



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

BOARD MEETING HIGHLIGHTS

MARCH 2025

Global Private Credit Portfolio Review

Investment staff provided the Board an overview of SERS' global private credit portfolio.

The global private credit allocation is set at 5% with a permissible range of 3% to 7%.

As of January 31, 2025, the portfolio had a market value of \$1.2 billion and its allocation was 6.1% of the Total Fund.

The role of private credit in the Total Fund is to provide risk-adjusted returns in excess of those provided by publicly traded fixed income securities and to generate a consistent cash yield. Its performance objective is to provide returns 100 basis points above the 90-day Treasury bill rate, plus 4.5% net of fees.

For the one-year period ending January 31, 2025, the portfolio returned 11.3% net of fees, which outperformed the policy benchmark by 120 basis points. It generated a portfolio income yield of 11.4%.

The portfolio's capital commitments totaled \$2.1 billion, with \$150 million deployed during the last 12 months. These new capital commitments included two new funds with existing managers.

There are several strategies within private credit investments, each with different risk and return parameters. SERS' private credit portfolio is made up of three different strategies: direct lending, with a current allocation of 86%; stressed/distressed debt, with a current allocation of 12%; and asset-based lending/other with a current allocation of 2%.

SERS' direct lending investments target direct loans to small-to-medium sized companies that are secured by cash flows. Stressed/distressed debt includes loans made to companies that are financially stressed. These investments typically have longer holding periods where the lender sometimes is seeking to take control of the company. Asset based lending/other is comprised of investments backed by financial and hard assets; these types of investments may include auto loans, real estate loans, consumer loans, litigation finance, leasing, royalties, portfolio finance, and various other types.

For FY2025, staff is focused on maintaining the allocation within the target range while considering the pace of drawdowns for new investments; building the private credit allocation in line with the implementation guidelines and ensuring that appropriate risk and return characteristics are present; evaluating new investments with a cautious approach given the economic outlook and rising interest rate environment, while focusing on increasing the cash yield of the portfolio and income distribution to the Total Fund; evaluating new investment ideas within the asset based lending/other strategy to build the sub-asset class toward the target allocation; and reviewing the appropriateness of the benchmark and recommending changes if necessary.

RETIREMENT BOARD

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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

Investment Committee Approves Two Investments

The SERS Staff Investment Committee approved up to a \$10 million commitment, plus add-ons, fees, and expenses, to BGTF II Zizou Co-investment AIV LP, an infrastructure strategy within the real assets portfolio. The committee also made up to a \$200 million commitment to BBH Income Fund, a core plus strategy within the fixed income portfolio.

These investments will be funded from cash reserves.

Total Fund Update

TOTAL FUND BALANCE		
December 31	January 31	Difference
\$19.47 billion	\$19.79 billion	▲ \$320 million
TOTAL FUND RETURN (net of fees)		
Fiscal Year	Calendar Year	3-Year
▲ 5.53%	▲ 1.66%	▲ 5.92%
TOTAL FUND RETURN vs. BENCHMARK		
Fiscal Year	Calendar Year	3-Year
▲ 0.03%	▲ 0.12%	▲ 1.12%

Board Approves Filing of Amended Administrative Rule

The Board approved the filing of an amended administrative rule regarding the purchase of out-of-state service credit with the Joint Committee on Agency of Rule Review (JCARR).

The amendment clarifies that any person who performs a service common to the normal daily operation of a school and is paid by one who contracted with an employer to perform the service, is eligible to purchase out-of-state service credit.

Executive Director's Update

Board Adopts Remote Meeting Attendance Policy

Effective April 9, 2025, SERS' [Remote Board Meeting Attendance Policy](#) will go into effect. Adoption of the policy fulfills a legislative requirement in HB 257, signed by the governor in January, that allows retirement system Board members to attend a limited number of Board meetings remotely so long as the Board has a policy in place. A majority of the Board must attend each meeting in person.

WEP/GPO Repeal Update

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

The Social Security Fairness Act repealed 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 was effective beginning January 2024.

The SSA began issuing retroactive payments in late February. Most affected beneficiaries will begin receiving their new monthly benefit amount in April 2025.

The Social Security Administration (SSA) will continue to update the [Frequently Asked Questions page](#) on their website as information becomes available.

ORSC Update and State Legislation

At its March meeting, Rep. Adam Bird was elected chair. SERS staff presented the System's annual actuarial and health care valuations, audit report, health care report, and Iran/Sudan report.

The House Pensions Committee was dissolved and a House Public Insurance and Pensions Committee was formed instead, with Rep. Bob Peterson and Rep. Michelle Teska serving as chair and vice chair, respectively.

Federal Legislation

Earlier this month, SERS staff attended the annual NASRA/NIRS joint conference. In addition to attending the panels and presentations, staff met with several Ohio legislators, providing updated information regarding SERS' membership and thanking them for their support of the WEP/GPO repeal legislation.

Staff also shared how Pharmacy Benefit Managers (PBMs) like Express Scripts have helped facilitate the prescription drug coverage plan, saving retirees money and adding value to SERS' program.

SERS will continue to proactively monitor any proposed PBM reform and urge legislators not to harm programs such as ours in their effort to reform PBM practices.

Advocacy Group Outreach

On May 7, 2025, SERS staff will attend the School Employee Retirees of Ohio (SERO) annual meeting and provide membership and health care updates to its membership.

On May 23, 2025, SERS staff will engage with the Ohio Association of School Business Officials (OASBO) for a System update, providing presentations on staff initiatives, finance, membership, investments, and health care to attendees.

Updated Age Reduction Factor Tables

Late last year, SERS' staff discovered that the two most recent updates to an age reduction factor actuarial table that is used to calculate early retirements were not loaded into the pension administration computer system. This caused benefit payments that began between August 1, 2017, and March 31, 2025, to be calculated lower than they should have been.

Approximately 6,300 benefits will be recalculated using the appropriate age reduction factor table. In the vast majority of cases (nearly 80%), the difference is less than \$25 per month. Each affected retiree will receive a lump sum payment to address the amount of their underpayment for the period they have been retired, and a corrected new monthly benefit amount going forward. Those with a benefit effective date between August 1, 2017, and June 30, 2024, also will receive an interest payment of 3% on that lump sum.

Early retirement benefits effective on or after April 1, 2025, will be calculated properly using the most recent age reduction factor table.

Staff is implementing several new prevention measures to ensure that this situation does not occur again in the future.

FY2026 Budget Planning

SERS' FY2026 budget planning is nearing completion. The Board provided direction to staff regarding the personnel budget based on the recommendations of CBIZ from last month's Board meeting.

In April, SERS is required to provide a preliminary budget to the ORSC.

In May, staff will provide the Board with the FY2026 draft budget. A proposed final budget will be presented to the Board for approval in June.

Monthly Retirement and Survivor Benefit Transactions

For March, the SERS Board approved 307 active members for service retirements, and 10 survivor benefits for spouses and/or dependents.

April Meeting Dates

The April Board meeting will take place on Thursday, April 17, and Friday, April 18 (if necessary), at 8:30 a.m.