



# Report From the Investment Department

May 18, 2023

- **Matters requiring board action:**
  - Review and adoption of the Statement of Investment Beliefs
- **Educational or scheduled updates and reviews requiring no action today:**
  - Summary of Investment Activity Report, April 2023
  - Review of the semiannual broker evaluation and associated policies for first half of 2024
  - Review of the amended Proxy Voting Policy
  - Callan Comments
  - Review of April 2023 investment transactions
- **Summary of requests**

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- **Fiduciary audit recommendation**
  - Foundational, guidance, direction and means of communication
- **Callan introduced in March 2022**
- **Callan proposed a set of Investment Beliefs in September 2022**
- **Board reviewed and edited in March 2023**
- **Initial review of proposed Statement of Investment Beliefs, April 2023**

# Adoption of the Statement of Investment Beliefs



Callan

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May 11, 2023

Ms. Carol Correthers, Chair  
State Teachers Retirement Board of Ohio  
275 East Broad Street  
Columbus, OH 43215-3771

Dear Ms. Correthers,

The purpose of this letter is to share Callan's comments regarding the proposed Statement of Investment Beliefs.

The Retirement Board began the discussion of a Statement of Investment Beliefs at the Investment Seminar in March of 2022. During that initial discussion, investment beliefs were defined as a statement of philosophy that provides a foundation for the governance and implementation of the investment program. We discussed how these statements can be an important tool in communicating the Board's high-level views on investment strategy and serve as an important and concise tool for communicating with members and stakeholders.

Subsequent to that initial discussion, the Retirement Board engaged in many more discussions of possible belief statements to include in the inaugural STRS Ohio Statement of Investment Beliefs. Throughout the course of these discussions the Board's feedback and adjustments to the proposed set of beliefs have been incorporated. The current statement proposed for Board adoption is broad in scope, covering the major issues important to investment decision-making.

Callan recommends the STRS Ohio Board adopt the Statement of Investment Beliefs. This statement should be evergreen but reviewed periodically to make sure it incorporates all relevant topics and reflects the Board's current beliefs on those matters.

Regards,

Brady O'Connell, CFA, CAIA  
Senior Vice President



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

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## PROPOSED MOTION

### ***Adoption of the Statement of Investment Beliefs***

May 18, 2023

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\_\_\_\_\_ moved, seconded by \_\_\_\_\_ that the Statement of Investment Beliefs be adopted, as presented on May 18, 2023.

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- The preliminary total fund return for April was +0.86%\*
- The preliminary fiscal year 2023 total fund return is estimated:
  - Gross return +5.29%\*
  - Net return +5.19%\*
- International equities led with +1.9% return in April
  - Domestic equities returned 1.2%
- \$400 million was removed from international equities and allocated to fixed income and liquidity reserves
- Total investment assets ended April at approximately \$88.7 billion; higher by \$1.0 billion in fiscal year 2023

\* Gross returns, except for alternative investments & real estate where the return is net of all external investment management fees and costs, including carried interest and other fund expenses.



# Fiscal Year 2024 Annual Investment Plan

- Development of outlook and strategies for fiscal 2024 in process
- Plan will be presented to the board in June



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- **Evaluation is conducted twice per year**
- **Estimated annualized budget of \$12 million, unchanged from prior period**
- **Adding two additional brokers to the approved list**
  - DBN Market Inc.
  - Odeon Capital Group
- **No changes to existing policies or procedures**
- **Initial review is provided in May, approval in June, effective July 1**

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May 4, 2023

Ms. Carol Correthers, Chair  
State Teachers Retirement Board of Ohio  
275 East Broad Street  
Columbus, OH 43215-3771

**Re: Broker Evaluation – First Half Fiscal 2024**

The purpose of this letter is to share Callan's comments regarding the semi-annual broker evaluation for the first half of fiscal 2024 conducted by STRS Ohio Staff.

Although we do not comment on the capabilities and performance of individual brokerage firms, Callan is comfortable with the factors taken into consideration by Staff when evaluating brokers to be used to execute trades on behalf of STRS Ohio.

The STRS Ohio Semiannual Broker Evaluation for First Half Fiscal 2024 is comprehensive in scope, and appropriately documents the governance employed by STRS Ohio Staff in the areas of execution, selection, research, soft dollar policy, and broker usage. The Broker Evaluation is well articulated for the purpose intended, and consistent with other Public Funds classified as institutional in size, and who manage monies internally.

Callan recommends the STRS Ohio Board approve the Semiannual Broker Evaluation and associated policies prepared by Staff.

Regards,



Brady O'Connell, CFA, CAIA  
Senior Vice President



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- **February**

- One proposed addition by staff

- Update guideline header: Majority Voting for Directors

- Proposed update:

*“STRS Ohio will vote for proposals that require companies to amend their bylaws and/or charter to require that nominees for the board be elected by a majority of the votes cast, provided the proposal includes a carve-out for a plurality voting standard when there are more nominees than board seats (e.g., contested elections).”*

- **March**
  - Discussion delayed for one month
- **April**
  - Six new guidelines received from STRS Ohio board
- **May**
  - New guidelines incorporated into policy for full board review



- **Six new guidelines**
- **Two categories**
  - 1) Support for proposals requesting additional reporting and disclosure in the areas of:
    - Charitable/Political Contributions

**Add:** STRS Ohio will vote for resolutions calling for a company to report on its lobbying activities, including direct, indirect and grassroots lobbying, and to disclose its lobbying policies and procedures.
    - Discrimination

**Add:** STRS Ohio will vote for resolutions calling for legal and regulatory compliance and public reporting related to non-discrimination, including resolutions calling for the company to report on its diversity, equity and inclusion programs and/or its affirmative action programs.

- 1) Support for proposals requesting additional reporting and disclosure in the areas of:
  - Environmental Issues

~~**Eliminate:** STRS Ohio will vote against resolutions requiring a report on environmental issues provided the company complies with all laws regarding environmental reporting. The company should have made an evaluation of its hazardous and toxic risks, and follow a course of action that is environmentally sound because of the belief that it enhances the long-term value of the company.~~

**Add:** STRS Ohio will vote for resolutions requiring a report on environmental issues and/or sustainability, including, but not limited to, resolutions calling for companies to report on efforts to mitigate the risks of using, handling or transporting toxic chemicals.

1) Support for proposals requesting additional reporting and disclosure in the areas of:

- Social Issues

**Add:** STRS Ohio believes that a company's management practices with respect to its workforce, including but not limited to health and safety, fair labor practices and workers' rights, employee training and development, and responsible contracting, may impact company performance. Accordingly, STRS Ohio will vote for resolutions calling for a company to disclose information related to its efforts to develop and maintain a productive workforce and to mitigate risks related to labor disputes that may impact company performance.

## 2) Support/non-support for incumbent directors

- **Add:** STRS Ohio will vote against directors individually due to material failures of governance, stewardship, or fiduciary oversight of the company, including failure to adequately mitigate sustainability risks.
- **Add:** STRS Ohio will vote against directors at companies with a demonstrated pattern or practice of anti-union activities or labor law violations.



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