



**STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

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**Senate Bill 6
Interested Party Testimony
March 14, 2023**

Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and Members of the Senate Finance Committee, the State Teachers Retirement System of Ohio (STRS Ohio) appreciates the opportunity to submit interested party testimony on S.B. 6. The bill requires the STRS Ohio Retirement Board (Board) to make investment decisions with the sole purpose of maximizing the return on its investments while not making investment decisions with the primary purpose of influencing any social or environmental policy, or attempting to influence the governance of any corporation.

The principal purpose for STRS Ohio is to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The system paid \$7.1 billion in service retirement benefits, survivor benefits, and disability benefits in fiscal year 2022, \$5.7 billion of which was distributed in Ohio. Investment income is crucial to the system's ability to pay these benefits as it funds the greater part of benefits STRS Ohio pays to its members.

STRS Ohio holds its nearly \$89 billion of assets in trust for the exclusive benefit of its approximately 500,000 members and retirees. Board members are fiduciaries charged by statute to "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" (R.C. 3307.15; *emphasis added*).

To fulfill its statutory duties, the Board has established a Statement of Investment Objectives and Policy to govern the investment of the funds. The objectives and policies are intended to allow the system to achieve its long-term actuarial objective of earning at least a 7.00% annualized rate of return, at an acceptable level of risk. Investment decisions are made based on whether investment staff believe a specific investment will increase the value of the system's assets at an acceptable level of risk. The system does not make investment decisions based on

influencing social or environmental policy, nor to attempt to influence the governance of a corporation.

Senate Bill 6, as introduced, appears to be consistent with the Board's fiduciary duties and current investment practices. We would, however, caution against any legislative investment mandates that require the system to divest from or invest in any company based on non-pecuniary interests, which would impede the system's ability to maximize investment returns while taking an acceptable level of risk.

Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and Members of the Senate Finance Committee, thank you for this opportunity to submit interested party testimony on S.B. 6.

Respectfully submitted by William J. Neville, Executive Director.