

**MINUTES OF  
STATE TEACHERS  
RETIREMENT BOARD  
MEETINGS**

**March 21-22, 2024**

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The State Teachers Retirement Board met at the STRS Ohio offices in Columbus, Ohio, on Thursday, March 21, 2024, at approximately 8:00 a.m. Retirement Board Chair Dale Price called the meeting to order.

Mr. Price introduced and welcomed Jackie Compton-Bunch to the Board meeting as the meeting parliamentarian.

The following members were in attendance: Carol Correthers, Pat Davidson, Alison Falls, Claudia Herrington, Rudy Fichtenbaum, Steven Foreman, Scott Hunt, representing the Director of the Department of Education and Workforce, Elizabeth Jones, Brian Perera, and Dale Price.

Julie Sellers attended the meeting remotely.

#### **RATIFY AGREEMENT FOR ACTING EXECUTIVE DIRECTOR**

Mr. Price moved, seconded by Pat Davidson, to ratify the February 29, 2024, appointment letter executed by the chair regarding the employment of Lynn Hoover as acting executive director.

Mr. Price read the appointment letter and discussion followed. Several Board members expressed appreciation for Ms. Hoover's willingness to perform the duties of Executive Director and Chief Financial Officer.

Upon roll call the vote was as follows: Mr. Price, yes; Mr. Davidson, yes; Ms. Correthers, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, no; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

#### **APPROVAL OF MINUTES**

Mr. Price moved, seconded by Ms. Correthers to approve the minutes of the February 2024 Retirement Board meeting.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

#### **AON FIDUCIARY SERVICES**

The chair recognized Julie Becker of Aon Fiduciary Services Practice to begin the discussion of the Fiduciary Audit Recommendations focusing on Strategic Planning, Committee Charters and Board Policies.

Ms. Becker indicated that the Board agreed with Funston and Aon's recommendations to revamp the committees and asked for a vote to approve the standing assignments.

Mr. Price moved, seconded by Ms. Herrington, to approve the 2024 committee assignments as proposed.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Herrington, yes; Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

Ms. Becker explained that Aon submitted a proposal for strategic planning focused on the benefit plan, creating annual goals and objectives. She reviewed next steps for the Board if they decide to engage Aon for these specific services.

Mr. Price moved, seconded by Ms. Correthers to direct the Acting Executive Director to negotiate and execute an amendment to the existing agreement with Aon Fiduciary Services Practice for strategic planning services.

Upon roll call the vote was as follows: Mr. Price, yes; Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

## **DISABILITY PROGRAM OVERVIEW**

The Chair recognized Christina Elliott, deputy executive director – Member Benefits to present on the Disability Program.

Ms. Elliott reviewed the Funston audit recommendations regarding Disability Review Panel (DRP) and previous discussions the Board has had with its governance consultant, Aon Fiduciary Services Practice.

She educated the board on the STRS Ohio Disability Criteria and then reviewed the disability application process. She provided detail around how the application process works, starting with the member's attending physician's report, and continued in greater detail on the steps involved with the process and how the Medical Review Board (MRB) chair assists in the flow of the application.

Ms. Elliott reviewed the independent medical examiner report. She discussed the selection process for both medical examiners and the MRB, which is composed of physicians with varying specialties.

Ms. Elliott provided explanation of how an appeal moves through the approval or denial process. She also provided history of the disability process; outlining the number of applications granted, denied, recertifications, and medical terminations for the past five years.

Some discussion followed regarding next steps and the Funston audit recommendations to delegate the appeal process solely to staff.

The Board requested Ms. Elliott bring several options in April for board consideration which would allow the MRB and medical examiners better insights into the life of a classroom teacher.

## **ENTERPRISE RISK MANAGEMENT**

The chair recognized Lynn Hoover, Acting Executive Director and deputy executive director – Finance and Brian Grinnell, chief actuary, for a presentation on Enterprise Risk Management (ERM).

Mr. Grinnell began the presentation by reviewing the greatest risks facing the system and mitigating those risks. He added that staff continually monitors and proactively manages risks to ensure continuity of operations and that periodic reexamination and reassessment is critical as new risks could emerge due to continual change. He reviewed the assessment process and how risks are quantified using three categories: impact to the system, probability and time frame.

Ms. Hoover reviewed several risks identified during the assessment process. Discussion followed regarding the difficulty to recruit and retain staff due to the current labor market and STRS specific conditions.

Mr. Grinnell then reviewed the results of the 2024 ERM assessment, highlighting the probability of risk occurrence, and examples of our processes and internal controls which provide risk mitigation and monitoring.

## **REPORT FROM INVESTMENT DEPARTMENT**

The Chair recognized Matt Worley, deputy executive director – Investments for the Report from the Investment Department.

There was one matter requiring Board action:

The adoption of the amended stock proxy voting policy was presented by Maria Muratori, chief of staff – Investments. The policy was initially reviewed at the February 2024 meeting. There was one proposed update regarding board representation.

Mr. Price moved, seconded by Ms. Herrington, that the Board amend the Stock Proxy Voting Policy, as presented on March 21, 2024.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Herrington, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

The following highlights were presented as part of the investment activity report:

- The preliminary total fund return for the month of February was +1.96% net of cost. The preliminary fiscal year to date net return was +6.61%. In rebalancing activity, \$1.2 billion was removed from domestic and international equities and \$950 million was allocated to fixed income. Total investment assets ended February at approximately \$93.1 billion; higher by \$3.0 billion in fiscal year 2024.

Colin Bebee, managing principal consultant – Meketa, had no additional comments on the report from the investment department. He made brief comments on the content that will be discussed at tomorrow’s investment seminar.

Mr. Worley reviewed the Investment transactions for February 2024

There were no requests from the board.

### **RECOGNITION OF PERSONS WISHING TO ADDRESS THE BOARD**

Mr. Price recognized the following to address the board:

Denise Deltondo, representing herself, addressed the board. Ms. Deltondo thanked the board for their service and safeguarding pensions. She also expressed concern about the dissention among board members and vocal critics of STRS Ohio.

Marilyn Stanton, representing herself, addressed the board. Ms. Stanton expressed concern about factual information and the board’s duty to provide a benefit to all Ohio educators.

Dan MacDonald representing 279-R, addressed the board. Mr. MacDonald expressed concern about STRS Ohio’s financial plan.

Robin Beebe, representing herself, addressed the board. Ms. Beebe expressed concern about STRS Ohio.

Jerry Newsom, representing himself, addressed the board. Mr. Newsom expressed concern about STRS Ohio critics.

Karen Loeffler, representing herself, addressed the board. Ms. Loeffler expressed concern about bonuses and Cola.

Robin Rayfield, representing himself, addressed the board. Mr. Rayfield expressed concern about transparency and a revised investment strategy.

Marvin Stotz, representing himself and WCRTA, addressed the board. Mr. Stotz expressed concern about investments and COLA.

Matt Cox, representing himself, address the board. Mr. Cox expressed concern with the board finding balance and making decisions that benefit both active and retired educators.

Gary Hankins, representing himself, addressed the board. Mr. Hankins expressed concern about the board making decisions benefiting active and retired educators.

Dean Dennis, representing himself and ORTA, addressed the board. Mr. Dennis expressed concern about investments.

Bob Buerkle, representing himself, addressed the board. Mr. Buerkle expressed concern about the COLA.

Cathy Steinhauser, representing herself, addressed the board. Ms. Steinhauser expressed concern about the fiduciary duties of the board and staff.

Suzanne Laird, representing herself, addressed the board. Ms. Laird expressed concern about STRS Ohio.

### **EXECUTIVE SESSION**

Mr. Price moved, seconded by Ms. Falls to enter executive session under authority of Division (G)(1) of Section 121.22 of the Ohio Revised Code for the purpose of discussing appointment, employment or compensation of a public employee or official, Division (G)(3) of Section 121.22 of the Ohio Revised Code for the purpose of conferring with the board's attorney regarding pending or imminent court action and Division (G)(5) of Section 121.22 of the Ohio Revised Code for the purpose of discussing matters required to be kept confidential by federal law or state statutes.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Falls, yes; Ms. Correthers, absent; Mr. Davidson, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Herrington, absent; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

Executive session ended at 12:02 p.m. and public session resumed at 2:17 p.m.

### **SUSTAINABLE BENEFIT ENHANCEMENT PLAN – PART 2**

Mr. Price again recognized Lynn Hoover, acting executive director for a presentation on Sustainable Benefits Enhancement Plan (SBEP). Ms. Hoover introduced Mike Noble and Bonnie Rightnour of Cheiron, to present SBEP – Part 2.

Ms. Rightnour discussed the fiscal integrity concept and added that changes which would materially impair the fiscal integrity of the system are not permitted under Ohio law. Prior year fiscal integrity tests, the related SBEP budget and prior benefit enhancements were reviewed.

Mr. Noble presented the 2024 fiscal integrity tests along with the metrics used and expectations from the investment consultants. He explained that Cheiron calculates a budget amount for each test and discussed the detailed calculations with the board. In addition, they consider three different metrics in their determination of a budget amount that would not materially impair the

fiscal integrity, with the final budget equaling the smallest of the three amounts. While two metrics produced modest budgets, the third remains at zero, resulting in an SBEP budget amount for fiscal year 2024 of zero.

Since Cheiron determined the sustainable benefit enhancement budget to be zero, Mr. Noble discussed details of a de minimis enhancement which would not materially impair the fiscal integrity of the system. Cheiron's determination of the de minimis enhancement amount is to be no more than 1% of the actuarial value of assets, provided the plan is projected to be fully funded in twenty years or less after the inclusion of the de minimis enhancement. In 2024, the amount of de minimis enhancement that may be considered is \$850 million.

Mr. Noble shared the budget impact for potential benefit enhancements including contributions, COLA and retirement eligibility. Enhancements that require additional legislative, legal and actuarial analysis were also noted on the analysis.

Mr. Price invited discussion from the Board on the available SBEP options. Mr. Davidson stated this is a unique opportunity to remove a "cliff" and make 34 years permanent for active teachers, including the move to 29 years for reduced benefits. Mr. Perera stated he is sympathetic to retirees due to the current inflation and would recommend the combination of COLA with the continuation of 34 years of service to 2036. Ms. Correthers, Mr. Price and Mr. Foreman offered support for Mr. Davidson's recommendation. Dr. Fichtenbaum indicated his support as well but cautioned that there have been others affected by "cliffs".

After the discussion, Mr. Price moved, seconded by Mr. Davidson, to waive compliance with the Board's Funding Policy, and in accordance with the Board actuary's determination that the change does not materially impair the fiscal integrity of the retirement system, make the following benefit plan design change as described in Cheiron's March 21, 2024 Sustainable Benefit Enhancement Plan determination, which will be incorporated into the annual actuarial valuation for FY24, prepared in accordance with Ohio Revised Code §3307.51(A):

1. Pursuant to the authority provided under Ohio Revised Code §3307.58(B)(3), eliminate the requirement for thirty-five or more years of service credit for unreduced benefits pursuant to §3307.58(B)(1)(c)(vi) and (vii) to make thirty-four years of service credit the minimum requirement for unreduced benefits, and adjust the years of service credit required for reduced retirement benefits under §3307.58 (B)(2)(c)(vi) to twenty-nine or more years of service credit at any age, effective June 1, 2024.

The Acting Executive Director to be further authorized to take all other actions as may be necessary to effectuate this change.

Be it further moved that not later than Spring 2025, the board and its actuary will evaluate whether additional benefit plan design changes may be made in accordance with the laws in effect at that time.

Upon roll call the vote was as follows: Mr. Price, yes; Mr. Davidson, yes; Ms. Correthers, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Herrington, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

## **HEALTH CARE PLAN DISCUSSION**

Mr. Price recognized Brian Grinnell, chief actuary, and Greg Nickell, director – Health Care Services, for a presentation on 2025 Early Indicators and Changing Years of Service Requirements for the health care plan.

Mr. Nickell summarized the early 2025 cost indicators of significantly increased cost trends and Medicare subsidy expectations. Plan design and premium decisions for 2025 will be delayed until August 2024 to better determine the expected costs.

Mr. Grinnell reviewed various subsidy rate scenarios based on years of service credit at retirement and the funded ratio impacts of adopting each. The fiscal 2023 funded ratio is 169%. Mr. Nickell described the impacts based on effective date and gave an overview of the implementation timeline.

After discussion on various options, Mr. Price moved, seconded by Ms. Correthers, that the Board approve changing the maximum health care subsidy reimbursement to 30 years of service for anyone who retires between August 1, 2023 and July 31, 2032 with 30 or more years of service, and after that the maximum subsidy for Healthcare plan participants who retire August 1, 2032 or later will align with the eligibility for unreduced pensions.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Herrington, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

## **MEMBER BENEFITS UPDATE**

The Chair again recognized Christina Elliott, deputy executive director – Member Benefits to present an update on the Member Benefits department.

Ms. Elliott began by introducing the member benefits department senior leadership team and then provided an update on the transition to the new prescription program administrator, CVS.

Discussion followed regarding claims auditing processes and steps to authorizing automatic refills.

Lastly, Ms. Elliott provided a Stakeholder Engagement update to the board. She stated that surveys are now offered to members attending STRS presentations as a way for our membership to provide feedback.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. Price again recognized Acting Executive Director Lynn Hoover for the Executive Director's Report. Ms. Hoover highlighted items from the March Executive Director's Report containing the topics listed below and offered to answer any questions.

- Indicators Point to Possible Increase in Retirement This Year



- STRS Ohio Presents Navigating the Disability Process for Employers Webinar
- Implementation of New Investment Portfolio Management System
- Fiscal Year 2025 Budget Presentations Are Underway
- Update: STRS Ohio's Efforts for Additional Transparency
- Board Election to Take Place This Spring

### **REPORT AND APPROVAL OF EXPENSES DURING FEBRUARY 2024**

Mr. Price moved, seconded by Ms. Herrington, that the expenditures for the month ended February 29, 2024, in the total amount of \$8,598,483 be approved.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Herrington, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

### **CONSENT MOTION**

Mr. Price moved, seconded by Ms. Correthers, that the Retirement Board approve the Member Benefits-related motions as listed on the report located in the Routine Matters folder (Records are not public per Ohio Revised Code 3307.20).

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

### **REPORT FROM THE FINAL AVERAGE SALARY COMMITTEE**

Mr. Price moved, seconded by Ms. Correthers, that the Retirement Board adopt as its order the recommendation made by the Final Average Salary Committee for the retirees listed on the report located in the Routine Matters folder (Records are not public per Ohio Revised Code 3307.20).

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

### **AUTHORIZATION TO AMEND RULES IN THE ADMINISTRATIVE CODE**

Mr. Price moved, seconded by Ms. Falls, to accept staff's recommendations to amend the rule(s) listed below pursuant to the sunset review process set forth in section 106.03 of the Ohio Revised Code and to authorize and direct the Acting Executive Director to take all actions necessary on its behalf to amend and adopt the Administrative Code rule changes on a permanent basis and to carry

out actions necessary for review with the Joint Committee on Agency Rule Review (JCARR) in accordance with Chapter 111.15 of the Ohio Revised Code.

- 3307: 1-12-02 Maximum permissible benefits.
- 3307: 2-2-01 Establishment of defined contribution program,  
Including a defined contribution plan and  
Combined plan.
- 3307: 2-4-02 Military service.
- 3307: 2-5-09 Plans of Payment for monthly benefit

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Falls, yes; Ms. Correthers, yes; Mr. Davidson, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes.; The motion carried.

#### **AUTHORIZATION TO CONTINUE RULES IN THE ADMINISTRATIVE CODE**

Ms. Correthers moved, seconded by Mr. Price to accept staff's recommendations to continue the rules listed below pursuant to the sunset review process set forth in section 106.03 of the Ohio Revised Code and to authorize and direct the Acting Executive Director to take all actions necessary on its behalf to adopt and to carry out actions necessary for review with the Joint Committee on Agency Rule Review (JCARR) in accordance with Chapter 111.15 of the Ohio Revised Code.

- 3307:2-1-01 Definitions.
- 3307:2-3-01 Initial election by new members.
- 3307:2-4-03 Combined plan participant leaves of absence.
- 3307:2-5-01 Distributions.
- 3307:2-5-02 Distributions from the defined contribution plan.
- 3307:2-5-03 Distribution from the combined plan.
- 3307:2-6-01 Combined plan disability benefits.
- 3307:2-6-02 Combined plan survivor benefits.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Falls, yes; Ms. Correthers, yes; Mr. Davidson, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes.; The motion carried.

#### **AUTHORIZATION TO AMEND RULES IN THE ADMINISTRATIVE CODE**

Ms. Correthers moved, seconded by Mr. Lard to accept staff's recommendations to amend the rules listed below and to authorize and direct the Acting Executive Director to take all actions necessary on its behalf to amend and adopt the Administrative Code rule changes on a permanent basis and to carry out actions necessary for review with the Joint Committee on Agency Rule Review (JCARR) in accordance with Chapter 111.15 of the Ohio Revised Code.

- 3307:1-4-01 Compensation includible in the determination of final average Salary.
- 3307:1-5-03 Court orders.
- 3307:1-12-01 Distributions.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Falls, yes; Ms. Correthers, yes; Mr. Davidson, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes.; The motion carried.

**MOTION FOR APPROVAL OF CANDIDATES FOR THE CONTRIBUTING MEMBER ELECTION**

Mr. Price moved, seconded by Dr. Fichtenbaum, that the names listed below, who were duly nominated for the contributing member position on the State Teachers Retirement Board as provided for in Ohio Revised Code Section 3307.07, be placed on the ballot for election to the four-year term beginning Sept. 1, 2024, through Aug. 31, 2028.

<u>Name</u>
Michelle Flanigan
Sandy Smith Fischer

Upon roll call the vote was as follows: Mr. Price, yes; Dr. Fichtenbaum, yes; Ms. Correthers, yes; Mr. Davidson, yes, Ms. Falls, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

**MOTION FOR APPOINTMENT AND APPROVAL OF EXPENSES FOR BOARD OF TELLERS FOR 2023 RETIREMENT BOARD ELECTION – CONTRIBUTING MEMBER POSITION**

Ms. Correthers moved, seconded by Mr. Foreman that the individuals named below be appointed to the Board of tellers to meet on May 6, 2023, to certify the election results for the contributing member position on the State Teachers Retirement Board for the four-year term beginning Sept. 1, 2024, and ending Aug. 31, 2028, and that they be paid actual expenses in accordance with the STRS Ohio Travel and Expense Policy.

<u>Candidate</u>	<u>Teller</u>
Michelle Flanigan	Michelle Flanigan
Sandy Smith Fischer	Michelle Miller

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Mr. Foreman, yes; Dr. Fichtenbaum, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

**AUTHORIZE CHAIR RE: PROFESSIONAL DEVELOPMENT**

Mr. Price moved, seconded by Ms. Correthers, for the Board to authorize the chair to enter a contract to expend \$25,000 for professional development training for Mr. Neville, as discussed in executive session on this date.

Upon roll call the vote was as follows: Mr. Price, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, no; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

**BOARD EDUCATION OPPORTUNITY REQUEST – MS. JONES**

Mr. Price moved, seconded by Mr. Foreman, to approve the expenses in connection with the educational opportunity with The Leadership Forum (TLF) at Harvard College for Ms. Jones.

Upon roll call the vote was as follows: Mr. Price, yes; Mr. Foreman, yes; Ms. Correthers, yes; Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Perera, yes; Ms. Sellers, yes. The motion carried.

**OLD BUSINESS / NEW BUSINESS**

Ms. Falls provided an education update on her attendance of the 2024 Callan College for Alternative Investments.

Mr. Davidson requested staff to explore the costs of offering a health care premium rebate check based on the decisions the board made this month.

**ADJOURNMENT**

Mr. Price announced the next Retirement Board and committee meetings would be held over April 17, 18 and 19, 2024. With no further business to come before the board, the meeting adjourned at 5:28 p.m.

**MARCH 22, 2024**

**INVESTMENT SEMINAR**

A meeting of the State Teachers Retirement Board was held at the STRS Ohio offices in Columbus, Ohio, on March 22, 2024, for the purpose of conducting an educational session with the board’s investment consultants, Meketa Investment Group (“Meketa”) and Callan.

The meeting was called to order at approximately 9:30 a.m. on Friday, March 22, 2024, by the Chair, Dale Price. The following members were in attendance: Carol Correthers, Pat Davidson, Alison Falls, Rudy Fichtenbaum, Steven Foreman, Claudia Herrington, Scott Hunt, representing the Director of the Department of Education and Workforce, Elizabeth Jones, Brian Perera and Dale Price.

Julie Sellers joined the meeting remotely.

## **INTRODUCTION**

The chair recognized Matt Worley, deputy executive director – Investments, for a review of the agenda. Mr. Worley introduced Colin Bebee, Managing Principal Consultant at Meketa. Mr. Bebee introduced the first item on the agenda, Economic Update and Capital Market Assumptions.

### **MEKETA ECONOMIC UPDATE AND CAPITAL MARKET ASSUMPTIONS**

Orray Taft, Managing Principal Consultant at Meketa provided an economic update in which he presented current key risks and themes which are informing Meketa’s capital market assumptions. While Meketa believes a soft landing of the economy is most likely, Mr. Taft expects to see some weakness in the labor market going forward.

Mr. Bebee provided updated capital market assumptions, key inputs of a portfolio’s expected returns, volatility and correlations to the broader market. Capital market assumptions are used in asset-liability modeling. Meketa updates its capital market assumptions each year in January based on December 31 data. Meketa’s process relies on both quantitative and qualitative methodologies.

Using its current target policy asset allocation, STRS Ohio is projected to earn a compound return of 7.04% over the next ten years with an annual volatility of 11.76%. Mr. Bebee explained that there is a 45% probability that STRS Ohio’s current target policy asset allocation will be less than 6.5% or greater than 7.5%.

The last STRS Ohio asset-liability study was completed in 2022. A general rule for the frequency of conducting asset-liability studies is every three to five years or when markets change. Given the significant increase in interest rates since STRS Ohio’s last asset-liability study and due to the length of time it takes to complete an asset liability study (nine to twelve months), Meketa expects to begin an asset-liability study for STRS Ohio in fiscal 2025.

### **REVIEW OF THE ASSET-LIABILITY STUDY PROCESS**

Mr. Bebee and Stephen McCourt, Managing Principal and Co-CEO, Meketa, provided a review of the asset-liability study process. The asset-liability study process will begin by assessing the risk management board’s risk tolerance through a trustee surveys. Mr. Bebee highlighted that volatile asset returns can have a very material effect on the plan’s funded status.

During an asset-liability study, actuarial methods determine how a pension fund's assets and liabilities are determined and calculated. The high-level steps of the asset-liability process include developing an understanding of the financial condition of STRS Ohio under a variety of investment portfolio outcomes, setting a consensus definition and view of the risks STRS Ohio should bear, and selecting an appropriate long-term investment strategy.

From an asset perspective, the selection of a strategic asset allocation is the most important decision trustees make.

## **INVESTMENT DECISIONS AND BENCHMARKING**

Mr. Bebee and LaRoy Brantley, Managing Principal, Meketa, led a discussion on major investment decisions that pension systems make and approaches to assessing the success of the investment decisions (i.e. benchmarking).

STRS Ohio currently utilizes best practices regarding major investment decisions authority. The board authority is to set the target weights for each asset class, portfolio risk budgets, allocation boundaries and high-level guidelines. Within the guidelines, staff implements all investment decisions and tasks. Benchmarking is the primary form of assessment.

Mr. Bebee recommends a reference portfolio benchmark for STRS Ohio. Reference portfolio benchmarks are used primarily to determine long-term (i.e. +10-years) asset allocation success. No single total plan benchmark encompasses all elements of assessment, and all benchmarks are hypothetical and ignore frictions required for actual implementation (i.e. transaction costs, rebalancing, etc.).

Mr. Bebee explained that a passive benchmark implies that the investable universe is held at market capitalization weights. Passive management can be defined as investment management with low tracking error (the degree of deviation of portfolio performance versus benchmark performance) versus a benchmark. Meketa estimates the expected 10-year return of the global market portfolio (equity and fixed income) is approximately 5.5% with an expected annual volatility of approximately 9.5%.

Meketa recommends maintaining the existing benchmarks and reviewing them as part of an asset-liability study. Meketa stated STRS Ohio's benchmark construction is comparable to peers. The use of actual weights in the STRS Ohio benchmark was designed to allow for portfolio management flexibility with respect to more liquid asset classes and market opportunities. The STRS Ohio benchmarks fulfill the Bailey Criteria (unambiguous, investable, measurable, appropriate, reflective of current investment options, specified in advance) at a similar or higher level than other large-scale public pensions.

## **REBALANCING AND RISK BUDGET**

Michele Mazzoleni, Director of Asset Allocation and Strategy, discussed the purposes of rebalancing including managing the portfolio to align with the board's policy asset allocation,

ensuring liquidity is available to pay member benefits, and enhancing portfolio risk adjusted returns.

A complexity to rebalancing for STRS Ohio is the \$4 billion of annual net cash outflows, requiring an active approach to rebalancing. A further complexity to rebalancing is varying degrees of market liquidity across asset classes and market conditions.

Mr. Mazzoleni explained that a risk budget establishes risk limits and determines how the investment staff manages the portfolio. Risk budgets are guardrails around tracking risk (active risk) and capture the risks associated with deviating from the board's asset allocation. The STRS Ohio board has a risk budget range of 0.2%-1.6%. Mr. Mazzoleni concluded with a rebalancing example from February 2024.

## **OVERVIEW OF ALTERNATIVE INVESTMENTS AND QUARTERLY PERFORMANCE**

Pete Keliuotis, Executive Vice President, Head of Alternatives Consulting, Tony Lissuzzo, Senior Vice President, and David Smith, Senior Vice President all from Callan provided an overview of alternative investments and STRS Ohio's quarterly alternative investments performance. Mr. Keliuotis described alternative investments as a large (estimated at \$11.2 trillion) and growing market; institutional investors, including STRS Ohio, allocate to alternative investments to improve risk adjusted total fund returns; private equity provides return enhancement while private credit provides risk-adjusted yield enhancement and diversification; manager selection is critical; Callan recommends a mix of benchmarks for evaluating alternative investments; and Callan is developing a risk dashboard for alternative investments.

Mr. Smith provided a general overview of private equity. Mr. Smith explained characteristics of private equity including complexity, returns, illiquidity, costs, and the importance of manager selection. Mr. Smith discussed a brief history of private credit, starting with the Great Financial Crisis, the impact of resultant bank regulations and investor search for yield.

Mr. Keliuotis discussed benchmarking best practices. Three commonly applied benchmarking methodologies used in measuring alternative investment performance are absolute return, private markets indices and applying a premium to public markets indices. Mr. Keliuotis described STRS Ohio's alternative investment fee reporting as transparent relative to its peers. Callan believes this transparency is helpful because it provides the board confidence to continue to make alternative investment commitments over time.

Pete Keliuotis presented the quarterly alternative investments performance review as of December 31, 2023. Mr. Keliuotis noted that STRS Ohio's alternative investments are approaching the target asset allocation. The direct and co-investment portfolio is the fastest-growing portfolio and is a positive contributor to performance. STRS Ohio alternatives investments has positively contributed to total fund performance over the trailing 20-year period.

Following some final wrap-up discussion, the board chairman thanked the consultants and staff for their contributions to the seminar and adjourned at approximately 4:45 p.m.

# **APPENDICES**



THE STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
275 East Broad Street Columbus, OH 43215-3771

**(The following reports are not public information.  
Reference Section 3307.20, Ohio Revised Code)**

- **REPORT TO THE RETIREMENT BOARD ON REQUEST FOR CONTRIBUTIONS DURING LEAVE OF ABSENCE**
- **REPORT TO THE RETIREMENT BOARD ON SURVIVOR BENEFITS**
- **REPORT TO THE RETIREMENT BOARD ON RECOMMENDED DISABILITY BENEFITS**
- **REPORT TO THE RETIREMENT BOARD ON DENIAL OR TERMINATION OF DISABILITY BENEFITS**
- **REPORT TO THE RETIREMENT BOARD ON DISABILITY TRANSFERS TO OPERS/SERS**
- **REPORT TO THE RETIREMENT BOARD ON ACTION ON APPEAL HEARINGS**
- **REPORT TO THE RETIREMENT BOARD ON SERVICE RETIREMENTS AND REEMPLOYMENT BENEFITS**
- **REPORT TO THE RETIREMENT BOARD ON RESCIND ACTION OF DENIALS**
- **REPORT TO THE RETIREMENT BOARD ON FINAL AVERAGE SALARY**