

**Date:** February 18, 2026  
**To:** Board of Retirement  
**From:** Doris L. Rentschler, Executive Director  
**Subject:** State Teachers Retirement System of Ohio (STRS Ohio) Case Study

**Recommended Action:**

None. Informational.

**Fiscal and Financial Impacts:**

There is no financial impact to receiving this report.

**Strategic Plan Importance and Risk Assessment:**

While not directly associated with the Board's Strategic Plan, this topic relates to fiduciary duty and best practices and provides a review of important governance documents..

**Background and Discussion:**

The State Teachers Retirement System of Ohio has faced many challenges over the past decade including a 5-year suspension of the retiree COLA, resignation of consultants, staff and board members, and a divided board. The attached case study summarizes issues related to investment decisions, fiduciary duty and governance.

**Attachment:** State Teachers Retirement System of Ohio Case Study

# State Teachers Retirement System of Ohio Case Study

## Introduction

The information below is based on an actual case involving the State Teachers Retirement System of Ohio. There is a trial pending in which the Ohio Attorney General brought a civil action against two trustees of the system alleging, among other things, breach of fiduciary duty. The trial is completed, and the parties are awaiting the Judge's decision. The information below was obtained from a variety of public sources and may not be 100% accurate.

The purpose of this exercise is for you to think about how your Board makes investment decisions and identify what policies are in place so that these decisions are made in a manner consistent with your fiduciary duty and the principles of good governance.

Issues facing the State Teachers Retirement System of Ohio (STRS Ohio) are too numerous to discuss in full at this meeting. Issues range from political efforts to restructure the board, influence over the board, transparency and governance concerns, compensation of investment staff, fees of alternative investments, resignation of board members, consultants, and staff, allegations of corruption, changes to member benefits, and a lawsuit alleging breach of fiduciary duty.

This case study summary focuses on the fiduciary, governance, and transparency issues surrounding two trustees who were trying to get their board to direct up to \$65 billion (70% of the fund) to an investment management firm called QED.

## About STRS Ohio

STRS Ohio is a defined benefit plan (retirement, disability, death, and healthcare benefits) serving 543,000 public educators and their families. At June 30, 2025, STRS net position was \$101.8 billion, making it one of the top 20 largest pension plans in the U.S. STRS Ohio is run by an 11-member board of appointees and elected active and retired educators.

Board members Wade Steen and Dr. Rudy Fichtenbaum were part of a faction known as "reformers" who pushed for reinstatement of the COLA (suspended for 5 years starting in 2017), changes to investment staff compensation, change in investment allocation, and greater transparency. Those in favor of the status quo, including some board members and STRS' investment staff, wanted to retain active management of funds. STRS Ohio manages a significant portion of their portfolio in-house. STRS' SEC filings disclosed 2,226 holdings as of September 30, 2022.

Fichtenbaum is an economist and professor emeritus at Wright State University. Steen is chief financial officer for Cleveland Metro Parks and the former Franklin County Treasurer. Steen was appointed to the STRS board by Governor Kasich in 2016 and reappointed by Governor DeWine in 2020. Steen was removed from the board by Governor DeWine in April 2023. Steen challenged the removal and was reinstated by the court in April 2024.

## Who is QED?

QED is a private investment firm, co-founded by Jonathan (JD) Tremmel and Seth Metcalf. Mr. Metcalf is the former Ohio Deputy Treasurer and former Ohio Public Employees Retirement System Board member. At the time, the proposal raised several red flags, including QED sought to manage a significant portion of STRS assets (up to \$65 billion, 70% of the fund), the startup firm had no clients, had no track record, was not registered with the SEC, and per one source, did not own the technology to facilitate the strategy.

Proponents of the QED proposal counter the lack of clients and track record argument by noting that the QED investment team was slated to include [Robert Goobie, portfolio manager](#) of the successful [Healthcare of Ontario Pension Plan \(HOOPP\)](#), and [Jim Keohane, retired CEO](#) of HOOPP, both of whom have significant investment management experience.

Cliffwater was STRS Ohio's alternative investment consultant. Cliffwater analyzed the QED proposal for STRS Ohio. Neither QED's 2020-2021 proposal nor the Cliffwater report are publicly available. Based on limited information available in news reports, QED's investment proposal appears to be the use of derivatives in a bond swap strategy. In an interview, Cliffwater CEO Steven Nesbitt cited QED's lack of past experience and performance record as reasons not to do business with QED, despite his knowledge of HOOPP's performance and the experience HOOPP personnel would bring to QED.<sup>1</sup> QED proposal appears to differ from the investment philosophy at HOOPP.

The two trustees' plan to hire QED as an investment manager became the centerpiece of a broader reform movement within STRS Ohio. Some reformers saw QED as a path to higher returns. However, the investment strategy, a bond swap strategy involving derivatives, is only a small part of the issue. It's argued that QED's influence compromised the independence of the board and the reform agenda.

The following Copilot AI generated summary uses news coverage and STRS Ohio statements regarding QED's proposal and Cliffwater's analysis.

<b>Aspect</b>	<b>QED’s Position/Claims</b>	<b>Staff/Consultant Objections</b>
<b>Core promise</b>	Strategy could boost STRS returns and improve long-term performance.	Promised benefits were not supported by a verifiable track record.
<b>Risk profile</b>	Framed as risk-mitigating, diversifying, and portfolio-stabilizing.	Belief that QED understated or mischaracterized risk; strategy unproven.
<b>Track record</b>	Leaned on founders’ prior experience rather than QED’s own history.	No institutional clients, no audited performance—too new for a pension fund.
<b>Transparency and detail</b>	Presented as sophisticated and data-driven.	Staff/Cliffwater reportedly found the proposal too vague to validate claims.
<b>Operational strength</b>	Claimed capability to manage a sizable mandate.	Concerns about governance, infrastructure, and ability to handle pension-scale assets.
<b>Comparative value</b>	Pitched as a unique, high-value opportunity for STRS.	Viewed as not competitive with other available, more established options.

Information contained in the summary above has not been independently confirmed by MCERA.

**Board Turmoil and Influence over STRS Governance**

In a 14-page memo, a whistleblower (later identified as STRS Ohio’s Chief Legal Counsel, Stacy Wideman) describe the situation as a “hostile takeover of a public pension by private interests.” The memo alleged that the investment proposal was unsafe which became the catalyst for accusations of corruptions, improper influence, undisclosed coordination, and breach of fiduciary duty which formed the basis of for an investigation by the Ohio Attorney General.

In 2022, STRS Ohio hired Funston Advisory services to conduct a fiduciary performance audit. Recommendations included “revitalizing” the investment and audit committees and creating a board governance committee. STRS Ohio retained Aon Fiduciary Services to implement Funston’s recommendations. “Aon had already made recommendations on committee structure and made a presentation at the April 18, 2024, board meeting on enterprise risk management recommendations, and it had the development of a long-term strategic plan as part of an agenda of future actions.”<sup>2</sup>

Cliffwater decided not to submit a proposal in response to the 2023 RFP to continue as STRS Ohio’s alternative consultant. Callan was the only firm to respond and was selected as STRS’ alternative investment consultant in April 2023. At that time, Callan was also

serving as general investment consultant. In April 2024, STRS hired Meketa as their new general investment consultant. Callan continues to work as STRS' alternative investment consultant. Additional resignations of consultants, staff, and board members further highlights the tumultuous environment and governance concerns during this time.

On April 18, 2024, a court ruled in favor of Wade Steen in the suit challenging his removal from the STRS Ohio Board. Mr. Steen arrived at the April 18<sup>th</sup> meeting mid-meeting to reclaim his seat. Aon resigned at that meeting.

### **Legal Battle**

Ohio Attorney General (AG), Dave Yost, filed a civil action alleging, among other claims, that Steen's and Fichtenbaum's attempt to convince the Board to allow QED to invest up to \$65 billion (70%) of STRS assets was a breach of their fiduciary duty.

The suit includes allegations of improper coordination by Steen and Fichtenbaum with QED by engaging in undisclosed meetings and communications and attempting to maneuver control of the Board toward QED's interests.

Text messages released in AG's civil litigation show that QED associates coached board member, Wade Steen, on what to say, drafted documents for him to introduce at board meetings, and pushed him to follow their plan for reshaping STRS decision-making by provided talking points and strategic direction. Even after Yost filed the lawsuit in May, Fichtenbaum talked to QED leaders more than two dozen times throughout the following month and a half.”<sup>3</sup>

The suit concluded October 31, 2025 and is waiting the judge's decision.

**CITATION LIST and Reference Articles** This is in reverse chronological order.

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<sup>3</sup>Trau, M. (2024, August 23). Ohio AG Yost files subpoenas in teachers pension scandal; investment firm responds. News 5 Cleveland. <https://www.news5cleveland.com/news/politics/ohio-politics/ohio-ag-yost-files-subpoenas-in-teachers-pension-scandal-investment-firm-responds>

<sup>2</sup>Kozlowski, R. (2024, May 1). Ohio State Teachers loses Aon as consultant amid board turmoil. Pensions&Investments. <https://www.pionline.com/pension-funds/aon-resigns-governance-consultant-ohio-state-teachers-amid-board-turmoil/>

Trau, M. (2024, May 20). The alleged 'backdoor ties' between retired teachers' pension fund and investment firm. <https://ohiocapitaljournal.com/2024/05/20/the-alleged-backdoor-ties-between-retired-teachers-pension-fund-and-investment-firm/>

<sup>1</sup>Damschroder, J. (2021, November 24). Freemont News Messenger. Damschroder: Ohio SR spells conflict. <https://www.thenews-messenger.com/story/news/2021/11/24/damschroder-ohio-str-spells-conflict/8679909002/>