



2024

SUMMARY ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024



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

Mission

To provide our membership with valuable lifetime pension benefit programs and services

Vision

Through the continuous pursuit of excellence and innovative solutions, we will partner with our stakeholders so that our membership will understand and achieve security in retirement

Values

- Focus on Service
- Be Accountable
- Support Collaboration
- Respect Differences and Practice Inclusion
- Remain Resourceful and Embrace Change

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.**

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Introduction

On behalf of the Board and staff of the School Employees Retirement System of Ohio (SERS), I am pleased to share with you this *Summary Annual Financial Report (SAFR)*.

This publication summarizes SERS' organizational accomplishments and financial highlights for the period of July 1, 2023 through June 30, 2024. For more detail on the information contained in this publication, please read our *FY2024 Annual Comprehensive Financial Report (ACFR)*, which is available on our website at www.ohsers.org/about-sers/by-the-numbers/financial-reports/.

In FY2024, SERS posted a time weighted investment return of 9.69% (net), exceeding the benchmark by 0.9%. SERS was able to outperform its benchmark mainly due to strong returns in global equities, global private credit, and global private equity. This year's net investment income was \$1.8 billion compared to a \$1.2 billion gain in FY2023.

Notable organizational achievements included:

- The wrap-up of SERS' FY2020-FY2024 Strategic Plan. SERS' Board held dedicated sustainability sessions at every Board meeting from 2019-2021 to discuss topics such as benefit formulas, risks to the fund, retirement age/eligibility, final average salary (FAS), vesting, disability program, 120-day school year, health care plans, and benefit inflation or pension spiking. Significant decisions included keeping a 3-year FAS, implementing a contribution-based benefit cap (CBBC) on August 1, 2024, to address pension spiking, lowering the assumed rate of investment return to 7.0%, terminating Medicare Advantage Plan coverage for those who did not secure Medicare B coverage, and equalizing subsidies for non-Medicare disability and service retirees.
- The FY2025-2029 Strategic Plan was also constructed during the fiscal year with input from the Board, all levels of staff, and advocacy group representatives. It is a continuation of the previous plan with focus on sustainability, service delivery and operations, technology, education and engagement, talent and culture, and risk.
- Implementing the Contribution-Based Benefit Cap (CBBC) on August 1, 2024, to help identify and prevent pension spiking or benefit inflation.
- The Board approved making administrative rule changes to SERS' definition of pensionable compensation that recognize contemporary pay practices and more closely align with the definition used by the State Teachers Retirement System (STRS), as both systems share the same pool of employers.
- As part of SERS' five-year Technology Roadmap, the IT staff upgraded computer, camera, and sound technology in the Board room and O'Keefe Conference Center to improve the remote meeting experience for attendees.
- SERS also upgraded its phone system from analog technology to Zoom digital technology. The old phone system at SERS had been in place since the building opened in 2001 and was costly to maintain.
- Completing the digitization of SERS' paper records back to 1937.
- Implementing the agile project management approach for large projects to improve cross-department collaboration and complete projects faster with fewer obstacles.
- Improving email security, monitoring of third-party vendors to keep data safe, continuing staff training in the form of monthly awareness training videos, tabletops, and business continuity/disaster recovery exercises, and safely implementing Artificial Intelligence (AI) into SERS' operations.

Finally, our most important role during the year was advocating for you – SERS' active and retired members. We did this in a number of ways: individual meetings with legislators, attending legislative meetings such as the monthly Ohio Retirement Study Council meetings, and in the interactions we have with media and representatives from other organizations.

We understand that the work you do every day is invaluable to the successful operation of schools across the state and we want everyone else to know that too. We deliver the message that SERS is transparent, accountable, engaged, and most of all sustainable.

Over the last 10 years, our investment returns are in the top 2% of all pension systems in the Wilshire pension fund universe, and over the last four years, we have realized the highest returns with the lowest risk of all the plans. This year, our private equity returns were recognized by the American Investment Council as having the 7th best returns over the last 10 years compared to all other U.S. public pension plans. SERS is financially sound and we continue to make positive progress on our funding while delivering the benefits we promise.



Richard Strensrud
Executive Director

Summary Annual Financial Report

Financials

SERS is a defined benefit public pension plan. This means that SERS provides a specific, lifetime pension benefit based on a member's age, amount of service credit, and average of the member's highest three years of salary. SERS works with an actuary to calculate the future costs of these benefits when the member retires. The actuary also calculates how much of the employer contributions must be dedicated to pension benefits before health care benefits are funded. In FY2024, the Board passed a resolution to devote all 14% of the employer contribution rate to cover the costs of pensions with none going to fund health care.

SERS has five main sources of income: employer contributions, member contributions, investment income, health care premiums, and federal subsidies. In FY2024, the largest addition to the fund came from net investment income. Deductions from plan net assets refer to the expenses SERS covers each year. The main expenses are pension benefit payments, health care coverage, Medicare Part B reimbursements, refunds of employee contributions to members who leave SERS, and administrative expenses.

FY2024 financial highlights include:

- SERS' total assets at June 30, 2024 were \$19.7 billion, an increase of \$1.2 billion, or 6.5%, compared to FY2023 assets. Cash is 43.0% lower than FY2023. Short-term cash equivalents were repositioned from Cash to Investments in the Statement of Fiduciary Net Position. Investments increased by \$1.7 billion, or 9.6%. Prepaid & Other Assets decreased by \$98.9 million in FY2024 because July 1, 2024, did not fall on a weekend and benefit payments were not prepaid as in July 2023.
- Deferred outflows from SERS' participation in Ohio Public Employees Retirement System (OPERS) decreased from FY2023 to FY2024. Deferred outflows from pensions decreased \$0.7 million and deferred outflows from other post employment benefits (OPEB) increased \$0.2 million. The deferred outflows from pension decrease resulted from OPERS' investments experiencing a gain in FY2023 compared to loss in FY2022.
- SERS' total liabilities at June 30, 2024 were \$138.0 million, a decrease of \$59.5 million, or 30.1%, compared to FY2023. The change is attributed to a decrease in investments payable, which fluctuate due to the timing of investment purchases.
- Deferred inflows increased from FY2023 to FY2024 from SERS' participation in OPERS. Deferred inflows from pensions increased by \$2.6 million and deferred inflows from OPEB increased by \$1.6 million. Deferred inflows from GASB Statement No. 87, Leases, or tenant leases, decreased by \$0.2 million. The increase in deferred inflows is due to the difference between the OPERS projected 6.9% investment rate of return and OPERS' actual FY2023 investment gain. This difference transitioned the GASB 68 investment earnings deferrals to a net deferred inflow.
- Total additions to plan net position were \$2.9 billion, comprised of contributions of \$1.1 billion, \$0.1 billion of other income, and net investment income of \$1.7 billion. This was an increase of \$0.6 billion in net investment income from FY2023 to FY2024. Investments experienced a 9.69% net return in FY2024 compared to a 7.40% net gain in FY2023.
- Total deductions from plan net position for FY2024 totaled \$1.7 billion, including benefits payments of \$1.5 billion and administrative expenses of \$33.4 million, an increase of 1.9% from FY2023. Included in administrative expenses are personnel, professional, communication, computer support, facility expenses, and depreciation.
- The net increase in plan net position was \$1.3 billion compared to a net increase of \$0.7 billion in FY2023. The majority of the variance is due to strong investment earnings in FY2024.

CONDENSED SUMMARY OF TOTAL FIDUCIARY NET POSITION (\$ in millions)

ASSETS	2024	2023	Change	
			Amount	Percent
Cash	\$441.3	\$774.7	(\$333.4)	(43.0%)
Receivables	172.9	196.3	(23.4)	(11.9)
Investments	18,989.4	17,329.9	1,659.5	9.6
Capital Assets, Net	48.2	51.6	(3.4)	(6.6)
Prepaid & Other Assets	2.2	101.1	(98.9)	(97.8)
Total Assets	19,654.0	18,453.6	1,200.4	6.5
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	11.0	11.6	(0.6)	(5.2)
LIABILITIES				
Benefits & Accounts Payable	41.9	40.8	1.1	2.7
Other Liabilities	96.1	156.7	(60.6)	(38.7)
Total Liabilities	138.0	197.5	(59.5)	(30.1)
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	5.9	2	3.9	195.0
Fiduciary Net Position	\$19,521.1	\$18,265.7	\$1,255.4	6.9%

This table depicts a summary presentation of the assets and liabilities of SERS as of June 30, 2024 and 2023. The Fiduciary Net Position shown is available for future payments of benefits to retirees, beneficiaries, and members of SERS. These figures are presented in conformity with Generally Accepted Accounting Principles (GAAP).

CONDENSED SUMMARY OF CHANGES IN TOTAL FIDUCIARY NET POSITION (\$ in millions)

ADDITIONS	2024	2023	Change	
			Amount	Percent
Contributions	\$1,070.2	\$1,013.4	\$56.8	5.6%
Other Income	115.6	134.3	(18.7)	(13.9)
Net Investment Income	1,739.6	1,183.0	556.6	47.0
Total Additions	2,925.4	2,330.7	594.7	25.5
DEDUCTIONS				
Benefits	1,540.1	1,498.6	41.5	2.8
Refunds & Transfers	96.5	107.5	(11.0)	(10.2)
Admin. Expenses	33.4	33.2	0.2	0.6
Total Deductions	1,670.0	1,639.3	30.7	1.9
Net Increase	1,255.4	691.4	564.0	81.6
Balance, Beginning of Year	18,265.7	17,574.3	691.4	3.9
Balance, End of Year	\$19,521.1	\$18,265.7	\$1,255.4	6.9%

Investments

The main goal of SERS' Investment Department is to ensure that assets are invested wisely. This is necessary so that pension benefits required by law and other benefits authorized by the Board, such as health care, are properly funded. SERS' investment portfolio is diversified, meaning that money in the Fund is divided among many different investment types. This is important because different kinds of investments perform differently depending on the economic conditions. Diversification helps protect assets in bad economic conditions and increase assets during good economic conditions, and reduce overall portfolio risk and volatility.

At June 30, 2024, SERS' investment portfolio was \$19.1 billion. The time weighted investment return was 9.69% (net), for the fiscal year, and exceeded the policy benchmark by 0.9%. Net investment income was \$1.7 billion compared to net investment income of \$1.2 billion in FY2023. The FY2024 investment portfolio asset allocation was 40% for global equities 18% for global fixed income, 14% for global private equity, 13% for global real estate, 7% for global infrastructure, 5% for global private credit, and 3% for cash equivalents.

Strategies

SERS makes investments in eight different asset classes and strategies: Global Equity, Global Private Equity, Global Fixed Income, Global Private Credit, Global Real Estate, Global Infrastructure, Opportunistic and Tactical Investments, and Cash Equivalents.

Global Equities - SERS invests in equity securities to earn a premium over government treasury bonds, which is compensation for assuming the relatively higher risk inherent in public equity securities. A sizeable allocation to Global Equities is necessary to meet the long-term return goal.

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

Global Fixed Income - 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.

Global Private Credit - 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 stream of income.

Global Real Estate - SERS invests in primarily core, stabilized, institutional-quality, and income producing real estate assets to provide a stable income return.

Global Infrastructure - SERS invests in infrastructure tangible assets with monopolistic and essential qualities that provide inflation-linked returns, higher income, and diversification benefits.

Opportunistic and Tactical Investments - SERS invests in opportunistic investments for the purpose of earning returns greater than the Bloomberg US Aggregate Bond Index +2.0% 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.

Cash Equivalents - 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.

Diversification

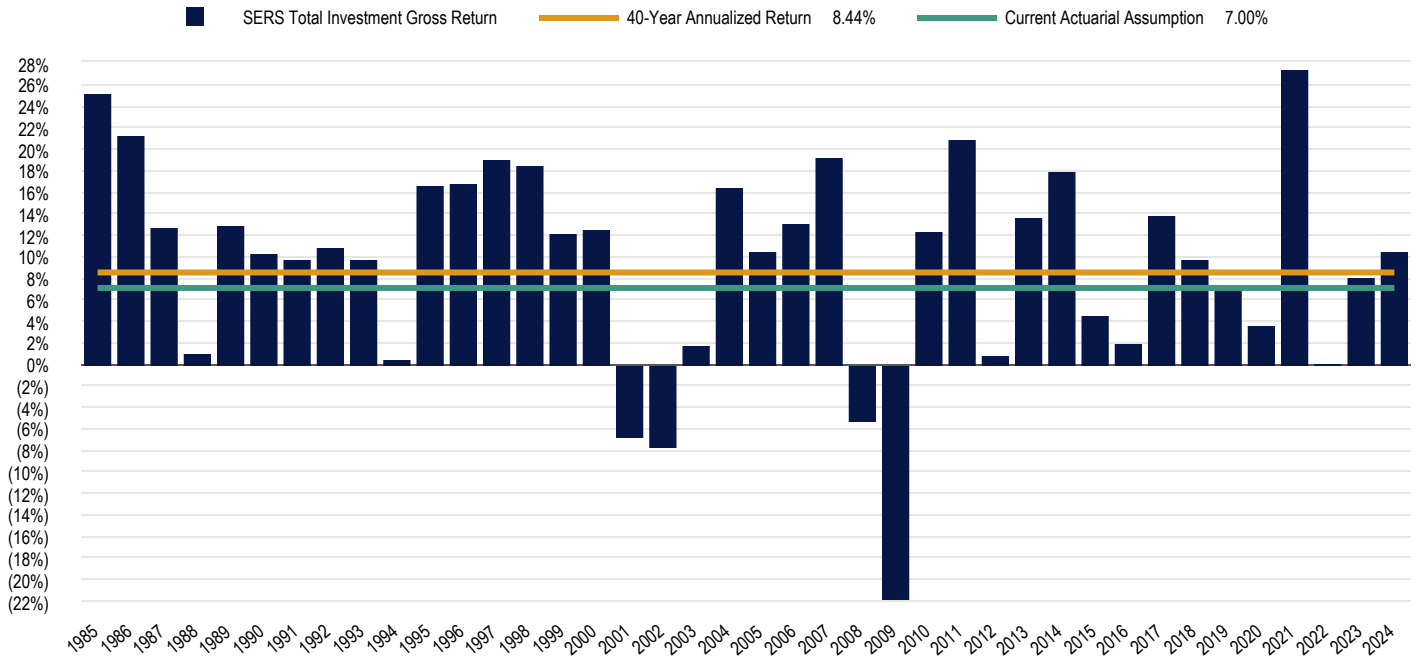
Broad diversification within an investment portfolio is used to control the level of risk and volatility within the portfolio over the long-term. SERS has adopted a broadly diversified asset allocation policy, and the strategies used within each asset class also have been diversified.

Besides the broad diversification of assets and strategies within SERS' portfolio, SERS also employs a diverse group of investment managers with the goal of outperforming the respective benchmark while managing relative risks.

Wilshire Associates, Inc., SERS' general investment consultant, assists the Board on matters of investment policy and asset allocation recommendations. Wilshire also reports to the Board on quarterly performance reviews of the Fund and each portfolio.

Summary Annual Financial Report

SERS Total Investment Return (Gross of Fees)

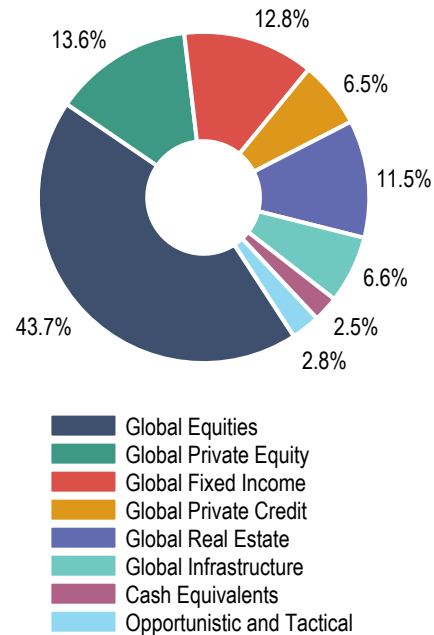


Investment Summary as of June 30, 2024

	Value	% of Value	Policy	Range
Global Equities ¹	\$8,335,000,855	43.7%	40.0%	35% - 45%
Global Private Equity	2,590,254,706	13.6	14.0	11 - 17
Global Fixed Income ¹	2,441,406,556	12.8	18.0	13 - 23
Global Private Credit	1,239,170,647	6.5	5.0	3 - 7
Global Real Estate	2,209,618,221	11.5	13.0	10 - 15
Global Infrastructure	1,253,230,301	6.6	7.0	5 - 10
Cash Equivalents	483,805,665	2.5	3.0	1 - 5
Opportunistic and Tactical	540,393,156	2.8	0.0	0 - 5
Total Portfolio	\$19,092,880,107	100.0%	100.0%	

¹ Inclusive of overlay rebalancing positions, the global fixed income fair value allocation was 15.9% and global equities fair value allocation was 40.2%.

Asset Allocation



Pension Funding

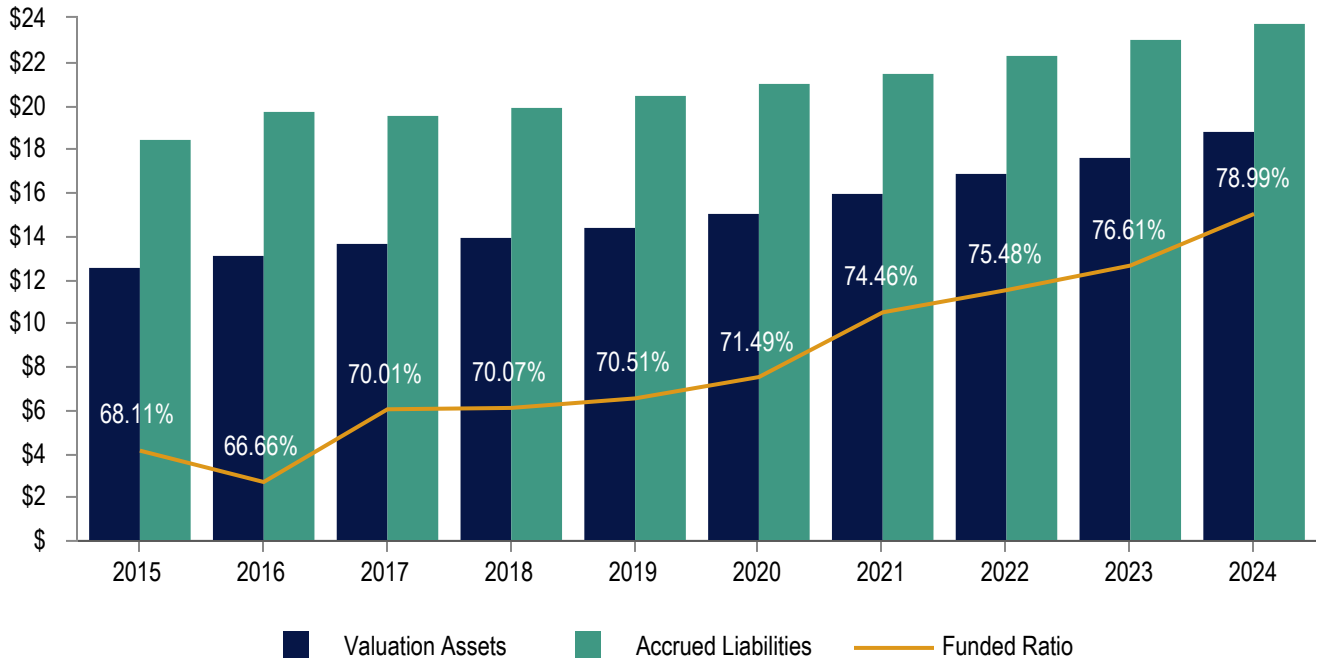
SERS' retirement benefits are funded with member contributions (10% of pay), employer contributions (14% of pay), and income earned from investment returns on those contributions.

The Basic Pension Funding chart, which includes pension, Medicare B, and death benefits, on the following page, shows the available assets according to actuarial calculations to pay for accrued pension liabilities. The accrued pension liabilities are the estimated cost of providing all the benefits to current and future retirees. The percentages in the chart show SERS' funded status (ratio of assets to liabilities) in a given year. By Ohio law, SERS must be able to pay its liabilities within 30 years and was at 20 years as of June 30, 2024.

Through a history of reasonable benefit levels and prudent investments, SERS continues to be financially sound.

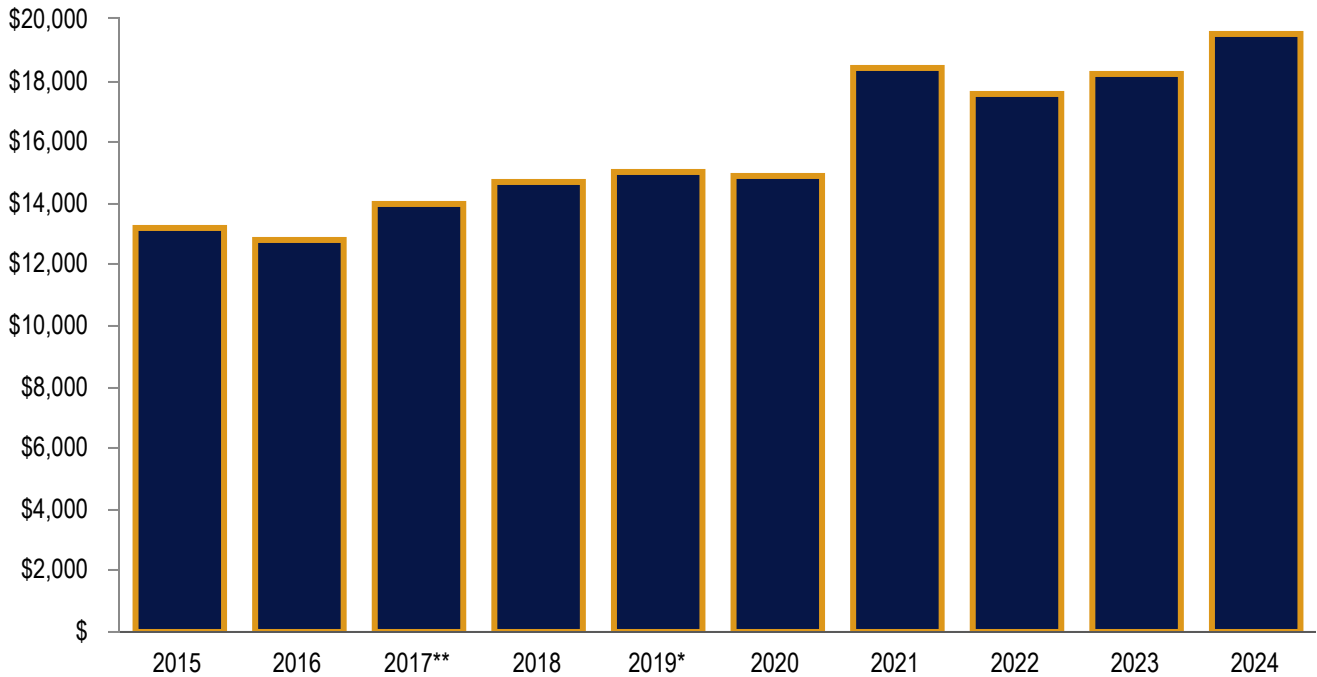
Basic Pension Funding (\$ in billions)

Last 10 fiscal years



Total Fiduciary Net Position (\$ in millions)

Last 10 Fiscal Years



* Fiduciary Net Position was restated due to the implementation of GASB 87 during FY2020.

** Fiduciary Net Position was restated due to the implementation of GASB 75 during FY2018.

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Membership

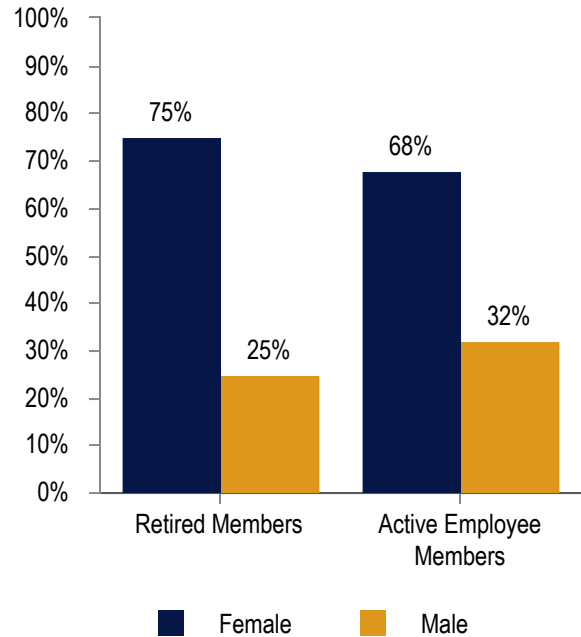
SERS' members include administrative personnel, bus drivers, food service workers, maintenance personnel, educational aides, business officials, and other non-certified school employees who are vital to the operation of Ohio's schools. Our demographics are quite different from those of the other Ohio public retirement systems. SERS' members are predominantly women who begin their public employment at a later age, retire at an older age, and receive modest wages while working. These membership demographics drive the decisions the Board makes regarding pension design, benefits, vesting, contributions, investments, health care, and fund policies.

Retired Members by Type of Benefit			
	Service	Disability	Survivor
Average Monthly Benefit	\$1,422	\$1,466	\$861
Average Age	75.6	68.9	73

Average Active Employee Member Statistics		
Age	Service	Annual Salary
46.8	7	\$27,838

Membership Data (as of June 30)		
	2024	2023
Retirees and beneficiaries currently receiving benefits	82,490	81,833
Inactive employee members entitled to but not yet receiving benefits	6,607	6,413
Active employee members	163,350	159,873
Total Retirees and Employee Members	252,447	248,119

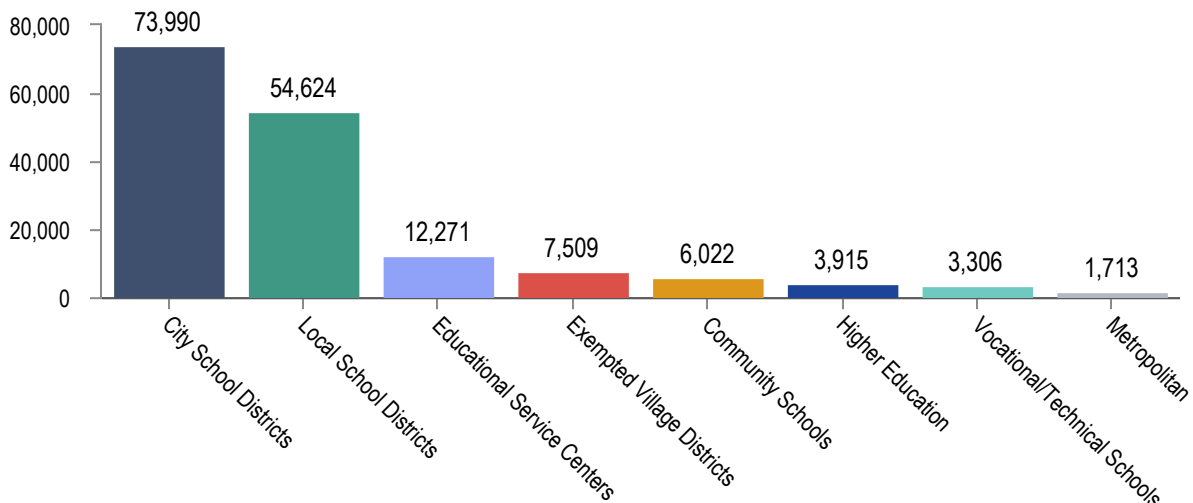
Gender Distribution



Employers

More than 1,000 public schools within the state's cities, villages, and counties, as well as local school districts, vocational and technical schools, community schools, community colleges, and the University of Akron, employ SERS' active members. Employers are responsible for creating member enrollments for all SERS employee members, reporting contribution detail for each employee member, submitting employee member contributions, and processing all contributions.

Covered Employee Members



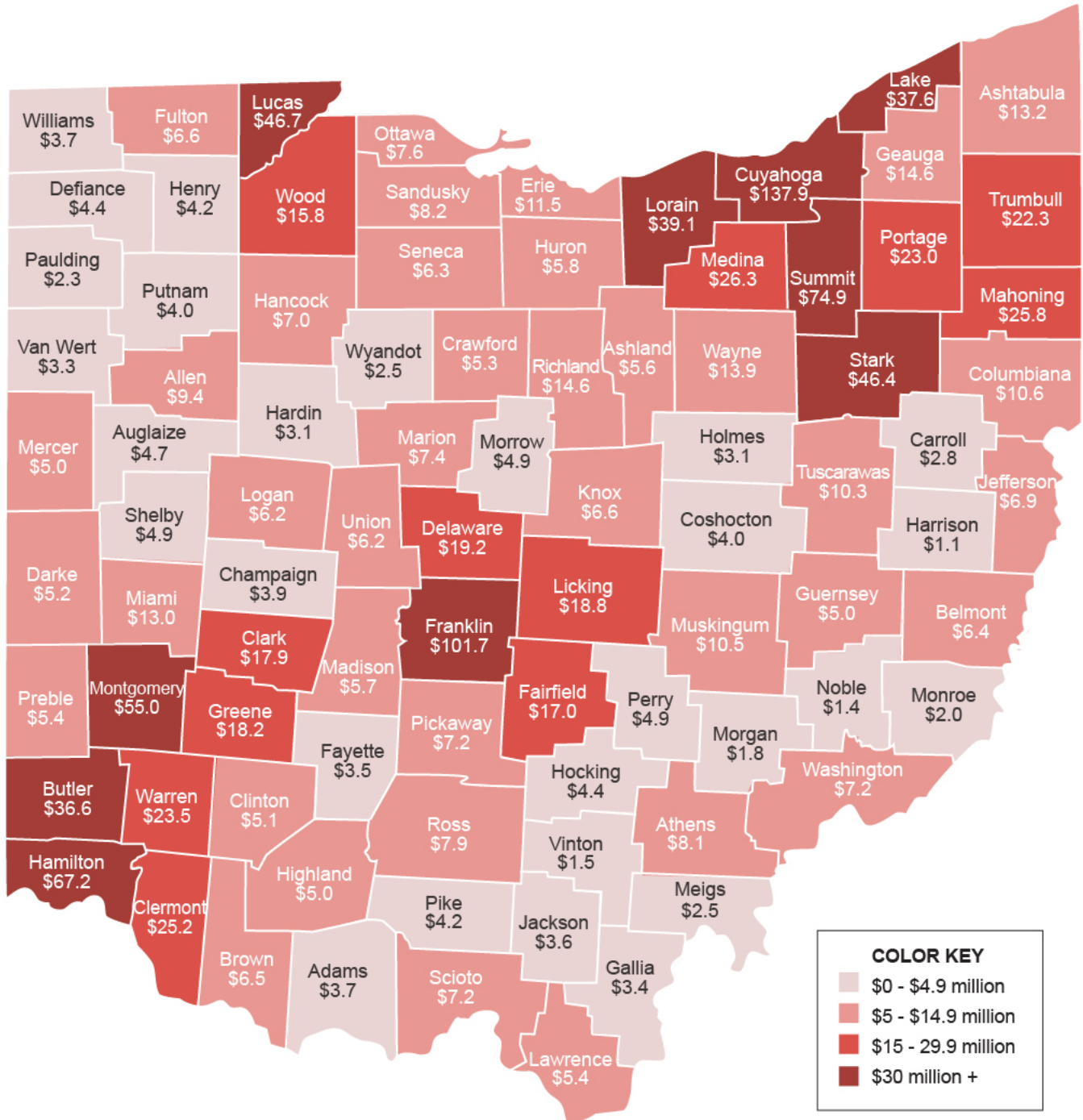
As of June 30, 2024, there were 163,350 covered employee members.

Economic Impact

Public pensions positively impact Ohio's economy. Of the 82,490 individuals receiving pension benefits from SERS, nearly 91% live in Ohio.

In FY2024 alone, benefit payments of approximately \$1.29 billion were distributed among Ohio's 88 counties, positively impacting the state's economy. For every dollar in employer contributions invested in SERS' retirement benefits last year, \$2.40 was returned to local economies.

Pension Benefits by County FY2024 (\$ in millions)



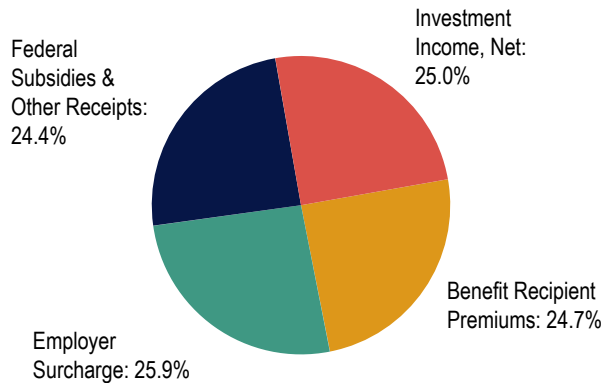
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Health Care

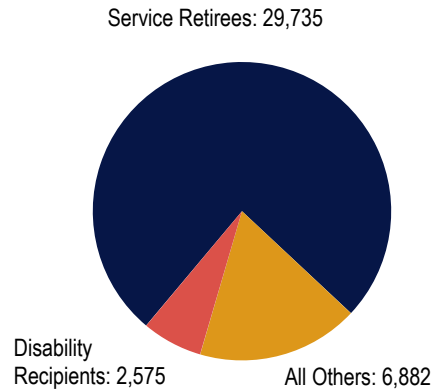
We know for many of our retirees that a secure retirement means more than a pension. Since 1974, SERS has worked to provide retirees access to group health care coverage.

The Health Care Fund balance was \$816.5 million at June 30, 2024. This was an increase of \$109.7 million from the prior year. SERS funds health care through a combination of investment income generated on the Health Care Fund, federal subsidies, premiums, employer contributions (when permitted by SERS' funding policy), and a separate employer-funded health care surcharge to compensate for low-wage salaries. If the health care surcharge, which is capped at 1.5% of statewide employer payroll, is received and all other actuarial assumptions are met, the Health Care Fund is projected to remain solvent through 2069, or a 45-year solvency period, as of June 30, 2024.

FY2024 Health Care Fund Income



FY2024 Health Care Participants

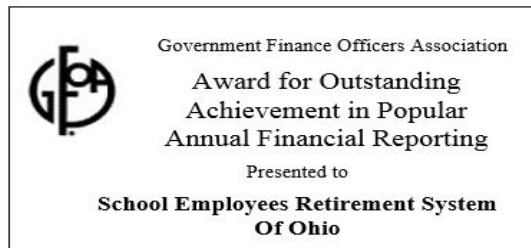


About SERS

Established in 1937, SERS provides retirement security through defined benefit pensions and health care coverage for the people who serve Ohio schools. Protecting and growing the retirement contributions of our members and their employers is our priority. SERS is governed by a nine-member Retirement Board consisting of four elected employee members, two elected retiree members, and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and President of the Senate. They meet monthly, except January and August, to discuss and act on SERS business.

This *Summary Annual Financial Report* (SAFR) is produced with information contained in SERS' *Annual Comprehensive Financial Report* (ACFR). All financial information contained in the SAFR conforms with Generally Accepted Accounting Principles (GAAP). SERS' ACFR contains more extensive information and is available on our website at www.ohsers.org.

School Employees Retirement System of Ohio
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SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO - RETIREMENT BOARD as of June 30, 2024

Frank A. Weglarz <i>Chair, Retiree-Member</i>	Matthew King <i>Vice-Chair, Employee-Member</i>	Jeffrey T. DeLeone <i>Appointed Member</i>	James H. Haller <i>Employee-Member</i>
Catherine P. Moss <i>Retiree-Member</i>	Barbra M. Phillips* <i>Employee-Member</i>	James A. Rossler Jr. <i>Appointed Member</i>	Aimee Russell <i>Employee-Member</i>
			Daniel L. Wilson <i>Appointed Member</i>

* Barbra Phillips resigned in July 2024. The seat remains vacant.



School Employees Retirement System of Ohio
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