



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

Board Policies

April 16, 2018

State Teachers Retirement System of Ohio
(“STRS Ohio” or “Retirement System”)

BOARD POLICIES

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POLICY TYPE: ENDS

POLICY TITLE: *PURPOSE*

The purpose of the Board is to ensure statutorily defined current and long-term retirement benefits, health care coverage, and related services for Ohio teachers and their beneficiaries.

The mission of STRS Ohio is to partner with our members in helping to build retirement security.

The vision of STRS Ohio is to be a leading retirement system by providing comprehensive retirement benefits and quality service to our members through exceptional financial performance, ethical business practices and responsible resource management.

The guiding principles of STRS Ohio in order to achieve our mission and vision are:

1. Make decisions that produce the greatest sustainable benefits for our members.
2. To attract, develop and retain highly competent and motivated associates who have authority commensurate with their responsibilities.
3. To continually improve through research, development, evaluation and risk management.
4. Build an organizational culture that inspires a high level of professionalism and performance.

POLICY TYPE: ENDS

POLICY TITLE: *INVESTMENTS*

The ends to be achieved regarding investments are as follows:

Not less than annually, the Board, with the assistance of its investment consultant and such other persons as the Board may deem necessary, shall review and approve the Statement of Investment Objectives and Policy, the Statement of Fund Governance and the Annual Investment Plan. Said documents shall contain information requested by and be in a form suitable to the Board.

The Statement of Investment Objectives and Policy may include, but is not limited to, the following: asset mix and acceptable ranges; appropriate risk levels; return expectations; derivative use; security valuation; and performance monitoring, as well as provide guidance for proxy voting, Ohio investments, brokers-dealers, securities lending and securities litigation.

The Statement of Fund Governance may delineate investment decisions retained by the Board, investment decisions delegated to the staff and Board oversight.

The Annual Investment Plan provides strategy for the upcoming fiscal year based on the Board's long-term objectives and the forecasted economic climate.

Not less than annually, the Board will review and approve the Performance-Based Incentive Program for eligible investment associates. Consistent with Section 3307-1-05 of the Ohio Administrative Code, the Board may interpret, amend, rescind and/or terminate the program at any time, and must approve any material modifications to the program, including the determination of program payouts and actual payouts.

The ends to be achieved regarding member benefits are as follows:

Retirement Benefits

Subject to the Board Policy titled Funding, provide secure, comprehensive defined benefit retirement plan. Provide retirement plan choices for members by offering a defined contribution and combined plan that allow for a plan reselection period by the fifth year of membership.

Each year, the Board will review the STRS Ohio retirement benefits in comparison to the non-Social Security statewide public retirement systems that include teachers.

Optional Programs

Periodically review the optional programs provided by STRS Ohio. These optional programs currently include health care, dental care, vision care and long-term care.

Services

Support staff in providing quality customer service in administering benefits in a cost-effective manner while striving to educate members about their benefits and enabling them to make informed decisions about their choices regarding retirement and optional programs. The delivery of quality customer service and its costs will be measured through the CEM survey, member surveys and the associate performance management program or equivalent mechanisms.

The ends to be achieved regarding funding are as follows:

The purpose of the policy is to state the Board's objectives for funding and to lay out clear criteria for making decisions regarding changes to funding and benefits, as well as when those changes should be considered by the Board.

The goal is to manage the risk of unanticipated benefit changes and to safeguard members' benefits in the long term.

The funding philosophy and objectives shall establish the framework and specific objectives to monitor the Retirement System's funding status with an intent to preserve the financial improvements realized by the passage of pension reform legislation in 2012 – Sub. S.B. 342 of the 129th General Assembly.

This statement sets forth policy and describes the organization and division of responsibilities to prudently implement the funding philosophy and objectives in accordance with Sections 3307.51 and 3307.512 of the Ohio Revised Code (“Revised Code” or “R.C.”) and promotes effective communication between the Board and staff.

Funding objectives shall include:

- 100% funding
- Manage the risk of unanticipated benefit changes
- Intergenerational equity, to the extent consistent with other funding objectives
- Transparency and accountability

Elements of a funding policy shall include:

- Actuarial Cost Method: entry age normal
- Asset Smoothing Method: 4-year smoothing of gains/losses in excess of assumed earnings, with an actuarial value corridor of 91% to 109% of market value
- Funding Period Policy: a closed funding period, starting from 30 years as of 7/1/2015, with a level percentage of payroll amortization of all UAAL

On an annual basis, an actuarial valuation of the pension assets, projected liabilities and projected funding requirements of the Retirement System will be prepared by an actuary. Such valuation study shall meet all requirements of Section 3307.51(A) of the Revised Code.

On an annual basis following the completion of the actuarial valuation, staff, working with an actuary, will update the funding scorecard according to the criteria set forth in the Metrics to Guide Funding Policy. Staff will update the Board of the resulting score. Should the overall score, or any of the individual metrics, fall outside the range of advisory levels established by the Metrics to Guide Funding Policy, the Board will either initiate action to mitigate this risk or approve a written statement explaining why mitigation is not considered necessary, possible or desirable at that time.

On an annual basis, to assist the Board's interpretation of scorecard results and to facilitate consideration of actions that may be necessary to meet funding objectives, STRS Ohio staff and an actuary will prepare a sensitivity analysis detailing the projected impact of a range of possible plan design changes.

At least once in every quinquennial period, an actuarial review shall be prepared by or under the supervision of an actuary to update the actuarial assumptions used in the annual actuarial valuation study. Such review shall comply with the requirements set forth in Section 3307.51(B) of the Revised Code. The review will include demographic factors, such as the mortality, service and other experience of the members, retirees and beneficiaries, as well as the economic experience of the Retirement System.

At intervals determined by the Board, an actuarial study shall be prepared to assess the negative financial impact, if any, on the defined benefit plan resulting from participation of members in the defined contribution plan. Such review shall comply with the requirements of Section 3307.84 of the Revised Code.

As necessary, an analysis shall be prepared under the supervision of an actuary of any introduced legislation expected to have a measurable financial impact on the Retirement System. Such review shall comply with the requirements of Section 3307.51(D) of the Revised Code.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *GOVERNING STYLE*

The Board will utilize the Policy Governance Model as its guide.

In this spirit, the Board will:

- A. Focus chiefly on intended long-term impacts on members and benefit recipients (Ends), not on the administrative or programmatic means of attaining those effects.
- B. Direct, control and inspire the Retirement System through careful establishment of the broadest organizational values and perspectives (policies).
- C. Enforce upon itself and its members whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of clarified roles, speaking with one voice, and self-policing any tendency to stray from governance adopted in these Board policies (“Board Policies”).
- D. Be accountable to members and benefit recipients for competent, conscientious and effective accomplishment of its obligations as a public trust. It will allow no officer, individual or committee of the Board to usurp this role or hinder this commitment.
- E. Monitor and regularly discuss the Board’s own process and performance. Ensure the continuity of its governance capability by retraining and redevelopment.
- F. Be an initiator of policy, not merely a reactor to staff initiatives. The Board, not the staff, will be responsible for Board performance.

The members of the Board are dedicated to promoting and protecting the benefits and general well-being of all members of the Retirement System and to that end, adhere to the following guiding principles:

Members of the Board will:

- A. Honor and support the values, vision and mission of STRS Ohio.
- B. Deliberate in a proactive manner in order to anticipate and prepare for change and growth.
- C. Encourage and respect diversity of opinions during deliberations, but speak with one voice once decisions are made.
- D. Ensure that STRS Ohio initiatives are charted through collective Board action.
- E. Conduct their business in a courteous manner toward fellow Board members, STRS Ohio members and staff.
- F. Adhere to the distinction between Board and staff roles.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD MEMBER EDUCATION*

- A. Section 3307.15 of the Revised Code mandates that the Board and other fiduciaries of the fund will discharge their duties with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
1. Both continuing education in the topics vital for pension trustees and participation in state and national pension organizations are essential to successfully carrying out these fiduciary duties.
 2. Each Board member has an ongoing obligation to make every effort to attend and participate in the Board's meetings with its policy and investment advisors; and to represent the Retirement System in such national and state organizations as the Board determines are beneficial to the Retirement System's participants' and beneficiaries' interests.
 3. Each Board member shall select such methods of continuing education as will best enable him or her to acquire the information and skills needed. However, each Board member also has the responsibility to ensure that the expenses incurred are both reasonable and necessary, and that attendance at meetings does not compromise the integrity of the Retirement System or further a personal financial gain.
 4. Each Board member attending a conference or meeting shall make a report to the Board at a subsequent Board meeting.
- B. The Board shall identify subjects for continuing education and the information needed in those subjects. In general, the topics Board members need to be knowledgeable about include, but are not limited to, the following substantive areas.
1. Obligations and responsibilities of Board members.
 2. Legal framework of the Retirement System.
 3. Operation and administrative practices of the Retirement System.
 4. Benefits provided by the Retirement System.
 5. Health care program provided by the Retirement System.
 6. Financing of the Retirement System:
 - a. General knowledge of financial markets and economics.
 - b. Public and corporate finance.

- c. Macroeconomic trends affecting assets and liabilities.
- d. Relationship between assets and liabilities.
- e. Estimated total fund return and costs of achieving said return.
- f. Asset allocation, including:
 - i. Asset class-specific assumptions and management.
 - ii. Comparative costs of different ways of managing same asset mix.
 - iii. Comparative costs of other investment approaches.
 - iv. Comparison of returns and costs to benchmarks.
 - v. Selection of appropriate benchmarks.
- 7. Development and oversight of investment policy.
- 8. Risk management within the Retirement System.

C. Continuing Education

Each member of the Board may, and any member of the Board who has served a year or longer as a Board member shall, not less than twice each calendar year, attend one or more programs that are part of the continuing education component of the Retirement Board Member Education Program established under Section 171.50 of the Revised Code. Subject matter shall include: Board member duties and responsibilities; retirement system member benefits and health care management; ethics; governance processes and procedures; actuarial soundness; investments; and any other subject matter the Board believes is reasonably related to the duties of a board member. All program sessions, classes and other events shall be held in Ohio.

- 1. STRS Ohio shall track the continuing education sessions each Board member attends on a calendar-year basis.
- 2. Continuing education programs may include educational presentations at regularly scheduled Board meetings, and any other presentation or class or event held in the state of Ohio that the Executive Director and STRS Ohio General Counsel determine meets the requirements of Section 171.50, R.C. To be counted as a continuing education program, a presentation must be at least 30 minutes long.
- 3. When a presentation before the Board has been approved as a continuing education session, the Board agenda shall include a notation that the presentation is an educational component in furtherance of the continuing education requirements of Sections 171.50 and 3307.051 of the Revised Code.

4. When a continuing education presentation is conducted at STRS Ohio, other than a presentation conducted as part of a regular Board meeting, STRS Ohio shall have an attendance sheet for board members in attendance to sign. STRS Ohio shall provide copies of the signed attendance sheets to each retirement system represented by a board member at the presentation.

D. New Board member orientation:

Effective orientation of a new Board member is essential to the Board's ability to maintain integrity of the system and fulfill the fiduciary duties of managing such a system. The Board has responsibility for ascertaining the requisite skills and knowledge of a newly elected/appointed Board member and facilitating the member's development as an independent fiduciary. New member orientation to the Retirement System will be arranged by the Retirement Board Liaison and conducted by the Executive Director and appropriate staff. To that end, the Board will conduct an annual review of key Board issues and policies.

In addition, one member of the Board will be designated by the Chair as lead mentor to a new member for a period of one year.

Also, each newly elected member of the Board and each individual appointed to fill a vacancy on the Board shall, not later than 90 days after commencing service as a Board member, complete the orientation program component of the Retirement Board Member Education Program established under Section 171.50 of the Revised Code, and may be in the form of a live or recorded presentation.

Not less than every three years the systems will jointly review the recorded presentations to determine whether the information remains current.

When the orientation component is a live session/presentation, the Board members who attend will sign in.

When the orientation component is recorded, new Board members will be provided with copies of the recordings and a sign-off sheet. After a new Board member has viewed a presentation, the Board member will sign and date the signature line for that presentation.

E. Cooperative and video presentations:

It is the policy of the Board to encourage cooperative planning and presentation of training activities with the other Ohio public retirement systems and to use local training resources as appropriate and to expand the use of video-conferences where suitable and cost effective.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD MEMBER TRAVEL AND EXPENSES*

A. Travel:

1. Except as otherwise provided in these Board Policies, a Board member attending an event or meeting related to STRS Ohio business shall be reimbursed by the Retirement System for incurred expenses in accordance with the STRS Ohio Travel and Expense Policy For Associates and STRS Ohio Travel and Expense Procedures For Associates.
2. Board members are permitted to attend up to three out-of-state meetings per calendar year, as long as said meetings do not have a total cost to STRS Ohio in excess of \$6,000, to: participate in conferences, seminars or programs for continuing education; represent the Retirement System in the organizations to which it belongs; or attend meetings with the Board's investment advisors and consultants and meetings to oversee investment assets and properties as herein provided.
3. Except to the extent authorized or directed otherwise by a majority vote of the Board members present and voting, a maximum of three members will be reimbursed for travel expenses unrelated to a Board meeting incurred to attend any one conference or meeting.
4. Out-of-state travel shall be subject to approval in advance by a majority vote of the Board members present and voting at a regular Board meeting.
5. Each member shall submit a conference evaluation form completed online or on paper as a part of any request for reimbursement of travel expenses. Further, Board members attending a conference or meeting shall make a report to the Board at a following Board meeting.
6. Any costs incurred by any person or persons traveling with a Board member are to be paid by the Board member.

B. Miscellaneous expenses:

Reimbursement may be allowed for small group meal expenses or transportation shared with others who have a relationship to the Retirement System when incurred during or incidental to conducting the business of the Retirement System.

C. Ineligible expenses:

A Board member shall reimburse the Retirement System for expenses not eligible for reimbursement under this rule.

D. Prohibitions:

A Board member may not accept any payment or reimbursement except from STRS Ohio for travel related to STRS Ohio business, including lodging, meals, food or beverages.

E. Board action:

Exceptions to this Board Policy and limits herein established will require a majority vote of the Board members present and voting.

F. Audits:

Compliance with the requirements of this Board Policy will be monitored by STRS Ohio's Internal Audit Department in accordance with that department's Annual Internal Audit Plan.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD JOB DESCRIPTION*

The Board shall:

- A. Serve as trustees of the funds created by Section 3307.14 of the Revised Code and discharge their duties solely in the interest of the Retirement System's participants and beneficiaries.
- B. Serve as the link between the Retirement System and its members and benefit recipients.
- C. Maintain written Board Policies that, at the broadest levels, address:
 - 1. *Ends*: Retirement System products, impacts, benefits and outcomes (what good for which needs at what cost).
 - 2. *Executive Director Limitations*: Constraints on executive authority that establish the prudence and ethics boundaries within which lies the acceptable arena of executive activity, decisions and organizational circumstances.
 - 3. *Governance Process*: Specification of how the Board conceives, carries out and monitors its own task.
 - 4. *Board-Executive Director Relationship*: How power is delegated and its proper use monitored.
- D. Monitor Executive Director performance.

Included in the appendix is a *Position Description for State Teachers Retirement Board Members* that specifically addresses the following areas: Terms, Restrictions, Compensation, Principal Duties, Fiduciary Duty and Conduct, Time Requirement, Education Requirements and Required Reporting.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD ATTENDANCE*

Board attendance shall be taken whenever a meeting of the Board is convened. Any Board member not able to be present may submit a request to be excused to the Chair. A request to be excused shall be moved and voted on by the Board. This policy corresponds to Section 3307.06, R.C., which states in part, "... if such a member fails to attend the meetings of the board for four months or longer, without being excused, the member's position on the board shall be considered vacant, and a successor member shall be elected,"

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *OFFICERS, TERM OF OFFICE, DUTIES*

Organization – In June of each year, the Board will elect a Vice Chair, whose term will begin on Sept. 1. This Board member will then rotate into the position of Chair the following September.

Terms of Office – Terms of office for the Chair and Vice Chair shall be for one year from Sept. 1 of one year through Aug. 31 of the subsequent year.

Eligibility for Office – To be eligible for election to the position of Vice Chair, a Board member must have served at least one full year as a member of the Board before taking office and have at least two years remaining in his or her term. In addition, the Board member must be serving in an elected position on the Board.

Procedure for Electing Officers – Nominations will be taken from the floor for the position of Vice Chair. Upon the close of nominations, a voice vote will be taken. The winner must have a majority of the votes cast. Successive votes will be taken until one nominee receives a majority of the votes cast. The nominee receiving the lowest number of votes will be dropped from the list of nominees.

Duties of the Chair — The duty of the Chair is, primarily, to ensure the integrity of the Board’s process and, secondarily, occasional representation of the Board. The Chair is the only Board member authorized to speak for the Board, unless an exception is granted by a majority vote of the Board members present and voting.

- A. The Chair shall utilize his or her best efforts to see that the Board operates consistently with federal law, the Revised Code, the Ohio Administrative Code, applicable legal precedent or Board Policies.
 - 1. Meeting discussion content will be only those issues that, according to Board Policies, clearly belong to the Board to decide, not the Executive Director.
 - 2. Deliberation will be timely, fair, orderly and thorough.
 - 3. Robert’s Rules may act as a guideline for conducting Board meetings.
- B. The authority of the Chair consists only of making decisions on behalf of the Board that fall within and are consistent with Board Policies.
 - 1. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.).
 - 2. The Chair will welcome input from fellow Board members regarding the Board’s agenda for each meeting.
 - 3. The Chair has no authority to make decisions beyond Board Policies within Ends and Executive Director Limitations policy areas. Therefore, the Chair has no authority to supervise or direct the Executive Director.

4. The Chair may also:
 - a. Convene meetings of the Board, or any part thereof, as prescribed in Section 3307.10 of the Revised Code.
 - b. When required, certify any actions taken by the Board.
 - c. Co-sign instruments for all disbursements authorized under Chapter 3307 of the Revised Code, and issued by the Treasurer of State.
 - d. Name Board members to committees and the Disability Review Panel and appoint the chair of each committee/panel.
 - e. Establish ad hoc committees as needed. The composition of such committees will be determined by the Chair.
 - f. Appoint Board liaisons to work with appropriate staff in reviewing topics for possible presentation and/or action by the Board covering the following areas: elections, finance (actuarial), information technology, member benefits — pension benefits and health care.
 - g. Ensure appropriate procedures are followed at all Board meetings.
 - Make certain that a quorum of the Board or committee is present before calling the meeting to order. A majority of the seated members of the Board or committee constitute a quorum for the transaction of any business.
 - Motions carry with a majority vote of the members of the Board or committee present and voting.
 - A Board member may listen to a meeting via telephone or video conference, but cannot vote, will not be counted in attendance, and cannot participate in the meeting in any way.
 - h. Coordinate the evaluation of the Executive Director.
 - i. Exercise all other duties authorized by majority vote of the Board members present and voting that are necessary and appropriate for the Board to fulfill its duties and responsibilities under Chapter 3307 of the Revised Code.

Duties of the Vice Chair — The duties of the Vice Chair are to (1) act as temporary chair in the absence of the regular chair; and (2) develop and/or update, in consultation with the Board, a long-term plan to be followed during the year he or she serves as chair of the Board. The Vice Chair or designee will also develop and/or update the evaluation instrument to be used in conducting the Board’s self-evaluation and the methodology to be used in administering the evaluation and reporting the results.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *COMMITTEE PRINCIPLES*

The Board may establish committees to help carry out its responsibilities. Committees will be used so as to minimally interfere with the wholeness of the Board's job, and so as never to interfere with delegation from Board to Executive Director.

- A. Board committees may speak or act for the Board when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated to not conflict with authority delegated to the Executive Director.
- B. Board committees are to help the Board do its job. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. Board committees are not to be created by the Board to advise staff.
- C. Board committees are to avoid over-identification with parts of the Retirement System rather than the whole. Therefore, a Board committee that has helped the Board create policy on some topic will not be used to monitor organizational performance on that same subject.
- D. Board committees cannot exercise authority over associates. In keeping with the Board's broader focus, Board committees normally will not have direct dealings with current staff operations. Because the Executive Director works for the full Board, he or she will not be required to obtain approval of a Board committee before an executive action.
- E. Committee work can take place when a quorum of the committee is present. All members of the Board shall be notified as to the time and place of all committee meetings. Board members may attend any committee meetings regardless of whether or not they are a member of the committee. However, only committee members may vote on any actions before the committee.
- F. Each committee meeting agenda is set by the committee chair in conjunction with appropriate staff.
- G. Committees or their designees may conduct such investigations, research or special projects as may be directed by the Board from time to time by majority vote of the Board members present and voting.
- H. The Board may assume any responsibility delegated to a committee.

Board committees and composition under this policy are as follows:

| Committee | Composition |
|---------------------------------|--|
| Audit | One retired member, one contributing member and one appointed member |
| Final Average Salary | Two retired or contributing members of the Board, which may rotate from month to month, and the Board Chair or Vice Chair substituting for the Chair |
| Health Care | Five members of the Board |
| Investment | Four investment experts and Board Chair |
| Staff Compensation and Benefits | Five members of the Board |

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *COMMITTEE CHARTERS*

Committees established by the Board shall operate pursuant to a charter adopted by the Board. Charters approved by the Board are as follows:

- A. Audit Committee
- B. Final Average Salary Committee
- C. Health Care Committee
- D. Investment Committee
- E. Staff Compensation and Benefits Committee

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *AUDIT COMMITTEE CHARTER*

Purpose

The purpose of the Audit Committee is to ensure, through the internal auditor and the independent public accountant, that the records of STRS Ohio properly reflect the transactions and conditions of the Retirement System in accordance with the laws of the State of Ohio, and are consistent with Board Policies.

Function

The Internal Audit Department reports directly to the Audit Committee and administratively to the Executive Director. The Audit Committee will normally meet with the Executive Director, Deputy Executive Director — Finance and the Chief Audit Executive in exercising its responsibilities. However, the internal auditor or the independent public accountant may request to meet privately with the Audit Committee, to the extent permitted by law, if there are material weaknesses involving the office of the Executive Director or any other part of the organization, or if the Executive Director has failed to respond to recommendations of either the internal auditor or the independent public accountant. The work of the Audit Committee may be confidential to the extent allowed by law.

Authority

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. This includes the authority to retain independent counsel, accountants or other specialists to advise the committee or assist in the conduct of an investigation.

Responsibilities

The responsibilities of the Audit Committee are:

- Meet as circumstances require, but at least twice annually, typically in May and December, or at any time the internal auditor or independent public accountant feels it is necessary.
- Review the audit plans of the internal auditor and independent public accountant with specific inquiry as to the extent to which planned audit scope can be relied on to detect any weakness in the internal controls. This review shall include the annual risk assessment included in the Annual Internal Audit Plan.
- Review the quarterly and year-end internal audit summaries of findings and recommendations; ensure all quarterly and year-end internal audit summaries are provided to all Board members and immediate reporting of any critical issues to all Board members in the interim. Ensure there are no unjustified restrictions or limitations on the functioning of the Internal Audit Department.

- Receive and review all internal audit reports and subsequent management responses. Ensure appropriate action is taken on audit findings.
- Appoint and provide oversight feedback on the performance evaluation of the internal auditor. In addition, the committee will review all performance evaluations and/or disciplinary actions as suggested for the internal audit position.
- Meet with the independent public accountant to review examination results. Review significant accounting and reporting issues, including complex or unusual transactions, and recent and regulatory pronouncements and understand their impact on the financial statements. Ensure appropriate action is taken on audit findings.
- Review the performance of the independent public accountants, and exercise final approval on the appointment, retention or discharge of the auditors.
- Maintain a strong understanding of risk management, internal controls and the role of the independent public accountants.
- Report committee activities, issues and related recommendations to the full Board following each committee meeting.
- Submit an annual report of its actions to the Ohio Retirement Study Council in accordance with Section 3307.044 of the Revised Code.

Post-Audit Review

- Ask the independent public accountant about the greatest concerns and whether the accountant believes anything should be discussed with the committee that has not been raised or covered elsewhere.
- Discuss with the Executive Director, General Counsel and the independent public accountant the substance of any significant issues raised by counsel concerning litigation, contingencies, claims or assessments.
- Inquire whether any difficulties were encountered in obtaining the management representation letter or any specific representations therein.
- Consider whether the independent public accountant should meet with the entire Board to discuss any matters relative to the financial statements and to answer any questions other Board members may have.
- Discuss with the internal auditor any significant audit findings and recommendations. Particular emphasis should be placed on any identified weaknesses in internal control and the appropriate corrective action required.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *FINAL AVERAGE SALARY COMMITTEE CHARTER*

Purpose

The purpose of the Final Average Salary Committee is to consider and make recommendations to the full Board on matters related to final average salaries of retiring members.

Function

The Final Average Salary Committee will meet with the Deputy Executive Director — Finance or designee and Deputy Executive Director — Member Benefits or designee as needed to hear appeals of retiring members regarding final average salaries.

Responsibilities

The responsibilities of the Final Average Salary Committee shall be limited to the following:

- Develop procedures for appeals of compensation excluded from final average salary pursuant to Section 3307.501, Revised Code.
- Review materials and hear appeals of compensation excluded from final average salary pursuant to Section 3307.501, Revised Code. Make recommendations to the full Board for including additional compensation up to a maximum of \$7,500.
- Advise on final average salary matters.
- Report its activities and make recommendations to the full Board.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *HEALTH CARE COMMITTEE CHARTER*

Purpose

The purpose of the Health Care Committee is to consider and make recommendations to the full Board on matters relating to the STRS Ohio comprehensive Health Care Program and the STRS Ohio optional benefit plans.

Function

The Health Care Committee will meet as needed with the Executive Director and Deputy Executive Director — Member Benefits in exercising its responsibilities. The committee will make funding and plan design recommendations for retiree health care in keeping with the STRS Ohio health care philosophy.

Responsibilities

The responsibilities of the Health Care Committee are limited to the following:

- Monitor the funding of the STRS Ohio Health Care Program to ensure the financial stability of the program.
- Review the plan design and premium structure of the health care plans as well as staff's recommendations for plan design changes and premiums paid by retirees based on health care costs and funding needs.
- Review the prescription drug programs and staff's recommendations for copayments and plan design based on prescription drug costs and funding needs.
- Review staff's recommendations for any adjustment in optional programs to ensure the financial and independent stability of the plan.
- Review staff's recommendations relating to the Ohio Administrative Code provisions governing administration of the STRS Ohio Health Care Program.
- Review staff's recommendations to the full Board regarding changes in employer contributions to be credited to the Health Care Fund.
- Report its activities and make recommendations to the full Board following each committee meeting.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *INVESTMENT COMMITTEE CHARTER*

Purpose

The purpose of the Investment Committee is to ensure that the investment assets of STRS Ohio are effectively managed in accordance with the laws of the State of Ohio and the Statement of Investment Objectives and Policy and the Statement of Fund Governance adopted by the Board.

Function

The Investment Committee will meet as needed with the Executive Director, Deputy Executive Director — Investments, and such other STRS Ohio associates as are appropriate. In addition, the Board's investment consultants and actuary will report to the committee as needed to provide investment expertise to enable the committee to perform its responsibilities.

Responsibilities

- Review the current Statement of Investment Objectives and Policy and the Statement of Fund Governance and recommend changes to the Board.
- Review the annual investment plan prepared by the staff. As conditions warrant, revise the annual investment plan as the year progresses.
- Monitor the monthly investment activity and review transactions as executed by the staff.
- Review the overall performance return for the assets to determine whether it meets the benchmarks established by the Board.
- Review various documents or lists prescribed in the Statement of Investment Objectives and Policy including, but not limited to, the broker evaluation, derivative exposure, proxy voting policy and real estate transactions.
- Meet at least annually with the investment consultants for a general educational seminar on investment topics.
- Report its activities and make recommendations to the full Board following each committee meeting.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: STAFF COMPENSATION AND BENEFITS COMMITTEE CHARTER

Purpose

The purpose of the Staff Compensation and Benefits Committee is to provide counsel to the Executive Director regarding staff compensation, and the nature and scope of staff benefits that should be provided.

Function

The Staff Compensation and Benefits Committee normally will meet as needed with the Executive Director and appropriate staff in exercising its responsibilities.

Responsibilities

The responsibilities of the Staff Compensation and Benefits Committee are limited to the following:

- Review the salary structure and benefits provided by STRS Ohio, compare them with the competitive marketplace and recommend modifications where deemed appropriate.
- Review the employment practices of STRS Ohio, including the Performance-Based Incentive Program for eligible investment associates, and suggest modifications where deemed appropriate.
- Report its activities and make recommendations to the full Board following each committee meeting.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *RETIREMENT BOARD ELECTIONS*

The Board should ensure that elections for Board seats are conducted in accordance with the laws of the State of Ohio, including Sections 3307.07 through 3307.075 of the Revised Code, and Board Policies.

The responsibilities of the Retirement Board, or its designee, are limited to the following:

- Review the proposed schedule of election events and ensure that it complies with applicable law and policies of the Board.
- Review the proposed biographical questionnaire and suggest any modifications deemed appropriate.
- Confirm that candidates for the Board meet the nomination requirements.
- Review the proposed ballot and biographical information to be sent to the qualified electors.
- Approve a Board of Tellers.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *ACTUARIAL SOUNDNESS*

The Board, in conjunction with an actuary, shall protect the actuarial soundness of STRS Ohio on a continuing and long-term basis.

The responsibilities of the Board shall be limited to the following:

- Review results of actuarial valuations, including those completed in accordance with Revised Code Sections 3307.51-.511.
- Based on actuarial valuations, take actions necessary to preserve the actuarial funding of STRS Ohio.
- Review experience studies prepared by an actuary. Make any necessary changes in actuarial assumptions or contribution rates.
- Review actuarial effects of proposed benefit changes.
- Review the results of actuarial studies conducted pursuant to Revised Code Section 3307.84 and make any transfers the Board deems necessary as a result and are permissible under that Section.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *PUBLIC PARTICIPATION AT BOARD MEETINGS*

The Board serves as the link between the Retirement System and its members and benefit recipients. Toward this end, all meetings of the Board are open to the public. Further, the Board may set aside a portion of regular meetings for the purpose of public participation.

Anyone wishing to address the Board must personally sign up to speak on the day of the Board meeting. Speakers who are not able to appear in person may submit a written version of their statement to the Board.

For the Board to fulfill its obligation to complete the planned agenda in an effective and efficient manner, a maximum of 15 speakers may be permitted at each Board meeting. The period of public participation may be extended by the Board chair.

Individuals addressing the Board shall give their full name; years of service and membership status if applicable; and, if representing an organization, the name of that group. Speakers may not deliver another individual's remarks. Each speaker is allotted three minutes. The names of individuals and defamatory or abusive language shall not be used as part of a complaint or concern being stated to the Board during public participation. Undue interruption or other interference with the orderly conduct of Board business cannot be allowed. The Board chair may terminate the speaker's address if, after being called to order, the speaker persists in improper conduct or remarks.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The Board expects of itself and its members ethical and businesslike conduct.

- A. Board members, as fiduciaries, shall discharge their duties solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries. Board members are responsible for preparing themselves for Board work.
- B. Board members must avoid any conflict of interest with respect to their fiduciary responsibility.
 - 1. Board members must abide by the restrictions embodied in Chapter 3307 of the Revised Code – including Sections 3307.15, 3307.151, 3307.153, 3307.18, and 3307.181 –, Ohio's ethics laws and the State Teachers Retirement System Ethics Policy, attached hereto as Appendix B.
 - 2. Board members must not use their positions to obtain for themselves, or any other person, employment within the Retirement System.
 - 3. A Board member shall not be considered for employment with the Retirement System, until he or she has not been a member of the Board for at least one year prior to the date of such employment.
- C. Board members may not attempt to exercise individual authority over the Retirement System except as explicitly set forth in Board Policies.
 - 1. Board members' interaction with the Executive Director or with associates must recognize the lack of authority in any individual Board member or group of Board members except as explicitly set forth herein.
 - 2. Board members' interaction with the public, press or other entities must recognize the same limitation and the similar inability of any Board member or Board members to speak for the Board except as explicitly set forth herein.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD MEMBER REMOVAL POLICY*

Section 3307.061 of the Revised Code provides in pertinent part that the office of a contributing member or retired teacher member of the State Teachers Retirement Board who is convicted of or pleads guilty to a felony, a theft offense as defined in Section 2913.01, R.C. or a violation of Sections 102.02, 102.03, 102.04, 2921.02, 2921.11, 2921.13, 2921.31, 2921.41, 2921.42, 2921.43 or 2921.44, R.C. shall be deemed vacant.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD SELF-EVALUATION*

The Retirement Board will regularly evaluate its own performance, taking whatever action is necessary to govern with excellence. Board performance will be assessed against the criteria established in *Governance Process* policies and in *Board-Executive Director Relationship* policies. At least annually the Board will review these policies.

A. The following policies will be monitored periodically.

1. Governing Style
2. Board Job Description
3. Delegation to the Executive Director

POLICY TYPE: BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

POLICY TITLE: *DELEGATION TO THE EXECUTIVE DIRECTOR*

Responsibility for the day-to-day operations and administration of the Retirement System is delegated to the Executive Director, subject to the restrictions on such delegation set forth herein or explicitly imposed by a majority vote of the Board members present and voting.

- A. All Board authority delegated to associates is delegated through the Executive Director, so that all authority and accountability of associates — as far as the Board is concerned — is considered to be the authority and accountability of the Executive Director.
- B. Ends policies direct the Executive Director to achieve certain results; *Executive Director Limitations* policies constrain the Executive Director to act according to law and within acceptable boundaries of prudence and ethics. The Executive Director is authorized to establish all necessary operational procedures and administrative regulations, make all decisions, take all actions and develop all activities as long as they are consistent with a reasonable interpretation of Board Policies.
- C. The Board may change its policies, thereby shifting the boundary between Board and Executive Director domains. Consequently, the Board may change the latitude of choice given to the Executive Director, but so long as any particular delegation is in place, the Board and its members will respect and support the Executive Director's choices. This does not prevent the Board from obtaining information in the delegated areas.
- D. No Board member or officer has authority over the Executive Director, except Board committees working within the scope of their respective charters. Information may be requested by these individuals or groups. However, if such request — in the Executive Director's judgment — requires a material amount of staff time or funds or is disruptive, it may be refused.

POLICY TYPE: BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

POLICY TITLE: *EXECUTIVE DIRECTOR'S JOB DESCRIPTION*

As the Board's single official link to the operating organization, the Executive Director is accountable for all organizational performance and exercises all authority transmitted into the organization by the Board.

The Executive Director's job contributions can be stated as performance in these areas:

- A. Organizational accomplishment of the provisions of Board Policies on *Ends*.
- B. Organizational operation within the boundaries of prudence and ethics established by sound business practices, the law in effect at that time or in *Executive Director Limitations* herein.
- C. Serving as Secretary to the Board and maintaining an accurate record of its proceedings in accordance with law.

POLICY TYPE: BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

POLICY TITLE: *EMPLOYMENT OF EXECUTIVE DIRECTOR*

Employment of the Executive Director will be by the Board.

- A. In the selection of an Executive Director, the Board, or its designee, will make explicit provisions for: (1) providing notice of the vacancy; (2) the process for screening nominations or applications; and (3) the selection process.
- B. Employment will be based on the Board's judgment that a candidate's experience, knowledge, skill and character offer reasonable assurance of excellent performance.
- C. The terms and conditions of employment of the Executive Director shall be set forth in a contract approved by the Board. Modifications to said terms and conditions shall be permitted only by a majority vote of the Board members present and voting.

POLICY TYPE: BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

POLICY TITLE: *EXECUTIVE DIRECTOR EVALUATION*

Evaluation of the Executive Director will be conducted by the Retirement Board. The Board, or its designee, will develop the evaluation instrument to be used in conducting the Board's annual evaluation of the Executive Director and the methodology to be used in administering the evaluation and reporting the results.

POLICY TYPE: BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

POLICY TITLE: *MONITORING EXECUTIVE PERFORMANCE*

Monitoring executive performance is synonymous with monitoring organizational performance against Board Policies on *Ends* and on *Executive Director Limitations*. Any evaluation of Executive Director performance, formal or informal, may be derived only from these monitoring data.

- A. The purpose of monitoring is to ensure organizational compliance with Board Policies. Information that does not meet this purpose will not be considered to be monitoring. Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.
- B. A given policy may be monitored in one or more of three ways:
 - 1. Internal report: Disclosure of compliance information to the Board from the Executive Director.
 - 2. External report: Discovery of compliance information by a disinterested, external auditor, inspector or consultant who is selected by and reports directly to the Board. Such reports must assess executive performance only against policies of the Board, not those of the external party unless the Board has previously indicated that party's opinion to be the standard.
 - 3. Direct Board inspection: Discovery of compliance information by the Board, a committee of the Board or an individual Board member designated by the Board.
- C. Upon majority vote of the Board members present and voting, any policy can be monitored by any method at any time. For regular monitoring, however, each *Ends* and *Executive Director Limitations* policy will be classified by the Board according to the following frequency and method:

| Policy | Method | Responsibility | Frequency |
|--|-------------------------|-------------------------------------|------------------|
| Ends | | | |
| Investments | External Report | Independent Consultant | Annual |
| Member Benefits | Internal Report | Executive Director | Annual |
| Actuarial Condition | External Report | Actuary | Annual |
| Executive Director Limitations | | | |
| General Executive Constraints | Internal Report | Executive Director | Annual |
| Operational Financial Planning | Internal Report | Deputy Executive Director – Finance | Annual |
| Operational Financial Condition | Internal Report | Deputy Executive Director – Finance | Annual |
| Operational Asset Protection | Internal Report | Executive Director | Annual |
| Investment Asset Protection | Internal Report | Executive Director | Annual |
| Business Continuity Planning | Internal | Executive Director | Annual |
| Communication and Counsel to the Board | Direct Board Inspection | Board | Annual |
| Emergency Executive Succession | Internal Report | Executive Director | Annual |
| Succession Planning | Internal Report | Director, Human Resource Services | Biennial |
| Compensation and Benefits | Internal Report | Director, Human Resource Services | Biennial |
| Staff Treatment | Internal | Director, Human Resource Services | Biennial |
| Associate Conduct | Internal | Executive Director | Annual |

In addition to the monitoring set forth in this policy, pursuant to Revised Code Section 171.04, the Ohio Retirement Study Council at least every ten years shall conduct an actuarial review and fiduciary performance audit of the Retirement System. (The last fiduciary performance audit was performed in 2006 and the last actuarial audit was performed in FY 2008 and reported in November 2009.)

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *OPERATIONAL FINANCIAL PLANNING*

The Executive Director shall not less than annually provide the Board for its review, comment and approval proposed operating and capital budgets for the Retirement System. Budgeting for any fiscal period or the remaining part of any fiscal period shall not deviate materially from Board *Ends* priorities, risk fiscal jeopardy, or fail to show a generally acceptable level of foresight.

Accordingly, the Executive Director may not cause or allow budgeting that:

- A. Contains too little detail to enable accurate projection of expenses, separation of capital and operational items, subsequent audit trails, and disclosure of planning assumptions.
- B. Does not provide for Board prerogatives and Board development during the year.
- C. Deviates materially from Board-stated priorities (see *Ends* policies) in its allocation among competing budgetary needs.

Notwithstanding the forgoing, the Executive Director may move allocated amounts between line items within the operating or capital budgets.

The Executive Director, or his designee, will provide the proposed annual operating budget, including the administrative budget for the Board, to the Ohio Retirement Study Council at least 60 days before adoption by the Board, or such other timeframe as may be required by Section 3307.041 of the Revised Code.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *OPERATIONAL FINANCIAL CONDITION*

With respect to the actual, ongoing condition of the Retirement System's operating budget, the Executive Director may not cause or allow the development of financial jeopardy.

Accordingly, he or she may not:

- A. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
- B. Allow actual operating budget allocations to deviate materially from Board priorities in *Ends* policies.
- C. Allow untimely collections of contributions.
- D. Fail to establish and maintain a system of internal controls designed to reduce the opportunity for errors and dishonesty, assure that assets belonging to STRS Ohio are properly received, are protected while in the custody of STRS Ohio and are used only for appropriate purposes. Examinations of the effectiveness of the Retirement System's internal controls will be conducted by the internal auditor on an ongoing basis in accordance with the Annual Internal Audit Plan.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *OPERATIONAL ASSET PROTECTION*

The Executive Director may not allow operational assets to be unprotected, inadequately maintained or unnecessarily risked as would be determined by a prudent person with knowledge of such matters:

Accordingly, he or she may not:

- A. Fail to insure against theft and casualty losses and against liability losses to Board members, associates or the Retirement System itself beyond the minimally acceptable prudent level.
- B. Allow uninsured personnel access to material amounts of funds.
- C. Subject plant and equipment to improper wear and tear or insufficient maintenance.
- D. Unnecessarily expose the Retirement System, its Board or associates to claims of liability.
- E. Make any purchase of goods or services for \$100,000 or more without submitting a request for proposal to at least three vendors, and making a determination, with or without interviews, of the most qualified vendor of the goods or services needed, unless the goods or services in question are available only from a single (sole source) provider; or make any purchase wherein normally prudent protection has not been given against conflict of interest. Economic lot sizes or normal orders shall not be reduced, nor the timing of services modified to avoid compliance with these provisions.
- F. Make any purchase of goods or services for \$25,000 or more but less than \$100,000 without a written record of competitive prices, unless the goods or services in question are available only from a single (sole source) provider; or make any purchase wherein normally prudent protection has not been given against conflict of interest. Economic lot sizes or normal orders shall not be reduced, nor the timing of services modified to avoid compliance with these provisions.
- G. Receive, process or disburse funds under controls insufficient to meet the Board-appointed auditor's standards.
- H. Acquire, encumber or dispose of operational real property without Board approval.

Further, the Board will be provided with a Contract Summary Sheet if a potential agreement meets one of the following provisions:

1. The contract is expected, or reasonably should have been expected to exceed \$100,000 in expenditures by the Retirement System in any one-year period of the agreement; or
2. The contract is for goods or services provided directly to the Board.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *INVESTMENT ASSET PROTECTION*

The Executive Director may not allow investment assets to be unprotected. Such protection shall include:

- Timely deposit of cash as provided for by law and Board.
- Transfer of securities to the State Treasurer or the Treasurer's designated sub-custodian for safekeeping.
- Crediting defined contribution account funds in member accounts within three business days of receipt by STRS Ohio.
- Maintenance of appropriate insurance coverage on investment real estate assets.

In addition, the Executive Director may not allow investment assets to be unprotected through the failure to have a well-qualified and trained staff or use of unqualified external investment managers.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *BUSINESS CONTINUITY PLANNING*

The Executive Director may not fail to have a Business Continuity Plan, in place and tested, to assure that the critical business processes of the Retirement System, including but not limited to payment of monthly benefits and the investment and protection of assets, can continue notwithstanding the loss of use of all or part of the home office or computer facilities.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *COMMUNICATION AND COUNSEL TO THE BOARD*

With respect to providing information and counsel to the Board, the Executive Director may not permit the Board to be uninformed. Accordingly, he or she may not:

- A. Let the Board be unaware of relevant trends, anticipated adverse media coverage, legislative developments and material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
- B. Fail to submit the required monitoring data (see policy on Monitoring Executive Performance) in a timely, accurate and understandable fashion, directly addressing provisions of the Board Policies being monitored.
- C. Fail to seek as many associates' and external points of view, issues and options as needed for fully informed Board choices.
- D. Present information in unnecessarily complex or lengthy form.
- E. Fail to provide a mechanism for official Board, officer or committee communications.
- F. Fail to report actual or anticipated noncompliance with any Board Policy.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *SUCCESSION PLANNING*

The Board supports and authorizes the Executive Director to implement a succession planning process for identifying and developing internal personnel with the potential to fill key or critical STRS Ohio positions. The goal of this process is to increase the availability of experienced and capable associates who are prepared to assume such roles as they become available.

- A. Succession planning will:
 - 1. Provide continuity of leadership and improved knowledge sharing.
 - 2. Prepare current associates to undertake key roles.
 - 3. Develop existing talent and provide long-term growth opportunities.
 - 4. Increase associate commitment and therefore retention.

- B. Structural elements of the succession plan may include, but are not limited to, the following:
 - 1. Identification of skill “gaps” and subsequent education and training.
 - 2. Coaching and mentoring.
 - 3. Cross training.
 - 4. Group and individual development plans.

On a biennial basis, the Executive Director and Director, Human Resource Services, will review succession planning progress and status with the Board.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *EMERGENCY EXECUTIVE SUCCESSION*

To protect the Board from sudden loss of Executive Director services, the Executive Director may not have fewer than two deputy executive directors familiar with Board and Executive Director issues and processes.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *COMPENSATION AND BENEFITS*

With respect to employment, compensation and benefits to associates, consultants, contract workers and volunteers, the Executive Director may not cause or allow jeopardy to fiscal integrity or public image.

Accordingly, he or she may not:

- A. Change his or her own compensation or benefits.
- B. Promise or imply permanent or guaranteed employment.
- C. Establish compensation, exclusive of Performance-Based Incentives, not within current salary schedules or modify the maximum eligible incentive awards set forth in the Performance-Based Incentive Program for eligible investment associates.
- D. In the selection of a Deputy Executive Director or the Retirement Board Liaison, fail to involve the Board in determining the qualifications and expectations for the position. The Executive Director will then make the employment decision, keeping the Board informed throughout the process.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *STAFF TREATMENT*

With respect to treatment of associates, the Executive Director shall foster a work environment free of harassment and in which associates are treated with respect and dignity.

Accordingly, he or she may not:

- A. Base employment related decisions on factors other than clearly job-related, individual performance or qualifications.
- B. Employ or promote a family member.
- C. Adversely affect the stability of the staff or terminate senior staff officers without previous discussion with the Board.
- D. Fail to take reasonable steps to protect associates from unsafe or unhealthy conditions.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: *GENERAL EXECUTIVE CONSTRAINTS*

The Executive Director shall not cause nor allow any act, decision, activity or circumstance that is imprudent, in violation of commonly accepted business and professional ethics, a violation of law or a breach of fiduciary responsibility.

The Executive Director shall inform the Board of any known material violation of commonly accepted business or professional ethics, or a breach of fiduciary responsibility by a business or professional vendor or contractor engaged by STRS Ohio.

The Executive Director shall cause to be maintained adequate fiduciary insurance coverage.

POLICY TYPE: EXECUTIVE DIRECTOR LIMITATIONS

POLICY TITLE: ASSOCIATE CONDUCT

The Executive Director shall use his or her reasonable best efforts to ensure associates of the Retirement System adhere to the State Teachers Retirement System Ethics Policy, drafted in accordance with Section 3307.042 of the Revised Code and attached hereto as Appendix B.

- A. Additionally, the Executive Director shall exercise reasonable best efforts to assure:
1. Confidentiality of member and benefit recipient records protected under Section 3307.20 of the Revised Code or other applicable state statutes or federal law.
 2. Adherence to applicable professional codes of ethics or standards of professional conduct applicable to STRS Ohio associates who are members of certain professions or professional organizations.
 3. Appropriate guidelines are in place to regulate personal investing by associates.
- B. No associate of STRS Ohio shall:
1. Publicly endorse the candidacy of any contributing or retired member for election to the Board through any media (whether electronic or printed), or permit his or her name to be used in any way to promote any such candidacy;
 2. Use his or her official authority or influence for the purpose of interfering with or affecting the result of a Board election or a nomination for a position as a Board member or officer of the Board;
 3. Directly or indirectly coerce, attempt to coerce, command or advise any STRS Ohio associate or member to contribute anything of value to a candidate for election to the Board, or to any committee, organization, agency, group or person promoting the candidacy of anyone for a position or seat on the Board; and
 4. Participate in any activities which promote the candidacy of any person for a position as a Board member or officer of the Board, other than the oral expression of opinions related to a candidate or an election.

Appendix

**POSITION DESCRIPTION
FOR
STATE TEACHERS RETIREMENT BOARD MEMBERS**

Terms

Appointed member terms begin on date of first appointment; elected member terms begin on Sept. 1 following May election. Board members serve for a term of four years.

Pursuant to Section 3307.06(D) of the Revised Code, failure to attend the meetings of the Board for four months or longer, without being excused, results in the member's position on the Board being vacated.

Restrictions

In accordance with Section 3307.05 of the Revised Code, investment experts must be a resident of Ohio; within the three years immediately preceding the appointment, the member cannot have been employed by the Ohio Public Employees Retirement System, Police & Fire Pension Fund, State Teachers Retirement System, School Employees Retirement System or Highway Patrol Retirement System or by any person, partnership or corporation that has provided to one of those retirement systems services of a financial or investment nature, including management, analysis, supervision or investment of assets; the member must have direct experience in the management, analysis, supervision or investment of assets; and the Treasurer's designee cannot currently be employed by the state or a political subdivision of the state.

Retired teacher members may not be reemployed in a position requiring them to make contributions to the system.

Compensation

The members of the State Teachers Retirement Board shall serve without compensation, except that members shall be reimbursed from the expense fund for all reasonable, actual and necessary expenses incurred while serving on the Board.

Business Equipment

So that information may be communicated in a timely and secure manner, Board members may be issued electronic devices to use for Board business.

Principal Duties

The Board members are the trustees of the funds of the system. The general administration and the management of the State Teachers Retirement System are vested in the State Teachers Retirement Board. The Board shall adopt policies for the operation of the system, and the investment of the funds as provided by Section 3307.15 of the Revised Code.

Other sections of this Position Description delineate: (a) the strict fiduciary and ethical standards applied to Board members; and (b) the significant time commitment required of Board members, which includes preparation for committee and Board meetings, attendance at the meetings themselves, and Board orientation and continuing education requirements as established by statute.

Fiduciary Duty and Conduct

Board members are subject to strict fiduciary and ethical standards. “Fiduciary” means a person who does any of the following: (1) exercises any discretionary authority or control with respect to the management of the system, or with respect to the management or disposition of its assets; (2) renders investment advice for a fee, direct or indirect, with respect to money or property of the system; or (3) has any discretionary authority or responsibility in the administration of the system.

The members of the State Teachers Retirement Board are the trustees of the funds created by Section 3307.14 of the Revised Code, and the Board has full power to invest the funds. The Board and other fiduciaries must discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the system; with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Specific provisions in Chapter 3307 prohibit the system from doing business with any Board member during and for three years following the Board member’s term on the board; prohibit Board members from having any interest in the gains or profits of the system; and prohibit Board members from having interests in transactions of the system.

Board members are also subject to the Ohio Ethics Laws and related statutes set forth in Chapters 102 and 2921 of the Revised Code.

Civil action by the Attorney General is possible if a member of a state retirement board breaches the member’s fiduciary duty to the retirement system. The Attorney General may recover damages or be granted injunctive relief, which shall include the enjoinder of specified activities and the removal of the member from the board. Any damages awarded shall be paid to the retirement system.

Time Requirement

The Board typically meets every month except for January and July for committee meetings and the regular Board meeting. In addition, the Disability Review Panel (which is composed of elected members of the Board) and the Final Average Salary Committee meet additional days to review cases. There is an annual planning retreat, special meetings and educational requirements. In addition to formal meetings, each Board member is expected to review pre-meeting materials prior to the committee and Board meetings.

Education Requirements

Each newly elected member of the State Teachers Retirement Board and each individual appointed to fill a vacancy on the Board, shall, not later than 90 days after commencing service as a Board member, complete the orientation program component of the Retirement Board Member Education Program established under Section 171.50 of the Revised Code.

Each member of the Board who has served a year or longer as a Board member shall, not less than twice each year, attend one or more programs that are part of the continuing education

component of the Retirement Board Member Education Program established under Section 171.50 of the Revised Code.

In addition, members are expected to complete periodic ethics training and any other training the Board deems necessary.

New Board members spend a minimum of one day with members of the senior management team in orientation. They are provided with a “New Board Member Notebook.” A sitting Board member is assigned as a mentor for each new member.

Required Reporting

Within 90 days of appointment and on an annual basis, each member of the Board must file a financial disclosure statement with the Ohio Ethics Commission, which shall be subject to public inspection. The statement requires disclosure of the names of the person’s immediate family; every source of income; debt exceeding \$1,000; debts receivable exceeding \$1,000; investments exceeding \$1,000; gifts exceeding \$75 from other than immediate family; real estate other than residence or personal property; and certain other information set forth by Chapter 102 of the Revised Code.

STATE TEACHERS RETIREMENT SYSTEM ETHICS POLICY

Policy Statement

It is the policy of this State Teachers Retirement System of Ohio (“Retirement System” or “System”) Board to carry out its mission in accordance with the strictest ethical guidelines and to ensure that Board Members and employees conduct themselves in a manner that fosters public confidence in the integrity of the Retirement System, its processes, and its accomplishments.

General Standards of Ethical Conduct

Ohio Retirement System Board Members and employees must, at all times, abide by protections to the public embodied in Ohio’s ethics laws, as found in Chapters 102. and 2921. of the Ohio Revised Code, and as interpreted by the Ohio Ethics Commission and Ohio courts. (A copy of these laws is provided by the Retirement System, and receipt acknowledged, as required in R.C. 102.09(D)). Board Members and employees must conduct themselves, at all times, in a manner that avoids favoritism, bias, and the appearance of impropriety.

A general summary of the restraints upon the conduct of all Board Members and employees includes, but is not limited to, those listed below. No Board Member or employee shall:

- Solicit or accept anything of value from anyone doing business with the Board or System;
- Solicit or accept employment from anyone doing business with the Board or System, unless the Board Member or employee completely withdraws from any Board and System discretionary or decision-making activity regarding the party offering employment, and the Board approves the withdrawal in the case of a Board Member or the Executive Director of the System, and the Executive Director approves the withdrawal in the case of another employee;
- Use his or her public position to obtain benefits for the Board Member or employee, a family member, or anyone with whom the Board Member or employee has a business or employment relationship;
- Be paid or accept any form of compensation for personal services rendered on a matter before, or sell goods or services to, the Board or System;
- Be paid or accept any form of compensation for personal services rendered on a matter before, or sell (except by competitive bid) goods or services to, *any* state agency other than the Board or System, unless the Board Member or employee first discloses the services or sales *and* withdraws from matters before the Board or System that directly affect officials and employees of the other state agency, as directed in R.C. 102.04;
- Hold or benefit from a contract with, authorized by, or approved by, the Board or System (the Ethics Law does except some limited stockholdings, and some contracts objectively shown as the lowest cost services, where *all* criteria under R.C. 2921.42 are met);
- Vote, authorize, recommend, or in any other way use his or her position to secure approval of a Board or System contract (including employment or personal services) in

which the Board Member or employee, a family member, or anyone with whom the Board Member or employee has a business or employment relationship, has an interest;

- Solicit or accept honoraria (see R.C. 102.01(H) and 102.03(H)), except that employees who are not financial disclosure filers may receive an honorarium only if the honorarium is paid in recognition of a demonstrable business, professional, or esthetic interest of the employee that exists apart from public office or employment, and is not paid by any person or other entity, or by a representative or association of those persons or entities, doing business with the Board or System;
- During public service, and for one year after leaving public service, represent any person, in any fashion, before *any* public agency, with respect to a matter in which the Board Member or employee personally participated while serving with the Board or System;
- Use or disclose confidential information protected by law, unless appropriately authorized;
- Use, or authorize the use of, his or her title, the name of the Retirement Board or System, or the Board's or System's logo in a manner that suggests impropriety, favoritism, or bias by the Board or System, or the Board Member or employee;
- Solicit or accept any compensation, except as allowed by law, to perform his or her official duties or any act or service in his or her official capacity; and
- No Board Member, state retirement system investment officer, or an employee of the Retirement System whose position involves substantial and material exercise of discretion in the investment of retirement system funds shall solicit or accept from any person, including a partnership of which the System is a partner, payment of actual travel expenses, including expenses incurred with the travel for lodging, meals, food, and beverages.

In addition to complying with the restrictions in the Ethics Law and related statutes, no Board Member of the Retirement System who is running for a position on the System Board shall:

- Solicit or accept campaign contributions from any person or entity that the Board Member knows or has reason to know: (1) has a contract related to investment of the System's funds; (2) is marketing or otherwise attempting to secure business involving the System's funds; or (3) is an agent or acting on behalf of any person or entity described in (1) or (2). Campaign contributions include contributions made to a campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity on behalf of the Board Member.

For purposes of this policy:

- "Anything of value" includes anything of monetary value, including, but not limited to, money, loans, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, or employment. "Value" means worth greater than de minimis or nominal.
- "Anyone doing business with the Board or System" includes, but is not limited to, any person, corporation, or other party that is doing or seeking to do business with,

regulated by, or has interests before the Board or System, including anyone who is known or should be known to be an agent or acting on behalf of such a party, including any partnership of which the system is a partner, any person or entity that has a contract related to investment of the System's funds, and any person marketing or otherwise attempting to secure business involving the System's funds.

Financial Disclosure

Every Board Member or employee required to file a financial disclosure statement must file a complete and accurate statement with the Ethics Commission by April 15 of each year. Any Board Member or employee appointed, or employed to a filing position after February 15 and required to file a financial disclosure statement must file a statement within ninety days of appointment or employment.

Assistance

The Ethics Commission is available to provide advice and assistance regarding the application of the Ethics Laws and related statutes. The Commission can be contacted at (614) 466-7090. The Commission's website address is: www.ethics.ohio.gov. Retirement System counsel are available to answer questions regarding this policy.

Penalties

Failure of any Board Member or employee to abide by this Ethics policy, or to comply with the Ethics Laws and related statutes, will result in discipline, which may include dismissal, as well as any potential civil or criminal sanctions under the law.

Evaluation and Changes

This policy shall be evaluated for effectiveness by the Board of the Retirement System no less than biennially. The policy may be changed only by a majority vote of the Board, after approval by the Ethics Commission and review by the Ohio Retirement Study Council.

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