

**MINUTES OF  
STATE TEACHERS  
RETIREMENT BOARD  
MEETINGS**

**May 18, 2023**

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The State Teachers Retirement Board met at the STRS Ohio offices in Columbus, Ohio, on Thursday, May 18, 2023, at approximately 8:30 a.m. Retirement Board Chair Carol Correthers called the meeting to order.

The following members were in attendance: Brent Bishop, Carol Correthers, Alison Falls, Rudy Fichtenbaum, Steven Foreman, Scott Hunt, representing the Interim Superintendent of Public Instruction, Elizabeth Jones, Dale Price, and Julie Sellers.

Ms. Correthers welcomed Brent Bishop as the new Governor appointed board member.

Arthur Lard joined the meeting while in progress.

#### **APPROVAL OF MINUTES**

Ms. Correthers moved, seconded by Mr. Price to approve the minutes of the April 2023 Retirement Board meeting.

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

Ms. Correthers recognized executive director Bill Neville for opening remarks. Mr. Neville reviewed the morning agenda which included presentations on the Sustainable Benefit Enhancement Plan (SBEP) by Cheiron and staff providing an overview of the board's funding policy and review of funding metrics for Ohio's pension systems.

#### **REPORT FROM THE FINANCE DEPARTMENT**

Ms. Correthers recognized Lynn Hoover, deputy executive director – Finance, for the Report from the Finance Department.

Ms. Hoover began with an overview of the Board's pension funding policy, which sets forth the goal of safeguarding members' benefits in the long-term. The policy also outlines the funding objectives, including managing the risk of unanticipated benefit changes. Included in the pension funding policy is a scorecard risk tool that indicates when benefit adjustments are recommended or necessary. The scorecard was a negative one as of the June 30, 2022 valuation and no changes were recommended.

Ms. Hoover introduced Gene Kalwarski and Mike Noble of Cheiron to continue the discussion on SBEP.

Mr. Kalwarski discussed the three fiscal integrity tests used to determine whether a benefit enhancement budget is available. The budget amount is the lesser of the three tests. For this year the budget is zero. Cheiron determined in the event the SBEP budget is zero, a de minimis enhancement would not materially impair the fiscal integrity of the system. The de minimis enhancement amount will be no more than 1% of the actuarial value of assets provided the plan is projected to be fully funded in 20 years after its inclusion of the de minimis enhancement. For 2023, Cheiron indicated the de minimis enhancement the board could consider is \$830 million.

Mr. Noble provided various scenario models to show the SBEP budget and funding impacts with different variables such as investment returns, contribution rates and levels of benefit enhancement spending. As requested by the board, Cheiron presented several benefit enhancement options for fiscal 2024 that it determined would not materially impair the fiscal integrity of the retirement system, as required by Ohio law, and also would not require legislative action.

Mr. Price moved, seconded by Mr. Bishop to approve “choice 4” presented by Cheiron, a one-time 1% COLA and the continuation of the 34 years for a five-year period. Ms. Wideman indicated that staff had prepared a detailed motion for the board’s consideration, referencing the appropriate statutes and waiver of the board’s funding policy as discussed earlier in the presentation by Ms. Hoover. Dr. Fichtenbaum raised a point of order, advising that the motion and second should be withdrawn or the motion amended. Mr. Price withdrew his original motion, and Mr. Bishop withdrew his second.

Mr. Price then moved, seconded by Mr. Bishop, to waive compliance with the Board’s Funding Policy, and in accordance with the Board’s 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 May 18, 2023, Sustainable Benefit Enhancement Plan determination, which will be incorporated into the annual actuarial valuation for FY23, prepared in accordance with Ohio Revised Code 3307.51(A).

- Pursuant to the authority provided under Ohio Revised Code 3307.67(E), beginning July 1, 2023, approve a one-time 1.0% cost of living increase be paid to eligible benefit recipients on their anniversary date in fiscal year 2024; and
- Pursuant to the authority provided under Ohio Revised Code 3307.58(B)(3), postpone the requirement for thirty-five or more years of service credit for unreduced benefits pursuant to 3307.58(B)(1)(c)(vi) for five years to begin on or after August 1, 2028.

The Executive Director 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 2024, 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. Bishop, yes; Ms. Correthers, yes, Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Lard, abstain; Ms. Sellers, yes. The motion carried.

Brian Grinnell, internal chief actuary, next presented various funding metrics for the Ohio pension systems as requested by the board. Metrics were provided on the ratio of active members to beneficiaries, funding as percentage of market value of assets, market value funded ratios, projected years to 100% funding and estimated treadwater rates for the Ohio systems.

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

Ms. Correthers recognized the following to address the board:

Joan Bellner, representing herself, addressed the board. Ms. Bellner expressed concerns regarding system funding and COLA.

Rita Walters, representing herself, addressed the board. Ms. Walters commended the board for passing the Statement of Investment Beliefs.

Dan MacDonald, representing local 279 – NE Ohio AFT retirees, addressed the board. Mr. MacDonald expressed concerns regarding funding for the SBEP.

Robin Rayfield, representing ORTA, addressed the board. Mr. Rayfield expressed concerns regarding transparency, investment fees, and COLA.

Regina Malley, representing herself, addressed the board. Ms. Malley expressed concerns with cost cutting measures and hopes the board continues to work together.

Gerald Newsome, representing himself, addressed the board. Mr. Newsome expressed concerns regarding false information and rhetoric.

Dean Dennis, representing himself, addressed the board. Mr. Dennis expressed concerns about changes to the board.

Bob Buerkle, representing himself, addressed the board. Mr. Buerkle expressed concerns regarding the COLA.

Cathy Steinhauser, representing herself, addressed the board. Ms. Steinhauser expressed concerns regarding the COLA and changes to the board.

Suzanne Laird, representing herself, addressed the board. Ms. Laird expressed concerns with changes to the board.

Chris Noble, representing Private Equity Stakeholder Project, addressed the board. Mr. Noble expressed concerns with STRS Ohio's investments with the Carlisle Group.

Marilyn Peacock, representing herself, expressed concern with the COLA payments and real estate investments.

Thelma Riehle, representing herself, expressed concerns with the eligibility for a COLA.

## **EXECUTIVE SESSION**

Ms. Correthers moved, seconded by Mr. Lard 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: Ms. Correthers, yes; Mr. Lard, yes; Mr. Bishop, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Dr. Hunt, yes; Ms. Jones, yes; Mr. Price, yes, Ms. Sellers, yes. The motion carried.

Claudia Herrington joined the meeting remotely.

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

## **INITIAL REVIEW OF THE PERFORMANCE-BASED INCENTIVE POLICY**

The Chair recognized Andy Marfurt, director – Human Resources for an introduction and review of the agenda.

Mr. Marfurt introduced Mike Oak of Aon McLagan to discuss their summary of recommendations for the current performance-based incentive (PBI) policy.

Mike Oak explained this was the first review of the initial findings and suggestions to consider. He requested feedback and questions from the board to refine those findings and return with a finalized set of recommendations.

Mr. Oak began his presentation by highlighting that a PBI plan should attract, motivate, and retain top-level associates, provide competitive pay, drive exceptional long-term investment performance and be easily understood. Mr. Oak stated the STRS Ohio plan structure is well aligned with its peers but noted a few areas could be changed. These areas included cost measurements, increase total fund performance metric from 10% to 20%, remove one-year measures from portfolio and asset class components, ensure plan provisions are clear and concise and adjust the absolute return provision.

Next, Mr. Oak compared STRS Ohio's plan design to those of our peers focusing on key features. In comparison, STRS Ohio was nearly identical to those of the "typical" peer incentive plan.

Following discussion, the board requested examples of a "simple" understandable incentive plan as well as a long-standing public incentive plan.

## REPORT FROM INVESTMENT DEPARTMENT

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

Mr. Worley presented the final review and adoption of the Statement of Investment Beliefs.

Ms. Correthers moved, seconded by Ms. Falls, that the Statement of Investment Beliefs be adopted, as presented on May 18, 2023.

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

Mr. Worley covered the following topics for the investment activity report:

- The preliminary total fund return for April is +0.86% versus the benchmark return of +0.85%. The preliminary fiscal year 2023 total fund gross return is +5.29% and the net return is +5.19%. At April month end, the preliminary estimated investment assets were \$88.7 billion, higher by \$1 billion in fiscal 2023.
- Staff removed \$400 million from international equities and allocated to fixed income and liquidity reserves.
- The Fiscal 2024 Annual Investment Plan will be presented and discussed at the June meeting.

Matt Downie presented the initial review of the Semiannual Broker Evaluation and Associated Policies for the first half of fiscal 2024. The document will be reviewed again at the June meeting with a request for board approval.

Mr. Downie also presented the annual review of the Stock Proxy Voting Policy was presented by Matt Downie. The policy was initially reviewed in February. One addition and six new guidelines were proposed and marked within the policy document. A final review and recommended adoption of the policy are scheduled for the June meeting.

Brady O’Connell, Callan senior vice president, suggested that the board utilize the Investment Beliefs, in addition to the Statement of Investment Objectives and Policy and the Statement of Fund Governance, in making decisions for the plan going forward.

Investment transactions for April 2023 and four private equity commitments were reviewed without questions or comments.

The Board requested that the Statement of Investment Beliefs, Statement of Investment Objectives and Policy and Statement of Fund Governance be provided in the SharePoint to reference in preparation for the Annual Investment Plan.

## **EXECUTIVE DIRECTOR'S REPORT**

Ms. Correthers again recognized Executive Director Neville for the Executive Director's Report. Mr. Neville highlighted items from his May Executive Director's Report containing the topics listed below and offered to answer any questions.

- STRS Ohio Supports Repeal of Windfall Elimination Provision (WEP)
- Service Retirement Applications Show Increase Over Fiscal 2022
- Virtual Counseling Remains Popular
- Employer Survey Shows High Satisfaction Scores

Mr. Neville indicated that going forward, a legislative update would be added to his executive director's report periodically.

## **LEGISLATIVE UPDATE**

Ms. Correthers recognized Marla Bump, director – Governmental Relations, to provide a Legislative Update.

Ms. Bump provided a brief review of the status of House Concurrent Resolution (H.C.R) 6 which urges Congress to repeal the Windfall Elimination Provision (WEP) which is part of the laws governing Social Security. She stated it was amended by the House Pensions Committee earlier in the week to include the government pension offset (GPO) provision and ask congress to repeal GPO. The resolution passed out of Committee and is headed to the House for full consideration. For many years, STRS Ohio has advocated on the federal level for changes to WEP and GPO.

On the topic of increased employer contributions, Ms. Bump indicated the governmental relations staff continues to have conversations with legislators and key legislative staff.

## **REPORT FROM MEMBER BENEFITS - PENSIONS**

Ms. Correthers resumed the meeting and recognized Christina Elliott, deputy executive director – Member Benefits, for a Report From Member Benefits – Pensions.

Ms. Elliott highlighted each department which comprises Member Benefits and gave a few statistics for each.

Ms. Elliott began with the Health Care department. She reported the plan is financially solid at over 230% funded, and costs continually drop for our retired members.

Next, she focused on the Member Services Department. She reviewed where members can locate key resources of information for meetings and webinars focusing on early-, mid-, and late- career educators.

Ms. Elliott closed with the Benefits Administration Department. She explained that this department provides the critical operational function of administering the benefits to our members and benefit recipients.

### **REPORT AND APPROVAL OF EXPENSES DURING APRIL 2023**

Ms. Correthers moved, seconded by Mr. Lard that the report and the expenditures for the month ended April 30, 2023, in the total amount of \$7,498,109 be approved.

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

### **CONSENT MOTION**

Ms. Correthers moved, seconded by Mr. Price that the Retirement Board approve the Member Benefits-related motions appended on Pages 1-23 (Records are not public per Ohio Revised Code 3307.20).

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

### **ADJOURNMENT**

Ms. Correthers announced the next Retirement Board and committee meetings would be held over June 14, 15 and 16, 2023. With no further business to come before the board, the meeting adjourned at 4:34 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**