



Update provided on pension system's financial condition



STRS Ohio's total fund return for the year ending June 30, 2017, was **+14.29%**; its **highest return since fiscal 2014**. While the investment returns are good news for the retirement system, STRS Ohio still needs to improve on its estimated funded ratio of about 75%.

The most common ways to express the system's financial condition are through the **funded ratio** (the value of assets compared to actuarial accrued liabilities — benefits earned by members of the system) and the **funding period** (the amount of time needed to pay off the system's unfunded liability under current assumptions and benefit levels). The July 1, 2017, annual pension valuation report for STRS Ohio showed the funded ratio improved to 75.1% from 69.6% last year. The funding period also improved, decreasing to 18.4 years from 26.6 the previous year.

Two actions of the State Teachers Retirement Board in 2017 had a significant impact on these numbers: changes in the actuarial assumptions (used to calculate pension liabilities) and the reduction of future cost-of-living adjustments for benefit recipients.

Following the five-year experience study (that measures the system's economic and demographic assumptions versus actual experience over the past five years) and recommendations of the board's actuarial consultant Segal Consulting, the board approved adjustments to

the system's actuarial assumptions last spring. These new assumptions include: reducing the expected investment return to 7.45%, updating to generational mortality tables to recognize that STRS Ohio retirees are living longer, reducing the inflation assumption and reducing overall expected payroll growth.

The new assumptions resulted in additional liabilities that took STRS Ohio outside the parameters established in the board's funding policy and beyond the 30-year funding target in Ohio law. The board recognized that benefit plan design changes were necessary to preserve the fiscal integrity of the pension fund. Without the board's action last spring to reduce cost-of-living increases granted on or after July 1, 2017, to 0%, STRS Ohio's funded ratio would be just 66.6% and the funding period would have increased to 50.4 years, versus the 75.1% and 18.4 years reflected in the latest pension valuation report.

STRS Ohio's mission is to partner with our members in helping to build retirement security and the system is committed to funding sustainable benefits for active members and retirees of the system. In efforts to keep members abreast of important system news, STRS Ohio continues to share information via its member newsletters, website, social media channels and *Board News* (which summarizes actions and discussions from board meetings).



Plan adopted for 2019 and beyond to extend life of Health Care Fund

A new health care premium subsidy strategy for benefit recipients enrolled in the STRS Ohio Health Care Program will go into effect in 2019. Benefit recipients enrolled in an STRS Ohio health care plan under Medicare will receive a premium subsidy that will grow with health care inflation up to a cap of 6%. Non-Medicare enrollees will receive the same subsidy dollar amounts that are offered in 2018; however, this dollar amount will not grow with inflation in the future.

Since STRS Ohio health care plan enrollees are eligible for Medicare for most of their retirement years, the State Teachers Retirement Board's approved subsidy plan will offer greater protection against health care inflation for Medicare enrollees than for non-Medicare enrollees. The plan is projected to extend the solvency of the Health Care Fund to 2047 and does not apply to the 2018 health care plan or premiums. The fund previously was estimated to remain solvent through 2034.

Benefits counseling helps members prepare for retirement



STRS Ohio recommends that members meet with a benefits counselor at least three years before retirement and again six to 12 months from retirement. During this session, the counselor will: review account information, provide a retirement benefit estimate, explain STRS Ohio benefits, review STRS Ohio Health Care Program information, discuss purchasable service credit and review application processes and deadlines.

A schedule of upcoming dates for meetings around the state is available at www.strsoh.org in the During Your Career section — click on “Counseling & Seminars” and “Individual Counseling.” Members can schedule an appointment using the Online Personal Account area of the website or by calling toll-free 888-227-7877. They can also use the toll-free number to make an appointment at STRS Ohio’s Columbus office or to schedule an individual teleconference appointment time.



Retirement preparation programs for members

STRS Ohio’s newest seminar — **Financial Fitness: Your Pathway to Retirement** — is targeted to members enrolled in the Defined Benefit and Combined Plan, in the early to mid-stages of their careers. The seminar focuses on helping members improve their financial health and build a secure retirement. Content includes:

- Understanding STRS Ohio benefits.
- Budgeting and eliminating debt.
- Projecting financial needs and integrating other sources of income in retirement.
- Retirement savings options, asset allocation models and finding the right investment mix.

For Defined Benefit Plan members retiring in 12–18 months, STRS Ohio offers the **Retirement Countdown** program. Members receive information to help guide them through the retirement process, including:

- Completion of the online *Service Retirement Application*.
- Plan of payment options.
- Enrollment in the STRS Ohio Health Care Program.

Financial Fitness and *Retirement Countdown* are held throughout the state as STRS Ohio-sponsored programs. Members can view a schedule of upcoming dates and locations at www.strsoh.org (in the During Your Career section) and can register using an Online Personal Account (accessible via the website’s home page).

Retirement Countdown is also offered as a live webinar and an employer-sponsored program (upon request). Upcoming dates and registration details for the live webinars are available at www.strsoh.org (in the During Your Career section). To schedule an employer-sponsored program on your campus, please contact Shara Bailey at baileys@strsoh.org or 614-227-5235.



We rely on updated contact information to keep members informed

STRS Ohio strives to keep members informed about their benefits throughout their career and in retirement. For this reason, it is important that the system have current contact information on file. Members can update this information via their Online Personal Account at www.strsoh.org.