



State Teachers
Retirement System
of Ohio

Statement of Fund Governance

Defined Benefit & Health Care Plan Statement of Investment Objectives & Policy

Defined Contribution Plan Statement of Investment Objectives & Policy

April 2026

**State Teachers Retirement
System of Ohio**

Statement
of
Fund Governance

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Revised/Approved Dates (current and past five years):

April 16, 2026

June 12, 2025

February 15, 2024

December 15, 2022

May 19, 2022

March 18, 2021

1.0 Purpose

- 1.1 This Statement of Fund Governance (the “Statement”) summarizes the governance structure established by the Board of the State Teachers Retirement Board of Ohio (the “Board”) to ensure the prudent, effective, and efficient management of the assets of the State Teachers Retirement System of Ohio (“STRS Ohio”).
- 1.2 The fund governance structure was approved by the Board after careful consideration of alternative approaches to governing a very large and growing pension fund within an increasingly complex financial and investment environment.
- 1.3 STRS Ohio consists of the defined benefit plan, the health care plan and the defined contribution plan (ORC Section 3307.031). The STRS Ohio defined benefit plan includes both a standalone defined benefit plan and a combined plan that includes a defined benefit component (collectively, the “Defined Benefit Plan”) (ORC Sections 3307.01(N) and 3307.8[9]). The STRS Ohio defined contribution plan includes both a standalone defined contribution plan and a combined plan that includes a defined contribution component (collectively, the “Defined Contribution Plan”) (ORC Sections 3307.01(O) and 3307.81).
- 1.4 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; the Ohio General Assembly and Governor; and agents engaged by the Board to manage, administer or advise on STRS Ohio’s assets (“Fund”).
- 1.5 The Statement summarizes more detailed policy documents and procedure documents prepared and maintained by STRS Ohio investment staff, and numerous other documents that govern the day-to-day management of STRS Ohio assets.
- 1.6 The Board regularly assesses the continued suitability of the STRS Ohio fund governance structure, initiates change as necessary, and updates this Statement accordingly.
- 1.7 The Board may authorize its administrative officers and committees to act for it in accord with its policies (Ohio Revised Code [“ORC”] Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director, Investments, the authority to acquire, dispose, operate, and manage the assets of the Fund, subject to the Board’s policies and to subsequent approval by the Board.
- 1.8 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, the investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including, those found in ORC Sections 3307.15, 3307.151, 3307.18, and 3307.181. This Statement incorporates, and is subject to, all provisions of ORC Chapter 3307.
- 1.9 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.
- 1.10 The Board approved this Statement on April 16, 2026.

2.0 Governance Principles

2.1 Three principles guided the Board’s development of the STRS Ohio fund governance structure:

- (a) As STRS Ohio *governing fiduciary*, the Board is ultimately accountable for all investment decisions. Section 3307.15 of the Ohio Revised Code (the “Code”) vests the investment function in the Board and requires the Board to “...adopt in regular meetings, policies, objectives and criteria for the operation of the investment program...” *Section 3307.15 of the Code* sets forth the fiduciary responsibility of the Board in discharging its duties with respect to the fund.
- (b) To ensure STRS Ohio assets are prudently, profitably, and efficiently managed on a day-to-day basis, the Board needs to delegate the management and implementation of Board investment policies to qualified *managing and operating fiduciaries*. Sections 3307.04 and 3307.15 of the Code empower the Board to authorize its committees and administrative officers to act for it in accord with Board policies. The fiduciary responsibility the Board delegates in discharging their duties with respect to the fund is specified in Section 3307.15.
- (c) To ensure effective oversight of delegates, the Board requires informative and timely performance reports that reveal if managing and operating fiduciaries have complied with established policies and indicate how assets under their care have performed relative to Board approved investment objectives.

3.0 Investment Decisions Retained by the Board

3.1 The Board reviews and, as required, approves the following Defined Benefit Plan and Health Care Plan policies:

- (a) Statement of Investment Objectives and Policy, which includes the following:
 - (i) Total fund *risk* and *return* objectives;
 - (ii) Total fund target asset mix policy, risk diversification and return expectations;
 - (iii) Total fund asset mix policy rebalancing ranges;
 - (iv) Active management risk and return objectives at the total fund and asset class levels; and
 - (v) Performance measurement criteria and evaluation standards;
- (b) Subsidiary investment policies; presently including but not limited to:
 - (i) A proxy voting policy;
 - (ii) A securities lending policy;
 - (iii) A broker-dealer policy;
 - (iv) A securities litigation policy; and
 - (v) An Iran-Sudan policy.

- 3.2 The Board approves the following Defined Contribution Plan policies:
- (a) Statement of Investment Objectives and Policy, which includes the following:
 - (i) *Default Investment Choice*; and
 - (ii) Performance measurement criteria and evaluation standards.
- 3.3 Before approving or amending policy decisions, the Board seeks advice, guidance, and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.

4.0 Investment Decisions Delegated to Investment Staff

- 4.1 The Board, through the Executive Director, has delegated to qualified STRS Ohio investment staff the following investment management and implementation decisions:
- (a) Buying, selling, managing, and monitoring individual securities, real assets, and/or other investment transactions to achieve the total fund and *asset class* investment objectives approved by the Board;
 - (b) Retaining, managing, and terminating external investment managers within each asset class as required to achieve the total fund and asset class investment objectives approved by the Board;
 - (c) Ensure total fund, asset class, and individual manager portfolios comply with established parameters and risk levels; and,
 - (d) Preparing, negotiating, and executing external investment manager mandates, guidelines and fee agreements.
 - (e) Investment staff will determine the most suitable fund management approach, internal or external, by assessing internal capabilities, comparing costs and benefits, and considering potential external collaborations.
- 4.2 In making these decisions, STRS Ohio investment staff seeks the advice, guidance, and recommendations of Board-retained investment consultants, external investment managers and other experts and sources as considered prudent by STRS Ohio staff.

5.0 Board Oversight

- 5.1 Defined Benefit Plan and Health Care Plan
- (a) The Board meets at least quarterly to confirm that assets are being managed in compliance with the Defined Benefit Plan and Health Care Plan Statement of Investment Objectives and Policy, to monitor and evaluate investment performance relative to objectives and to address other investment issues as warranted.
 - (b) The Board approves the criteria and standards for monitoring and evaluating the impact different investment decisions have on total fund, asset class, and manager level performance.

- (c) Performance is monitored and evaluated with respect to risk and return objectives established by the Board.
 - (i) Investment risks are monitored and evaluated quarterly by comparing total fund and asset class risk characteristics relative to suitable *benchmarks*.
 - (ii) Investment returns are monitored monthly and evaluated quarterly by comparing total fund and asset class returns relative to suitable benchmarks.
- 5.2 Defined Contribution Plan
 - (a) The Board meets at least annually to confirm that assets are being managed in compliance with the Defined Contribution Plan Statement of Investment Objectives and Policy and to address other investment issues as warranted.
 - (b) The Board approves the criteria and standards for monitoring.
- 5.3 External management fees are reviewed annually by the board. To facilitate this review staff and consultants (including Board consultants and/or other third-party service providers engaged by STRS Ohio for the purpose of reviewing investment costs) prepare and deliver an annual review.
- 5.4 Before approving or amending the criteria for monitoring and evaluating investment decisions, the Board seeks advice, guidance, and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts and sources as considered prudent by the Board.

Glossary

<i>Asset Class:</i> A collection of securities that have conceptually similar claims on income streams and have returns that are highly correlated with each other. Examples of publicly traded asset classes include domestic equities, fixed income, and cash.
<i>Benchmark:</i> A standard by which investment performance can be measured and evaluated. For example, the performance of US equity managers is often measured and evaluated relative to the benchmark performance of the Russell 3000 Index.
<i>Default Investment Choice:</i> The investment option designated by the Board into which a Participant's contributions are invested if the Participant does not make an affirmative investment election.
<i>Governing, managing and operating fiduciaries.</i> Terminology increasingly used in the pension field to distinguish between the governance, management and operations functions in a pension fund. The governance function is mission choice, funding and investment policy decisions, organizational design decisions, the monitoring of organizational effectiveness, and communication of results to stakeholders. This is the domain of governing fiduciaries. Management acts as advisors to the governing fiduciaries, devises strategies for achieving the fund mission and implementing the policies in a cost-effective manner and organizes and monitors fund operations. This is the domain of managing fiduciaries. Finally, fund operations in the form of portfolio management, risk monitoring, and information system management and reporting are delegated to operating fiduciaries either inside or outside the pension fund organization. See Ambachtsheer, K. P. and D. Don Ezra, <i>Pension Fund Excellence</i> , Wiley, 1998, chapter 3.
<i>Section 3307.15 of the Code:</i> The members of the state teachers' retirement board shall be the trustees of the funds created by section 3307.14 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall 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.
<i>Return:</i> The gain or loss in value of an investment over a given period of time, expressed as a percent of the original amount invested. For example, an initial investment of \$100 that grows to \$105 over one year has earned a 5% return.
<i>Risk:</i> In its most general usage, risk refers to the possibility of loss or injury. Within the world of fund management, risk usually refers to either (a) the possibility of the loss of client assets, relative to an expected outcome, or (b) injury to a fiduciary's reputation because of imprudent decision-making. Various statistical tools and techniques are used to manage the probability of losing client assets, relative to an expected outcome. The probability of injury to fiduciary reputations is managed by establishing, documenting, implementing and enforcing policies and procedures that demonstrate prudent decision-making, even if the decisions resulted in the loss of client assets.

**State Teachers Retirement
System of Ohio**

Statement
Of
Investment Objectives and Policy

STRS Ohio Defined Benefit Plan
STRS Ohio Health Care Plan

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Glossary of Selected Terms

Terms explained in the glossary are *italicized* when they first appear in this document.

Revised/Approved Dates (current and past five years):

April 16, 2026

June 13, 2025

February 15, 2024

December 15, 2022

May 19, 2022

March 18, 2021

1.0 Purpose

- 1.1 The State Teachers Retirement System of Ohio (“STRS Ohio”) was established for the benefit of the teachers of the public schools of the State of Ohio. STRS Ohio is dedicated to partnering with STRS Ohio members to provide financial performance and member service to help build financial security for current and future retirees.
- 1.2 The State Teachers Retirement Board of Ohio (the “Board”) is vested with the operation and management of the State Teachers Retirement System of Ohio (“STRS Ohio”) (ORC Section 3307.04). The Board has the full power to invest the assets (the “Fund”) of STRS Ohio (ORC Section 3307.15). The Board is required to “. . . adopt in a regular meeting, policies, objectives or criteria for the operation of the investment program . . .” (ORC Section 3307.15).
- 1.3 STRS Ohio consists of the defined benefit plan, the health care plan and the defined contribution plan (ORC Sections 3307.031 and 3307.39). The STRS Ohio defined benefit plan includes both a standalone defined benefit plan and the defined benefit component of the combined plan (collectively, the “Defined Benefit Plan”) (ORC Sections 3307.01(N) and (O) and 3307.89).
- 1.3 To help fulfill the statutory requirement of ORC Section 3307.15, the Board has adopted this Statement of Investment Objectives and Policy (the “Investment Policy”) to govern the investment of the Fund.
- 1.4 The Board regularly, but in no event less than annually, will assess the continued suitability of the Investment Policy, initiate change as necessary, and update this Investment Policy accordingly.
- 1.5 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15).
- 1.6 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, the investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including, those found in ORC Sections 3307.15, 3307.151, 3307.18, and 3307.181. The Investment Policy incorporates, and is subject to, all provisions of ORC Chapter 3307.
- 1.7 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that the Investment Policy is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.
- 1.8 The Board approved this Statement on April 16, 2026.

2.0 Key Documents

To assist the Board and the Investment staff, the following key documents will be produced or reviewed according to the following schedule:.

Key Document	Document Source	Review Schedule
Quarterly Performance Review	Board Consultant	Quarterly
Statement of Investment Objectives and Policy	STRS Ohio Investment Staff /Reviewed by Board Consultant	Annually
Annual Plan (Incl. <i>Risk Budget</i>)	STRS Ohio Investment Staff/Reviewed by Board Consultant	Annually
Actuarial Study	Actuary/STRS Ohio Finance Dept.	Annually
Asset/Liability Study and Experience Review	STRS Ohio Investment Staff/STRS Ohio Senior Staff/Board Consultant/Actuary/ STRS Ohio Board	At least once in every quinquennial period
Statement of Fund Governance	STRS Ohio Investment Staff/ Board Consultant/ STRS Ohio Board	Infrequently or as prompted by the Board Consultant/ Ohio Retirement Study Counsel (“ORSC”)/Ohio legislative action
Investment beliefs	STRS Ohio Investment Staff/ Board Consultant/ STRS Ohio Board	Infrequently or as prompted by the Board Consultant/ ORSC/Ohio legislative action

3.0 Total Fund Risk & Return Objectives

3.1 Subject to the Ohio Revised Code, the investment objectives for the total fund are:

- (a) to earn, over long-term (e.g. twenty- or thirty-year) moving periods, an annualized *return* that equals or exceeds the *actuarial discount rate* (ADRR), approved by the Board to value STRS Ohio liabilities. The current Board-approved *actuarial discount rate* is 7.00%.
- (b) to earn a rate of return that equals or exceeds the System’s long-term Total Fund blended *benchmark* return with an acceptable level of *risk*, and;
- (c) maintain sufficient liquidity to satisfy cash flow needs.

- 3.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective, at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ADR over moving long-term time horizons.

4.0 Asset Mix Policies and Return Expectations

- 4.1 Consistent with the Board's Investment Belief that "Investment diversification works," and after careful consideration of the investment objectives, *liability* structure, *funded status*, and liquidity needs of STRS Ohio, and the return, risk, and *risk-diversifying* characteristics of different *asset classes*, the Board approves *asset mix policies* for both the STRS Ohio Defined Benefit Plan (Defined Benefit Plan) and the STRS Ohio Health Care Plan (Health Care Plan) as shown in Appendix A.
- (a) For the avoidance of doubt, the 2025 *Asset Liability Study* recommended the same *Asset Mix Policy* for both the Defined Benefit Plan and the Health Care Plan.
- 4.2 The 2025 Asset Liability Study recommended that changes to the policy mix established by the 2025 asset liability study be implemented over a 36-month period (the "Phase-in Period"), as shown in Appendix B.
- (a) For the avoidance of doubt, the 2025 Asset Liability Study recommended the same Phase-In Period for both the Defined Benefit Plan and the Health Care Plan.
- 4.3 Appendix A also summarizes the Board's return expectations for the asset mix policies and active management. Forecasts of capital market and active management returns undertaken by the Board's investment consultant indicate that the Board's asset allocations summarized in Appendix A have an expected ten-year annualized return of 6.42% (without net value added).

5.0 Total Fund Asset Mix Policy Rebalancing Ranges

- 5.1 Exposures to selected asset classes are actively managed within the rebalancing ranges specified in Appendix A.
- (a) Rebalancing ensures that the Fund's actual asset allocation remains close to the target asset mix policies.
- (b) The Fund's actual asset allocation is monitored at least monthly relative to established asset mix policy targets and ranges. The timing and magnitude of rebalancing are decided by the Deputy Executive Director, Investments in consultation with Investments staff, with due consideration to the liquidity of the investments and the associated transaction costs.
- (c) Liquidity reserves are kept at a minimum level, but sufficient to cover short-term cash flow needs. STRS Ohio investment staff may use a *derivative overlay* to maintain the liquidity reserve level at 1%.

6.0 Active Management Risk and Return Objectives at the Total Fund and Asset Class Levels

- 6.1 Active management risk is the deviation of an investment portfolio's returns from its benchmark index due to active management decisions.
- 6.2 From the 2025 Asset Liability Study, the STRS Ohio total fund policy return (blended benchmark) is 19.25% Russell 3000, 15.75% International Blended Benchmark, 21.5% Bloomberg US Universal Index, 5.5% Bloomberg US Intermediate Treasury Index, 3% Bloomberg US Long Treasury Index, 8% Real Estate Blended Benchmark, 9% Cambridge Associates Private Equity and Venture Capital Index, 10% Cambridge Associates Private Credit Index, 7% SG Multi Alternative Risk Premia Index, and 1% 90 day Treasury Bill. Benchmarks are shown in Appendix C.
- (a) During any Phase-In Period, the STRS Ohio fund policy return will equal asset class benchmarks listed in Appendix C, measured at the weights shown in Appendix B as of the start of each period.
- 6.3 Consistent with the Board's Investment Belief that "Active and passive Investing are both appropriate," STRS Ohio investment staff has been delegated the responsibility for managing the Fund's exposure to passive and active investment strategies, subject to the constraint that active risk does not exceed Board-approved target *risk budgets* for the total fund and individual asset classes.
- (a) Passive management uses index tracking portfolios designed to replicate the composition and performance of global capital markets indices at low cost and with minimal variation in performance. Index tracking portfolios control costs, are useful tools for evaluating active management strategies, capture exposure to the more *efficient markets*, and facilitate rebalancing to the asset mix policy.
- (b) Active management is expected to earn higher returns than benchmark indices funds by making value-added security selection and asset mix timing decisions. Unsuccessful active management results in below index fund returns.
- (c) Both active and passive strategies have a role in the portfolio. Passive strategies are used for low cost and diversified exposure to highly efficient asset classes where value added is difficult to achieve. Active management will be relied upon in those asset classes where STRS Ohio believes it can identify unique or compelling investments which may lead to above-market returns.
- 6.4 The Board has approved a target *risk budget* for total fund and for the public market asset classes including *Fixed Income* (including Core Plus Fixed Income, Liquid Treasury Portfolio and Long Treasury Portfolio), *Domestic Equity*, *International Equity* and *Liquid Alternatives*, as shown in Appendix C.
- (a) *Private equity*, *private credit* and *private real estate* investments are traded infrequently and, therefore, *risk budget* concepts are not applicable.
- (b) *Short Sales*, *Derivatives* and leverage may be used in the management of certain STRS Ohio asset classes; any use of Short Sales, Derivatives and leverage will adhere to asset allocation restrictions and asset class active management *risk budget* constraints.

- (c) Active risk will be evaluated compared to *risk budgets* on an *ex-ante* basis.
- 6.5 In exchange for assuming active risk in Fixed Income (including Core Plus Fixed Income, Liquid Treasury Portfolio and Long Treasury Portfolio), Domestic Equity, International Equity and Liquid Alternatives, the Board expects active management to add excess return over moving five-year periods to judge effectiveness, as shown in both Appendix A and C.
 - (a) The Board realizes that actual active management returns will likely be above or below the net targets over any five-year moving period and therefore will evaluate the success of STRS Ohio active management program within this context.
 - (b) The Board recognizes that any amount of management return in excess of the associated investment costs improves the security of STRS Ohio plan members.

7.0 Performance Measurement Criteria and Evaluation Standards

- 7.1 The Board and its agents use a variety of compliance, verification, and performance measurement tools to monitor, measure, and evaluate how well STRS Ohio assets are being managed. Monitoring, reporting, and evaluation frequencies range from live real time performance to daily, weekly, monthly, quarterly, and annualized performance for periods up to 20 years.
- 7.2 No less than quarterly, Investment staff shall provide reporting aligned with this Investment Policy to monitor compliance with this Investment Policy and evaluate performance relative to the Board-established risk and return objectives, including assessment of total fund and asset class risk characteristics against appropriate benchmarks and evaluation of investment returns.
- 7.3 The Board has developed a performance monitoring and evaluation system that answers fundamental fiduciary questions:
 - (a) Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies, and procedures, and are the total fund and asset classes in compliance with this Investment Policy and the Appendices herein?
 - (b) Appendix D is an example of one of many reports that may be used by the Board to monitor and evaluate performance of the total fund.
 - (i) Are the assets being profitably managed? More specifically, has performance affected benefit security (see Panel one which indicates whether the total fund return exceeded the actuarial rate of return)?
 - (ii) Has capital market risk been rewarded (Panel two)?
 - (iii) Has active management risk been rewarded (Panel three)?
 - (iv) Has Board-approved active management risk been taken (Panel four)?
- 7.4 If there is a variance from Board policies, STRS Ohio investment staff is required to provide the Board with a report explaining how the variance was discovered, the reasons

for the variance, the impact on Fund performance, if any, and steps taken to mitigate future occurrences.

- 7.5 To assist in the Board's review, the Board's investment consultant or other appropriate third party will provide::
- (a) Performance of the total fund;
 - (b) Performance of individual asset class strategies;
 - (c) Performance of internally and externally managed portfolios; and,
 - (d) Performance of individual external managers.
- 7.6 The Board requires investment staff to prepare and deliver an Annual Investment Plan that explains how STRS Ohio assets will be managed in order to achieve the Board-established investment objectives. This provides the Board a focused opportunity to:
- (a) Question and comment on staff's investment management plans;
 - (b) Request additional information and support about staff's investment intentions; and
 - (c) Express its confidence in the Annual Investment Plan.
- 7.7 Investment staff and/or the Board's investment consultant (or other appropriate third party) may provide other reporting as requested by the Board or deemed appropriate by investment staff.

8.0 Subsidiary Investment Policies

- 8.1 The Board shall maintain and, as required, review and approve additional investment policies or documents.
- 8.2 Such policies presently include (but may not be limited to):
- (a) A proxy voting policy;
 - (b) A securities lending policy;
 - (c) A broker-dealer policy;
 - (d) A securities litigation policy (for the avoidance of doubt, the STRS Ohio Legal Department manages securities litigation on behalf of the Board); and
 - (e) An Iran-Sudan policy.

9.0 Security Valuation

Valuation of investments shall be the total of:

- (a) The primary closing price on the principal registered stock exchange for all equity securities so listed.

- (b) The official closing price as reflected by either the OTCBB (Over the Counter Bulletin Board) or the OTC Markets Group for equity securities not listed on a registered stock exchange.
- (c) The current value as determined by a qualified independent service for all bonds, notes, and certificates of indebtedness, including accrued income.
- (d) Amortized cost for commercial paper, certificates of deposit and repurchase agreements.
- (e) Each internally managed *real estate* property initially valued at acquisition price. Subsequent valuations completed internally or externally as outlined in the Real Estate Valuation Policy Manual. Full, self-contained appraisals completed by an independent external appraiser no less than every third year.
- (f) The most recent external manager valuations for alternative investments and externally managed *real estate* updated to include current capital activity.
- (g) International equity and external fixed income investments are valued by the sub-custodian using relevant closing market prices and exchange rates and including accrued income for fixed income investments.
- (h) Each internally managed private equity and private credit investment initially valued at acquisition price. Subsequent valuations completed as outlined in the Private Equity Valuation Policy Manual and Private Credit Valuation Policy Manual.

APPENDIX A
Asset Mix Policy and Return Expectations

A.1: Asset Mix Policy and Return Expectations for STRS Ohio Defined Benefit Plan

Asset Class	Target Allocation¹ (%)	Rebalancing Range (%)	Expected 10-Year Policy Returns² (%)	Expected Active Management Net Returns³ (%)	Expected Total Return (%)
Domestic Equity	19.25	+/- 5	6.30	0.13	6.43
International Equity	15.75	+/- 5	6.25	0.5	6.75
Private Equity	9	-3 / +5	9.00	4	9.00
Private Credit	10	+/- 5	7.80	4	7.80
Liquid Alternatives	7	+/- 5	5.20	0.3	5.50
Fixed Income					
Core Plus Fixed Income	21.5	-5 / +6	4.40	0.28	4.68
Liquid Treasury	5.5	+/- 5.5	3.70		3.70
Long Treasury	3	-3 / +5	4.50		4.50
Real Estate	8	+/- 4	6.55	4	6.55
Liquidity Reserve	1	-1 / +4	2.80		2.80
Total Fund	100		6.42	0.3	6.72⁵

1. The target allocation percentage became effective July 1, 2025 and is phased-in over a 36-month period, based on the “Phase- In Target Weights” table in the next section.
2. The expected 10-year policy returns are based on the investment consultant’s capital market assumptions as of February 2026.
3. Net returns are net of all internal and external investment management fees and costs, including carried interest and other fund expenses.
4. There are no passive management implementation options within private markets. Since STRS Ohio private markets benchmarks are peer benchmarks, comprised of comparable private markets funds, they inherently include active management; accordingly, the portfolio’s goal is to outperform the universe of similar private markets implementations.
5. The 10-year total fund return forecast is 6.72% per year which includes the expected net value added by management and is based on the asset mix policy.

A.2: Asset Mix Policy and Return Expectations for STRS Ohio Health Care Plan

Asset Class	Target Allocation ¹ (%)	Rebalancing Range (%)	Expected 10-Year Policy Returns ² (%)	Expected Active Management Net Returns ³ (%)	Expected Total Return (%)
Domestic Equity	19.25	+/- 5	6.30	0.13	6.43
International Equity	15.75	+/- 5	6.25	0.5	6.75
Private Equity	9	-3 / +5	9.00	4	9.00
Private Credit	10	+/- 5	7.80	4	7.80
Liquid Alternatives	7	+/- 5	5.20	0.3	5.50
Fixed Income					
Core Plus Fixed Income	21.5	-5 / +6	4.40	0.28	4.68
Liquid Treasury	5.5	+/- 5.5	3.70		3.70
Long Treasury	3	-3 / +5	4.50		4.50
Real Estate	8	+/- 4	6.55	4	6.55
Liquidity Reserve	1	-1 / +4	2.80		2.80
Total Fund	100		6.42	0.3	6.72 ⁵

1. The target allocation percentage became effective July 1, 2025 and is phased-in over a 36-month period, based on the “Phase- In Target Weights” table in the next section.
2. The expected 10-year policy returns are based on the investment consultant’s capital market assumptions as of February 2026.
3. Net returns are net of all internal and external investment management fees and costs, including carried interest and other fund expenses.
4. There are no passive management implementation options within private markets. Since STRS Ohio private markets benchmarks are peer benchmarks, comprised of comparable private markets funds, they inherently include active management; accordingly, the portfolio’s goal is to outperform the universe of similar private markets implementations.
5. The 10-year total fund return forecast is 6.72% per year which includes the expected net value added by management and is based on the asset mix policy.

APPENDIX B
Phase-In Period

B.1: Phase-In Period for STRS Ohio Defined Benefit Plan

Asset Class	2022 Asset Allocation %	7/1/25 - 9/30/25 %	10/1/25 - 12/31/25 %	1/1/26 - 3/31/26 %	4/1/26 - 6/30/26 %	7/1/26 - 9/30/26 %	10/1/26 - 12/31/26 %	1/1/27 - 3/31/27 %	4/1/27 - 6/30/27 %	7/1/27 - 9/30/27 %	10/1/27 - 12/31/27 %	1/1/28 - 3/31/28 %	Asset Mix Policy 4/1/28+ %
Domestic Equity	26.0	25.5	24.75	24.0	23.25	22.5	21.5	20.5	19.75	19.5	19.25	19.25	19.25
International Equity	22.0	21.75	21.25	20.50	19.75	19.0	18.25	17.75	17.25	16.75	16.25	15.75	15.75
Private Equity	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Private Credit	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Liquid Alternatives		1.0	1.25	1.75	2.25	2.75	3.25	3.75	4.50	5.25	6.00	6.75	7.00
Core Plus Fixed Income	17.0	18.0	18.5	19.0	19.5	20.0	20.75	21.5	21.5	21.5	21.5	21.5	21.5
Liquid Treasury Portfolio	5.1	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.0	6.0	6.0	5.75	5.50
Long Treasury Portfolio		0.25	0.75	1.25	1.75	2.25	2.75	3.0	3.0	3.0	3.0	3.0	3.0
Real Estate	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Liquidity Reserve	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

B.2: Phase-In Period for STRS Ohio Health Care Plan

Asset Class	2022 Asset Allocation %	7/1/25 - 9/30/25 %	10/1/25 - 12/31/25 %	1/1/26 - 3/31/26 %	4/1/26 - 6/30/26 %	7/1/26 - 9/30/26 %	10/1/26 - 12/31/26 %	1/1/27 - 3/31/27 %	4/1/27 - 6/30/27 %	7/1/27 - 9/30/27 %	10/1/27 - 12/31/27 %	1/1/28 - 3/31/28 %	Asset Mix Policy 4/1/28+ %
Domestic Equity	26.0	25.5	24.75	24.0	23.25	22.5	21.5	20.5	19.75	19.5	19.25	19.25	19.25
International Equity	22.0	21.75	21.25	20.50	19.75	19.0	18.25	17.75	17.25	16.75	16.25	15.75	15.75
Private Equity	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Private Credit	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Liquid Alternatives		1.0	1.25	1.75	2.25	2.75	3.25	3.75	4.50	5.25	6.00	6.75	7.00
Core Plus Fixed Income	17.0	18.0	18.5	19.0	19.5	20.0	20.75	21.5	21.5	21.5	21.5	21.5	21.5
Liquid Treasury Portfolio	5.1	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.0	6.0	6.0	5.75	5.50
Long Treasury Portfolio		0.25	0.75	1.25	1.75	2.25	2.75	3.0	3.0	3.0	3.0	3.0	3.0
Real Estate	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Liquidity Reserve	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

APPENDIX C
Benchmarks and Active Risk Budgeting

C.1: Benchmarks and Active Risk Budgeting for STRS Ohio Defined Benefit Plan

Asset Class	Benchmark ¹	Target Risk-Budget Range %	Board- Approved Risk-Budget Range ² %	Expected Active Management Net Returns ² %
Domestic Equity	Russell 3000 Index	0.2 - 1.5	0.2 - 1.5	0.13
International Equity	International Blended Benchmark: - 80% MSCI World ex-U.S. Index-Net (50% <i>hedged currency</i>) - 20% MSCI Emerging Markets Index-Net	0.6 - 2.5	0.6 - 2.5	0.5
Private Equity	Cambridge Associates Private Equity & Venture Capital Index ³	n/a ⁴	n/a ⁴	⁵
Private Credit	Cambridge Associates Private Credit Index ³	n/a ⁴	n/a ⁴	⁵
Liquid Alternatives	SG Multi Alternative Risk Premia Index	2.0 - 9.0	2.0 - 9.0	0.3
Fixed Income				
Core Plus Fixed Income	Bloomberg U.S. Universal Index	0.1 - 1.5	0.1 - 1.5	0.28
Liquid Treasury Portfolio	Bloomberg U.S. Intermediate Treasury Index	0.0 - 0.25	0.0 - 1.0 ⁶	
Long Treasury Portfolio	Bloomberg U.S. Long Treasury Index	0.0 - 0.25	0.0 - 1.0 ⁶	
Real Estate	Real Estate Blended Benchmark: - 85% NCREIF Fund Index – ODCE Value- Weight (Net) - 15% FTSE NAREIT Equity <i>REITs</i> Index	n/a ⁴	n/a ⁴	⁵
Liquidity Reserve	90-Day Treasury Bill			
Total Fund	STRS Ohio Total Fund Policy Return (Blended Benchmark)	0.6 - 1.2	0.2 - 1.6 ⁷	0.3

¹ Blended benchmark measured over moving one- and five-year periods; all other benchmarks measured over moving five-year periods.

² Measured on an annualized basis.

³ One quarter lagged to be consistent with external fund reporting.

⁴ Private equity, private credit and private real estate investments are traded infrequently and, therefore, risk budget concepts are not applicable.

⁵ There are no passive management implementation options within private markets. Since STRS Ohio private markets benchmarks are peer benchmarks, comprised of comparable private markets funds, they inherently include active management; accordingly, the portfolio's goal is to outperform the universe of similar private markets implementations.

⁶ At times, it may be prudent to manage the portfolio to the upper end of the Board-approved risk budget range to accommodate the liquidity needs total fund.

⁷ Working range.

C.2: Benchmarks and Active Risk Budgeting for STRS Ohio Health Care Plan

Asset Class	Benchmark ¹	Target	Board-	Expected
		Risk-Budget	Approved	Active
		Range	Risk-Budget	Management
		%	Range ²	Net Returns ²
			%	%
Domestic Equity	Russell 3000 Index	0.2 - 1.5	0.2 - 1.5	0.13
International Equity	International Blended Benchmark: - 80% MSCI World ex-U.S. Index-Net (50% <i>hedged currency</i>) - 20% MSCI Emerging Markets Index-Net	0.6 - 2.5	0.6 - 2.5	0.5
Private Equity	Cambridge Associates Private Equity & Venture Capital Index ³	n/a ⁴	n/a ⁴	⁵
Private Credit	Cambridge Associates Private Credit Index ³	n/a ⁴	n/a ⁴	⁵
Liquid Alternatives	SG Multi Alternative Risk Premia Index	2.0 - 9.0	2.0 - 9.0	0.3
Fixed Income				
Core Plus Fixed Income	Bloomberg U.S. Universal Index	0.1 - 1.5	0.1 - 1.5	0.28
Liquid Treasury Portfolio	Bloomberg U.S. Intermediate Treasury Index	0.0 - 0.25	0.0 - 1.0 ⁶	
Long Treasury Portfolio	Bloomberg U.S. Long Treasury Index	0.0 - 0.25	0.0 - 1.0 ⁶	
Real Estate	Real Estate Blended Benchmark: - 85% NCREIF Fund Index – ODCE Value- Weight (Net) - 15% FTSE NAREIT Equity REITs Index	n/a ⁴	n/a ⁴	⁵
Liquidity Reserve	90-Day Treasury Bill			
Total Fund	STRS Ohio Total Fund Policy Return (Blended Benchmark)	0.6 - 1.2	0.2 - 1.6 ⁷	0.3

¹ Blended benchmark measured over moving one- and five-year periods; all other benchmarks measured over moving five-year periods.

² Measured on an annualized basis.

³ One quarter lagged to be consistent with external fund reporting.

⁴ Private equity, private credit and private real estate investments are traded infrequently and, therefore, risk budget concepts are not applicable.

⁵ There are no passive management implementation options within private markets. Since STRS Ohio private markets benchmarks are peer benchmarks, comprised of comparable private markets funds, they inherently include active management; accordingly, the portfolio's goal is to outperform the universe of similar private markets implementations.

⁶ At times, it may be prudent to manage the portfolio to the upper end of the Board-approved risk budget range to accommodate the liquidity needs total fund.

⁷ Working range.

APPENDIX D

Example Total Fund Trustee Summary Report, as of June 30, 2025

Experienced Returns	Annualized Rates of Return				
	1 Year	3 Years	5 Years	10 Years	20 Years
Have returns affected funded ratio?					
1. Total fund return*	10.56%	9.62%	10.42%	8.65%	7.99%
2. Net total fund return**	10.42%	9.49%	10.29%	8.52%	7.88%
3. Actuarial discount rate***	7.00%	7.00%	7.18%	7.33%	7.63%
4. Net relative performance (2-3)	3.42%	2.49%	3.11%	1.19%	0.25%
Has plan been rewarded for capital market risk?					
5. Total fund blended benchmark return	10.76%	9.70%	9.78%	8.11%	7.69%
6. Minimum risk/high opportunity cost policy of 91-Day T-Bills	4.68%	4.56%	2.76%	1.98%	1.64%
7. Impact of asset mix policy (5-6)	6.08%	5.14%	7.02%	6.20%	6.05%
Has plan been rewarded for active management risk?					
8. Net active management return estimated (2-5)**	-0.34%	-0.21%	0.51%	0.41%	0.19%
9. Estimated 5-year net value added (\$ in billions)	N/A	N/A	\$2.1	N/A	N/A
Is the plan taking Board-approved active management risk? ****					
10. Annualized risk budget	N/A	N/A	N/A	N/A	N/A
11. Total Fund tracking error	N/A	N/A	N/A	N/A	N/A

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

** Net returns are net of all internal and external investment management fees and costs, including carried interest and other fund expenses.

*** The actuarial rate of return assumption was decreased from 7.45% to 7.00%, effective as of 6/30/2021.

**** Effective fiscal year 2026.

The STRS real estate return includes the use of leverage.

The STRS Ohio total fund policy return (blended benchmark) is 19.25% Russell 3000, 15.75% International Blended Benchmark, 21.5% Bloomberg US Universal Index, 5.5% Bloomberg US Intermediate Treasury Index, 3% Bloomberg US Long Treasury Index, 8% Real Estate Blended Benchmark, 9% Cambridge Associates Private Equity and Venture Capital Index, 10% Cambridge Associates Private Credit Index, 7% SG Multi Alternative Risk Premia Index, and 1% 90 day Treasury Bill as of July 1, 2025, as adjusted over the Phase-In Period.

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Glossary

<i>Actuarial Discount Rate (ADR):</i> The interest rate used to calculate the present value of a defined benefit plan's future obligations and to determine the size of contribution to the plan.
<i>Asset Class:</i> A collection of securities that have conceptually similar claims on income streams and have returns that are highly correlated with each other. Examples of publicly traded asset classes include domestic equities, fixed income, and cash.
<i>Asset Liability Study:</i> The process conducted by the Board-retained investment consultant to determine the optimal risk-adjusted asset allocation by analyzing the fund's assets and liabilities with a goal of meeting the Board's expected return.
<i>Asset Mix Policy:</i> A pension fund's long-term planned exposure to major asset classes, usually expressed in percentages. Empirical studies have confirmed that asset mix policy is the primary determinate of portfolio performance.
<i>Benchmark:</i> A standard by which investment performance can be measured and evaluated. For example, the performance of domestic equity managers is often measured and evaluated relative to the benchmark performance of the Russell 3000 Index.
<i>Derivatives:</i> A financial obligation that derives its value from the value of one or more other assets, such as a bond or basket of stocks. These other assets are referred to as the "underlying assets or underlying exposures".
<i>Derivative Overlay:</i> Combining collateral with derivative instruments to produce returns comparable to the capital markets.
<i>Domestic Equity:</i> Investments that represent ownership in a U.S. company and therefore a proportional share of company profits. For example, owning common shares of General Motors Corporation is a domestic equity investment.
<i>Efficient Market:</i> A market in which security prices rapidly reflect all information about securities and, by implication, active managers find it more difficult to pick stocks that consistently beat the performance of an index fund.
<i>Ex-ante:</i> Ex-ante refers to predictions or forecasts made before an event occurs.
<i>Fixed Income:</i> Debt obligations of corporations and governments that specify how money previously borrowed is to be repaid. Typically, money is repaid by a series of semi-annual interest payments of fixed amounts, and final repayment of principal. STRS Ohio's exposure to fixed income includes Core Plus Fixed Income, Liquid Treasury Portfolio and Long Treasury Portfolio.
<i>Funded Status:</i> A comparison of plan assets with the plan liability (e.g. the actuarial accrued liability or "AAL"). When fund assets are greater than the AAL, the plan is overfunded. If fund assets are less than the AAL, the plan is underfunded.
<i>Hedged Currency:</i> A term applied to a portfolio of non-domestic stocks or bonds that is unaffected by changes in the relative value of the domestic and foreign currencies. Forward currency contracts are typically used to hedge a portfolio against currency volatility.
<i>Index Fund:</i> A portfolio management strategy that seeks to replicate the composition and performance of a selected market index, such as the Russell 1000.

<i>International Equity:</i> Investments that represent ownership in a non-U.S. company and therefore a proportional share of company profits. For example, owning common shares of Toyota Motor Corporation is an international equity investment.
<i>Liability:</i> A claim on assets by individuals or companies. In a pension context, liabilities represent the claim on fund assets by active and retired members of the pension plan.
<i>Liquid Alternatives:</i> An asset class that utilizes publicly traded securities to effectively mimic certain diversifying hedge fund strategies / exposures in a more liquid (quarterly or shorter) and cost-effective manner.
<i>Private Credit:</i> Investments in debt and debt-like securities of companies whose securities are not actively traded, making them illiquid in nature. Successful private credit investments can earn return premiums that are higher than those available in liquid fixed income and liquid credit markets.
<i>Private Equity:</i> Investments in the equity of companies whose securities are not publicly traded, making them illiquid in nature. Successful private equity investments can earn return premiums that are higher than those available from publicly traded equities.
<i>Real Estate:</i> Direct or indirect investments in land and/or buildings.
<i>REIT (Real Estate Investment Trusts):</i> A real estate portfolio managed by an investment company for the benefit of the trust unit holders. Most REIT units are publicly traded.
<i>Return:</i> The gain or loss in value of an investment over a given period of time expressed as a percent of the original amount invested. For example, an initial investment of \$100 that grows to \$105 over one year has earned a 5% return.
<i>Risk:</i> In its most general usage, risk refers to the possibility of loss or injury. Within the world of fund management, risk usually refers to either (a) the possibility of the loss of client assets, relative to an expected outcome, or (b) injury to a fiduciary's reputation because of imprudent decision-making. Various statistical tools and techniques are used to manage the probability of losing client assets, relative to an expected outcome. The probability of injury to fiduciary reputations is managed by establishing, documenting, implementing, and enforcing policies and procedures that demonstrate prudent decision-making, even if the decisions resulted in the loss of client assets.
<i>Risk Budget:</i> A constraint imposed on an investment portfolio to limit the extent to which the performance of an actively managed portfolio can vary relative to a passively managed index due to the active manager's decisions, at a given confidence level. For example, if a portfolio has a risk budget of 100 basis points, the performance of the portfolio relative to the index is expected to be within 100 basis points for 68% (one standard deviation) of all market outcomes. A more frequent pattern of performance beyond a stated risk budget suggests the manager may be taking more risk than permitted in his/her mandate.
<i>Risk-diversifying:</i> Reducing risk without reducing expected returns by combining assets with low or negative correlation of returns over a given time period thereby reducing the total portfolio return <i>volatility</i> . A decline in the price of one asset is offset by the increase in the price of another asset in the portfolio. In laypersons terms, this is often described as putting your eggs into more than one basket.
<i>Short Sales:</i> Short sale positions generally involve borrowing and then subsequently selling a security. Short sellers expect to buy the "shorted" security back in the future at a lower price, return the borrowed security, and profit from the difference between the sale

and the purchase price. Short sales are transactions which result in positive performance if the security sold “short” declines in price.

Venture Capital: Independently managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high growth companies.

Volatility: Represents the degree of the dispersion of returns of an asset, market index or asset class. Volatility is commonly measured by calculating the annualized standard deviation of the returns over a given period of time.

**State Teachers Retirement
System of Ohio**

Statement
Of
Investment Objectives and Policy

STRS Ohio Defined Contribution Plan

Contents

1. Purpose
2. Key Documents
3. Roles and Responsibilities
4. Accounts
5. Investment Choices
6. Monitoring

Appended Exhibits

- A. Current Investment Choices

Glossary of Selected Terms

Terms explained in the glossary are *italicized* when they first appear in this document.

Revised/Approved Dates (current and past five years):

March 19, 2026

1.0 Purpose

- 1.1 The State Teachers Retirement System of Ohio (“STRS Ohio”) was established for the benefit of the teachers of the public schools of the State of Ohio. STRS Ohio is dedicated to partnering with STRS Ohio members to provide financial performance and member service to help build financial security for current and future retirees.
- 1.2 STRS Ohio consists of the defined benefit plan and the *defined contribution* plan (ORC Section 3307.031). The STRS Ohio defined contribution plan includes both a standalone defined contribution plan and a combined plan that includes a defined contribution component (collectively, the “Defined Contribution Plan”) (ORC Sections 3307.01(O) and 3307.81).
- 1.3 The State Teachers Retirement Board of Ohio (the “Board”) is vested with the operation and management of STRS Ohio, including the Defined Contribution Plan (ORC Sections 3307.04 and 3307.81). The Board is required to adopt rules to implement the Defined Contribution Plan, including the forms of investment offered to Defined Contribution Plan participants (“Participants”) (ORC Sections 3307.80 and 3307.81).
- 1.4 Pursuant to rules adopted by the Board, the Defined Contribution Plan includes investment choices specified by the Board and selected by Participants to determine the cash accumulation in Participant accounts upon retirement or withdrawal (“Investment Choices”) (OAC Rule 3307:2-2-01). To help fulfill the statutory requirements of ORC Sections 3307.80 and 3307.81, the Board has adopted this Defined Contribution Plan policy (the “Defined Contribution Policy”), which governs the selection and monitoring of Investment Choices offered through the Defined Contribution Plan.
- 1.5 The Board regularly, but in no event less than annually, will assess the continued suitability of the Defined Contribution Policy, initiate change as necessary, and update this Defined Contribution Policy accordingly.
- 1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15).
- 1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, STRS Ohio investment staff, other STRS Ohio staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including, those found in ORC Sections 3307.15, 3307.151, 3307.18, and 3307.181. The Defined Contribution Policy incorporates, and is subject to, all provisions of ORC Chapter 3307.
- 1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that the Defined Contribution Policy is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.
- 1.9 The Board approved this Statement on March 19, 2026.

2.0 Key Documents

To assist the Board and the STRS Ohio staff, the following key documents will be produced or reviewed according to the following schedule:.

Key Document	Document Source	Review Schedule
Performance Review	Board Consultant/STRS Ohio Staff	Annually
Defined Contribution Plan Policy	STRS Ohio Investment Staff /Reviewed by Board Consultant	Annually
Statement of Fund Governance	STRS Ohio Investment Staff/ Board Consultant/ STRS Ohio Board	Infrequently or as prompted by the Board Consultant/ Ohio Retirement Study Counsel (“ORSC”)/Ohio legislative action

3.0 Roles and Responsibilities

- 3.1 Participants select their own Investment Choices under the Defined Contribution Plan. The Board acts in the sole interest of Participants, for the exclusive purpose of providing benefits to Participants and beneficiaries and of defraying the reasonable expenses of administering the Defined Contribution Plan.
- (a) Participants bear sole responsibility for developing and monitoring their Account investment strategy. Investment under the Defined Contribution Plan shall not be conveyed by STRS Ohio or construed by any Participant as a recommendation for investment, and neither the Board nor STRS Ohio is empowered to advise a Participant as to the manner in which an Account shall be allocated among the Investment Choices.
 - (b) Participants shall assume all risk in connection with the allocation of amounts in and among the Investment Choices and for any losses incurred or deemed to be incurred as a result of the Participant's allocation or failure to allocate any amount to an Investment Choice or any decrease in the value of any Investment Choice.
- 3.2 The Board has the authority to determine the manner in which it discharges its responsibilities and how it delegates duties to others, all of whom must act in accordance with applicable fiduciary standards under ORC Chapter 3307. The Board has delegated investment authority for the management of the Defined Contribution Plan to STRS Ohio investment staff. In accordance with such delegations, the Board is responsible for:
- (a) reviewing and approving this Defined Contribution Policy, including any changes thereto, at least annually;
 - (b) designating the Default Investment Choice in the event a Participant has not made an investment election for the investment of contributions in the Participant's Account; and
 - (c) reviewing the performance of Investment Choices and other investment information related to the Defined Contribution Plan.

- 3.3 Before approving or amending policy decisions, including this Defined Contribution Policy, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.
- 3.4 The Board's investment consultant advises and reports to the Board on the investment structure and Investment Choices offered in the Defined Contribution Plan. Specifically, the investment consultant periodically advises the Board, in conjunction with the investment staff, on the following:
- (a) the performance of Investment Choices, including the objectives of the Investment Choice, comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees as compared to comparable investment strategies;
 - (b) evaluation of the existing Investment Choices, Default Investment Choices, brokerage windows, and managed account services, as applicable, from which Participants may choose in order to optimize, on a risk-adjusted basis, the potential returns available to Participants;
 - (c) suggestion of any new or replacement Investment Choices;
 - (d) suggestion to terminate any existing Investment Choices;
 - (e) whether the Defined Contribution Policy's investment objectives and guidelines remain appropriate and effective for the Defined Contribution Plan; and
 - (f) the Defined Contribution Plan's compliance with this Defined Contribution Policy and alignment with industry best practices.
- 3.5 In rendering advice and other services to the Defined Contribution Plan, the Board's investment consultant shall act in a fiduciary capacity to the Defined Contribution Plan with respect to investment advice that is fiduciary in nature and exercise skill superior to that of an ordinary person.
- 3.6 STRS Ohio investment staff is responsible for the day-to-day operation and implementation of this Defined Contribution Policy, including the selection, ongoing monitoring and termination of Investment Choices and, to the extent applicable, the selection and oversight of external managers responsible for managing assets held in their respective portfolios in accordance with the terms of applicable contracts, prospectuses and other offering materials.

4.0 Accounts

- 4.1 Pursuant to Sections 3307.19 and 3307.81 of the Revised Code, the Board shall create and maintain (or direct to be created and maintained) individual accounts (the "Accounts") as records for disclosing the interest in the *Defined Contribution Fund* that each Participant has in the Defined Contribution Plan.
- 4.2 Such Accounts shall record credits and charges in the manner herein described.
- (a) Accounts shall have one or more subaccounts to account separately for Participant contributions and the earnings thereon, Employer contributions on behalf of a Participant and earnings thereon and such other subaccounts as the Retirement Board in its sole discretion may deem appropriate.

- (b) Each Investment Choice shall be assigned a daily unit value based on its closing *net asset value*; Accounts shall accumulate units based on the unit values of the selected Investment Choices as of the date contributions are credited to such Account.
- 4.3 The maintenance of individual Accounts and subaccounts within them is only for accounting purposes, and a segregation of the assets of the Defined Contribution Fund to each account shall not be required (ORC 3307.15).
- 5.0 Investment Choices**
- 5.1 The appropriate investment strategy for any Participant to accumulate retirement savings or achieve other savings objectives is a function of multiple personal factors, including age, income, time horizon, risk tolerance, return and accumulation objectives, and other assets outside of the Defined Contribution Plan. To enable Participants to establish savings and investment strategies that meet their individual needs, the Defined Contribution Plan provides an array of Investment Choices in which Participants may invest. Investment Choices may include life insurance, annuities, variable annuities, regulated investment trusts, pooled investment funds, or other forms of investment.
- 5.2 Appendix A lists current Investment Choices. Investment Choices may change from time to time upon notice to the Board, and Appendix A will be updated to reflect such changes upon annual review of this Policy.
- 5.3 Each Participant shall select one or more Investment Choices at the time of Election. If no selection is made, all contributions will be invested in the applicable Default Investment Choice, defined as the STRS Target Choice option that falls immediately before the Participant's sixtieth (60th) birthday (or if the Participant has already reached age 60, the next closest STRS Target Choice option).
- 5.4 STRS Ohio will provide advance notification of not less than 30 days (or as otherwise deemed appropriate under the circumstances) to Participants invested in a terminated Investment Choice (a "Terminated Choice") to transfer their Terminated Choice to another Investment Choice. If a Participant fails to transfer a Terminated Choice balance in the time provided, the Terminated Choice balance will be transferred into an Investment Choice with similar objectives and strategies as the Terminated Choice.
- 5.5 Participants bear sole responsibility for developing and monitoring their Account investment strategy. Investment under the Defined Contribution Plan shall not be conveyed by STRS Ohio or construed by any Participant as a recommendation for investment, and neither the Board nor STRS Ohio is empowered to advise a Participant as to the manner in which an Account shall be allocated among the Investment Choices. Notwithstanding the foregoing, the Board may offer managed account services to Participants through a third-party investment manager, which shall act as a fiduciary to each such Participant who utilizes the managed account services. If the Board has elected to make available managed account services or other investment advice services to Participants, such services shall be utilized only at the voluntary election of the Participant, and shall not limit the Participant's responsibility for the allocation of his or her Account in and among the Investment Choices.

- 5.6 Participants shall assume all risk in connection with the allocation of amounts in and among the Investment Choices and for any losses incurred or deemed to be incurred as a result of the Participant's allocation or failure to allocate any amount to an Investment Choice or any decrease in the value of any Investment Choice.

6.0 Performance Measurement Criteria and Evaluation Standards

- 6.1 The Board's investment consultant and STRS investment staff use a variety of performance measurement tools to monitor, measure, and evaluate Investment Choices, which the Board will review no less than annually.
- 6.2 To assist in the Board's review, the Board's investment consultant or other appropriate third party will provide:
- (a) Quantitative Monitoring. For each Investment Choice:
 - (i) Performance will be measured by total time-weighted rates of return net of investment management fees and all fund expenses and against each Investment Choice's respective *benchmark* and peer group median over rolling three- and five-year periods.
 - (ii) *Volatility* will be measured by the *standard deviation* of quarterly returns and should be reasonably comparable to each Investment Choice's respective benchmark and the respective peer group averages.
 - (b) Qualitative Monitoring. The following qualitative aspects will be reported on an *exceptions-based reporting* standard:
 - (i) Adherence to stated investment style and philosophy
 - (ii) Ownership stability and alignment of interests with investors
 - (iii) Retention and attraction of key investment professionals associated with the management of the Investment Choice
 - (iv) Absence of litigation that may have a material effect on future investment performance
 - (v) Disclosure of relevant information that may have an adverse impact on performance
- 6.3 STRS Ohio Investment staff will report the following:
- (a) Current Investment Choices
 - (b) Investment Choices added and rationale.
 - (c) Investment Choices removed and rationale.

APPENDIX A

Investment Choices

STRS Target Choice 2025
STRS Target Choice 2030
STRS Target Choice 2035
STRS Target Choice 2040
STRS Target Choice 2045
STRS Target Choice 2050
STRS Target Choice 2055
STRS Target Choice 2060
STRS Target Choice 2065
STRS Target Choice 2070
STRS Bloomberg U.S. Universal Bond Index
STRS Russell 1000 Index
STRS Russell Midcap Index
STRS Russell 2000 Index
STRS MSCI World ex USA Index
STRS MSCI ACWI ex USA Index
STRS REIT Index
STRS Money Market
STRS Large-Cap Core

Glossary

<i>Benchmark:</i> A standard by which investment performance can be measured and evaluated. For example, the performance of a <i>domestic equity</i> fund is often measured and evaluated relative to the benchmark performance of the Russell 3000 Index.
<i>Defined contribution:</i> A type of retirement plan in which the employer, employee, or both make regular contributions to an individual account, and the final benefit depends on the investment performance of those contributions. In a defined contribution plan, the contribution amounts are predetermined, but risk is borne by the investee and the retirement benefit is not guaranteed.
<i>Exceptions-based reporting:</i> A reporting method that highlights only data points or events that deviate from expected norms, thresholds, or predefined criteria.
<i>Domestic equity:</i> Investments that represent ownership in a U.S. company and therefore a proportional share of company profits. For example, owning common shares of General Motors Corporation is a domestic equity investment.
<i>Net Asset Value:</i> The market value of one unit of an Investment Choice on any given day.
<i>Defined Contribution Fund:</i> The legal and financial structure in which contributions of teachers participating in the Defined Contribution Plan are accumulated, together with any earnings and employer contributions credited thereon.
<i>Standard Deviation:</i> A statistical measure of the variability or dispersion of investment returns around their average. It indicates the degree of volatility or risk associated with an investment or portfolio: a higher standard deviation reflects greater return variability, while a lower standard deviation indicates more stable returns.
<i>Volatility:</i> Represents the degree of the dispersion of returns of an asset, market index or asset class. Volatility is commonly measured by calculating the annualized standard deviation of the returns over a given period of time.