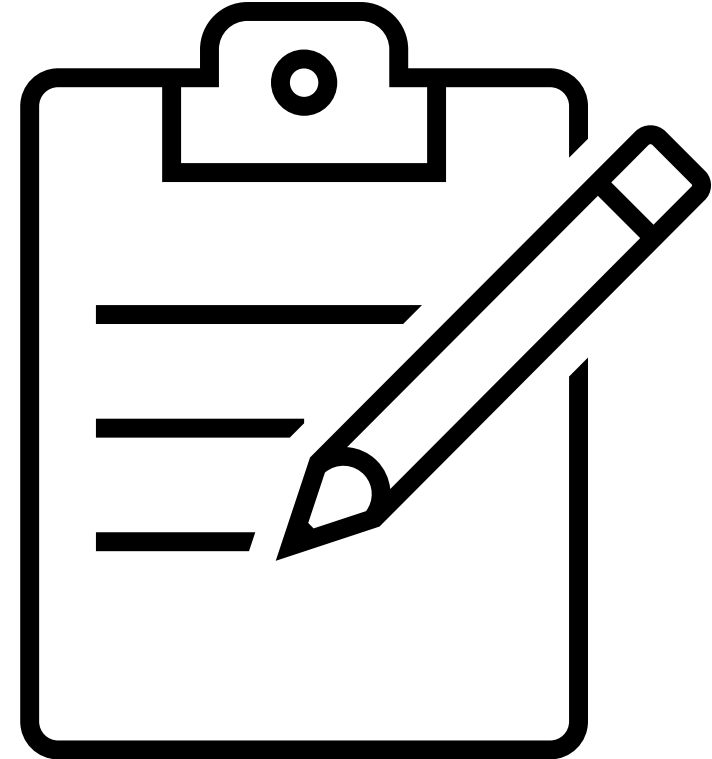




# **Non-Social Security State Teachers' Pension Benefits Discussion**

**Feb. 16, 2023**

- **Overview of Systems**
- **Benefit Package**
- **Plan Resilience**
- **Additional Variables**



- Review non-Social Security states with teachers-only systems and similar governance structure

California

Kentucky

Massachusetts

Connecticut

Louisiana

Missouri

Illinois

Texas

Ohio

- Data is gathered through system websites and financial reports associated with each system

# Benefit Package for a New Member



Teacher's System	Multiplier	Final Average Salary (years)								
California	2.0%	3 years								
Connecticut	2.0%	3 years								
Illinois	2.2%	8 years								
Kentucky	<table border="0"> <tr> <td style="text-align: center;"><u>At 57</u></td> <td style="text-align: center;"><u>At 65</u></td> </tr> <tr> <td>1.70% for first 20 years</td> <td>1.9% for first 20 years</td> </tr> <tr> <td>1.95% for next 10</td> <td>2.15% for next 10 years</td> </tr> <tr> <td>2.25% for excess</td> <td>2.40% for excess</td> </tr> </table>	<u>At 57</u>	<u>At 65</u>	1.70% for first 20 years	1.9% for first 20 years	1.95% for next 10	2.15% for next 10 years	2.25% for excess	2.40% for excess	5 years
<u>At 57</u>	<u>At 65</u>									
1.70% for first 20 years	1.9% for first 20 years									
1.95% for next 10	2.15% for next 10 years									
2.25% for excess	2.40% for excess									
Louisiana	2.5%	5 years								
Massachusetts	2.5% after age 67 cap at 80% FAS	5 years								
Missouri	2.5%	3 years								
Ohio	2.2%	5 years								
Texas	2.3%	5 years								

# Benefit Package for a New Member



Teachers' System	COLA Provisions	Unreduced Eligibility Requirements
California	2% simple (purchasing power 85%)	Age 62/5 years
Connecticut	Lesser of SS increase and 5%	35 years or age 60/20 years
Illinois	Lesser of 3% or half the CPI	Age 67/10 years
Kentucky	1.5% annually (July 1 pay)	Any age/27 years or age 60/5 years
Louisiana	Lesser of 3% and CPI	Age 62/5 years
Massachusetts	State Budget approval	Age 67/10 years
Missouri	0% if CPI is less than 2% 2% if CPI is 2% to 5% 5% if CPI is >5%	30 years or age 60/5 years service or Rule of 80
Ohio	Statute/actuarial limits	35 years or 65/5 years
Texas	Limited COLA	Age 65/5 years or 62/Rule of 80

- **Eligibility for unreduced benefit**
  - Key component in most pension reform changes
  - Some systems have multiple tiers which require later age or more service for new member eligibility
  - Many different age and service combinations for eligibility among the systems and within the different tiers of those systems
  - Rule of X retirement eligibility option is used by two of the systems
    - Texas and Missouri

# Plan Resilience



Teachers' System	Employee Contribution	Employer Contribution	Additional Funding (State)
California	10.205% (member pays half of the normal cost)	16.92%	8.33% (plus 2.18%)
Connecticut	7.00%	0.00%	32.14%
Illinois	9.00%	0.86%	49.80%
Kentucky	9.775%	9.78%	Ad hoc
Louisiana	8.00%	24.00%	0.00%
Massachusetts	11.00% (reduced by 3% after 30 years)	0.00%	Statute requires all actuarially determined ER contributions paid on behalf of member ERs
Missouri	14.50%	14.50%	0.00%
Ohio	14.00%	14.00%	0.00%
Texas	8.00%	1.8%	7.75%

# Plan Resilience

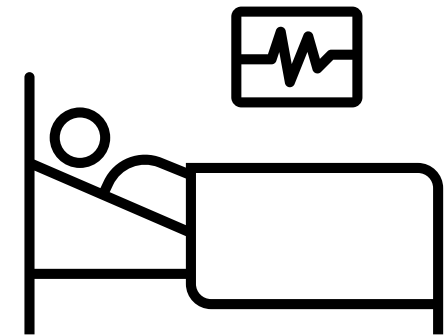
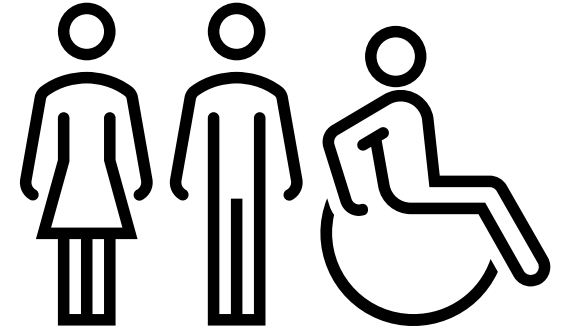


Teachers' System	Contribution Details	Variable Benefits (Y/N)
California	Actuarially determined	Yes
Connecticut	Actuarially determined	Yes
Illinois	Actuarially determined	Yes
Kentucky	Actuarially determined	Yes
Louisiana	Actuarially determined	Yes
Massachusetts	Actuarially determined	Yes
Missouri	Actuarially determined	Yes
Ohio	Fixed in statute	No
Texas	Fixed in statute	No

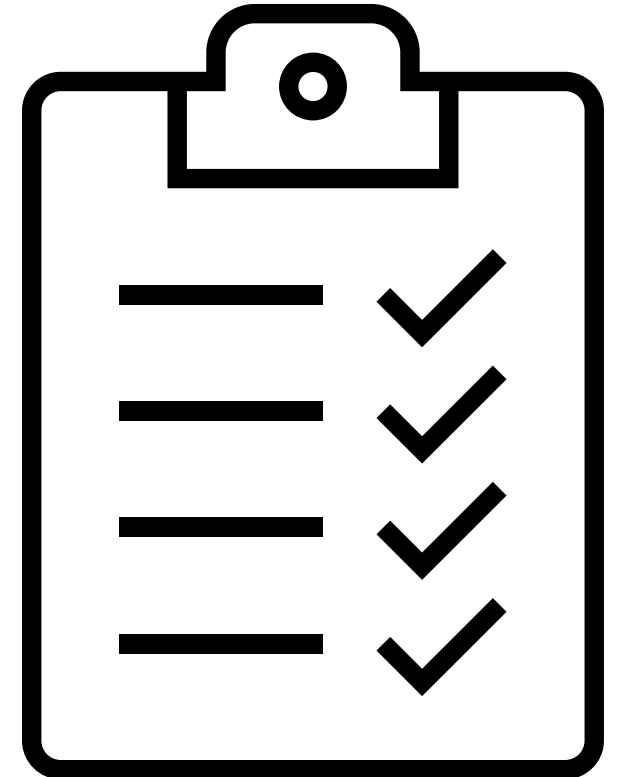


Teachers' System	Funded Ratio	Member/Recipient Ratio
California	73%	1.43
Connecticut	54%	1.33
Illinois	44%	1.24
Kentucky	56%	1.28
Louisiana	72%	1.05
Massachusetts	59%	1.35
Missouri	86%	1.17
Ohio	79%	1.11
Texas	79%	1.95

- **Demographic differences/variations**
  - Average entry level teacher salary
  - Average age of retirement
  - Cost of living
  - Average age of death for women
- **Retiree health provided by the system**
  - Ohio, Connecticut, Illinois, Texas



- **None of the systems align perfectly**
  - The systems each have unique structures and funding streams
  - Most of the systems have tiers in a variety of their benefits, including with how COLAs are distributed
  - Demographics are as similar as possible and yet still vary
  - Many systems have replacement ratios below 60% of income earned at retirement



**Questions?**

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