



**STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

December 27, 2022

The Honorable Keith Faber
Ohio Auditor of State
88 East Broad Street, Floor 5
Columbus, OH 43215

Dear Auditor Faber:

The State Teachers Retirement System of Ohio (STRS) has reviewed the special audit report issued by your office. STRS management accepts the Auditor of State's findings and we are appreciative of your team's professionalism and detailed work over the course of the special audit. Our members can be reassured that the Auditor of State's findings are consistent with those of the recent fiduciary performance audit, commissioned by the Ohio Retirement Study Council (ORSC) and completed by Funston Advisory Services LLC, as well as the findings of other professional experts providing ongoing and regular oversight of STRS. We note that the special audit's findings refute much of the inaccurate information circulated about STRS over the past two years and the report provides extensive detail and analysis in support of its conclusions.

We would like to address the three Management Recommendations in Appendix A at this time. With regard to the first two recommendations, STRS has already begun implementation of the majority of recommendations from the 2022 fiduciary performance audit and will work with ORSC to implement plans related to future fiduciary and actuarial audits.

The third and final management recommendation is related to suggested updates to the Board's investment committee and committee charter. We would like to note a few items in response to this recommendation. First, the full STRS Board currently reviews investment materials at each board meeting, and the Board has also retained investment consultants to advise regarding oversight matters, such as asset allocation and investment policies. These investment consultants are fiduciaries to the system, attend board meetings, and are available to Board members between board meetings. Additionally, as a result of discussions related to the fiduciary performance audit, the Board chair is forming an ad hoc governance committee to review the Board's existing committee structure, including updated charters for each committee. As a part of this review, STRS Board and management will evaluate the schedule of investment committee meetings, as well as detailed roles and responsibilities of the committee.

The special audit report specifically noted that the investment committee should review controls over reconciliations and reasonableness tests of investment fees and costs performed by the AI Fund Manager. As previously discussed, STRS issued an RFP earlier this year for private market fee validation services. Once a firm is hired, it is anticipated that regular reporting will be made to the Board (and its investment committee) in this area. Increased fee transparency is an industry-wide issue and STRS continues to broadly support the SEC's efforts to increase disclosure and transparency of general partner fee reporting. STRS encourages the firms with whom we do business to use the International Limited Partners Association (ILPA) fee reporting template, which standardizes the reporting of fees, expenses and carried interest. Additionally, STRS invests with firms that are SEC-registered and required to have annual audited financials prepared by a credible public accounting firm.

Finally, STRS will work with ORSC to provide information related to the Legislative Recommendations contained in Appendix A, as well as the referral items in Appendix E.

STRS appreciates your team's diligence in reviewing the complaints it received from some of our members and the assurances your office's oversight provides to Ohio's teachers. We remain steadfast in our dedication to ensuring the sustainability of the pension fund and providing financial security to current and future generations of Ohio's educators.

Sincerely,



William J. Neville
Executive Director