

**MINUTES OF
STATE TEACHERS
RETIREMENT BOARD
MEETINGS**

October 19, 2023

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The State Teachers Retirement Board met at the STRS Ohio offices in Columbus, Ohio, on Thursday, October 19, 2023, at approximately 9:03 a.m. Retirement Board Chair Dale Price called the meeting to order.

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

Julie Sellers joined the meeting remotely.

APPROVAL OF MINUTES

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

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

REPORT FROM THE FINANCE DEPARTMENT

The chair recognized Lynn Hoover, deputy executive director – Finance, for a Report From the Finance Department.

Ms. Hoover began the presentation with an overview of the Financial Statement Reporting for fiscal year 2023. The financial statements are audited annually by Crowe, LLP. under the oversight of the Ohio Auditor of State.

STRS Ohio's fee validation firm, Albourne America LLC, has validated and calculated fiscal year 2023 management fees on STRS Ohio's private investment funds and plans to present its calendar year 2022 fee report, including private fund management fees, carried interest, and other expenses to the board in December.

Crowe will complete the financial statement audit and issue their opinion letter and required communications to the board's Audit Committee in December. In addition, the Annual Comprehensive Financial Report (ACFR). including the external auditor's opinion, will be submitted to the Auditor of State and the Government Finance Officers Association in December.

Ms. Hoover introduced Mike Noble and Bonnie Rightnour, Cheiron principal consulting actuaries to present an update on the financial condition of the pension fund and provide the Pension Actuarial Valuation results as of June 30, 2023.

Mr. Noble reviewed STRS Ohio's historical trends. The ratio of benefit recipients to active members (1.01) has been relatively flat over the 10-year period. STRS Ohio's funding period improved and decreased to 11.2 years from 11.5 years in the last year's report.

Following the review of trends, Ms. Rightnour discussed the actuarial valuation process and presented the results. The funded ratio on an actuarial value of smoothed assets improved to 81.3% from 80.9% last year. When measured using the June 30, 2023, market value of assets, the funded ratio increased to 80.0% from 78.9%. Enhancements to plan benefits and retirement eligibility approved by the board in May 2023 resulted in increased liabilities.

Ms. Rightnour explained the low-default-risk-obligation-measure (LDRM) calculation and communication, which is a new actuarial standard of practice disclosure requirement.

Following Cheiron's presentation, Brian Grinnell, chief actuary, presented the updated pension funding policy scorecard for fiscal year 2023. The summary score in 2023 decreased to -2 from -1 in 2022.

Margaret Tempkin and Gaelle Gravot, principal consulting actuaries with Cheiron, presented the Health Care Valuation results for fiscal year 2023. The plan, as of June 30, 2023, remains well funded at 168.5%, a decrease from last year's funded ratio of 230.7%. The decrease in the funded ratio is a result of higher actuarial liability due to notable premium reductions and coverage improvements for health care enrollees.

Lastly, Cheiron presented the updated health care plan management policy scorecard. The summary score for the plan changed from +9 in 2022 to a 0 in 2023, as a result of the significant premium reductions and coverage improvements for health care enrollees. The fund is projected to remain solvent for all current members as long as plan experience matches assumptions.

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; Mr. Bishop, yes; Ms. Correthers, yes; Mr. Davidson, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes; Ms. Sellers, yes. The motion carried.

The board entered executive session at 12:42p.m.; the session adjourned at 1:42 p.m.

Public session resumed at 1:48 p.m.

RESUMPTION OF THE REPORT FROM THE FINANCE DEPARTMENT

The chair resumed public session and again recognized Lynn Hoover, deputy executive director – Finance for a continuance of the Report From the Finance department.

A summary of board member proposed benefit changes distributed at the September board meeting were reviewed. Proposed changes include modifying the retirement eligibility requirements, providing a consumer price index triggered cost-of-living adjustment and consideration of fractional years for early retirement calculations. Benefit and plan design changes require evaluation of legislative and legal considerations, actuarial analysis and administrative and other considerations. The Ad Hoc Legislative Committee will review the proposed changes and then prioritize items for Cheiron to provide further analysis.

EXECUTIVE DIRECTOR’S REPORT

The chair recognized Executive Director Bill Neville for the Executive Director’s Report. Mr. Neville highlighted items from his October Executive Director’s Report containing the topics listed below.

- Member Services Earns High Satisfaction Scores
- Annual Statement Notification and Printing Completed
- Employer Reporting Education Meets With Employers
- Retirement Board Election Notices to Mail to Employers in November
- Child Care Center Update

Mr. Neville presented several key factors that were considered when deciding to wind-down operations of the C. James Grothaus Child Care Center. His presentation included current tuition rates, a history of revenues & losses and a synopsis of attempts to outsource the childcare.

The chair recognized Pat Davidson and invited him to speak to his previously postponed motion. After a lengthy discussion, Mr. Davidson requested a vote be taken to extend operations of the center.

Mr. Davidson moved, seconded by Ms. Sellers to extend operations at the C. James Grothaus Child Care Center until June 30, 2024.

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

RECOGNITION OF PERSONS WISHING TO ADDRESS THE BOARD

The chair recognized the following to address the board:

Charity White, representing herself, expressed concern about the closure of the C. James Grothaus Child Care Center.

Dan MacDonald, representing 279R-NE Ohio AFT Retirees, expressed concern about STRS Ohio communications.

Robin Beebe, representing herself, expressed concern about COLAs.

Jerry Newsom, representing himself, expressed concern about misinformation being shared about STRS Ohio.

Marvin Stotz, representing himself, expressed concern about fee transparency.

Cathy Steinhauser, representing herself, expressed concern about investments.

Dean Dennis, representing ORTA, expressed concern about inflation protection.

Bob Buerkle, representing himself, expressed concern about the registration process for STRS Ohio meetings.

Suzanne Laird, representing herself, expressed concern about cost cutting measures.

Mark Wolf, representing himself, expressed concern about the closure of the C. James Grothaus Child Care Center.

LEGISLATIVE UPDATE

The chair recognized Marla Bump, director – Governmental Relations, to provide a Legislative Update.

Ms. Bump provided a brief review of the status of legislation to increase employer contributions. She stated that HB 78, related to re-employed retirees serving on the STRS Board, now also includes STRS Ohio membership eligibility for student teachers serving as substitute teachers. HB 78 has passed the House Pensions committee and awaits further action.

REPORT FROM THE INVESTMENT DEPARTMENT

The chair recognized Matthew Worley, deputy executive director – Investments, for the Report From the Investment Department.

The following is a summary of investment activity for September:

- The STRS Ohio total fund preliminary net return for September was -2.29%. The fiscal 2024 total fund net return was estimated at -1.72%. The major asset classes had negative returns. The liquidity reserves portfolio return was positive. In rebalancing activity, staff allocated \$550 million to domestic equities and reduced fixed income by \$500 million.
- Total investment assets ended September at \$87.5 billion, lower by \$2.6 billion during the first quarter.

Mr. Worley presented the initial review of staff’s recommended changes to the Statement of Investment Objectives and Policy (SIOP) and Statement of Fund Governance. Most of the recommended changes were date changes and fiduciary audit recommendations. A final review and request for approval is expected at the December meeting.

Aaron DiCenzo, director – Alternative Investments, provided an overview of the asset class and an asset class update. He explained its purpose within the total fund, including diversification, growth and income, noting alternative investments have increased total fund returns over the three, five- and 10-year time periods ending June 30, 2023. He discussed the alternative investments business model, provided an update on the direct and co-investment strategic initiative and commented on the new SEC rules on alternative investment fee transparency.

The October 2023 investment transactions were reviewed without question or concerns.

There were two requests by the Board:

- A high-level report on assets managed internally vs externally by asset class
- Further explanation of 2023 ACFR real estate data, pertaining to debt maturities and net income

REPORT AND APPROVAL OF EXPENSES DURING SEPTEMBER 2023

Mr. Price moved, seconded by Ms. Herrington that the report be accepted and the expenditures for the month ending September 30, 2023, in the total amount of \$17,808,255 be approved.

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

Mr. Davidson, yes; Ms. Falls, yes; Dr. Fichtenbaum, yes; Mr. Foreman, yes; Ms. Herrington, yes; Dr. Hunt, yes; Ms. Jones, yes. The motion carried.

INVESTMENT COMMITTEE REPORT – OCTOBER

Mr. Price moved, seconded by Mr. Bishop, that the October Investment Committee Report be approved as submitted, and the Board approve, affirm and adopt the recommendation of the committee.

A meeting of the Investment Committee was called to order by Dr. Hunt, vice-chair of the committee on Wednesday, October 18, 2023 at 12:15 pm. Committee members present were Mr. Bishop, Ms. Falls, and Mr. Price (attending remotely). Other board members present were Mr. Davidson, Dr. Fichtenbaum, and Ms. Jones. Staff present were Mr. Neville, Mr. Worley, Ms. Elliott, Ms. Hoover, Ms. Wideman, and Ms. Ballard.

The vice-chair recognized Matt Worley, deputy executive director – Investments, for a review of the agenda. Mr. Worley briefly reviewed the timeline for the general investment consultant search. He stated that four firms have returned to make presentations to the Retirement Board for the defined contribution consulting services.

Mr. Worley recognized Wilshire Advisors staff members, Felicia Bennett, Christopher Tessman, and Nathan Palmer to present their proposal.

Mr. Worley then recognized Aon staff members, Steve Cummings, Beth Halberstadt, Mike McCormick, and Raneen Jalajel to present their proposal.

Mr. Worley next recognized Callan staff members, Michael Joecken and Ben Taylor to present their proposal.

Mr. Worley lastly recognized Meketa Investment Group staff members, Hannah Schriener, Colin Bebee, and C. LaRoy Brantley to present their proposal.

The committee discussed impressions and opinions of the finalists for the general consulting investment services and the defined contribution investment consulting services.

Dr. Hunt moved, seconded by Mr. Price to recommend that the committee move to the full Board for a vote to contract with Meketa to serve as the Board's general and defined contribution investment consultant, pending any additional due diligence warranted by the investment staff.

Upon roll call the vote was as follows: Dr. Hunt, yes; Mr. Price, yes; Mr. Bishop, yes; Ms. Falls, yes. The motion carried.

The meeting adjourned at 4:34 pm

Upon roll call the vote was as follows: Mr. Price, yes; Mr. Bishop, 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. The motion carried.

BOARD EDUCATION REQUEST – MS. JONES

Mr. Price moved, seconded by Ms. Herrington to approve the expenses in connection with the Harvard Trustee Leadership Forum educational opportunity for Ms. Jones.

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

BOARD EDUCATION REQUEST – MS. JONES, MS. SELLERS AND MR. DAVIDSON

Mr. Price moved, seconded by Mr. Foreman to approve the expenses in connection with the American Federation of Teachers educational opportunity for Ms. Jones, Ms. Sellers and Mr. Davidson.

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

OLD BUSINESS/NEW BUSINESS

Ms. Herrington expressed that she would like to see Artificial Intelligence (AI) as a future Board agenda item and asked Ms. Ballard to distribute AI news articles to fellow Board members.

Mr. Price announced the Ad Hoc Board Education and Planning committee meeting would begin five minutes after the Board meeting adjourned.

ADJOURNMENT

Mr. Price announced the Board Education & Planning meeting would be held on November 15, 16 and 17, 2023. With no further business to come before the board, the meeting adjourned at 4:29 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**