



**STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

March 24, 2014

Ms. Bethany Rhodes, Director
Ohio Retirement Study Council
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Dear Ms. Rhodes:

I wanted to thank you and the Council members for the opportunity at last week's meeting to present STRS Ohio's 30-year funding plan. The plan noted that, consistent with STRS Ohio's long standing practice and direction received from the Legislature during deliberations on Sub. S.B. 342, the Retirement Board was working with its stakeholders to share with them the need for continued funding improvements. During the presentation, I shared with the Council that the State Teachers Retirement Board was prepared to take action to reduce the amortization period for the pension fund.

RETIREMENT BOARD CHAIR
DALE PRICE

RETIREMENT BOARD VICE CHAIR
ROBERT STEIN

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

During the March 20 Retirement Board meeting, the board voted unanimously to discontinue the current allocation to the Health Care Fund of 1% of the 14% employer contribution, beginning July 1, 2014. This decision followed discussion that began in January, shortly after STRS Ohio received a revised actuarial report that showed the pension fund's amortization period at 40.2 years. STRS Ohio's actuary projects this change, coupled with smoothed gains from strong investment returns, will result in an amortization period of about 32 years by the end of this fiscal year. This puts STRS Ohio on track to reach a 30-year amortization period in 2016 — the time frame that was projected when pension reform legislation passed in 2012.

The board's action shortens the projected life of the Health Care Fund to about 20 years; however, the board has authority to direct all or part of the 1% back to the Health Care Fund in the future, and to make "catch-up" payments once the financial condition of the pension fund improves. The board realizes that, in accordance with Ohio Revised Code, health care is an optional benefit, and its first obligation and fiduciary duty is to the pension fund. The board also acknowledged that health care coverage is important to STRS Ohio members' retirement security. The Health Care Fund has a balance of about \$3.5 billion and will continue to receive funding from investment returns on the fund, member premiums and government reimbursements (related to STRS Ohio's prescription drug plan).

I am also pleased to report that the Healthcare and Pension Advocates for STRS — an important stakeholder coalition comprised of groups representing active members, retired members and employers — supported the board's action.

The Retirement Board is committed to continuing to improve the system's funding status and is studying a funding policy to help guide future decisions. STRS Ohio will continue to monitor the strength of the pension fund and take the steps necessary to protect the long-term solvency of the fund. We will keep the Council apprised of our funding progress, and are always at the ready to assist you in your efforts on behalf of the ORSC and Ohio's public retirement systems.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Nehf". The signature is written in a cursive, flowing style.

Michael J. Nehf
Executive Director