



October 18, 2023

**State Teachers Retirement
System of Ohio**

Callan LLC
DC Investment Consulting Services

Michael Joecken
Senior Vice President

Ben Taylor
Senior Vice President

Callan Team Introductions

Presenters



Michael J. Joecken
Senior Vice President

- 23 years in the industry, 23 years with Callan
- MBA, Northwestern University Kellogg School of Management
- Member of Callan’s Defined Contribution Committee and Diversity, Equity & Belonging Council
- Shareholder



Ben Taylor
Senior Vice President, Head of Callan’s Tax-Exempt Defined Contribution Research Group

- 16 years in the industry, 11 years with Callan
- MPP, Harvard Kennedy School, MA, Fordham University
- Member of Callan’s Institute Advisory Committee
- Shareholder

An Overview of Callan

Focus, experience, resources

Independent & Focused	Experienced	Fully Resourced
<ul style="list-style-type: none"> – Established in 1973 – Investment consulting is primary focus – 100% employee-owned – Third generation of private ownership – 135 current owner-employees 	<ul style="list-style-type: none"> – Over 525 fund sponsor clients representing \$4.7 trillion in assets – Client-focused consultants averaging 6 retainer clients each – Consultant tenure averages 12 years Callan / 22 years industry – Retainer client tenure averages 12 years 	<ul style="list-style-type: none"> – Over 190 employees – 60 CFA / CAIA / FRM Charterholders and 18 CFA / CAIA / FRM candidates – 65 advanced degrees – 90 specialists – Proprietary systems and databases

<p>1973 Ed Callan and associates founded company</p>	<p>1990 Transitioned ownership to employees while independent consulting firm</p>	<p>2007 Third generation of employee owners transitioned to senior management positions, and Greg Allen became president</p>	<p>2017 Formalized leadership succession plan by promoting Greg Allen to chief executive officer and Ron Peyton to executive chairman</p>	<p>2018 Jim Callahan assumed the role of president and Millie Viqueira became head of fund sponsor consulting</p>	<p>2023 Millie Viqueira retired, and Greg DeForrest became head of fund sponsor consulting</p>
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As of June 30, 2023

Client-Focused Consulting Model

STRS Ohio will be backed by resources across Callan



As of June 30, 2023

Building Successful Client Partnerships Since 1973

As of June 30, 2023

215	Total Defined Contribution (DC) Plans	\$1.3T	AUA for our DC Plan Clients
44	Public DC Plans	\$771B	AUA for our Public DC Plan Clients
\$3.3B	Average Public DC Retainer Client AUA	24	# of Public DC Plans with AUM greater than \$1B

Representative Defined Contribution Plan Clients

Alaska Retirement Management Board	Indiana Public Retirement System	Pennsylvania State Employees' Retirement System
Bridgestone Americas, Inc.	L3Harris Technologies	Printpack
Cal Savings Plus	Las Vegas Metro Police Department	Public Employee Retirement System of Idaho
City of Milwaukee Deferred Compensation Board	MEAG Power Retirement Plan	Regions Financial
City of Norwalk Pension Board	Mississippi Public Employees' Retirement System	The City and County of San Francisco Employees' Retirement System
Colorado PERA	New York State Deferred Compensation Board	University of Oklahoma
Commonwealth of Kentucky	North Carolina Department of State Treasurer	Tupperware
Cook County Deferred Compensation	Oregon Savings Growth Plan	U.S. Army
Entergy	Oregon Public Universities Retirement Plan	Utah Retirement Systems
Georgia Municipal Association		

Bold = Public Sector Plan

Callan's Dedicated Defined Contribution Research Team

Key Differentiators

History	Callan has maintained a dedicated DC research group for over 20 years
Scale	Callan has 35 consultants that work with over 200 DC plans on a retainer basis
Experience	Callan works with some of the largest plans in the country on their investment design, provider searches, and implementation of custom target date funds and multi-manager core funds.
Thought Leadership	Research group is frequently called upon to provide formal testimony to regulators including: 408(b)2 regulations; DOL/SEC hearings on TDFs; SEC TDF disclosure amendment; Senate HELP subcommittee
Fiduciary Best Practices	Developed tools to support plan fiduciaries (e.g., Fiduciary Handbook, Fiduciary Checklists, DC Insights, DC Trends Survey)
Proprietary Analytics	Callan maintains a proprietary recordkeeping database, DC fee database, and institutional mutual fund database
DC Industry Innovator	Callan's DC consulting group has been an innovator in the industry, creating TDVantage glide path analytics, the Callan Target Date Index™, Callan DC Index™, and Callan's DC Plan Sponsor Trends Survey

Defined Contribution Research

- 1997** DC team formalized at Callan to serve as a dedicated, specialized resource
- 17** Years of average industry experience
- 82** DC projects in 2022 (i.e., investment structure or target date suitability studies, vendor search, and fee studies)
- 80+** Email “Insights” and blog posts annually focused on litigation, legislation, and regulation
- 5** Organizations we serve in leadership or committees (DCIIA, EBRI, NAGDCA, PRRL, SPARK Data Security Oversight Board)

- ▶ Generates thought leadership and strategic direction for DC plans
- ▶ Manages recordkeeper searches, fee benchmarking studies, investment structure reviews, target date suitability studies, and more
- ▶ Delivers formal testimony and commentary to regulators



Scotty Lee



Jamie McAllister



Jana Steele



Ben Taylor



Greg Ungerman, CFA



Patrick Wisdom

Callan Accolades

Ben Taylor

- Past Industry President, Board Member, NAGDCA
- Consultant to 17 statewide DC systems
- Vice-Chair, Public Retirement Research Lab
- Vice-Chair, SPARK Data-Security Oversight Board
- Member, Financial Services Information Sharing Analysis Center (FS-ISAC)
- Co-Author, The Disruptive Impact of FinTech on Retirement Systems, Oxford University Press, Wharton
- Published or featured in: The Wall Street Journal, Bloomberg, The New York Times, Pensions and Investments, CIO Magazine, and more
- Harvard University Derek Bok Faculty Award for Excellence in Teaching (economics department)



Callan Public Sector Client Accolades

2022

- City of Milwaukee, Plan Sponsor of the Year (client shared with Mike Joecken)

2021

- State of North Carolina
- Commonwealth of Kentucky

2020

- State of North Carolina
- Oregon Savings Growth Plan

2019

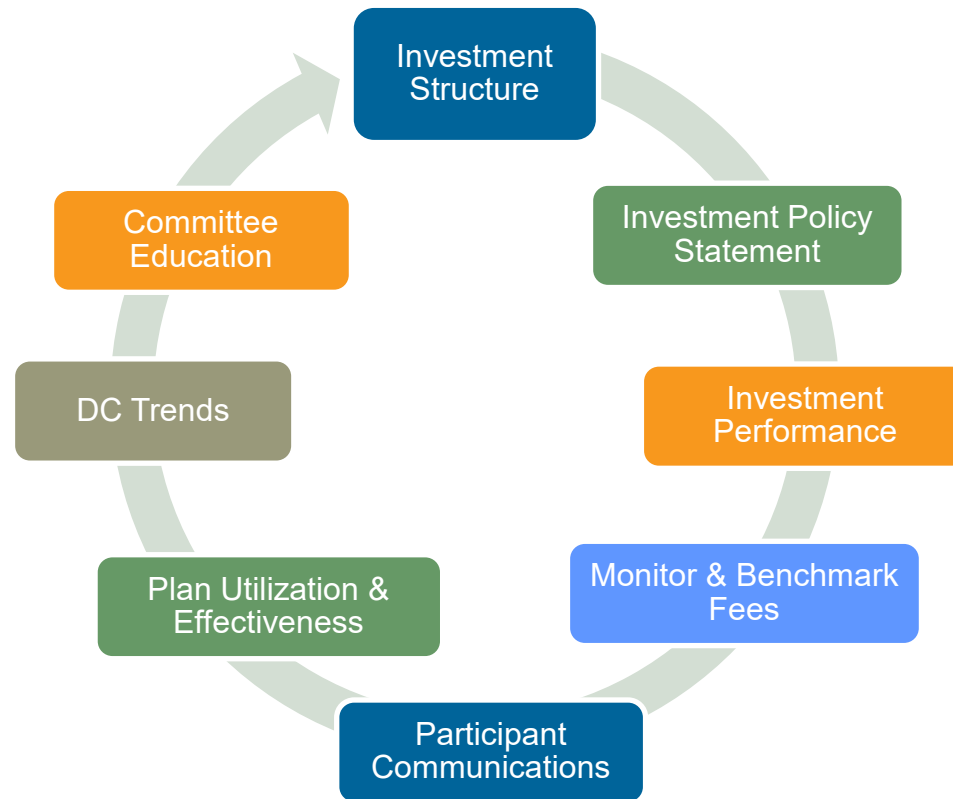
- Oregon Savings Growth Plan
- City of Milwaukee
- New York State
- State of North Carolina
- State of California

2018

- City of Milwaukee
- City and County of San Francisco
- State of California
- Oregon Savings Growth Plan

Managing Fiduciary Duties: Callan's Comprehensive DC Services

Strong Governance Leads to Better Participant Outcomes



A Consulting Provider Should Offer Following:

- Manage Fiduciary Responsibility
- Design a sound investment structure for your participants
- Investment Policy Statement development and review
- Succinct, clear, and transparent reporting of investment option performance drivers versus benchmarks and peer group
- Monitor and benchmark fees
- Review participant communications
- Initiate ideas to improve Plan utilization
- Update fiduciaries on legal/regulatory matters and DC plan sponsor trends
- Proactively educate the Committee on timely topics such as ESG

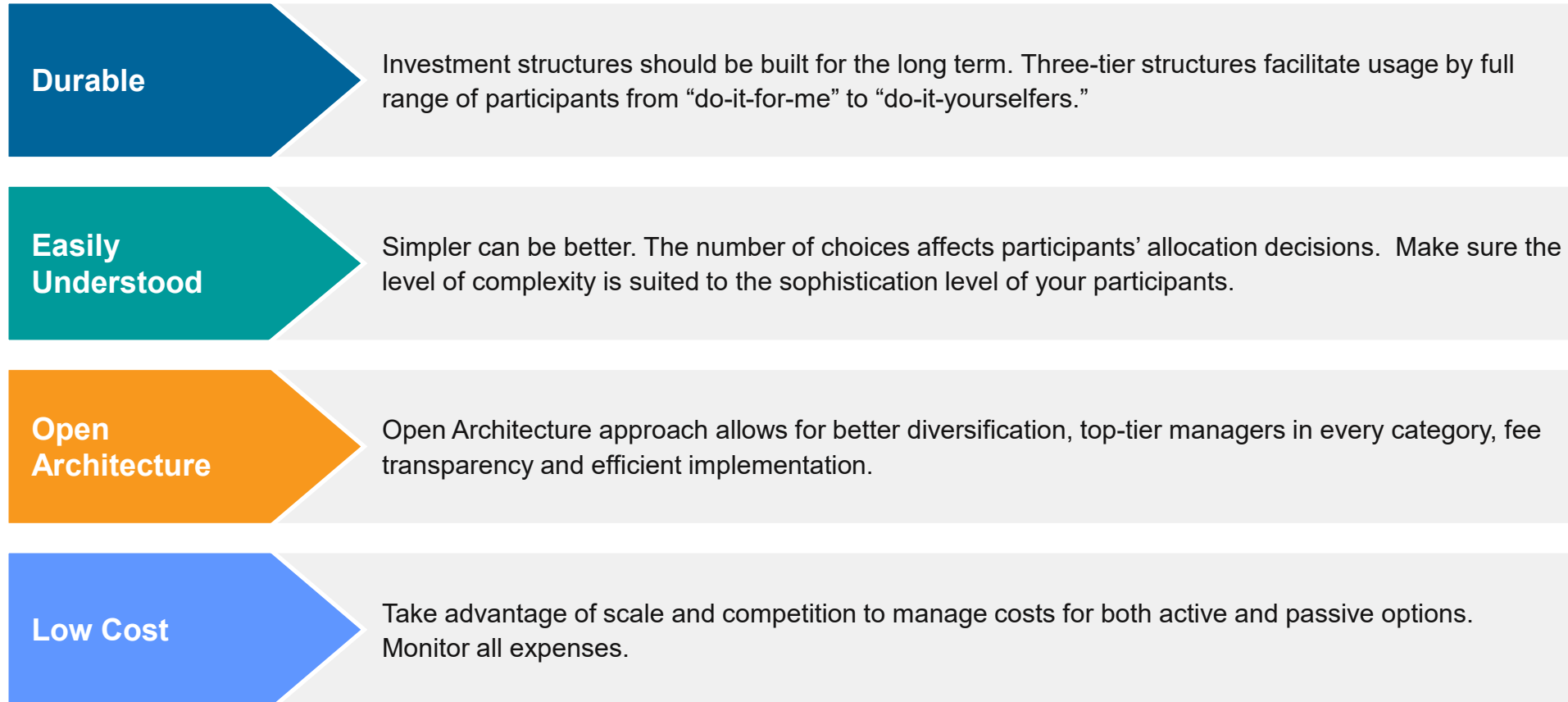
Sample Roadmap for STRS Ohio's Key Fiduciary Functions

Callan will work with Staff and the Board on each key fiduciary task

Task	Recommended Timing
Evaluate and update the investment structure	At beginning of engagement and then periodically: once every 3-5 Years
Develop/Review the investment policy statement	At beginning of engagement and then annually
QDIA oversight: evaluate and monitor	At beginning of engagement and then periodically; Target Date Suitability Study typically every 3-5 Years
Review and monitor investment manager performance	Quarterly
Benchmark and monitor investment management fees	At beginning of engagement and then annually
Recordkeeping and Administrative Fee Study	At beginning of engagement and then periodically: once every 1-3 Years
Review DC trends and overall plan effectiveness	Annually

Constructing a DC Plan Menu

Callan's Philosophical Tenets



Optimizing the Investment Structure

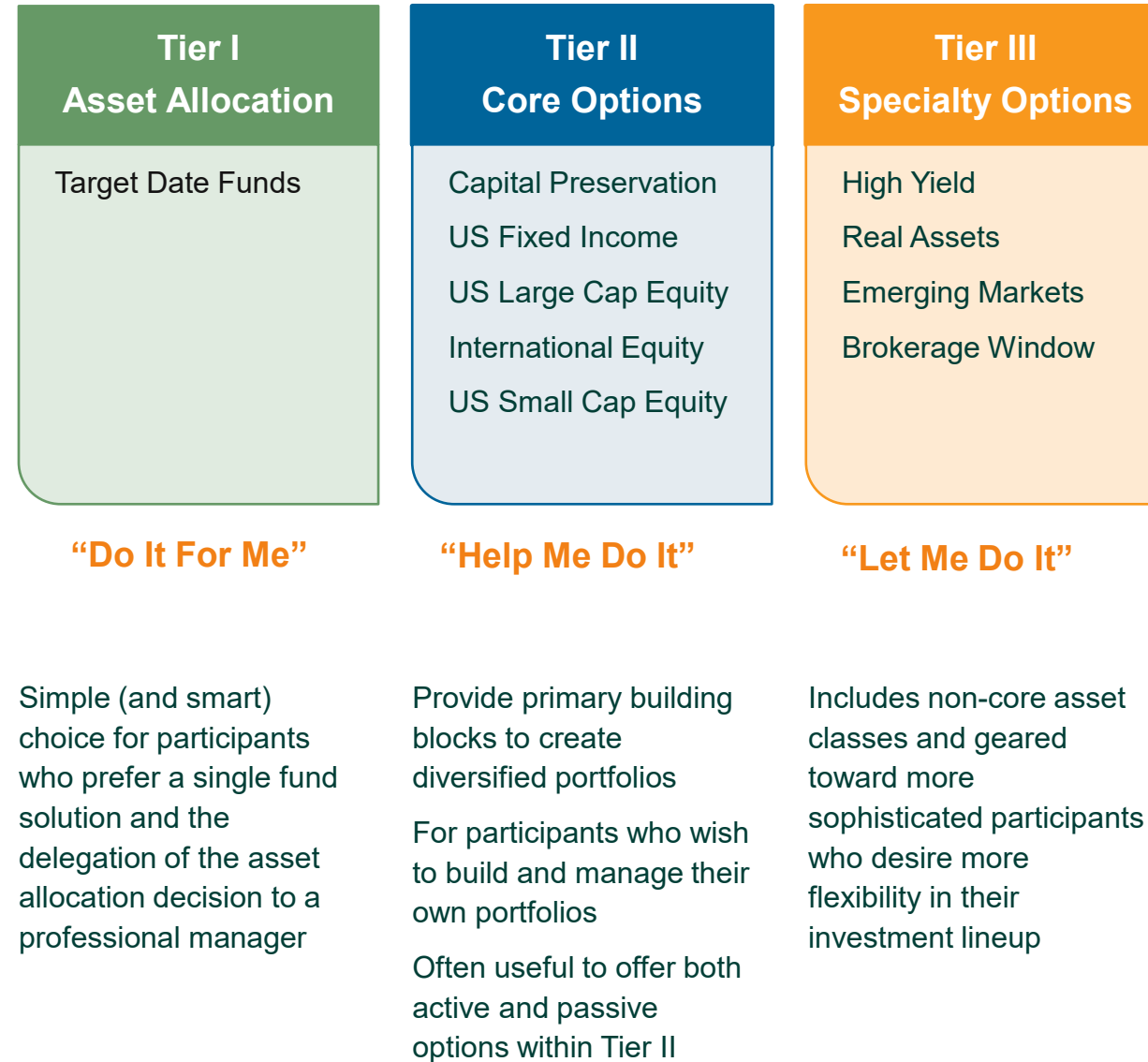
Building the optimal three-tier investment structure

Callan uses a three-tiered framework to organize the options within a DC investment structure

This approach addresses the needs of each constituency within an employee population

No two plans are exactly the same, the ideal structure varies based on individual circumstances

Tier III allows the plan to cater to more sophisticated populations that want more choice when constructing their portfolios



Monitor and Benchmark Plan Fees

A Comprehensive, Rigorous Process to Save You Money



Fee review uses in-depth RFIs to delve into more than 50 DC plan related fees.

Our annual updates utilize our database of over 500 RFI bid proposals.

Callan analyzes, benchmarks, and documents plan fees ... and helps you negotiate improved fees and services.

Results: an average fee reduction of 32% over the past 12 months

Education and Research

Callan Consultants All Contribute



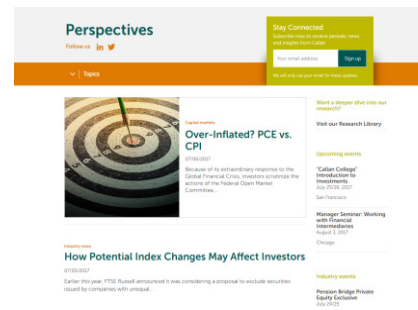
Newsletters & Emails

- Defined Contribution Insights
- Manager Insights
- Capital Markets Review



Research Papers

- How the Coronavirus Relief Bill Affects DC Plans
- Target Date Funds – Finding the Right Vehicle for the Road to Retirement
- Stuck in the Mud or Road to Success? DC Plans and Fee Lawsuits



Blog Posts

- How Potential Index Changes May Affect Investors
- Thoughts on Data and ESG Investing
- Managing DC Plan Vendors Can Be Easier. Really!



Periodic Surveys

- DC Trends Survey
- Investment Management Fee Survey
- Target Date Fund Manager Survey



Conference/Workshop Presentations

- Taking Target Date Fund Analysis to the Next Level
- DC Plan Fees
- Alternatives in DC Plans
- "Callan College"
- Custom Board Education Sessions

A complete listing of Research is available at www.callan.com

Why Callan?

What makes us stand apart

1 Culture

Callan combines the best attributes of a large and small firm. We love working here and it shows – our professionals have an average tenure of 12 years at the firm, and over 70% of our employees are shareholders.

2 Collaboration

Our culture is built around collaboration. We work one-on-one with you, serving as an extension of your staff, and our teams work closely together to share ideas, which allows us to generate better research and advice.

3 Customization

Our advice and partnerships are built to fit individual client needs. This allows us to deliver tailored, peer-reviewed recommendations unconstrained by “buy lists.”

4 Committee Oversight

Callan introduced peer oversight committees in the 1980s to leverage our collective client experience. This ensures our best thinking is consistently and objectively delivered to each client.

5 Client Experience

We have nearly 50 years of experience working with an array of institutional investors, including public DC plans. Our retainer clients have an average tenure of 12 years.

6 Consulting Focus

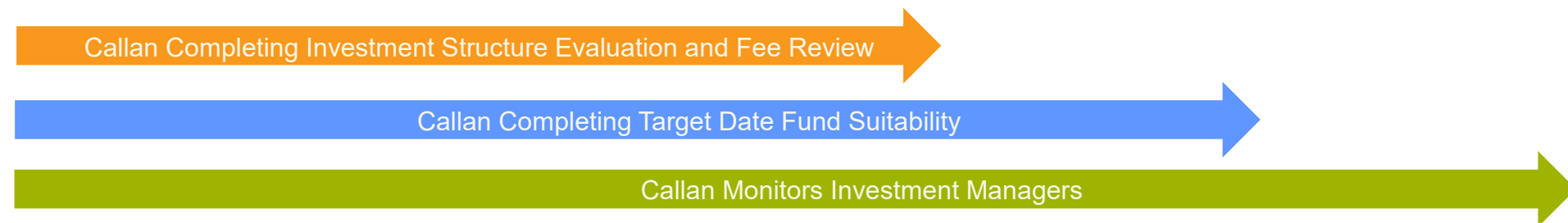
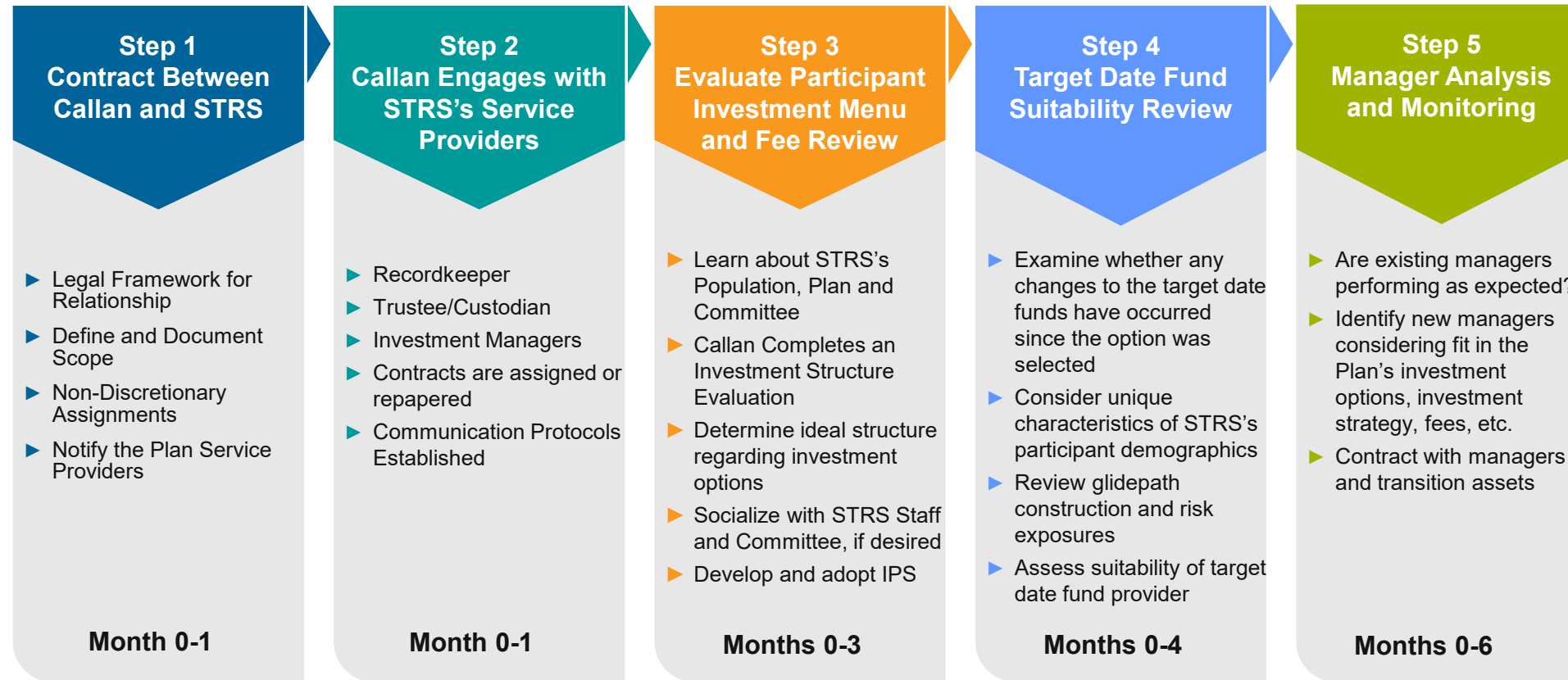
Callan is 100% independent and 100% focused on consulting. As we celebrate our 50th anniversary, we are proud to be a consulting firm built by individuals who love working with clients and each other.

As of 6/30/2023

APPENDIX

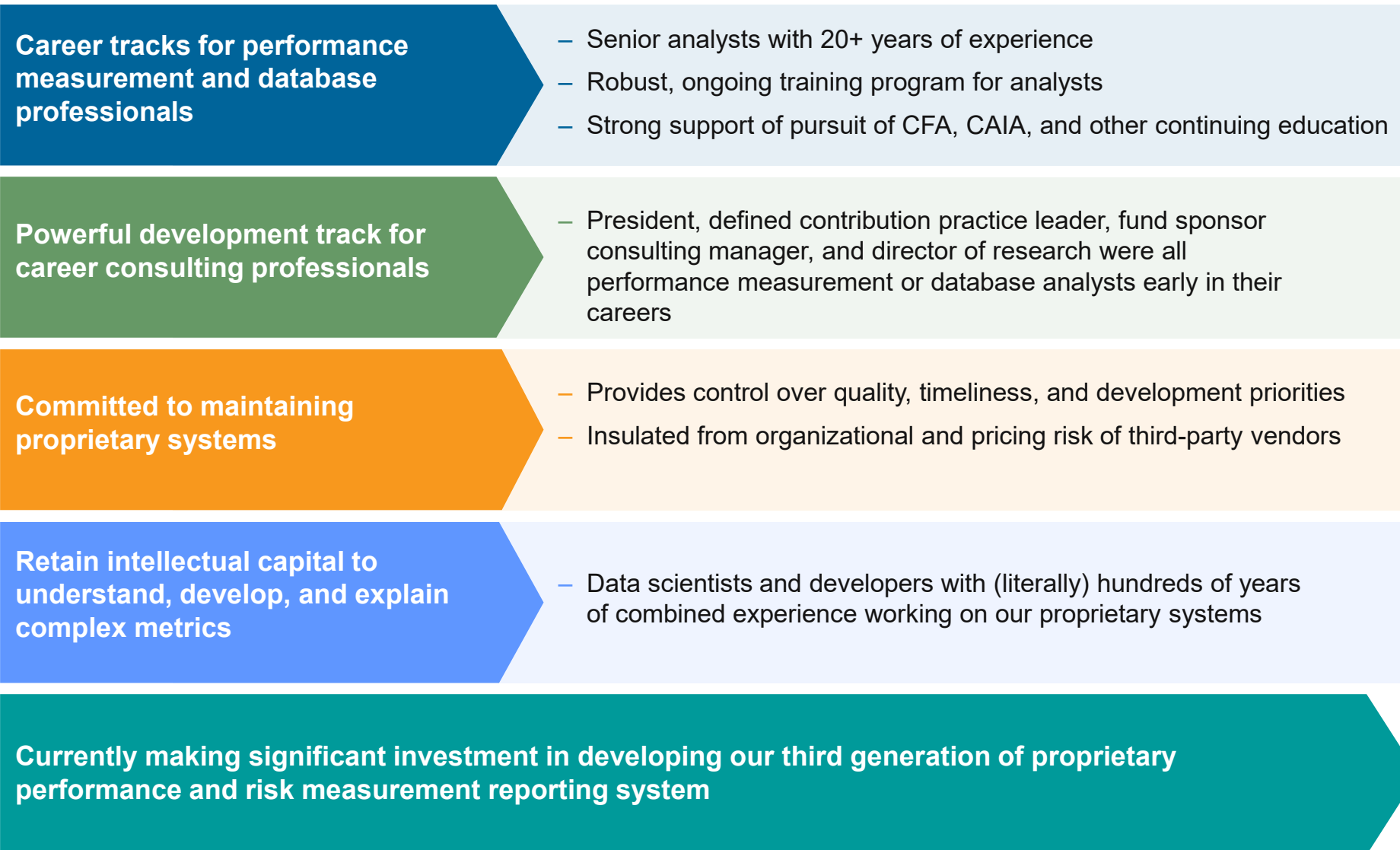
Sample Onboarding Plan

5 Interconnected Phases



Organizationally Committed to the Science (and Art) of Performance Measurement

We invest where others outsource



Succinct and Customizable Reporting

All Callan deliverables will be specifically tailored for the audience and allotted time

Typical Elements of Committee Level Reporting

- Fund return: measures absolute return which is important for participants
- Index return: measures glide path asset allocation decisions
- Excess return: Fund minus Index return, measures active management ability
- Peer group ranking: Opportunity set of other funds Plan could offer (litigation risk perspective)
- Fees vs. Callan Peer Groups

Examples of Additional Detailed Reporting

- Manager detail
- Performance Attribution
- Style analysis
- Risk analysis
- Performance commentary

Eight Elements to Evaluating Target Date Suitability

The DOL weighs in

In February 2013, the Employee Benefits Security Administration (EBSA) released its guide on Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries. According to the EBSA, the general guidance is geared "to assist plan fiduciaries in selecting and monitoring TDFs and other investment options in 401(k) and similar participant-directed individual account plans." The guide establishes eight elements for plan sponsors to remember when choosing target date funds (TDFs):

1

Establish a process for comparing and selecting TDFs

3

Understand the fund's investments and how they will change over time

5

Custom or non-proprietary target date fund assessment

7

Take advantage of available sources of information to evaluate the TDFs

2

Establish a process for the periodic review of TDFs

4

Review the fund's fees and investment expenses

6

Develop effective associate communications

8

Document the process

Callan believes that from the Department of Labor's (DOL) perspective, a **higher standard** may apply to target date fund decision-making going forward than has been applied in the past. The DOL Tips provide a framework for reviewing the suitability of a target date solution for a specific plan given its demographics and plan design.

Process Behind a Target Date Suitability Review

The 2013 DOL Tips to ERISA Fiduciaries are the framework

DOL Tip	Callan Review Process
Examine whether there have been any significant changes relative to when the option was selected or last reviewed.	Review changes to the team, philosophy or process.
Discuss the possible significance of other characteristics of the participant population such as participation in a traditional defined benefit plan, salary levels, turnover rates, contribution levels and withdrawal patterns.	Summarize the plans' demographics to identify the fit of the glide path.
Understand the fund's investment, the allocation to different asset classes and how these change over time. Make sure you understand the fund's glide path.	Review the glide path construction and risk exposures.
Develop effective employee communications.	Evaluate communication effectiveness of manager.
Review the fund's fees and investment expenses.	Benchmark fees.
Consider information about performance.	Examine performance over various time periods.
Inquire about whether a custom or non-proprietary target date fund would better fit the plan.	Identify the pros, cons and feasibility of a custom approach.

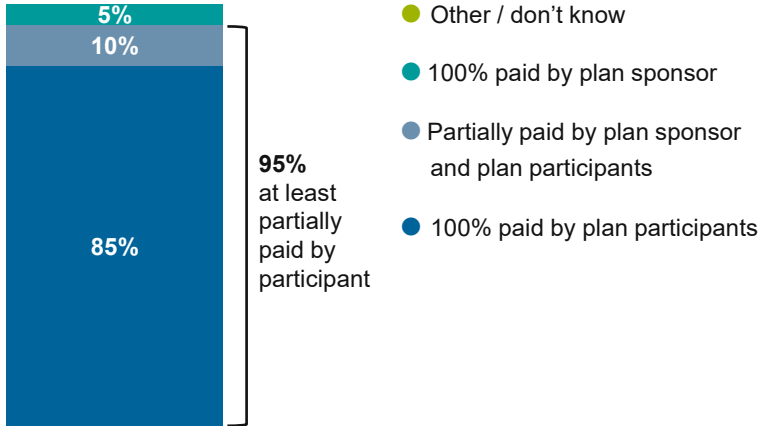
And most importantly ... document the entire process

Plan Fee Payment: 2023 Callan DC Trends Survey

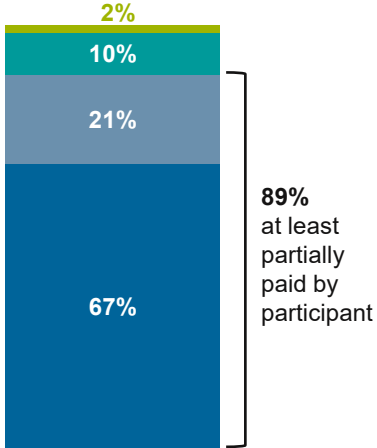
Investment management fees were most often paid entirely by participants (85%), and almost always at least partially paid by participants (95%). By contrast, 67% of all administrative fees were paid entirely by participants, up significantly from two years ago (49%). Most plan sponsors (89%) noted that at least some administrative fees were paid for by participants.

More than three-quarters of plan sponsors reported using a per-participant fee for plan administration. Flat, per-participant fees continued to be more prevalent than asset-based fees where the revenue collected by the recordkeeper fluctuates based on account balances and market performance (79% vs. 19%, respectively).

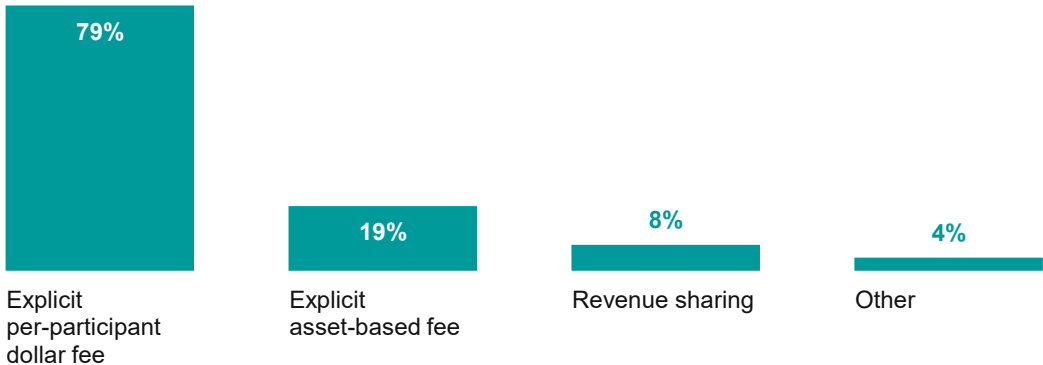
How investment management fees are paid



How administrative fees are paid



How participants pay for plan administration*



*Multiple responses allowed.

DC Trends – Key Findings from our 2023 Survey

The survey incorporates responses from 99 plan sponsors, including both Callan clients and other organizations. We highlight key themes and findings from 2022 and expectations for 2023.

Top 2023 Priorities

- 1 Plan fees
- 2 Investment Policy Statement
- 3 Formal Fiduciary Training

2023 area of communication focus:

Increase Savings Rate

95% of plans offer general guidance to participants

Most popular services:
Guidance
Advice
Financial Wellness

63% offer a managed account
47% with < \$1 bn in assets



8 in 10 completed a plan design evaluation in past 3 years

88% of plans did not offer an ESG fund

13% will consider adding one in the future

46% of plans offered a company stock option

9 in 10 offer Roth

6 in 10 offer Roth in-plan conversions

8 in 10 have automatic enrollment

85% seek to retain assets of retirees

Partial distributions (80%) and installment payments (80%) were the most common solutions.

Practical Considerations for Plan Sponsors - Snapshot of Recent Blog Posts

Defined contribution

How the Coronavirus Relief Bill Affects DC Plans

The coronavirus relief bill, known as the CARES Act, seeks to address economic tremors stemming from the coronavirus pandemic. The bill looks to liberalize loan and distribution availability for certain participants (i.e., "qualified individuals").

Background

The CARES Act was signed into law on March 27. Drafting was expedited, which means there is a limited congressional review period. It is noteworthy that the legislation is intended to be retroactive. Where there are questions about implementation and administration, plan sponsors may rely on good-faith interpretations until official guidance is issued.

What changes have been made to loan requirements?

- Loan provisions in defined contribution (DC) plans have been liberalized for qualified individuals.
- The maximum amount for these loans has been raised to 100% of the vested balance, compared to loans limited to 50% of the vested balance for qualified individuals (i.e., the lesser of \$50,000 or 50% of the vested balance). This provision applies to loans made during the 180-day period beginning on the date of the legislation's enactment. This provision may be difficult to administer, as their systems are designed to reject loans that exceed the maximums in place currently.
- For outstanding loans and new loans to qualified individuals, the term that would be due from the enactment date until December 31, 2020, is extended for one year. Generally, the maximum loan term is five years. Under the CARES Act, these loans will be extended for one year. The term is also adjusted to reflect the delay in repayment, plus applicable interest and reamortization over the extended period.

Defined contribution

Guidance on Substantial Workforce Cuts and Partial DC Plan Terminations

Employers that reduce their workforce or discontinue defined contribution (DC) plan eligibility for certain employee groups may experience an inadvertent "partial plan termination." If not properly managed, this event could result in a disqualification of the entire plan.

Background

A partial plan termination is typically triggered by a distinct event or series of events (e.g., reductions in force, sales of subsidiaries). The determination of a partial plan termination is based on the facts and circumstances of the situation.

(Estimated reading time: 3 min 18 sec)

When a partial termination occurs, all participants who left employment during the applicable period must be fully vested. This includes participants who terminated service prior to when the plan sponsor identified that the partial plan termination had taken place. In that case, plan sponsors may have to restore previously forfeited balances and locate those former participants to inform them of the restored balances. To the extent forfeited assets have been used for other purposes (e.g., reducing employer contributions or paying plan expenses), the employer will be responsible for making the affected participants whole.

Vesting does not need to be accelerated for participants not affected by the event.

Generally, if the employer's turnover rate is at least 20% during the applicable time period, there is a presumption that a partial termination of the plan has occurred. The time period in question depends on the facts and circumstances of a situation, and legal counsel may help determine the appropriate period to be considered. According to IRS Rev. Rul. 2007-43, the turnover rate is determined by "dividing the number of participating employees who had an employer-initiated severance from

Related Articles

[U.S. Treasuries the Lone Safe Haven in a Rocky First Quarter](#)

[How the Coronavirus Relief Bill Affects DC Plans](#)

[Balancing ERISA Rules With Current Economic Concerns](#)

[How DC Plans Should Prepare for Missed Loan Payments](#)

[How Sponsors Can Harness DC Plan Data for Better Outcomes](#)

Six hour session over one or two days

Typical Agenda

Role of Fiduciary and Following a Fiduciary Process

Plan Features

Qualified Default Investment Alternatives

Investment Structure Design

Investment Manager Searches

Benchmarking Fees

Legal/Regulatory Landscape and Trends

Monitoring Performance

Events



You're Invited: Introductory Workshop for DC Plan Fiduciaries

October 2021 | San Francisco



**Yes, I
Want to
Attend**

10:00 AM - 4:00 PM | Workshop

Topic:

This one-day workshop centers on the fundamentals of managing and administering a defined contribution (DC) plan. Designed primarily for ERISA fiduciaries and supporting staff members, attendees will gain a better understanding of:

- Best practices for evaluating and monitoring key services providers
- The role of an ERISA fiduciary
- The key responsibilities of an ERISA fiduciary and best practices for executing those responsibilities
- The regulatory and legal landscape
- Industry trends

Content Calendar—Callan Institute



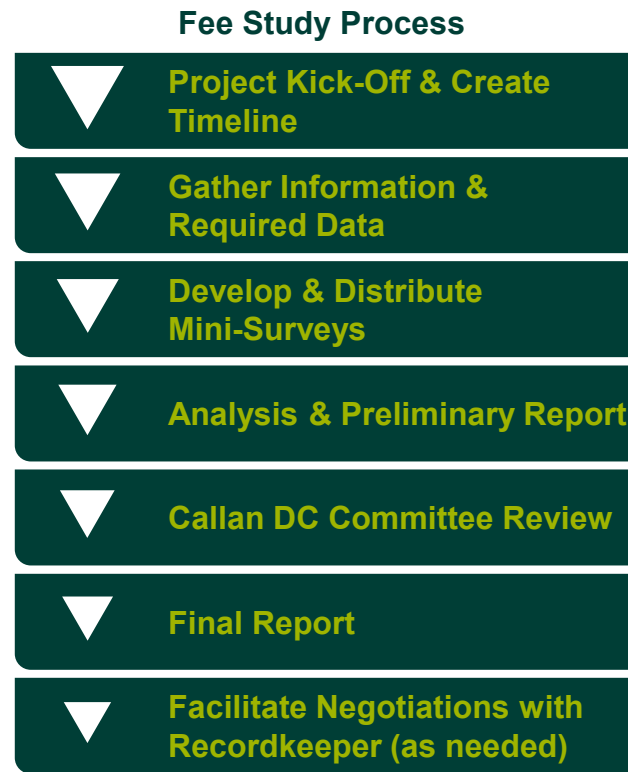
-  Callan College
-  Conference/Workshop
-  Publication
-  Webinar
-  Research Café

Fee Benchmarking Services

- Collect DC plan data
 - Balances, cash flows, participant counts, transactions, participation statistics, etc.
 - Summary Plan Description to determine plan features, design, and unique provisions
 - Listing of funds in the plan and corresponding revenue sharing
 - Service agreements and fee disclosures
- Evaluate investment management fees
 - Using institutional peer groups from Callan’s proprietary database
- Calculate and evaluate administrative/recordkeeping fees
 - Cost for Plan Administration
 - Transaction costs and other sources of administrative income
 - Total Plan Cost
- Benchmark plan fees
 - Callan Survey Data
 - Best practice and industry standards
 - Callan’s Proprietary Recordkeeper Fee Database
 - Callan’s Proprietary Investment Manager Fee Database
 - Blind bids (i.e., mini-surveys) from other recordkeepers
- **Conclusions**
 - **Are fees reasonable?**
 - **Are fees equitable?**
 - **Are lower fee share classes or different fund vehicles available?**
 - **Should alternative fee structures be considered?**

The process supporting your fee study is:

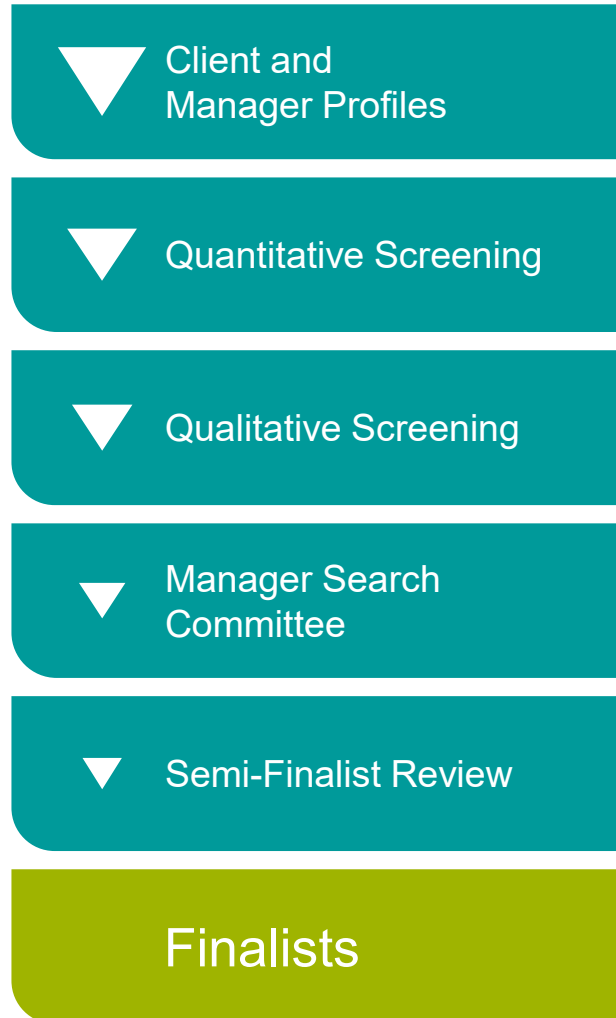
- Well-documented
- Comprehensive
- Customized
- Objective
- Prudent



Callan’s fee analysis approach has led to an average fee reduction of 32% in the past 12 months

Manager Search Process Overview

Manager Search Process



The Process:

- Every search starts from scratch, no pre-determined “approved” or “buy” lists
- Backed by extensive due diligence and accumulated knowledge of specialist and generalist consultants
- Disciplined and consistent
- Client driven, customized
- Utilizes peer review—Manager Search Committee to ensure quality control

The Outcome:

- The identification of the managers and products that are the best fit for the investment program and the specific mandate

Client Participation:

- All parts of this process are transparent
- Any part of this process can be used to supplement a client’s existing search process

Callan Institute Events

Upcoming conferences, workshops, and webinars

Callan College

Intro to Alternatives

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. You will learn about the importance of allocations to alternatives and how to consider integrating, evaluating, and monitoring them.

- February 15-16, 2023 – Virtual Session via Zoom

Intro to Investments—Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

- March 1–2, 2023 – In-Person Session – Chicago
- May 23–25, 2023 – Virtual Session via Zoom

Please visit our website at callan.com/events-education as we add dates to our 2023 calendar!

Mark Your Calendar

2023 National Conference

April 2–4, 2023
Scottsdale, Arizona

2023 Regional Workshops

June 27, 2023 – Denver
June 29, 2023 – San Francisco

October 24, 2023 – New York
October 26, 2023 - Chicago

Watch your email for further details and an invitation.

Webinars & Research Café Sessions

Research Café: ESG Interview Series

February 23, 2023 – 9:30am (PT)

Disclaimers

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