



Upcoming studies to provide STRS Ohio guidance on funding, return expectations, system operations

As STRS Ohio approaches the end of fiscal year 2021 (June 30), plans are already in the works for several important studies set to kick off in fiscal year 2022. The current year has been notable as most of STRS Ohio staff is working from home and still providing a high level of service to our members, employers and stakeholders. It has also been a strong year for investment returns. The retirement system pays about \$7.4 billion in benefits and collects about \$3.4 billion in contributions, so investment returns are vital to the health of the pension fund.

STRS Ohio looks forward to the guidance these audits and studies will provide what is expected to be the next nine-to-18 months. Here is a brief description of the upcoming work:

- **Asset-Liability Study** — This study is conducted by STRS Ohio's investment consultant every five years to help determine investment risk-return expectations. It will help the board choose the asset mix for the fund and will set a reasonable investment return expectation. The board's investment and actuarial consultants have said they expect lower than normal investment returns over the next 10 years. The study will begin this fall.
- **Actuarial Experience Review** — Conducted by the system's actuarial consultant every five years, the experience review looks at all economic and demographic assumptions the system uses and compares them to the system's actual experience over the past five years. Economic assumptions include the return on assets, inflation rate and the rate of active members' salary increases and payroll growth. Demographic assumptions include retirements, disability inception, withdrawals and mortality (the number of deaths among active members and benefit recipients). This study helps the board decide the assumptions used to evaluate the funded status. Changes to the actuarial assumptions impact STRS Ohio's funded status. This study will begin in the fall.
- **Fiduciary Audit** — The Ohio Retirement Study Council (ORSC) periodically selects an independent auditor to critically review and evaluate the organizational design, structure and practices of Ohio's five statewide public retirement systems. STRS Ohio's audit is expected to begin later this calendar year.
- **Actuarial Audit** — The ORSC also periodically selects an actuary to provide an independent review of the work of STRS Ohio's consulting actuary (Cheiron). This audit is expected to begin later this calendar year.
- **Pension and Health Care Valuation Reports** — Cheiron produces an annual report that provides a detailed look at the financial and actuarial health of the pension and health care funds at fiscal year end. Cheiron will share the results in October, including the funded ratio and funding period for each fund. The **funded ratio** is, essentially, the assets on hand in the fund versus the value of the benefits expected to be paid. The **funding period** is a measure of how long it will take to reach a funded ratio of 100% if all future experience matches assumptions.

STRS Ohio staff will be working closely in the months ahead with the various consultants and independent reviewers to provide the information necessary to complete these reviews. We will share results of the studies through our newsletters, website and **eUPDATE** email news service.

STRS Ohio member services remain available online

STRS Ohio continues to offer our members one-on-one retirement counseling and group education opportunities as we begin to transition back to work at our Columbus office. Members can schedule an appointment through their Online Personal Account or by calling STRS Ohio toll-free at 888-227-7877. In addition, a listing of webinars is available on the STRS Ohio website at www.strsoh.org. (See additional details on Page 3.)

Individual appointments can be scheduled as a teleconference or videoconference using Zoom. In person appointments are not available at this time, and our Columbus office remains closed to visitors for now. STRS Ohio staff continues to provide the services that our members value. The STRS Ohio Member Services Center is fully staffed each business day and many STRS Ohio services — including applying for benefits, scheduling appointments and updating contact information — can be completed on our website through a member's Online Personal Account. Most forms and publications are also available on the website.

Inside This Issue

Investments and financial news	Page 2
Final average salary limits	Page 2
Member survey results	Page 3
Member education opportunities	Page 3
Retirement Board meetings posted online	Page 4
Retirement Board election results	Page 4

Study shows STRS Ohio investment returns rank in the top 10% while investment costs remain low

In March, CEM Benchmarking, a leading global research company, shared the results of its annual Investment Cost Effectiveness Analysis Report. The report compared investment data — both performance and cost data — from more than 300 pension funds, including about 150 U.S. pension funds. The study showed that for the five-year period ending Dec. 31, 2019, STRS Ohio's net total fund return of 8.2% placed in the top

10% of CEM's database. The report said STRS Ohio's performance was due in part to having a higher allocation to one of the better performing asset classes of the past five years (U.S. stocks) and a lower allocation to one of the weaker performing asset classes during this time span (fixed income).

The Investment Cost Effectiveness Analysis Report showed that for the five-year period ending Dec. 31, 2019, STRS Ohio's net total fund return of 8.2% placed in the top 10% of CEM's database.

The report also noted STRS Ohio's active management of pension fund assets, rather than relying exclusively on passive management, added an estimated \$900 million in value to the fund during the five-year period. The study's cost analysis shows STRS Ohio's costs were lower than most peers due mostly to STRS Ohio's low cost implementation style (managing about 70% of assets in-house) and paying less than peers for similar services. The report estimated STRS Ohio saved about \$115 million in calendar year 2019 by using the internal management approach. This figure is based on the peer group's median external management costs.

Retirement benefit can be affected by final average salary limits

Are you planning on retiring in the next several years and considering taking on additional duties to increase your salary? STRS Ohio wants you to know there are limits on earnings that are used to calculate the final average salary (FAS) that is included in the retirement benefit formula.

The FAS is the average of your five highest years of earnings, but it is subject to certain limits required by law to help ensure that members' retirement benefits have been properly funded. If you work extra duties, it may benefit you by providing extra salary during your working years but may not increase your FAS at retirement. Don't let FAS limitations catch you by surprise. Your FAS will be limited if the extra earnings you receive cause the percentage increases in your two highest years of earnings to be greater than the increases in the three years that immediately precede the earlier of the two highest years. Compensation for a partial year of service may also be limited.

Examples of extra duties in the two highest years of earnings that may trigger a limit to your FAS include:

- **Accepting a supplemental contract, summer school teaching (K-12) or summer session (college and university).**
- **Assuming extra duties that required working extra days or hours.**
- **Working additional duties for three years, but not teaching through the last day of the school year in the last year.**
- **Performing services for the school district for years with no pay and then getting paid for those duties only in the last year, last two years or last two years and a partial year.**

- **Receiving a supplemental contract for services performed as a mentoring teacher as part of the licensing requirement for teachers in your district.**
- **Working overload assignments in addition to your regularly salaried employment, even if that was required.**
- **Accepting new employment or more pay in a position covered by the Ohio Public Employees Retirement System or the School Employees Retirement System in addition to your employment covered by STRS Ohio.**
- **Accepting an interim or short-term position that results in a significant increase in pay.**
- **Accepting a new part-time position with another STRS Ohio-covered employer.**

These are some of the more common reasons for FAS limits, but they are not the only reasons. Please note — while all of these earnings may not be included in your FAS, at least a portion of the earnings are included in many cases, which could result in a higher FAS than if the extra duties had not been performed.

Please be sure to discuss your retirement with an STRS Ohio benefits counselor at least twice before retirement. If you earn additional amounts beyond your contract for regular teaching duties, you should talk with a counselor at least four years before you retire. Also, if you do not plan to work through the last day of your contract in your last year of teaching, be sure to discuss this plan with a benefits counselor before your retirement. For more information or to schedule a counseling session, call STRS Ohio toll-free at 888-227-7877.

MEMBER EDUCATION OPPORTUNITIES

Join us online for retirement planning opportunities this summer

STRS Ohio offers a variety of virtual educational opportunities you can access using your home computer or mobile device. This summer, stay connected with STRS Ohio online. See below for more information.

Benefits counseling teleconference or videoconference

We recommend benefits counseling three years before and again six to 12 months before retirement. During this virtual appointment a benefits counselor will prepare and review your retirement benefit estimate, benefits information and retirement application processes and deadlines. Videoconferences are conducted using Zoom software. This summer, appointments are available Monday–Friday, between 7:45 a.m. and 5 p.m.

Online learning

STRS Ohio offers a variety of on-demand videos to help active members throughout their careers, including: *Retirement Plan Options*, *Getting Retirement Ready*, *Supplemental Retirement Plans* and more. Visit our Video Library at www.strsoh.org.

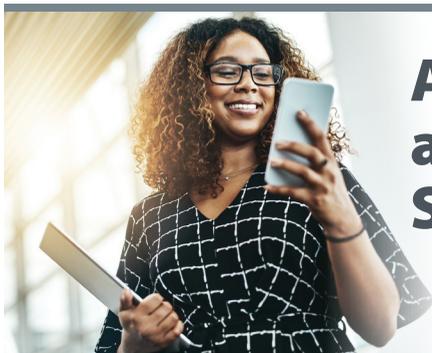
Webinars

Financial Fitness: Your Pathway to Retirement

This webinar is targeted to members who are early- to midcareer. Learn about your STRS Ohio benefits, as well as how to improve your overall financial health by budgeting and eliminating debt and integrating other retirement income sources. This webinar will be offered at **10 a.m.** on the following dates: **July 8, 22, 27.**

Registration

To register for a webinar, go to www.strsoh.org and click on “Counseling & Seminars.” To make a virtual counseling appointment, use your Online Personal Account or call 888-227-7877 (toll-free).



Account statements available online in September

The *Annual Statement of Account* as of June 30, 2021, will be posted to member Online Personal Accounts in mid-September. This yearly progress report on account status can be a helpful resource in retirement planning. It includes information pertaining to account balance, years of service and projected STRS Ohio retirement benefits. Members who have provided STRS Ohio with an email address will receive an email in September when the statement is available for viewing.

STRS Ohio account details are always available in the online account area, where members can also apply for service retirement or account withdrawal, access benefit calculators, make a benefits counseling appointment and change beneficiaries. To register for an online account, go to www.strsoh.org, select “**LOGIN**” in the upper right corner of the screen and then “**Register now.**”

Survey results continue to reflect positive impressions of STRS Ohio

Member research conducted in fall 2020 show that more than nine out of 10 retirees and eight out of 10 active members have positive overall impressions of STRS Ohio. The results are based on a random sample of 302 retired members of the system and 303 active members, giving the survey results a sampling error of no more than plus/minus 5.7 percentage points. Other findings from the survey included:

-  **85% of retirees and 78% of active members agree that STRS Ohio has earned the trust and confidence of its members.**
-  **About eight out of 10 retirees see the amount of their contributions relative to the pension benefits they receive as an excellent or good value.**
-  **Most members report positive overall impressions of the Retirement Board.**
-  **About 90% of active and retired members believe STRS Ohio is open and honest in its communications and believe STRS Ohio keeps them well informed about pension- and retirement-related issues.**
-  **About 80% of active members indicate they are setting aside additional savings for retirement beyond their contributions to STRS Ohio.**
-  **About 90% of retiree households have at least one source of income in addition to their STRS Ohio pension; 76% report having at least two additional sources of income beyond their STRS Ohio pension (investments, Social Security and spouse’s pension are the most common sources cited). On average, retirees indicate STRS Ohio provides about 60% of the total household income.**



State Teachers Retirement System of Ohio
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Columbus, OH 43215-3771

STRS Ohio *News*

Newsletter for Active Members

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RESOURCES



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www.strsoh.org
24 hours a day
contactus@strsoh.org to email



CALL

Member Services Center
888-227-7877 (toll-free)
614-233-8713 (fax)
8 a.m. to 5 p.m. Monday through Friday

SOCIAL



Retirement Board's virtual meetings recorded, posted to system website

The State Teachers Retirement Board has met virtually since its May 2020 meeting, with meetings open to the public via a link to GoToWebinar. The link is available through the Public Meeting Notice that is posted on the system's website (www.strsoh.org). STRS Ohio posts a recording of the meeting along with the meeting presentations on the Most Recent Board Meeting Materials page on our website in the Retirement Board section (www.strsoh.org/aboutus/board/materials). The recordings are available early in the week following the board meeting to allow for closed captioning to be added.

Correthers, Fichtenbaum, Stein win seats on Retirement Board

Contributing teacher member Carol Correthers was reelected to the State Teachers Retirement Board in the 2021 election that concluded on May 3. Correthers is an intervention specialist for emotionally disturbed students for Lorain City Schools. In the contest for the two retired member seats, Rudy H. Fichtenbaum was elected to his first term on the Retirement Board. He retired from Wright State University, where he was an economics professor. Robert Stein was reelected to a retiree seat on the board; however, he has resigned his position on the board and will no longer serve as a board member. STRS Ohio is reviewing the procedures for filling this vacant seat and will communicate this with membership.

The term for these seats runs from Sept. 1, 2021, to Aug. 31, 2025. Board members receive no compensation for service on the board other than reimbursement for actual, necessary expenses.

STATE TEACHERS RETIREMENT BOARD

Rita J. Walters, Chair
Retired Teacher Member

Robert A. McFee, Vice Chair
Contributing Member

Carol Correthers
Contributing Member

Paolo DeMaria
Superintendent of
Public Instruction

Claudia Herrington
Appointed Member

Arthur Lard
Contributing Member

Yoel Mayerfeld
Appointed Member

Dale Price
Contributing Member

Jeffrey Rhodes
Contributing Member

Wade Steen
Appointed Member



William J. Neville,
Executive Director