



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
BOARD MEETING HIGHLIGHTS
FEBRUARY 2025

Ballots for Employee-Member Seats Due by March 3

At its December meeting, the Board certified that Jeanine Alexander, James Haller, and Rebekah Roe submitted sufficient petitions to qualify as candidates for the two four-year employee-member seats with terms that begin July 1, 2025, and end on June 30, 2029. Alexander and Roe are running for their first full terms on the Board, and Haller for a third term.

All active members have been mailed a ballot and postage-paid return envelope. Ballots must be returned no later than 4:30 p.m. EST on March 3, 2025, to be valid. Ballots will be counted on March 4, 2025 and the results will be certified at the April Board meeting.

Brief biographies of each candidate are [on our website](#).

Global Equities Portfolio Review

Investment staff provided the Board with an overview of SERS’ global equity portfolio.

As of December 31, 2024, the global equity portfolio had a market value of \$8.3 billion. The full \$8.3 billion portfolio posted a 18.0% return for the year, outperforming the benchmark by 51 basis points. The portfolio was 42.9% of the Total Fund as follows:

- U.S. equity was underweight by 0.6% relative to the MSCI ACWI benchmark of 66.8%
- Non-U.S. developed equity was underweight by 1.8% relative to the MSCI ACWI benchmark of 23.5%
- Emerging markets were overweight by 2.4% relative to the MSCI ACWI benchmark of 9.7%

SERS’ management philosophy of the global equities portfolio has shifted from that of managing the U.S. and non-U.S. equity portfolios separately to both portfolios being managed by a team. This has allowed staff to identify greater opportunities across the globe.

The global equities portfolio currently consists of 52% U.S. equities, 21% global equities, 19% developed markets, and 8% emerging markets.

U.S. Equity

For the one year, SERS’ U.S. equity portfolio posted a return of 23.17%, which was below the Russell 3000 benchmark of 23.81%. The portfolio’s underperformance was due to its small capitalization overweight, which generated less return than large capitalization stocks.

The U.S. equity portfolio had a market value of \$4.3 billion, with 75% of the portfolio passively invested in large cap stocks.

RETIREMENT BOARD

MATTHEW KING
Chair, Employee-Member

CATHERINE P. MOSS
Vice-Chair, Retiree-Member

JEANINE ALEXANDER
Employee-Member

JEFFREY T. DELEONE
Appointed Member

JAMES HALLER
Employee-Member

JAMES A. ROSSLER, JR.
Appointed Member

AIMEE RUSSELL
Employee-Member

FRANK A. WEGLARZ
Retiree-Member

DANIEL L. WILSON
Appointed Member

Staff has initiated a number of changes to restructure the portfolio, such as reducing the small cap overweight and beta managers. In addition, the portfolio's management philosophy has changed from hiring small boutique firms to hiring large, institutional firms with benchmark aware strategies.

Global Equity

The 100% active global portfolio invests in U.S. equity, developed market, and emerging market securities through one manager. The manager earns returns in two ways: by over- and underweighting the various regions throughout the world and selecting securities that are posting better returns than the index. The global portfolio returned 23.17%, ahead of the MSCI ACWI Index by 5.68%.

Non-U.S. Equity

Unlike U.S. equity markets, non-U.S. markets are less efficient which means there is more opportunity to outperform benchmarks using active management. Therefore, SERS has constructed the \$1.2 billion non-U.S. developed market equity portfolio with 83% active managers to increase returns. The 17% passive management in large cap helps to reduce the portfolio's overall fees.

Emerging markets finished strong at 10.47%, exceeding the benchmark by 2.97%, while developed markets underperformed the benchmark by 0.53% with a return of 4.16%. However, developed markets outperformed emerging markets over the 3-, 5-, and 10-year periods.

The underperformance of developed markets was due in large part to being overweight in small cap and the underperformance of one large cap manager. The outperformance of emerging markets was due to the strong performance of newly hired managers.

Investments Quarterly Report

Joanna Bewick and Chris Tessman of Wilshire Associates provided the Board with an update of current U.S. economic conditions, and a review of SERS' October-December 2024 quarterly results.

During the fourth quarter, the stock market was up 2.6% with the best-performing sectors being consumer discretionary (+12.3%), financials (+7.8%), and technology (+5.9%). However, sector performance was mostly negative for the quarter, with seven sectors producing a loss.

The Federal Reserve began raising rates in early 2022 in response to inflation. While it is too early to measure if the Fed achieved a "soft landing," early data is positive. Current expectations for rate cuts in 2025 are modest.

Internationally, economic growth in England and Germany is slow due to high energy costs and growing competition with China. China's economy is beginning to pick up following several stimulative macroeconomic policies announced early in the quarter.

While SERS' calendar year gross return of 10.33% ranked in the 50th percentile when compared to Wilshire's universe of pension systems, SERS continues to compare favorably with other U.S. pension plans in terms of gross returns over the 3-year (5th), 5-year (4th), and 10-year (2nd) periods and doing so with less risk. In terms of the Sharpe ratio, or investment performance compared to risk taken, SERS ranked in the top decile for all periods.

Investment Committee Approves Three Investments

The SERS Staff Investment Committee approved up to a \$60 million commitment to ITE Management and up to a \$75 million commitment to GIP Fund V, both infrastructure strategies within the real assets

portfolio. The committee also made up to a €50 million fund commitment to ICG Europe Fund IX, a subordinated debt and equity strategy within the opportunistic portfolio.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
November 30	December 31	Difference
\$19.72 billion	\$19.47 billion	▼ \$250 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 3.80%	▲ 9.55%	▲ 4.36%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▼ 0.10%	▲ 0.39%	▲ 0.99%

Board to Consider Reduction to Medicare Health Care Premiums

In 2009, SERS' actuary projected that the Health Care Fund would be exhausted by 2014. At that time, the Board assembled a Health Care Preservation Task Force to find ways to strengthen the Fund and make it sustainable over a 20-year period.

One of the Task Force recommendations adopted by the Board was the addition of a \$35 premium surcharge added to all plans where a premium applied beginning in 2011. Since then, the Board had taken further actions to increase the sustainability of the Health Care Fund. These actions, along with good investment returns and increased federal subsidies, helped the Health Care Fund attain an estimated 45-year solvency period as of June 30, 2024.

As this is more than double the solvency the Board required, staff proposed scaling back or eliminating the premium surcharge in order to improve the value of the Medicare Advantage plan for enrollees and potentially increase participation in the plan.

Although the plan benefits have improved over recent years, participation in SERS' Medicare plan has declined about 1.5% annually. The results of a 2024 member survey suggest that members prefer premium reductions compared to future benefits enhancements. The potential premium surcharge reduction scenarios would result in modest decreases of the solvency period ranging from one to five years.

This will be one of the topics of discussion in the spring when the Board finalizes the 2026 health care benefits and premiums.

Staff Compensation Update

To aid in SERS' FY2026 budgeting process, Joe Rice, a director in the compensation consulting division for CBIZ, provided an annual update to the Board on current labor market salary data that directly affects the salary ranges and salary levels for SERS staff. Reviewing and adjusting the salary ranges and overall salary growth on an annual basis is considered a best practice.

Based on market data, he suggested a 3.1% increase to current salary ranges with an increase in the total salary budget of 4.5%.

Adjusting the salary ranges does not mean that salaries will increase by that amount. The primary source of salary growth at SERS is through the annual merit adjustment. SERS' employees do not receive step increases or cost-of-living adjustments. Total salary budget growth includes annual merit increases, promotions, and salary adjustments.

At SERS, the salary merit component of pay is based on an employee's performance relative to established goals and performance rating. Strong performance results in a higher merit award.

Maintaining appropriate salary ranges and an appropriate level of individual salary growth is essential to enabling SERS to be able to attract and retain high-quality employees. It also is important that salary levels continue to remain aligned with market trends to avoid having to make substantial salary increases in subsequent compensation studies.

The Board will further discuss the FY2026 personnel budget next month and approve the entire FY2026 budget in June.

Executive Director's Update

SERS' Annual Pension and Health Care Advocacy Group Roundtable

On January 17, SERS held its annual SERS Pension and Health Care Advocacy Group Roundtable as a hybrid meeting using Zoom as well as in person.

Several SERS Board members, as well as 14 representatives from eight different advocacy groups attended to hear staff presentations about the state of the Retirement System as well as a look forward to key activities in 2025. Annual joint meetings with OASBO and SERO are scheduled for the spring.

WEP/GPO Update

In early January, former President Joe Biden signed the Social Security Fairness Act into law.

The Social Security Fairness Act repeals the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO), which affected more than 3 million public workers. These provisions had been in effect since 1983. The repeal is effective beginning January 2024.

The Social Security Administration (SSA) is finalizing its plan to implement the Act and has not provided an estimated timeframe. More information is available on the [SSA website](#). SERS also will share any updates as they become available on the SERS website.

State Legislation

HB 257, the bill that would permit retirement systems to create a policy allowing Board members to attend a meeting of the Board by means of video conference, was signed by the governor in January. It will become effective April 9. The SERS Board will review the policy required by the legislation for remote participation at the March Board Meeting.

The focus of the 136th General Assembly is currently on the passage of the biennial operating budget, with a target passage date of July 1.

The House Pensions Committee was recently dissolved and a new House Public Insurance and Pensions Committee was created instead. Rep. Bob Peterson is the chairman of the new

committee. SERS staff will schedule meetings with Chairman Peterson and other committee members in the coming months.

Staff recently met with Sen. Mark Romanchuk, current chair of the Ohio Retirement Study Council (ORSC), to discuss possible pension legislation.

Payment Plan Options

John Grumney, director of Member Services, presented a summary of the seven payment plan options that SERS offers.

Two key things for members to keep in mind are: The younger the beneficiary, the lower the monthly pension, and the more beneficiaries, the lower the monthly pension. SERS' counselors and retirement publications provide guidance to help members select the option that is best for them.

For a complete list of plan considerations, SERS members can visit the [Step Toward Retirement page](#) of the SERS website.

Risk Management Overview

SERS' Risk Management staff presented an overview of the Risk Management Program and update on the System's strategic goal for risk.

SERS' Risk Management Program ensures that risks are included in decision-making and align with our strategic goals. The program has made steady progress reducing and managing key risks while creating a firm foundation for risk awareness, monitoring, and reporting.

SERS has started carefully exploring and adopting artificial intelligence (AI) opportunities.

AI could present numerous opportunities for the System and its stakeholders, but users must follow SERS' AI usage policy and submit an intake form to be reviewed and approved or denied by SERS' AI Oversight Committee.

Monthly Retirement and Survivor Benefit Transactions

For February, the SERS Board approved 359 active members for service retirements, and 28 survivor benefits for spouses and/or dependents.

March Meeting Dates

The Board meeting will take place on Thursday, March 20, and Friday, March 21 (if necessary), at 8:30 a.m.