



**STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

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August 26, 2022

CFA Institute
Global Investment Performance Standards
Re: GIPS Exposure Draft on Benchmarks for Asset Owners
915 East High Street
Charlottesville, VA 22902

To: GIPS Executive Director and Staff:

The State Teachers Retirement System of Ohio (STRS Ohio) appreciates the opportunity to comment on the GIPS Exposure Draft Guidance Statement on Benchmarks for Asset Owners. STRS Ohio is a multiple employer cost sharing plan with approximately \$90 billion in assets, 1,100 employers, and 515,000 active, inactive and retired educators. STRS Ohio also provides optional healthcare coverage to retired educators. STRS Ohio does not compete for business or manage any tax-advantaged deferred compensation retirement plans. STRS Ohio has been complying with the GIPS standards for several years and was one of the first asset owners to undergo this endeavor. Please see our responses below to the questions included in the Exposure Draft.

Question – page 10

Do you believe that asset owners commonly use custom benchmarks that reflect the deduction of fees or expenses?

Response:

Some well-established private industry benchmarks reflect the deduction of fees and expenses and these are commonly used by asset owners as well as traditional asset managers.

Question – page 12

Do you believe that benchmarks adjusted for leverage should be allowed to be presented in GIPS Asset Owner Reports? Which disclosures are necessary to accompany this type of benchmark?

Response:

Yes, they should be permitted. A detailed disclosure of the methodology or policy and associated investment strategy should be required.

Question – page 13

Do you agree with the types of benchmarks used by asset owners? Should we modify any explanations of the benchmark types? Are any benchmark types missing?

Response:

Yes, we agree with the types of benchmarks provided in the Guidance Statement. No modification are needed to the explanations and we are not aware of any benchmark types missing.

Question – page 16

Do you agree that asset owners should be allowed to change asset class weightings incrementally to include interim weights in order to match the total fund weights in GIPS Asset Owner Reports, rather than using a policy weight benchmark? Which disclosures are necessary to accompany this type of benchmark?

Response:

STRS Ohio does not have experience with using interim actual weights for the total fund blended benchmark. Our experience is similar to section k on page 16 where strategic asset allocation changes are often phased in the form of predetermined monthly policy weight changes.

We would recommend disclosure of the approach, rationale and periods of the transition.

Question – page 16

Do you agree that asset owners should be able to present an actual-weight benchmark in GIPS Asset Owner Reports instead of a policy weight benchmark? Which disclosures are necessary to accompany actual-weight benchmarks?

Response:

Yes, STRS Ohio uses actual weights within certain asset class blended benchmarks that are used in the total fund blended benchmark. This is common practice to allow flexibility in executing investment strategies within the approved target policy range.

Question – page 17

Do you agree that asset owners should be allowed to present a lagged benchmark to match the date of lagged valuations in the asset class of a total fund or additional composite? Which disclosures are necessary to accompany a lagged or partially lagged benchmark?

Response:

STRS Ohio believes that asset owners should present a lagged benchmark to match the date of lagged valuations in the asset class of a total fund. In private markets, lagged benchmarks are common and allow for comparability to the actual portfolio performance which is also lagged.

Comment – page 18

When including a private market investment benchmark as one component of a blended policy benchmark for the total fund, the asset owner must include a time-weighted return (TWR) benchmark for this component. Asset owners must not combine TWRs with MWRs when creating a blended benchmark return.

Response:

STRS Ohio agrees that time-weighted rates of return should be used for the underlying asset classes within the total fund actual return. Some private market investment benchmarks may calculate a proxy for a time-weighted return which is appropriate.

We appreciate the opportunity to comment on the GIPS Exposure Draft Guidance Statement on Benchmarks for Asset Owners. If you have any questions, please feel free to contact Jeff Lieser at LieserJ@strsoh.org or Lynn Hoover at HooverL@strsoh.org.



Lynn Hoover

Deputy Executive Director, Finance & CFO