



Update on Recent Board Activity

February 2020

STRS Ohio shares updates on State Teachers Retirement Board meetings with its members, legislators and other system stakeholders through our *Board News* newsletter that is emailed to more than 285,000 individuals following each meeting — typically the day after the meeting. In addition, board meeting materials and minutes are available on the system's website.

- CEM Benchmarking study shows STRS Ohio has top quartile investment returns, low investment costs compared to peers.
 - Study showed STRS Ohio's five-year return placed in the top 25% of CEM Benchmarking's public fund universe.
 - Report also noted STRS Ohio's investment costs were second lowest in our peer group of 17 large U.S. public funds — primarily due to our low cost implementation style (managing about 70% of assets in-house and paying less than peers for similar services).
 - The report estimated that STRS Ohio saved about \$107 million in calendar year 2019 by using the internal management approach. This figure is based on the peer group's median external management costs and is greater than STRS Ohio's entire operating budget for fiscal year 2020 (\$104.4 million).
- Retirement Board's investment consultant, Callan, reviewed its quarterly performance report at the December board meeting. The report showed STRS Ohio's investment returns ranked in the top 10% of Callan's public fund sponsor database for the three-, five-, seven- and 10-year periods ending Sept. 30, 2019, and exceeded the benchmark returns for these time periods.
- Pension valuation report shows slight funding improvement in fiscal year 2019.
 - Funded ratio improved to 76.1%.
 - Funding period improved to 16.6 years.
 - Defined Benefit and Combined Plans paid about \$7 billion in benefits during the fiscal year — mostly to Ohio residents.
 - STRS Ohio has a net \$1.3 billion in deferred investment gains that will be recognized over the next three years (four-year smoothing).
- Health care valuation showed the Health Care Fund remains in solid position despite no new funding.
 - Health Care Fund balance stood at \$3.87 billion as of June 30, 2019.
 - Funded ratio of the plan is 174%.
 - Under current conditions, if the fund continues to earn 7.45% in all future years and other plan experience matches assumptions, the fund is projected to remain solvent for all members.
 - Approved health care premiums for 2020 resulted in no premium increase for more than 90% of the plan enrollees.

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- Board will consider possible improvements to the plan, but must keep in mind that there is no dedicated revenue stream for the fund since all employer contributions are being directed to the pension fund. Without a dedicated revenue stream, the fund is more vulnerable to investment market volatility. Also, key components that affect funding for health care — including plan enrollment and utilization, government subsidies and rebates, investment returns — are not predictable and may not be positive in the future. These factors can result in greater volatility in a fund of this size with benefit payments of nearly a half a billion dollars per year.
- Actuary file sheds light on STRS Ohio members and retirees.
 - As of June 30, 2019, STRS Ohio had 198 benefit recipients who are age 100 or older.
 - The oldest STRS Ohio service retiree is 107 years old.
 - Among active members, there are currently 21 with 50 or more years of service and 173 with 40 or more years of service.
- Board adopted amendments to its funding policy.
 - After several months of review and discussion, the State Teachers Retirement Board adopted amendments to its funding policy.
 - One of the funding objectives in the policy is 100% funding — in this way, the board recognizes its fiduciary duty.
 - To recognize the needs and concerns of its members, the board added to this objective, “At 85% or greater, the Board may consider plan changes that in the determination of the Board’s actuary do not materially impair the fiscal integrity of the system.”
- STRS Ohio retains top spot for service level.
 - CEM Benchmarking’s annual Pension Administration Benchmarking survey for fiscal year 2018 activity revealed that STRS Ohio received the top service level score for the fourth year in a row. The survey benchmarks more than 40 participating pension systems, primarily from the United States, Canada and Scandinavia. While STRS Ohio’s service level was at the top, the system’s cost per active member and annuitant remained steady.