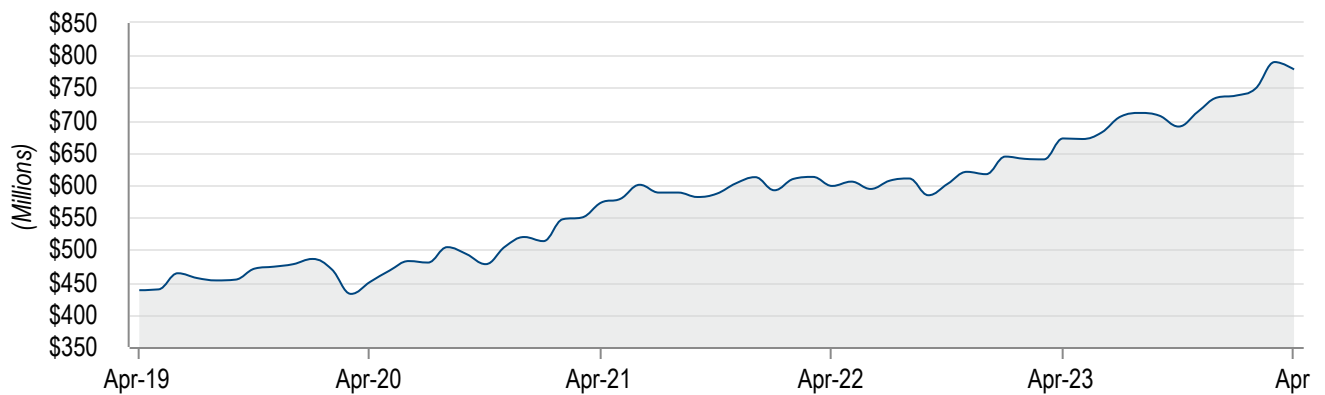
### Total SERS Fund Balance for Previous 12 Months



### Investment Income (includes realized and unrealized gains & losses)



### Health Care Fund Balance Trend



# Memo

To: Retirement Board  
 From: Marni Hall, Chief Financial Officer  
 CC: Richard Stensrud, Executive Director  
 Karen Roggenkamp, Deputy Executive Director  
 Date: June 7, 2024  
 Re: FY2025 Personnel Budget Question

At the May meeting, the proposed FY2025 Administrative Budgets for SERS and OSERS Holdings, LLC were reviewed. I am providing additional information concerning the question, “does the FY2025 Personnel budget include an estimated salary expense offset (credit) for future staff turnover”? Vacancy credits are not included in the FY2025 budget. SERS’ Personnel budget starts with the approved number of positions and their respective annual salaries. The salary variances from open positions are retained in the budget. These variances are typically a small percentage of the overall budget and are utilized during the year to meet the personnel budget target. This established practice is based on several factors including

- SERS history of filling open positions quickly.
- Difficulty in predicting positions, timing, and the related salary of positions that become vacant during a given year.
- Savings from open positions serve as reserves to cover items such as:
  - Overlapping of new employees with exiting employees to transfer knowledge during a retirement or other planned separation of employment.
  - Salary variability of backfilling open positions, especially in a challenging labor market.
  - Overtime, leave pay, and incentive compensation volatility based on information available at the time the budget is prepared.

The following five-year salary and wage history with corresponding headcount is provided for further context. Salaries and wages in the Personnel budget consist of base wages, overtime, incentive compensation, length of service payments, and paid leave.

### Salaries and Wages 5-Year History

	Proposed FY2025	Projected FY2024	FY2023 #	FY2022	FY2021
Budget	\$19,925,657	18,853,159	17,783,788	16,861,477	16,238,847
Actual	n/a	18,707,348	18,711,412	16,812,893	16,083,758
Variance	n/a	145,812	-927,624	48,584	155,089
Staffing:					
Average Headcount *	n/a	181	180	180	178
Total Budgeted FTEs	184	183	182	181	181
<b>% Staffed</b>		<b>99%</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>
Total Vacant during the year *		20	18	19	24

\* FY2024 average monthly headcount as of 5/31/24.

# FY2023 budget and forecast previously reported were missing the 27<sup>th</sup> pay period as communicated at the September 2023 board meeting.

We will be happy to answer any questions you might have.

# Memo

To: Retirement Board  
From: Richard Stensrud, Executive Director  
CC: Karen Roggenkamp, Deputy Executive Director  
Date: June 7, 2024  
Re: FY2025 Budget Approval

---

At the meeting in May, we reviewed the proposed FY2025 Administrative Budgets for SERS and OSERS Holdings, LLC.

Consistent with our annual budget cycle, we are requesting approval of these two budgets through separate resolutions at the June meeting:

1. SERS' **Operating and Capital** budgets for the next fiscal year, totaling \$39.0 million. There have been no changes to the draft budget since the May presentation.
2. Transfer of funds to **OSERS Holdings, LLC** to cover the net operating expenses of OSERS Broad Street, LLC, in the amount of \$1.8 million.

We will be happy to answer any questions you might have.



**BUDGET RESOLUTION – FY2025 SERS ADMINISTRATIVE BUDGET**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that the following budget of \$38,998,582 for the fiscal year beginning July 1, 2024, and ending June 30, 2025, be approved, with such approval effective June 30, 2024.

<u>Expense Classification</u>	<u>Budget</u>
Personnel .....	\$ 26,904,494
Professional Services (including Investment-Related Consultants) .....	6,493,858
Communications .....	944,448
Other Operating Expenses .....	<u>4,655,782</u>
SERS Administrative Expenses	\$ 38,998,582
<b>Administrative Budget</b>	<b>\$ 38,998,582</b>

Be it further provided that the Board has reviewed the estimated fees and expenses for operation of the investment program and authorizes the payment of actual fees to such service providers and in such amounts as is set by the contract with the individual service providers.

Upon roll call, the vote was as follows:

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

**OPERATING TRANSFER RESOLUTION – FY2025**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that SERS transfer to OSERS Holdings, LLC up to \$1,814,452 for payment of building operations and LLC expenses of OSERS Holdings for the fiscal year beginning July 1, 2024, and ending June 30, 2025 with such approval effective June 30, 2024. OSERS Holdings, LLC shall report quarterly to the SERS Board of Trustees on the expenditure of all funds and receipt of all revenues.

Upon roll call, the vote was as follows:

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



# 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



9

**MEMBERS OF THE RETIREMENT BOARD** with fiduciary responsibility for the oversight of general administration and management of the Retirement System



159,873

**ACTIVE MEMBERS** (person contributing to or with contributions on account at SERS)



1,069

**EMPLOYERS** (an entity whose employees are required by law to contribute to SERS)



184

**SERS EMPLOYEES**



\$1,365

**AVERAGE MONTHLY BENEFIT**



81,833

**ALL BENEFIT RECIPIENTS**



1937

**THE YEAR** School Employees Retirement System of Ohio was established.

SERS is located at 300 East Broad Street, Columbus, Ohio, or online at [www.ohsers.org](http://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,

A handwritten signature in black ink that reads "Richard Stensrud".

Richard Stensrud  
Executive Director

A handwritten signature in black ink that reads "Marni Hall".

Marni Hall, CPA  
Chief Financial Officer





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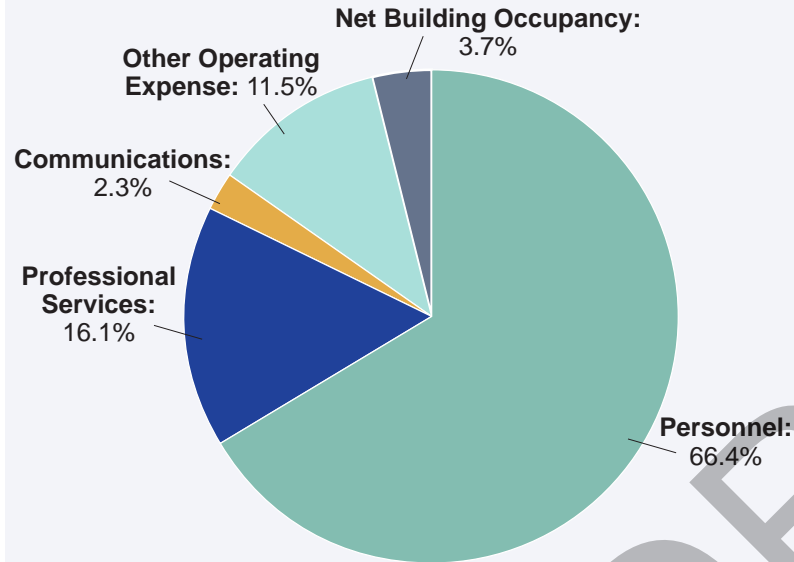


# BUDGET OVERVIEW

Category and Description	FY2025 Budget	\$ 40,508,034
<b>PERSONNEL</b>		<b>\$ 26,904,494</b>
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.		
<b>Operational Impact</b>		<b>66.4%</b>
<b>PROFESSIONAL SERVICES</b>		<b>\$ 6,493,858</b>
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.		
<b>Operational Impact</b>		<b>16.1%</b>
<b>COMMUNICATIONS</b>		<b>\$ 944,448</b>
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.		
<b>Operational Impact</b>		<b>2.3%</b>
<b>OTHER OPERATING EXPENSE</b>		<b>\$ 4,655,782</b>
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.		
<b>Operational Impact</b>		<b>11.5%</b>
<b>CAPITAL</b>		<b>-</b>
There are no capital projects planned for FY2025.		
<b>Operational Impact</b>		<b>0.0%</b>
<b>NET BUILDING OCCUPANCY-OSERS BROAD STREET, LLC</b>		<b>\$ 1,509,452</b>
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.		
<b>Operational Impact</b>		<b>3.7%</b>

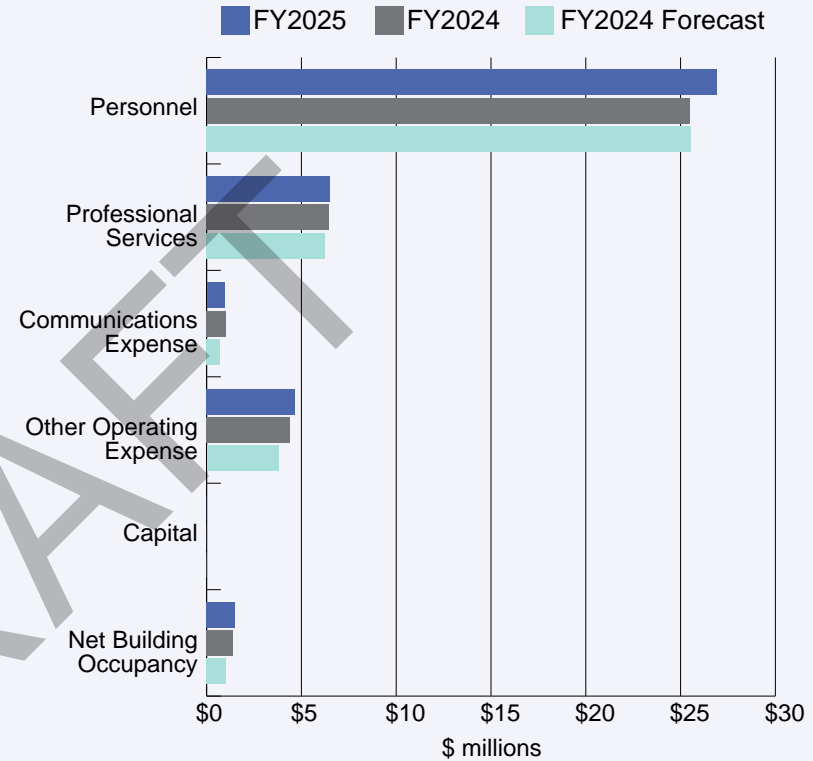
## FY2025 Operating Budget by Category

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
<b>Personnel</b>	\$26,904,494	\$25,471,425	\$25,534,264
<b>Professional Services</b>	\$6,493,858	\$6,456,305	\$6,252,615
<b>Communications Expense</b>	\$944,448	\$1,015,710	\$704,863
<b>Other Operating Expense</b>	\$4,655,782	\$4,413,942	\$3,795,907
<b>Capital</b>	\$-	\$-	\$-
<b>Net Building Occupancy</b>	\$1,509,452	\$1,392,957	\$1,029,157
<b>TOTAL OPERATING</b>	<b>\$40,508,034</b>	<b>\$38,750,339</b>	<b>\$37,316,806</b>

# 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%
<b>PERSONNEL</b>	<b>26,904,494</b>	<b>25,471,425</b>	<b>25,534,264</b>	<b>5.6%</b>
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%
<b>PROFESSIONAL SERVICES, INCLUDING INVESTMENT COSTS</b>	<b>6,493,858</b>	<b>6,456,305</b>	<b>6,252,615</b>	<b>0.6%</b>
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%
<b>COMMUNICATIONS</b>	<b>944,448</b>	<b>1,015,710</b>	<b>704,863</b>	<b>-7.0%</b>
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%
<b>OTHER OPERATING</b>	<b>4,655,782</b>	<b>4,413,942</b>	<b>3,795,907</b>	<b>5.5%</b>
<b>TOTAL OPERATING</b>	<b>38,998,582</b>	<b>37,357,382</b>	<b>36,287,649</b>	<b>4.4%</b>
Furniture & Equipment > 5,000	-	-	-	0.0%
Computer Hardware > 5,000	-	-	-	0.0%
Computer Software > 25,000	-	-	-	0.0%
Vehicles	-	-	-	0.0%
<b>CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>NET BUILDING OCCUPANCY EXPENSE</b>	<b>1,509,452</b>	<b>1,392,957</b>	<b>1,029,157</b>	<b>8.4%</b>
<b>TOTAL OPERATING AND CAPITAL BUDGETS</b>	<b>\$ 40,508,034</b>	<b>\$ 38,750,339</b>	<b>\$ 37,316,806</b>	<b>4.5%</b>

## 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%
<b>\$23,904,677</b>	<b>\$25,534,264</b>	<b>\$1,629,587</b>	<b>6.8%</b>	<b>PERSONNEL</b>	<b>\$26,904,494</b>	<b>\$1,370,230</b>	<b>5.4%</b>
\$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%
<b>\$5,736,271</b>	<b>\$6,252,615</b>	<b>\$516,344</b>	<b>9.0%</b>	<b>PROFESSIONAL SERVICES</b>	<b>\$6,493,858</b>	<b>\$241,243</b>	<b>3.9%</b>
\$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%
<b>\$1,007,460</b>	<b>\$704,863</b>	<b>\$(302,597)</b>	<b>-30.0%</b>	<b>COMMUNICATIONS</b>	<b>\$944,448</b>	<b>\$239,585</b>	<b>34.0%</b>
\$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%
<b>\$3,198,200</b>	<b>\$3,490,907</b>	<b>\$292,707</b>	<b>9.2%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>\$4,350,782</b>	<b>\$859,875</b>	<b>24.6%</b>
<b>\$33,846,608</b>	<b>\$35,982,649</b>	<b>\$2,136,041</b>	<b>6.3%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$38,693,582</b>	<b>\$2,710,933</b>	<b>7.5%</b>
\$-	\$-	\$-	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%
<b>\$54,181</b>	<b>\$-</b>	<b>\$(54,181)</b>	<b>-100.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>
<b>\$33,900,789</b>	<b>\$35,982,649</b>	<b>\$2,081,861</b>	<b>6.1%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$38,693,582</b>	<b>\$2,710,933</b>	<b>7.5%</b>
<b>\$1,636,589</b>	<b>\$1,334,157</b>	<b>\$(302,432)</b>	<b>-18.5%</b>	<b>OSERS BROAD STREET, LLC</b>	<b>\$1,814,452</b>	<b>\$480,295</b>	<b>36.0%</b>
<b>\$35,537,378</b>	<b>\$37,316,806</b>	<b>\$1,779,428</b>	<b>5.0%</b>	<b>TOTAL OPERATING AND CAPITAL EXPENSES</b>	<b>\$40,508,034</b>	<b>\$3,191,228</b>	<b>8.6%</b>



# FY2025

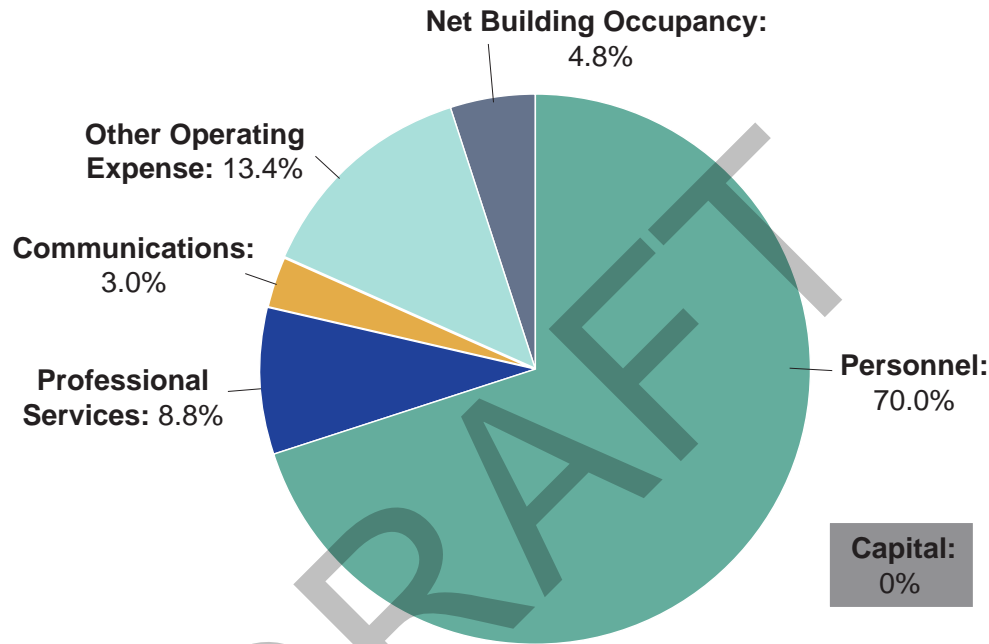
## SERS OPERATING BUDGET DETAIL



# 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
<b>TOTAL OPERATING</b>	<b>\$31,703,621</b>	<b>\$30,351,046</b>	<b>\$29,071,009</b>

## THREE-YEAR REVIEW FY2023 – FY2025 SERS BUDGET PRESENTATION EXCLUDING INVESTMENTS

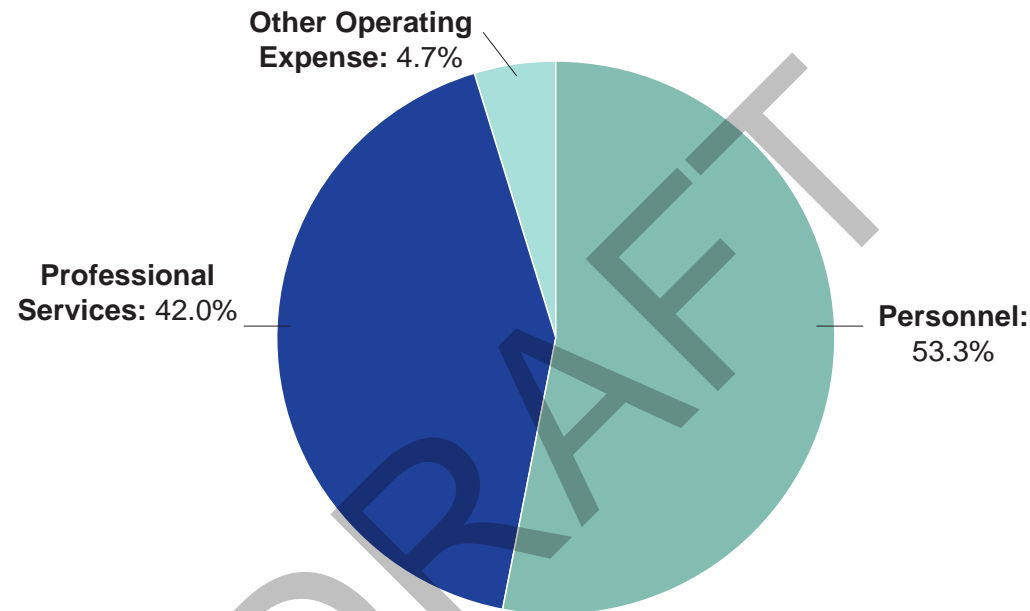
FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Description	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$15,406,888	\$15,309,142	\$(97,746)	-0.6%	Salaries & Wages	\$16,176,455	\$867,313	5.7%
\$2,053,518	\$2,080,173	\$26,655	1.3%	OPERS Retirement Contributions	\$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%
<b>\$19,940,057</b>	<b>\$21,302,298</b>	<b>\$1,362,241</b>	<b>6.8%</b>	<b>PERSONNEL</b>	<b>\$22,213,579</b>	<b>\$911,281</b>	<b>4.3%</b>
\$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%
<b>\$2,180,293</b>	<b>\$2,565,051</b>	<b>\$384,758</b>	<b>17.6%</b>	<b>PROFESSIONAL SERVICES</b>	<b>\$2,794,693</b>	<b>\$229,642</b>	<b>9.0%</b>
\$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%
<b>\$1,007,460</b>	<b>\$704,863</b>	<b>\$(302,597)</b>	<b>-30.0%</b>	<b>COMMUNICATIONS</b>	<b>\$944,448</b>	<b>\$239,585</b>	<b>34.0%</b>
\$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%
<b>\$2,895,622</b>	<b>\$3,164,640</b>	<b>\$269,018</b>	<b>9.3%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>\$3,936,449</b>	<b>\$771,809</b>	<b>24.4%</b>
<b>\$26,023,432</b>	<b>\$27,736,852</b>	<b>\$1,713,420</b>	<b>6.6%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$29,889,169</b>	<b>\$2,152,317</b>	<b>7.8%</b>
\$-	\$-	\$-	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%
<b>\$54,181</b>	<b>\$-</b>	<b>\$(54,181)</b>	<b>-100.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>
<b>\$26,077,613</b>	<b>\$27,736,852</b>	<b>\$1,659,239</b>	<b>6.4%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$29,889,169</b>	<b>\$2,152,317</b>	<b>7.8%</b>





# FY2025 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
<b>TOTAL OPERATING</b>	<b>\$8,804,413</b>	<b>\$8,399,293</b>	<b>\$8,245,797</b>

# THREE-YEAR REVIEW FY2023 – FY2025 INVESTMENTS BUDGET PRESENTATION

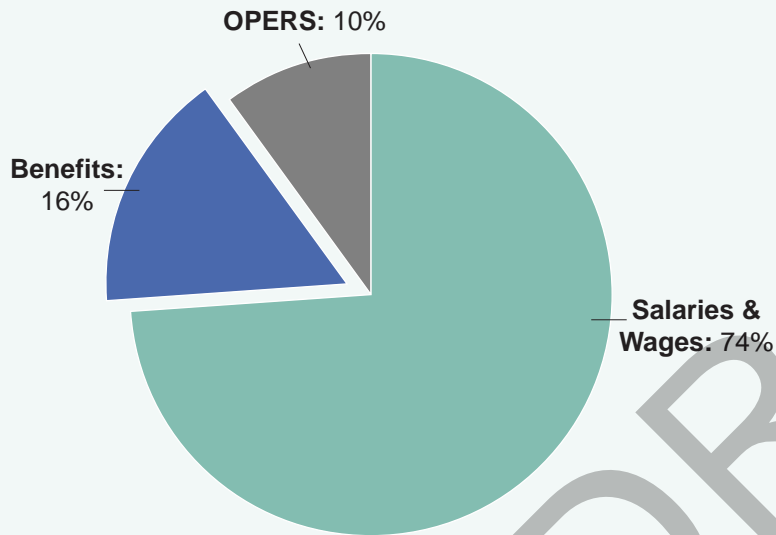
FY2023 Actual	FY2024 Forecast	FY2024-FY2023 Difference	Change % (+/-)	Description	FY2025 Budget	FY2025 Budget-FY2024 Forecast Difference	Change % (+/-)
\$3,304,524	\$3,398,206	\$93,682	2.8%	Salaries & Wages	\$3,749,202	\$350,996	10.3%
\$399,062	\$422,294	\$23,232	5.8%	OPERS Retirement Contributions	\$472,184	\$49,890	11.8%
\$261,034	\$411,466	\$150,432	57.6%	Benefits	\$469,529	\$58,063	14.1%
<b>\$3,964,620</b>	<b>\$4,231,966</b>	<b>\$267,346</b>	<b>6.7%</b>	<b>PERSONNEL</b>	<b>\$4,690,915</b>	<b>\$458,949</b>	<b>10.8%</b>
\$-	\$-	\$-	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%
<b>\$3,555,978</b>	<b>\$3,687,564</b>	<b>\$131,586</b>	<b>3.7%</b>	<b>PROFESSIONAL SERVICES</b>	<b>\$3,699,165</b>	<b>\$11,601</b>	<b>0.3%</b>
\$-	\$-	\$-	0.0%	Postage	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Telecommunication Services	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Member/Employer Education	\$-	\$-	0.0%
\$-	\$-	\$-	0.0%	Printing & Publication	\$-	\$-	0.0%
<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>	<b>COMMUNICATIONS</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>
\$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%
<b>\$302,578</b>	<b>\$326,267</b>	<b>\$23,689</b>	<b>7.8%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>\$414,333</b>	<b>\$88,066</b>	<b>27.0%</b>
<b>\$7,823,175</b>	<b>\$8,245,797</b>	<b>\$422,622</b>	<b>5.4%</b>	<b>TOTAL DEPARTMENT EXPENSES</b>	<b>\$8,804,413</b>	<b>\$558,616</b>	<b>6.8%</b>
\$-	\$-	\$-	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%
<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>	<b>ADMINISTRATIVE CAPITAL</b>	<b>\$-</b>	<b>\$-</b>	<b>0.0%</b>
<b>\$7,823,175</b>	<b>\$8,245,797</b>	<b>\$422,622</b>	<b>5.4%</b>	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$8,804,413</b>	<b>\$558,616</b>	<b>6.8%</b>



# PERSONNEL

## PERSONNEL FY2025 BUDGET

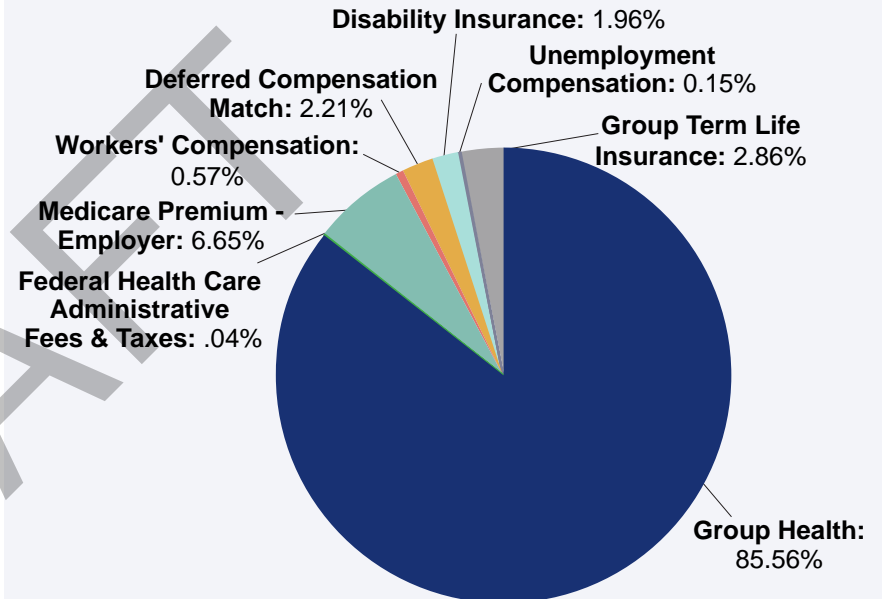
TOTAL: \$26,904,494



Personnel Budget	FY2025
Salaries & Wages	\$19,925,657
Benefits	\$4,295,515
OPERS Retirement Contributions	\$2,683,322
<b>TOTAL</b>	<b>\$26,904,494</b>

## 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
<b>TOTAL</b>	<b>\$4,295,515</b>

## 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%
<b>\$18,711,412</b>	<b>\$18,707,348</b>	<b>\$(4,064)</b>	<b>0.0%</b>	<b>Salaries &amp; Wages</b>	<b>\$19,925,657</b>	<b>\$1,218,309</b>	<b>6.5%</b>
<b>\$2,452,580</b>	<b>\$2,502,468</b>	<b>\$49,888</b>	<b>2.0%</b>	<b>OPERS Retirement Contributions</b>	<b>\$2,683,322</b>	<b>\$180,854</b>	<b>7.2%</b>
\$-	\$-	\$-	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%
<b>\$2,740,685</b>	<b>\$4,324,448</b>	<b>\$1,583,763</b>	<b>57.8%</b>	<b>Benefits</b>	<b>\$4,295,515</b>	<b>\$(28,933)</b>	<b>-0.7%</b>
<b>\$23,904,677</b>	<b>\$25,534,264</b>	<b>\$1,629,587</b>	<b>6.8%</b>	<b>PERSONNEL</b>	<b>\$26,904,494</b>	<b>\$1,370,230</b>	<b>5.4%</b>

### 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.

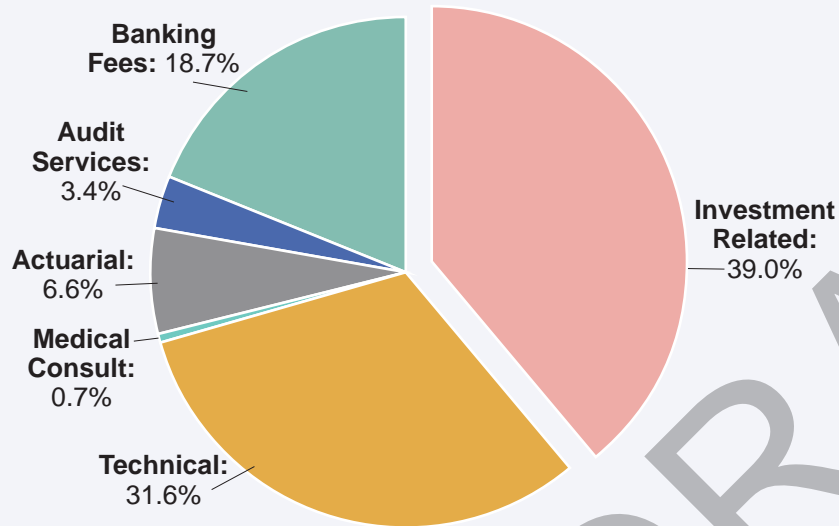
SERS' per-pay match contribution to the Ohio Public Employees **Deferred Compensation Match** program are made on behalf of the SERS' employees who are actively enrolled in the program.



# PROFESSIONAL SERVICES

## PROFESSIONAL SERVICES FY2025 BUDGET

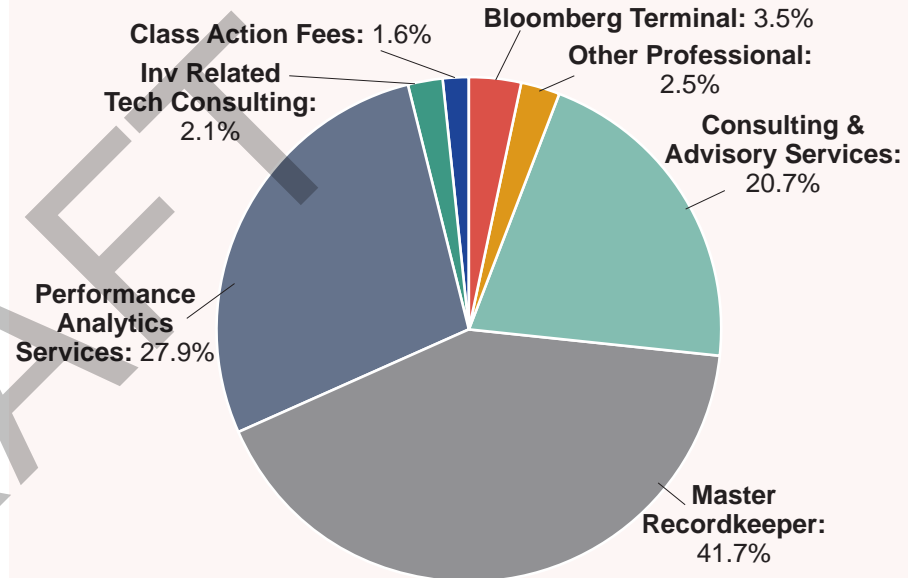
TOTAL: \$6,493,858



SERS Professional Services Budget	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
<b>TOTAL</b>	<b>\$6,493,858</b>

## 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
<b>TOTAL</b>	<b>\$2,530,364</b>


# 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%	<b>Actuarial</b>	\$425,500	\$111,409	35.5%
\$186,971	\$214,945	\$27,974	15.0%	<b>Audit Services</b>	\$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%	<b>Banking Fees</b>	\$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%	<b>Investment -Related</b>	\$2,530,364	\$(46,563)	-1.8%
\$45,000	\$45,000	\$-	0.0%	<b>Medical Consultant</b>	\$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%	<b>Technical</b>	\$2,059,614	\$74,213	3.7%
\$5,736,271	\$6,252,615	\$516,344	9.0%	<b>PROFESSIONAL SERVICES</b>	\$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.

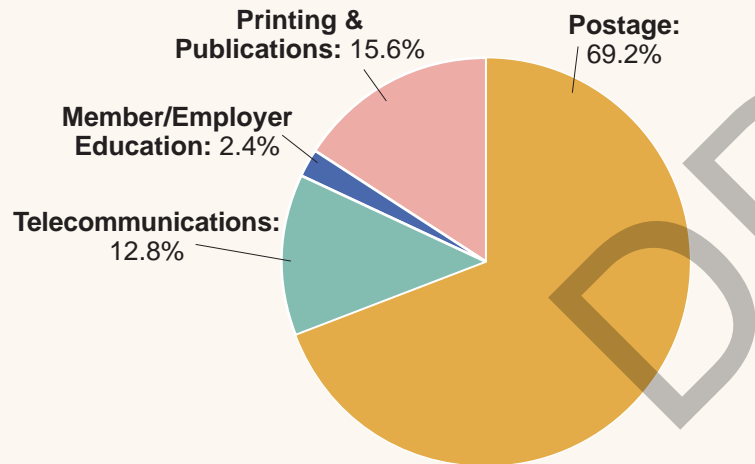
**Other Professional Services** includes the cost for other consultants and advisory services, such as legislative news and political consulting providers, organizational leadership and development, professional work-study internships, surveying and focus groups, and Attorney General Staff reimbursement.



# 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
<b>Total</b>	<b>\$944,448</b>

### 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:

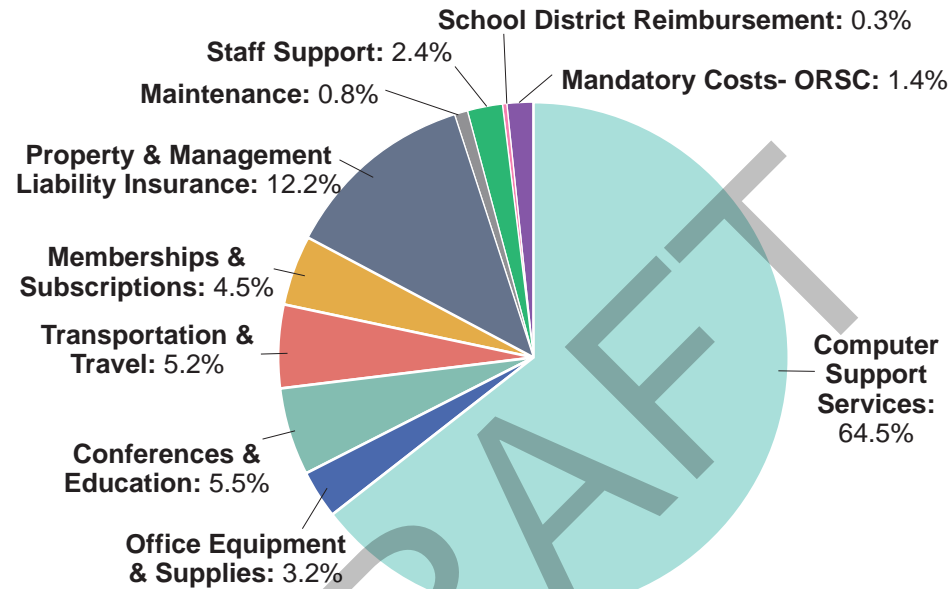
This category includes the costs of paper and supplies, and large-quantity specific outsourced printing jobs. The Print Shop continually increases SERS' internal printing capabilities by producing items such as the *Open Enrollment Guide* booklets, *Member Benefit* and *Disability Guides*, and member 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)
<b>Total</b>	<b>\$4,350,782</b>

## 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%
<b>\$2,128,534</b>	<b>\$2,431,577</b>	<b>\$303,043</b>	<b>14.2%</b>	<b>Computer Support Services</b>	<b>\$3,003,345</b>	<b>\$571,768</b>	<b>23.5%</b>
<b>\$161,573</b>	<b>\$157,554</b>	<b>\$(4,019)</b>	<b>-2.5%</b>	<b>Office Equipment &amp; Supplies</b>	<b>\$148,163</b>	<b>\$(9,391)</b>	<b>-6.0%</b>
<b>\$115,617</b>	<b>\$134,019</b>	<b>\$18,402</b>	<b>15.9%</b>	<b>Conferences &amp; Education</b>	<b>\$257,030</b>	<b>\$123,011</b>	<b>91.8%</b>
<b>\$164,313</b>	<b>\$187,191</b>	<b>\$22,878</b>	<b>13.9%</b>	<b>Transportation &amp; Travel</b>	<b>\$240,360</b>	<b>\$53,169</b>	<b>28.4%</b>
<b>\$177,093</b>	<b>\$171,198</b>	<b>\$(5,895)</b>	<b>-3.3%</b>	<b>Memberships &amp; Subscriptions</b>	<b>\$211,597</b>	<b>\$40,399</b>	<b>23.6%</b>
<b>\$519,591</b>	<b>\$504,501</b>	<b>\$(15,090)</b>	<b>-2.9%</b>	<b>Property &amp; Management Liability Insurance</b>	<b>\$566,375</b>	<b>\$61,874</b>	<b>12.3%</b>
<b>\$52,339</b>	<b>\$28,516</b>	<b>\$(23,823)</b>	<b>-45.5%</b>	<b>Maintenance</b>	<b>\$35,725</b>	<b>\$7,209</b>	<b>25.3%</b>
<b>\$127,011</b>	<b>\$108,378</b>	<b>\$(18,633)</b>	<b>-14.7%</b>	<b>Staff Support</b>	<b>\$112,642</b>	<b>\$4,264</b>	<b>3.9%</b>
<b>\$8,743</b>	<b>\$9,481</b>	<b>\$738</b>	<b>8.4%</b>	<b>School District Reimbursement</b>	<b>\$12,545</b>	<b>\$3,064</b>	<b>32.3%</b>
<b>\$48,386</b>	<b>\$63,492</b>	<b>\$15,106</b>	<b>31.2%</b>	<b>Mandatory Costs- ORSC</b>	<b>\$68,000</b>	<b>\$4,508</b>	<b>7.1%</b>
<b>\$(305,000)</b>	<b>\$(305,000)</b>	<b>\$(0)</b>	<b>0.0%</b>	<b>Reimbursement from OSERS Broad Street, LLC, for Leased Services</b>	<b>\$(305,000)</b>	<b>\$0</b>	<b>0.0%</b>
<b>\$3,198,200</b>	<b>\$3,490,907</b>	<b>\$292,707</b>	<b>9.2%</b>	<b>OTHER OPERATING EXPENSE</b>	<b>\$4,350,782</b>	<b>\$859,875</b>	<b>24.6%</b>

### 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 backups.

**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 (IFEBC)
- 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.



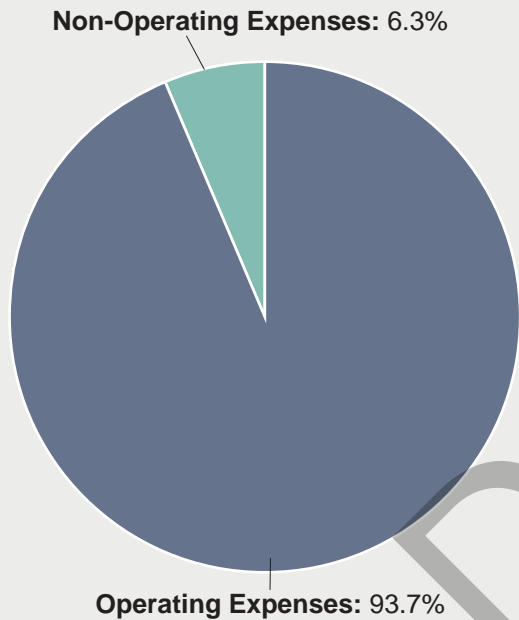
# FY2025 OSERS BROAD STREET, LLC AND OSERS HOLDINGS, LLC BUDGET

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# BUILDING OCCUPANCY BUDGET / OSERS HOLDINGS, LLC

## OSERS Broad Street, LLC FY2025 Budget



OSERS Broad Street, LLC	FY2025
Operating Expenses	\$2,318,332
Non-Operating Expenses	\$155,000
<b>TOTAL</b>	<b>\$2,473,332</b>

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%
<b>\$703,077</b>	<b>\$788,254</b>	<b>\$85,177</b>	<b>12.1%</b>	<b>Operating Revenue</b>	<b>\$658,880</b>	<b>\$(129,374)</b>	<b>-16.4%</b>
\$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%
<b>\$2,054,605</b>	<b>\$2,029,410</b>	<b>\$(25,195)</b>	<b>-1.2%</b>	<b>Operating Expenses</b>	<b>\$2,318,332</b>	<b>\$288,922</b>	<b>14.2%</b>
\$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%
<b>\$18,973</b>	<b>\$10,072</b>	<b>\$(8,901)</b>	<b>-46.9%</b>	<b>Non-Operating Expenses</b>	<b>\$155,000</b>	<b>\$144,928</b>	<b>1438.9%</b>
\$266,088	\$55,789	\$(210,299)	-79.0%	Capital Improvements	\$-	\$(55,789)	-100.0%
<b>\$266,088</b>	<b>\$55,789</b>	<b>\$(210,299)</b>	<b>-79.0%</b>	<b>Capital Improvements</b>	<b>\$-</b>	<b>\$(55,789)</b>	<b>-100.0%</b>
<b>\$1,636,589</b>	<b>\$1,334,157</b>	<b>\$(302,433)</b>	<b>-18.5%</b>	<b>OSERS Broad Street, LLC Budget</b>	<b>\$1,814,452</b>	<b>\$480,296</b>	<b>36.0%</b>
\$(305,000)	\$(305,000)	\$-	0.0%	Less Reimbursement to SERS for Leased Services	\$(305,000)	\$-	0.0%
<b>\$1,331,589</b>	<b>\$1,029,157</b>	<b>\$(302,432)</b>	<b>-22.7%</b>	<b>Net Building Occupancy Expense</b>	<b>\$1,509,452</b>	<b>\$480,295</b>	<b>46.7%</b>

## 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
<b>SMART TOTAL</b>	<b>\$4,079,000</b>	<b>\$345,236</b>	<b>\$797,476</b>	<b>\$1,142,712</b>	<b>28.0%</b>	<b>\$1,118,567</b>	<b>\$1,817,721</b>
<b>INFRASTRUCTURE TOTAL</b>	<b>\$4,204,054</b>	<b>\$1,076,514</b>	<b>\$284,541</b>	<b>\$1,361,055</b>	<b>32.4%</b>	<b>\$1,179,850</b>	<b>\$1,663,149</b>
<b>TOTAL BUDGET</b>	<b>\$8,283,054</b>	<b>\$1,421,750</b>	<b>\$1,082,017</b>	<b>\$2,503,767</b>	<b>30.2%</b>	<b>\$2,298,417</b>	<b>\$3,480,870</b>


\*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.

# Memo

To: Retirement Board  
From: SERS Legal  
cc: Richard Stensrud  
Date: June 7, 2024  
Re: Administrative Rules

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Two categories of resolutions on Administrative Rules are on the June Board Agenda.

**I. Approval to file with JCARR the following proposed rescinded rule**

- **3309-1-68 Payment to individual with legal incapacity**

Due to the extent of new provisions being added to the rule, this rule is being rescinded and a new rule proposed.

**II. Approval to file with JCARR the following proposed new rule**

- **3309-1-68 Guardianship**

This rule addresses SERS requirements for issuing payments to an individual with a legal incapacity and identifies the authority of the guardian of the estate and guardian of the person to manage the individual's SERS account.

The proposed changes take a more comprehensive approach to outlining SERS requirements when a benefit recipient is under a guardianship.

Paragraph (A) sets forth definitions of key terms used in the rule.

Paragraph (B) sets forth SERS requirements for paying a benefit recipient under a guardianship.

Paragraph (C) sets forth SERS requirements for a refund application to be signed on behalf of a benefit recipient under a guardianship.

Paragraph (D) sets forth restrictions that apply when a guardian seeks to sign certain forms or applications.

## FILING OF RESCINDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed rescinded rule: 3309-1-68, Payment to individual with legal incapacity.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed rescinded rule 3309-1-68 be filed with JCARR as discussed.

### **3309-1-68 Payment to individual with legal incapacity.**

- (A)
  - (1) For purposes of this rule, “benefit” means a payment from the accumulated contributions of the member or employer, or both, under Chapter 3309. of the Revised Code and includes an account refund, pension, annuity, disability benefit, or survivor benefit.
  - (2) For purposes of this rule, “benefit recipient” means any person who is eligible to receive a payment or benefit under Chapter 3309. of the Revised Code.
- (B) Except as otherwise provided in this rule, guardianship of the estate shall be required to do any of the following on behalf of a member or benefit recipient who has a legal disability as defined in division (B) or (D) of section 2131.02 of the Revised Code:
  - (1) The guardian may designate a beneficiary, but if the designation is anyone other than the estate or the statutory order of succession identified in section 3309.44 or 3309.50 of the Revised Code, the beneficiary designation must be approved by court order.
  - (2) Direct payment of benefits on behalf of the member or benefit recipient. Payment shall be issued to the guardian of the estate or as otherwise specified by court order.
- (C) Guardianship of the estate shall not be required if a court of competent jurisdiction issued an order that directs SERS to issue a member or benefit recipient’s payment to a specific person or entity, and identifies a specific account at a financial institution.
- (D) A guardian of the person may do any of the following:
  - (1) Receive a benefit recipient’s account information;
  - (2) Change a benefit recipient’s address; or
  - (3) Apply for and receive a payment required by paragraph (C)(1) of rule 3309-1-09 of the Administrative Code.
- (E) If the benefit recipient is a minor, payment may be issued to the benefit recipient’s biological or adoptive parent so long as the minor is in the care and custody of the

parent, or to the benefit recipient's legal custodian.

HISTORY: 5/1/22, 3/26/18

Promulgated Under: 111.15

Statutory Authority: 3309.04

Rule Amplifies: 3309.01, 3309.22, 3309.34, 3309.343, 3309.344, 3309.35, 3309.381,  
3309.39, 3309.40, 3309.401, 3309.42, 3309.44, 3309.45, 3309.46,  
3309.50

Review Date: 2/1/27

Upon roll call, the vote was as follows:

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

## FILING OF PROPOSED NEW ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed new administrative rule: 3309-1-68, Guardianship.

\_\_\_\_\_ moved and \_\_\_\_\_ seconded that proposed new rule 3309-1-68 be filed with JCARR as discussed.

### **3309-1-68 Guardianship.**

(A) As used in this rule:

- (1) "Benefit" means a payment from the accumulated contributions of the member or employer, or both, under Chapter 3309. of the Revised Code and includes an account refund, pension, annuity, disability benefit, survivor benefit, or death benefit.
- (2) "Benefit recipient" means any person who is eligible to receive a payment or benefit under Chapter 3309. of the Revised Code and who has had a guardian appointed based either on being under the age of eighteen years or on being found incompetent.
- (3) "Incompetent" has the same meaning as in division (D)(1) of section 2111.01 of the Revised Code.

(B) Payments to a benefit recipient shall be made as follows:

- (1) To the guardian of the estate;
- (2) To the agent, when there is a valid durable power of attorney and no guardian of the estate;
- (3) To a specific person or financial institution account as directed by the probate court;
- (4) Lump sum payments of one thousand dollars or less and payments required to be paid to the benefit recipient by paragraph (C)(1) of rule 3309-1-09 of the Administrative Code may be paid as follows:
  - a. When there is a guardian of the estate, to the guardian of the estate;
  - b. When there is a durable power of attorney and no guardian of the estate, to the agent;
  - c. When there is no guardian of the estate or durable power of attorney, to the guardian of the person.
- (5) If the benefit recipient is a minor, payment may be issued to the benefit recipient's legal parent so long as the minor is in the care and custody of the parent, or to the benefit recipient's legal custodian or legal guardian.

(C) Except as provided in this paragraph, court authority is required for an application to be signed on behalf of a benefit recipient for an account refund under section 3309.42 of the Revised Code. When the benefit recipient has less than ten years of total service credit, the guardian of the estate, or agent under a durable power of attorney when there is no

guardian of the estate, may apply for an account refund.

- (D) A guardian of the estate of a benefit recipient has restricted authority to complete and sign the following forms and applications on behalf of the benefit recipient:
- (1) Designation of Beneficiary form: The guardian may designate a beneficiary. If the beneficiary is anyone other than “estate” or “statutory,” the beneficiary designation must be approved by court order.
  - (2) Application for Age and Service or Conversion Retirement: The guardian may elect plan A or plan B in accordance with divisions (B)(1) and (B) (3) of section 3309.46 of the Revised Code. If plan B is elected the guardian may only designate the beneficiary to be “statutory” or “estate.” Any other election must be approved by court order.
  - (3) Application for benefits payable to a SERS retirant or other system retirant under section 3309.344 of the Revised Code: The guardian may sign the benefit application. If a monthly annuity is an option, the guardian cannot elect a lump sum payment unless approved by court order.
  - (4) Spousal Consent Form: The guardian may not sign unless approved by court order.
  - (5) Application for survivor benefits: If a monthly benefit is an option, the guardian cannot elect a lump sum payment of accumulated contributions unless approved by court order.
  - (6) A written notice of waiver pursuant to section 3309.662 of the Revised Code.

HISTORY: 5/1/22, 3/26/18  
Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.01, 3309.22, 3309.34, 3309.343, 3309.344, 3309.35, 3309.381, 3309.39, 3309.40, 3309.401, 3309.42, 3309.44, 3309.45, 3309.46, 3309.50  
Review Date: 2/1/27

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____

Barbara Phillips  
James Rossler  
Aimee Russell  
Daniel Wilson  
Frank Weglarz

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# Memo

To: Retirement Board  
From: SERS Legal  
CC: Richard Stensrud  
Date: June 7, 2024  
Re: Definition of Compensation

At the April and May Board meetings, 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. As a result, Legal has drafted a new compensation rule that reflects the outcome of those discussions. Due to the number of proposed changes, we've included both a redlined and clean version of the rule in your materials. The rule also addresses how we define compensation for those few individuals who provide services to schools under 3309.01(B)(2) as a self-employed individual, as well as detailing what contributions are owed to SERS when backpay is awarded to a member. Additionally, included in this month's materials is an updated compensation chart reflecting the outcome of the April and May compensation discussions. Staff will seek feedback on next steps.

**3309-1-02 Definition of compensation.**

(A) This rule amplifies and is in addition to the provisions of division (V) of section 3309.01 of the Revised Code.

(B) Definitions

(1) "Salary" means base salary paid to an employee as set forth in the employee's contract, a collective bargaining agreement, or employer's written standard salary schedule.

(2) "Wages" means compensation paid to an employee for services based on time worked, but excluding overtime.

(3) "Earnings" means payments paid by reason of employment other than salary and wages.

~~(B)~~(C) ~~Except as otherwise provided by division (V) of section 3309.01 of the Revised Code, the~~ The following earnings paid ~~payments made~~ by an employer are not "compensation."

(1) Payments made by the employer for accrued but unused compensatory time for overtime worked;

(2) ~~One-time and/or lump-sum payments made by the employer to an employee where such payments are not based upon the employee's standard rate of pay or identified in paragraph (C) of this rule~~ Attendance incentives;

(3) Wellness Incentives;

(4) Employee recruitment incentives;

(5) Severance payments;

(6) Payments not paid pursuant to to an employment agreement, collective bargaining agreement, or compensation schedule;

(7) Payments to settle a grievance that are not backpay;

(8) Retroactive payments or pay increases made or granted by the employer in whole or in part in consideration of retirement or an agreement to retire; and

- (9) Any terminal payments or other additional remuneration paid by the employer in consideration of retirement or an agreement to retire.

~~(G)~~(D) The following ~~payments made by an employer shall be~~earnings are "compensation":

- (1) ~~Payments on behalf of the contributor to an eligible retirement plan as defined in section 402(c)(8) of the Internal Revenue Code of 1986, 26 U.S.C. 402(c)(8).~~ Overtime payments;

- (2) ~~Back wages awarded pursuant to a final order or final settlement award that reinstates the contributor to the contributor's former position, or comparable position, without interruption or loss of time.~~ Except as set forth in division (V) of section 3309.01 of the revised code or paragraph (C) of this rule, payments to an employee in accordance with an employment agreement, collective bargaining agreement, or compensation schedule.

- ~~(2) Effective January 1, 2009, differential wage payments as defined in section 3401(h)(2) of the Internal Revenue Code, 26 U.S.C. 3401(h)(2).~~

- ~~(3) Payments based on an employee's length of service.~~

- ~~(4) A one-time or lump sum payment by the employer that is paid in lieu of a salary or wage increase, to all persons in a class of employees, in the same dollar amount or same percentage of salary or wages, and in accordance with a written contractual agreement.~~

- ~~(4) A one-time or lump sum payment made by the employer for additional services rendered.~~

(E) When an employee as defined under Division (B)(2) of section 3309.01 of the revised code is a self-employed individual who provides services common to the normal daily operation of an employer pursuant to a service agreement between the employee, or the employee's business, and the employer, the employee's compensation shall be an amount equal to the employee's gross income from the service agreement less necessary expenses to perform the services.

(F) Contributions on backpay awarded to an employee pursuant to a final order or final settlement award that reinstates the employee to the employee's former position or comparable position without interruption or loss of time, or awards an employee additional compensation for a period of contributing service, shall be reported and paid as follows:

(1) For purposes of calculating contributions due under Ch. 3309, of the Revised Code, the full amount of backpay that would have been earned over the period of the reinstatement, or over the period of contributing service, shall be used.

(2) The contributions shall be reported over the period of the reinstatement or the period of contributing service.

(3) Contribution payments on backpay reported for prior years shall include Interest on the contributions in accordance with R.C. 3309.47.

(G)

~~(5)~~(1) \_\_\_\_\_ Prior to remitting contributions on salary, wages or other earnings where there is a question on whether such payments or earnings are "compensation," the employer shall request in writing a determination by the retirement board.

~~(6)~~(2) \_\_\_\_\_ The retirement board shall give the employer written notice of its determination.

~~(7)~~(3) \_\_\_\_\_ If the employer fails to request a prior determination and the retirement board determines that the salary, wages or other earnings are not "compensation," then any contributions received on such salary, wages and other earnings shall be deemed unauthorized and shall be refunded.

~~(8)~~(4) \_\_\_\_\_ If the employer fails to request a prior determination and the retirement board determines that the salary, wages, or other earnings are "compensation," then the retirement board may certify for collection pursuant to sections 3309.47 and 3309.51 of the Revised Code the amount of contributions not remitted.

HISTORY: 7/27/15, 4/17/15 (Emer), 3/30/15, 4/1/13, 4/2/10, 5/14/05, 2/6/98, 9/18/89, 6/25/86 (Emer), 12/24/76

Promulgated Under: 111.15  
Statutory Authority: 3309.04  
Rule Amplifies: 3309.01, 3309.47, 3309.49  
Review Date: 2/1/29

**\*\*\*DRAFT\*\*\***

**3309-1-02 Definition of compensation.**

- (A) This rule amplifies and is in addition to the provisions of division (V) of section 3309.01 of the Revised Code.
- (B) Definitions
  - (1) "Salary" means base salary paid to an employee as set forth in the employee's contract, a collective bargaining agreement, or employer's written standard salary schedule.
  - (2) "Wages" means compensation paid to an employee for services based on time worked, but excluding overtime.
  - (3) "Earnings" means payments paid by reason of employment other than salary and wages.
- (C) The following earnings paid by an employer are not "compensation."
  - (1) Payments made by the employer for accrued but unused compensatory time for overtime worked;
  - (2) Attendance incentives;
  - (3) Wellness incentives;
  - (4) Employee recruitment incentives;
  - (5) Severance payments;
  - (6) Payments not paid pursuant to an employment agreement, collective bargaining agreement, or compensation schedule;
  - (7) Payments to settle a grievance that are not backpay;
  - (8) Retroactive payments or pay increases made or granted by the employer in whole or in part in consideration of retirement or an agreement to retire; and
  - (9) Any terminal payments or other additional remuneration paid by the employer in consideration of retirement or an agreement to retire.
- (D) The following earnings are "compensation"

- (1) Overtime payments;
  - (2) Except as set forth in division (V) of section 3309.01 of the revised code or paragraph (C) of this rule, payments to an employee in accordance with an employment agreement, collective bargaining agreement, or compensation schedule.
- (E) When an employee as defined under Division (B)(2) of section 3309.01 of the revised code is a self-employed individual who provides services common to the normal daily operation of an employer pursuant to a service agreement between the employee, or the employee's business, and the employer, the employee's compensation shall be an amount equal to the employee's gross income from the service agreement less necessary expenses to perform the services.
- (F) Contributions on backpay awarded to an employee pursuant to a final order or final settlement award that reinstates the employee to the employee's former position or comparable position without interruption or loss of time, or awards an employee additional compensation for a period of contributing service, shall be reported and paid as follows:
- (1) For purposes of calculating contributions due under Ch. 3309, of the Revised Code, the full amount of backpay that would have been earned over the period of the reinstatement, or over the period of contributing service, shall be used.
  - (2) The contributions shall be reported over the period of the reinstatement or the period of contributing service.
  - (3) Contribution payments on backpay reported for prior years shall include Interest on the contributions in accordance with R.C. 3309.47.
- (G)
- (1) Prior to remitting contributions on salary, wages or other earnings where there is a question on whether such payments or earnings are "compensation," the employer shall request in writing a determination by the retirement board.
  - (2) The retirement board shall give the employer written notice of its determination.
  - (3) If the employer fails to request a prior determination and the retirement board determines that the salary, wages or other earnings are not "compensation," then any contributions received on such salary, wages and other earnings shall be deemed unauthorized and shall be refunded.

- (4) If the employer fails to request a prior determination and the retirement board determines that the salary, wages, or other earnings are "compensation," then the retirement board may certify for collection pursuant to sections 3309.47 and 3309.51 of the Revised Code the amount of contributions not remitted.

DRAFT



# Board Consideration of Compensation

June 2024

\*Chart reflects discussions held at the April and May 2024 Board meetings

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		X	
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	X		



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)	X		
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)	X		
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	X		

# Memo

To: SERS Board  
From: Christi Pepe  
CC: Richard Stensrud, Executive Director, Karen Roggenkamp, Deputy Director,  
Joe Marotta, General Counsel  
Date: June 7, 2024  
Re: 2025 Health Care Program: Premium and Benefit Changes

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This memorandum summarizes the proposed changes to the health care program for 2025.

## **Medicare Premiums and Benefits**

1. No changes to the Aetna Medicare Advantage premium are proposed.
2. Out-of-pocket Part D prescription drug expenses will not exceed the federally established \$2,000 limit for 2025.
3. The in-network primary care physician office visit co-pay will decrease to \$0 from \$10.

## **Non-Medicare Premiums and Benefits**

1. The Aetna Choice POS II premium will increase by approximately 7%. The full premium will change from \$1,524 to \$1,630. The most common premium will change from \$333 to \$354.
2. Spouse and child premiums as a proportion of the individual base premium will increase from 80 to 90% and 25 to 30% respectively.
3. The ambulance co-pay will be reduced from a 20% coinsurance to \$150 co-pay.
4. The AultCare premium will increase by approximately 3%.
5. The Wraparound HRA total annual reimbursement limit will increase to \$2,150.

### **Dental Plan**

The SERS dental benefit is offered by Delta Dental and the benefit is fully supported by member premiums. The benefits and premium are not changing for 2025.

### **Vision Plan**

SERS vision coverage is offered by VSP. The program is also fully supported by member premiums. Vision premiums and benefits will remain unchanged for 2025.

**Approval of 2025 Health Care Premiums and Plan Design Changes**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve the 2025 health care premiums in Appendix A and the plan design changes in Appendix B. The premiums and plan design changes are effective January 1, 2025.

Upon roll call, the vote was as follows:

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

**APPENDIX A**  
**SERS HEALTH CARE 2025 PREMIUMS**

Fully Insured Plans		2024	2025		2024	2025		2024	2025		
<b>Aetna Medicare PPO Plan</b>	17.5%	\$64	\$64	<b>Spouse</b>			<b>Children</b>	\$149	\$149		
	20%	\$68	\$68								
	25%	\$76	\$76	80%			\$166			\$166	70%
	50%	\$117	\$117	90%			\$182			\$182	
	100%	\$198	\$198	100%			\$198			\$198	
<b>Aetna Medicare Part B Only</b>	17.5%	\$127	\$127	<b>Spouse</b>			<b>Children</b>	N/A	N/A		
	20%	\$140	\$140								
	25%	\$166	\$166	80%			\$454			\$454	70%
	50%	\$297	\$297	90%			\$506			\$506	
	100%	\$558	\$558	100%			\$558			\$558	
<b>Aultcare PPO</b>	17.5%	\$230	\$236	<b>Spouse</b>			<b>Children</b>	\$173	\$177		
	20%	\$258	\$265								
	25%	\$314	\$322	80%			\$747			\$768	70%
	50%	\$592	\$609	90%			\$836			\$860	
	100%	\$1,149	\$1,183	100%			\$925			\$952	

Self-Insured Plans		2024	2025		2024	2025		2024	2025		
<b>Aetna Choice POS II (non-Medicare)</b>	17.5%	\$296	\$314	<b>Spouse</b>			<b>Children</b>	\$296	\$370		
	20%	\$333	\$354								
	25%	\$407	\$434	80%			\$989			\$1,183	70%
	50%	\$780	\$833	90%			\$1,108			\$1,327	
	100%	\$1,524	\$1,630	100%			\$1,227			\$1,470	
<b>Aetna Traditional Choice (Medicare)</b>	17.5%	\$123	\$123	<b>Spouse</b>			<b>Children</b>	\$388	\$388		
	20%	\$136	\$136								
	25%	\$161	\$161	80%			\$438			\$438	70%
	50%	\$287	\$287	90%			\$489			\$489	
	100%	\$539	\$539	100%			\$539			\$539	

	2024	2025
Aetna Choice POS II Administrative Fee	\$25.85	\$25.85
Healthscope (Wrap HRA)	\$14.00	\$14.70

**Appendix B**  
**2025 Plan Design Changes**

**Non-Medicare Plan Design Changes Effective 1/1/2025**

The Aetna Choice POS II ambulance co-pay will change to \$150 co-pay from a 20% coinsurance.

Wraparound HRA total annual limit will increase to \$2,150 from \$2,100 to match the 2025 limit established by the IRS.

**Medicare Plan Design Changes Effective 1/1/2025**

Out-of-pocket Part D prescription drug expenses will not exceed \$2,000, the federally established limit for 2025.

Aetna Medicare Advantage in-network primary care office visit co-pay will decrease to \$0 from \$10.



# 2025 Premium and Plan Changes

June 21, 2024

**Christi Pepe**

Director Health Care Services



**School Employees Retirement System**  
*Serving the People Who Serve Our Schools®*

# Agenda

- Medicare Premiums & Benefit Changes
- Non-Medicare Premiums & Benefit Changes
- Marketplace Wraparound HRA
- Premium Discount Program





# Medicare Premiums

- No change to Aetna Medicare premiums
  - Full premium remains \$198
  - Most frequently paid premium remains \$64
- No change to Aetna Traditional Choice premiums



# Medicare Benefit Change

Benefit	2024	2025
Primary Care Office Visit	\$10 co-pay	\$0 co-pay



# Non-Medicare Premiums

- Aetna Choice premiums increasing by 7%
  - Full premium will be \$1,630
  - Most frequently paid premium will be \$354
- AultCare premiums increasing by 3%
  - Full premium to \$1,183 from \$1,149
  - Most frequently paid premium will be \$265



# Non-Medicare Benefit Change

Benefit	2024	2025
<b>Ambulance</b>	20% coinsurance →	<b>\$150 co-pay</b>



# Wraparound HRA Benefit

- HRA federal reimbursement limit expanded to \$2,150 from \$2,100
- \$0 premium continues



# Dental and Vision

<b>Delta Dental</b>	<b>2024-2025 Premiums</b>
Benefit Recipient	<b>\$30.37</b>
Benefit Recipient and one dependent	<b>\$60.74</b>
Benefit Recipient and two or more dependents	<b>\$91.35</b>

<b>VSP Vision</b>	<b>2024-2025 Premiums</b>
Benefit Recipient	<b>\$6.17</b>
Benefit Recipient and one dependent	<b>\$12.34</b>
Benefit Recipient and two or more dependents	<b>\$14.49</b>



# Premium Discount Program

- Eligibility for 25% premium reduction continues at or below 175% of the Federal Poverty Level



# Questions & Resolutions



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



# Memo

To: Retirement Board  
From: Christi Pepe  
CC: Richard Stensrud, Karen Roggenkamp, Joe Marotta  
Date: June 7, 2024  
Re: **Health Care Premium Discount Program (Safety Net) for 2025**

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## Summary

During the Health Care presentation, you will have before you a resolution to approve the 2025 Health Care Premium Discount Program (Safety Net).

## Background

SERS introduced the Safety Net in 2004 as a means of providing health care premium relief to lower income benefit recipients. The premium discount is based on household size and income. Enrollees of the program are granted a 25% reduction of the health care premium. At the inception of the program, eligibility for the program was established using a household income threshold equal to 125% of the federal poverty level. The threshold was increased to 150% in 2022 and 175% in 2023. The Safety Net Program is brought before the Board for approval annually.

The Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare plan and to “split families” in which only one spouse is enrolled in SERS’ Aetna Medicare plan.

Eligibility for the Health Care Premium Discount Program during the 2025 calendar year will be based upon the applicant’s qualifying household income for calendar year 2023. Medicare Part B reimbursement is excluded from the definition of qualifying household income. In accordance with the Board’s approval in June 2022, enrollees who are determined eligible based on a manual application will no longer be required to reapply for the program each year, and instead will be presumed eligible in subsequent years.

For the 2025 plan year, if the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2024 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS

premium subsidized by SERS. In 2025, a single person will qualify for a premium discount if their income is less than \$26,355.

SERS will continue automatic enrollment of SERS health care participants into the Premium Discount Program who have been approved by Medicare for the non-institutionalized Part D low-income subsidy.

**2025 HEALTH CARE PREMIUM DISCOUNT PROGRAM (SAFETY NET)**

The 2025 Health Care Premium Discount Program is offered only to applicants enrolled in a SERS Medicare Advantage plan and to “split families” in which one spouse is enrolled in a SERS Medicare Advantage plan.

Eligibility for the Health Care Premium Discount Program during the 2025 calendar year will be based upon the applicant’s qualifying household income for calendar year 2023. Medicare Part B reimbursement is excluded from the definition of qualifying household income. Members who are determined eligible by manual application will be presumed to be eligible in subsequent years.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *less* than or equal to 175% of the 2024 federal (U.S. Department of Health and Human Services) poverty level for the household size, the applicant will be eligible to have 25% of his/her share of the SERS premium subsidized by SERS.

If the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, is *more* than 175% of the 2024 federal poverty level for the household size, the applicant may request special consideration. Special consideration will be given to applicants providing written evidence satisfactory to SERS’ staff that a material change in the applicant’s financial circumstance subsequent to calendar year 2023 has caused the applicant’s qualifying household income, less the total annual SERS medical premium for the applicant and covered dependents, to become *less* than or equal to 175% of the 2024 federal poverty level for the household size.

Effective January 1, 2024, SERS health care participants approved by Medicare for the non-institutionalized Part D low-income subsidy program, which has similar household income eligibility requirements to the Premium Discount Program, will be automatically enrolled into the Premium Discount Program. Previously approved participants will continue to be enrolled for the program without reapplication.

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve the 2025 Health Care Premium Discount Program. Upon roll call, the vote was as follows:

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

# **SERS AUDIT COMMITTEE REPORT**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Compensation Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

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

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**CHIEF AUDIT OFFICER COMPENSATION**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that as recommended by the Audit Committee, SERS Chief Audit Officer Jeff Davis receive a \_\_\_\_% merit increase in salary effective the first pay date in Fiscal Year 2025.

Upon roll call, the vote was as follows:

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

**SERS  
TECHNOLOGY  
COMMITTEE  
REPORT**

**SERS  
COMPENSATION  
COMMITTEE  
REPORT**



**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Compensation Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

Upon roll call, the vote was as follows:

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

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**

**EXECUTIVE DIRECTOR COMPENSATION**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that as recommended by the Compensation Committee, Executive Director Richard Stensrud receive a \_\_\_% merit increase in salary effective the first pay date in Fiscal Year 2025.

Upon roll call, the vote was as follows:

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

**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.**

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
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.**

# Memo

To: Retirement Board  
From: Richard Stensrud  
CC: Karen Roggenkamp, Joe Marotta, Michelle Miller  
Date: June 14, 2024  
Re: Board Self Evaluation

Per the Board's practice, a Board Self-Evaluation session is held annually at the June meeting. The Self-Evaluation discussion will be in open session. The discussion will be based on the topics/questions in the attached materials, which were previously endorsed for this purpose.

- The first form features questions/topics for assessing overall Board performance. While the form includes space where you can note your respective views on the Board's performance, it is not intended to be a 'scorecard' for rating Board performance. Rather, it is intended to stimulate discussion among the Board regarding your relative perspectives. The form will serve as your respective reference point for the discussion and will not be collected or tabulated.
- The next section of the first form features a couple of open-ended questions. They are intended to help stimulate your thoughts about areas of Board performance you want to focus on over the next year.
- The second form features topics for individual Board Member self-assessment. It is intended to be self-reflective and not something you report on to your fellow Board Members, but it can be a source of suggested topics/areas of focus for the Board as a whole. Again, the form will be for your personal reference and will not be collected.

With respect to process, the Board Chair will introduce the session and open the floor for discussion. You can work your way through the topics or identify and focus on ones you think are most important, or provide overall commentary, as the Board sees fit.

I hope this information is helpful.

## SERS Board Overall Evaluation

<b>5 – Always</b>		<b>4 – Almost Always</b>		<b>3 - Sometimes</b>		<b>2 – Almost Never</b>		<b>1 - Never</b>	
		<u>5</u> Always	<u>4</u> Almost Always	<u>3</u> Some- times	<u>2</u> Almost Never	<u>1</u> Never			
1.	The Board knows and understands SERS' mission and reflects this understanding when addressing key issues.								
2.	The Board engages in long-range strategic thinking and planning.								
3.	The Board has achieved what it set out to accomplish during the last two years.								
4.	The Board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term.								
5.	The Board conducts a comprehensive evaluation of the Executive Director annually.								
6.	The Board ensures that new Board members receive a prompt and thorough orientation.								
7.	Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.								
8.	The Board meeting agendas are well-balanced, allowing appropriate time for the most critical issues.								
9.	The Board and Committee meetings are of reasonable length.								
10.	The Committees are comprised of the right number and type of members.								
11.	The Committees are effective, focusing on pertinent topics and allocating reasonable time.								
12.	The Committees report back to the Board as necessary.								
13.	The Board is well-educated on benefits, investment, and health care issues.								

		<u>5</u> Always	<u>4</u> Almost Always	<u>3</u> Some- times	<u>2</u> Almost Never	<u>1</u> Never
14.	The Board recognizes its policy-making role, and reconsiders and revises policies as necessary.					
15.	The Board is consistent about being prepared for meetings and staying engaged.					
16.	The Board receives timely, accurate, and useful information upon which to make decisions.					
17.	The Board as a whole (and Board members as individuals) evaluates its performance on an annual basis and in a meaningful way.					
18.	The Board reviews and adopts a reasonable operating budget that is followed and monitored.					
19.	The Board regularly monitors investment performance and measures it against appropriate benchmarks.					
20.	The Board periodically monitors benefit levels as well as service to members and retirees.					
21.	The Board comprehends and respects the difference between its oversight/governance role and the Executive Director's management role.					
22.	Board goals, expectations, and concerns are promptly, candidly, and effectively communicated to the Board Chair and Executive Director.					
23.	The Board speaks in "one voice" when directing or delegating to staff and Board members respect the majority votes on issues.					
24.	The Board brings discussions to a conclusion with clear direction to staff.					
25.	The Board is collegial and polite during meetings.					

*Continued on next page.*

Identify the greatest achievement(s) of the Board during the past two years.

What critical issues need to be addressed by the Board in the future?

## SERS Board Member Self Evaluation

<b><i>Evaluate the following statements in relation to your involvement as a Board Member of SERS.</i></b>	
1.	I attend the Board and Committee meetings I am expected to attend, and I arrive on time and stay until meetings conclude.
2.	I contribute to the discussion in a meaningful and helpful way, listening to others and making my points concisely.
3.	I fully understand my fiduciary duties and act for the benefit of all members, not merely for or in response to pressure from a particular constituency or the appointing authority.
4.	I make an effort to be educated on the aspects of the retirement plan that I do not understand.
5.	I am adequately well-versed on benefits and investments.
6.	I avoid conflicts of interest and ask questions of the Board Chair or Executive Director if I am unsure if a conflict exists.
7.	I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.
8.	I work with the other Board members as a team, striving for consensus when it is called for.
9.	I understand that certain work requests of staff and outside consultants need to be agreed to by the Board and I act accordingly.
10.	I work with the Executive Director in a way that creates an atmosphere of trust and cooperation.
11.	I understand that the Executive Director works for the entire Board and not for individual Board Members.
12.	I communicate governance and ethical problems to the Board Chair and Executive Director.



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

**AUDIT COMMITTEE MEETINGS**

September 18, 2024 - 2:30 p.m. (Weds.)  
December 18, 2024 – 2:30 p.m. (Weds.)

**COMPENSATION COMMITTEE MEETINGS**

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**

September 19, 2024 – 12:30 p.m. (Thurs.)  
December 19, 2024 – 12:30 p.m. (Thurs.)

**BOARD MEETINGS**

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.**

**BOARD OFFICER ELECTION**

**OFFICERS FOR SERS BOARD FISCAL YEAR 2025  
(July 1, 2024 through June 30, 2025)**

As Chairperson of the SERS Board, I open the floor for nominations for Chair:

Nominated: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

**As Chairperson of the SERS Board, I declare \_\_\_\_\_ CHAIRPERSON for fiscal year 2025 (July 1, 2024 through June 30, 2025).**

I open the floor for nominations for Vice Chair:

Nominated: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

Other Nominations: \_\_\_\_\_ By: \_\_\_\_\_

**As Chairperson of the SERS Board, I declare \_\_\_\_\_ VICE CHAIRPERSON fiscal year 2025 (July 1, 2024 through June 30, 2025).**

**CONTINUED OR NEW BUSINESS**

**Board Information Requested**

**BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS**

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10. 

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**ADJOURNMENT(R)**

\_\_\_\_\_ moved that the SERS Retirement board adjourn to meet on Thursday, July 18, 2024, for their next regularly scheduled meeting.

The meeting adjourned at \_\_\_\_\_ a.m./p.m.

\_\_\_\_\_  
Frank Weglarz – Chair

\_\_\_\_\_  
Richard Stensrud, Secretary