



Financial and Actuarial Reporting Overview

Fiscal Year 2024

Oct. 17, 2024

- **Financial Reporting Timeline & Background**
- **Statement of Changes in Fiduciary Net Position**
- **Financial Reporting Summary**
- **Actuarial Reporting Background**
- **Payroll Growth**
- **Actuarial Reporting Next Steps**

- **June**

- External auditor (Crowe) begins external financial statement audit

- **August**

- Plan participant data file provided to external actuary (Cheiron) and Crowe
- Verification and performance examination completed by external firm (ACA)
- Audit Committee meeting with Crowe and ACA

- **September**

- IT systems review completed by Crowe
- Validation of investment management fees by external firm (Albourne)
- Fiscal year financial reporting cutoff

- **October**

- Unaudited financial statements provided to Crowe, Cheiron and the board
- Cheiron presents initial pension and health care actuary valuations to the board
- Actuary valuations provided to Crowe

- **November**

- Unaudited *Annual Comprehensive Financial Report* (ACFR) provided to Crowe and the Auditor of State

- **December**

- Crowe completes financial statement audit
- Audit Committee meeting with Crowe – opinion letter and required communications provided
- Final audited ACFR submitted to the Auditor of State and Government Finance Officers Association (GFOA)

- **February**

- Crowe completes GASB 68 (pension) and 75 (health care) audits and issues opinion letter
- GASB 68 and 75 reports submitted to the Auditor of State and STRS Ohio's employers

- Financial statements show reporting by plan – defined benefit, defined contribution and health care
- *Statements of Fiduciary Net Position* – snapshot of financial assets and liabilities as of June 30
- *Statements of Changes in Fiduciary Net Position* – shows additions and deductions for the fiscal year
- STRS Ohio issues comparative financial statements

Consolidated Statement of Changes in Fiduciary Net Position – Additions

At June 30 (in thousands)



	FYE June 30, 2024	FYE June 30, 2023
ADDITIONS		
Contributions:		
Member contributions	\$ 1,944,252	\$ 1,884,375
Employer contributions	1,953,855	1,893,646
Transfers from Defined Contribution Plan	15,525	19,315
Government reimbursements	91,900	100,515
Other retirement systems	68,756	67,166
Total contributions	4,074,288	3,965,017
Investment income:		
Investment income (loss)	9,444,405	7,696,036
Less internal investment expenses	(47,715)	(44,348)
Less external asset management fees	(264,362)	(256,153)
Net investment income (loss)	9,132,328	7,395,535
TOTAL ADDITIONS	\$13,206,616	\$11,360,552

Consolidated Statement of Changes in Fiduciary Net Position – Deductions

At June 30 (in thousands)



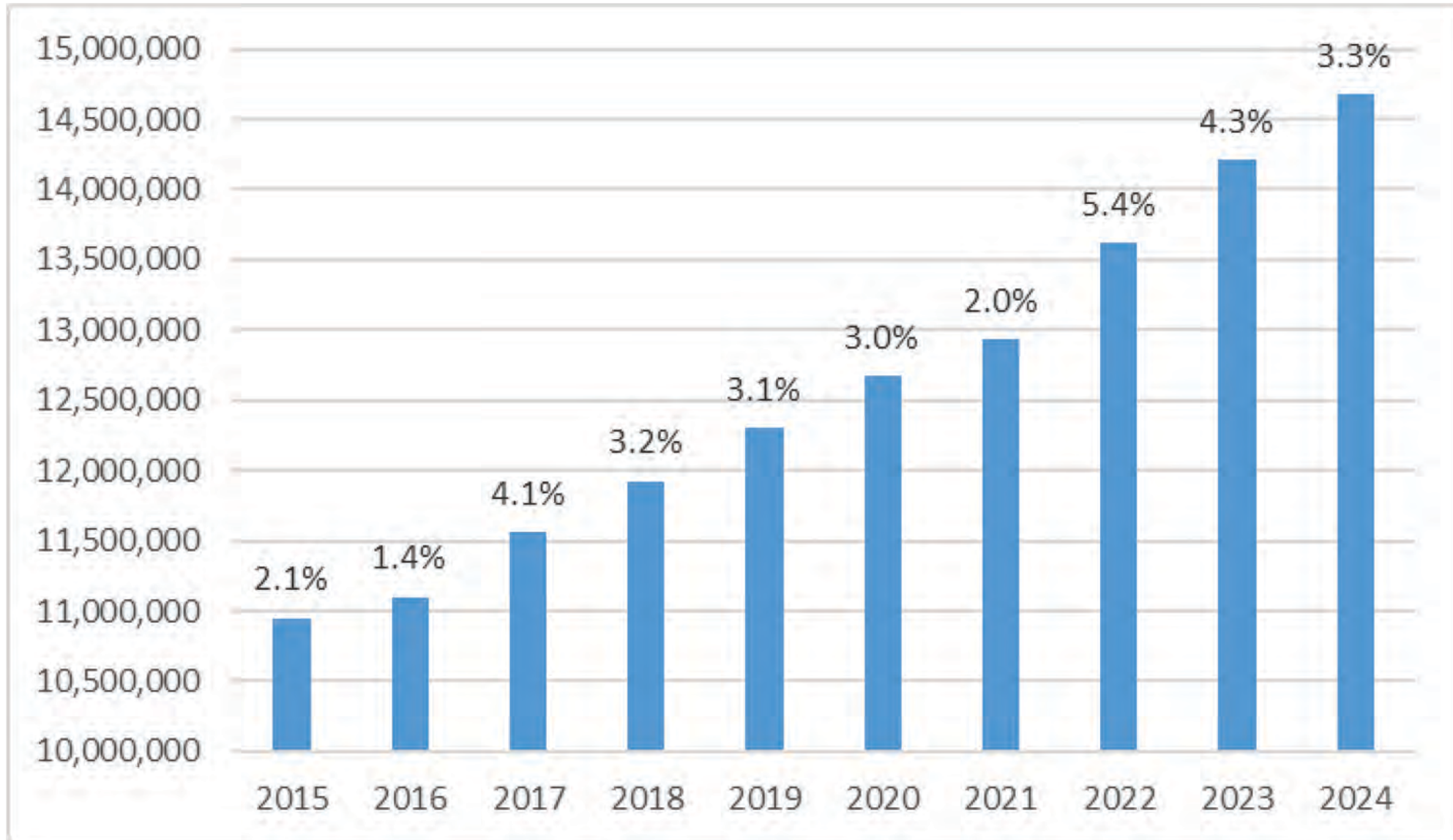
	FYE June 30, 2024	FYE June 30, 2023
DEDUCTIONS		
Benefit payments:		
Service retirement	\$ 7,057,219	\$ 6,883,424
Disability retirement	172,667	176,371
Survivor benefits	127,251	125,986
Transfers to DB Plan	15,525	19,315
Health Care	182,827	265,603
Other	36,879	56,485
Total benefit payments	7,592,368	7,527,184
Refunds to members who have withdrawn	398,187	329,921
Administrative expenses	73,047	76,314
TOTAL DEDUCTIONS	8,063,602	7,933,419
NET INCREASE (DECREASE) IN NET POSITION	5,143,014	3,427,133
Fiduciary net position:		
Beginning of year	91,031,372	87,604,239
End of year	\$96,174,386	\$91,031,372

The detailed statement of changes in fiduciary net position is in the board materials file named FY_2024_UNAUDITED_FINANCIAL_STMTS_HIGHLIGHTS on pages 6-7

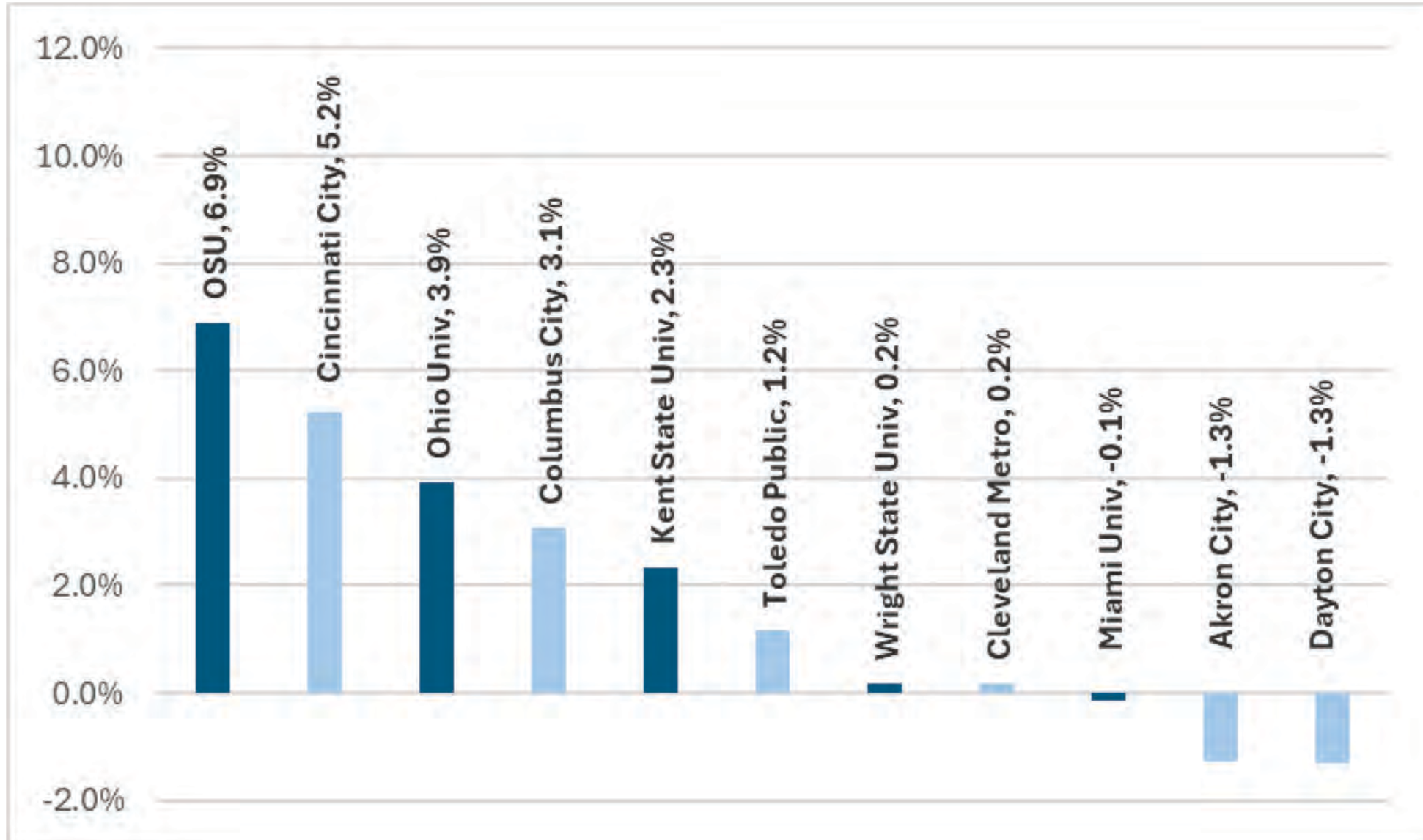
- **Fiscal year unaudited financial statements and highlights are reported annually after financial reporting close**
- **Financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and the Governmental Accounting Standards Board (GASB)**
- **Financial statements are audited annually by Crowe LLC, under the oversight of the Ohio Auditor of State**
- **Final ACFR available in December and provided to the Ohio Auditor of State and GFOA**
- **GFOA's annual Certification of Achievement for Excellence in Financial Reporting has been received for more than three decades**

- **Every five years (next one in 2027)**
 - Experience review – actuarial assumptions are updated
 - This includes demographic factors such as mortality, service and other experience
- **Every year**
 - The annual actuary valuation is performed by Cheiron
 - Economic assumptions are reviewed including discount rate, inflation, and wage growth

Payroll Growth



Payroll Growth for Selected Employers



- **October**
 - Presentation of initial actuary valuation results to board (pension and health care)
 - Supplemental Benefit discussion
 - Pension Funding Policy review and potential approval
- **November**
 - Board Education and Planning Session
 - Cheiron presents Preliminary Plan Design Lever Report to the board
- **December**
 - Board accepts final actuary pension and health care valuations, including lever report
- **February/March**
 - Capital market projections on proposed asset mix
 - Economic assumption setting
- **March/April**
 - Sustainable Benefit Plan – discussion and decisions

Questions?

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Classic Values, Innovative Advice

STRS Ohio

Pension Actuarial Valuation as of June 30, 2024

Michael Noble, FSA, EA

Bonnie Rightnour, FSA, EA

October 17, 2024



Agenda

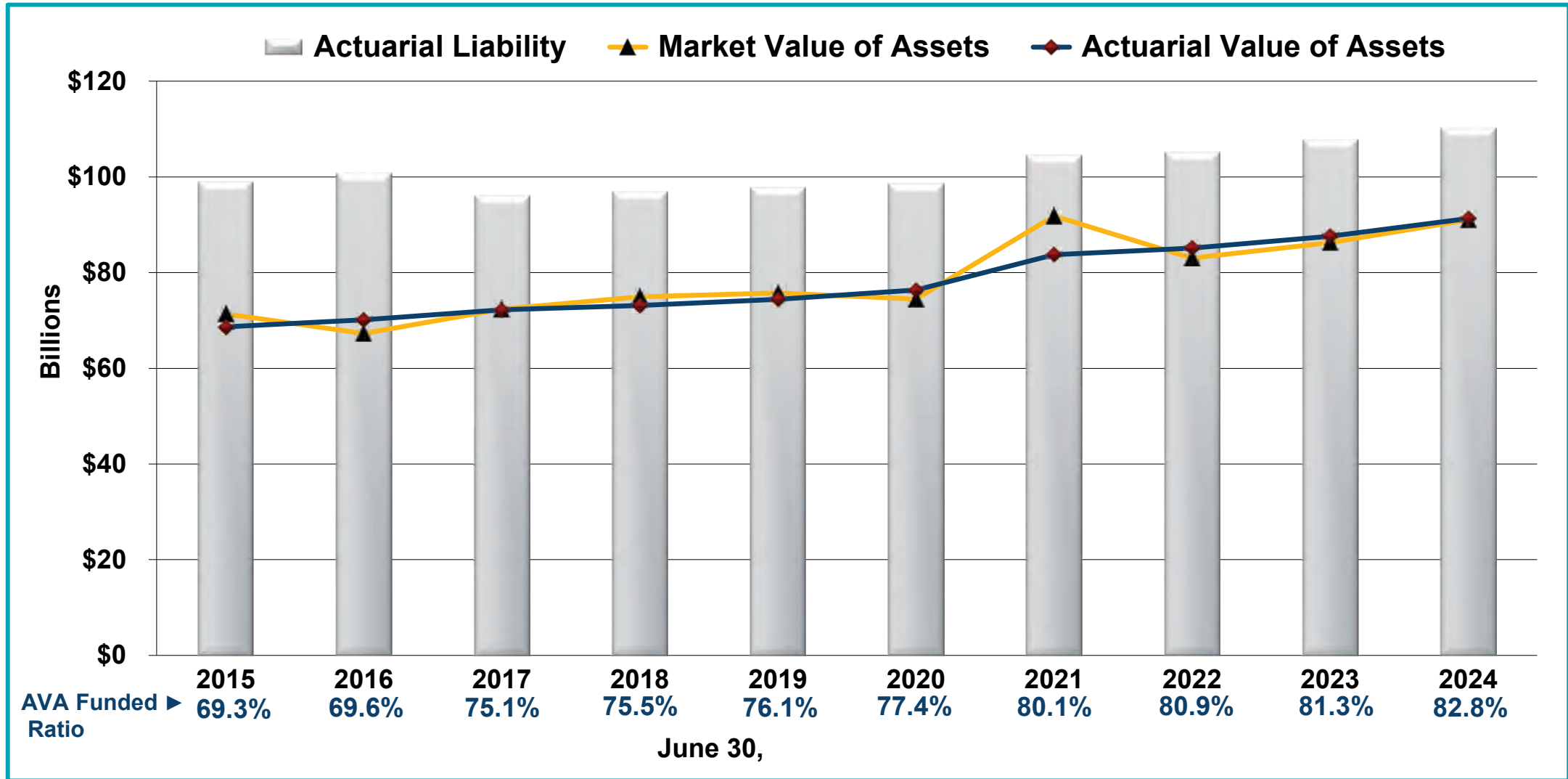


- STRS Ohio Historical Trends
- Summary of June 30, 2024 Valuation Results
- Projected Outlook
 - Baseline
 - Stress Testing Scenarios

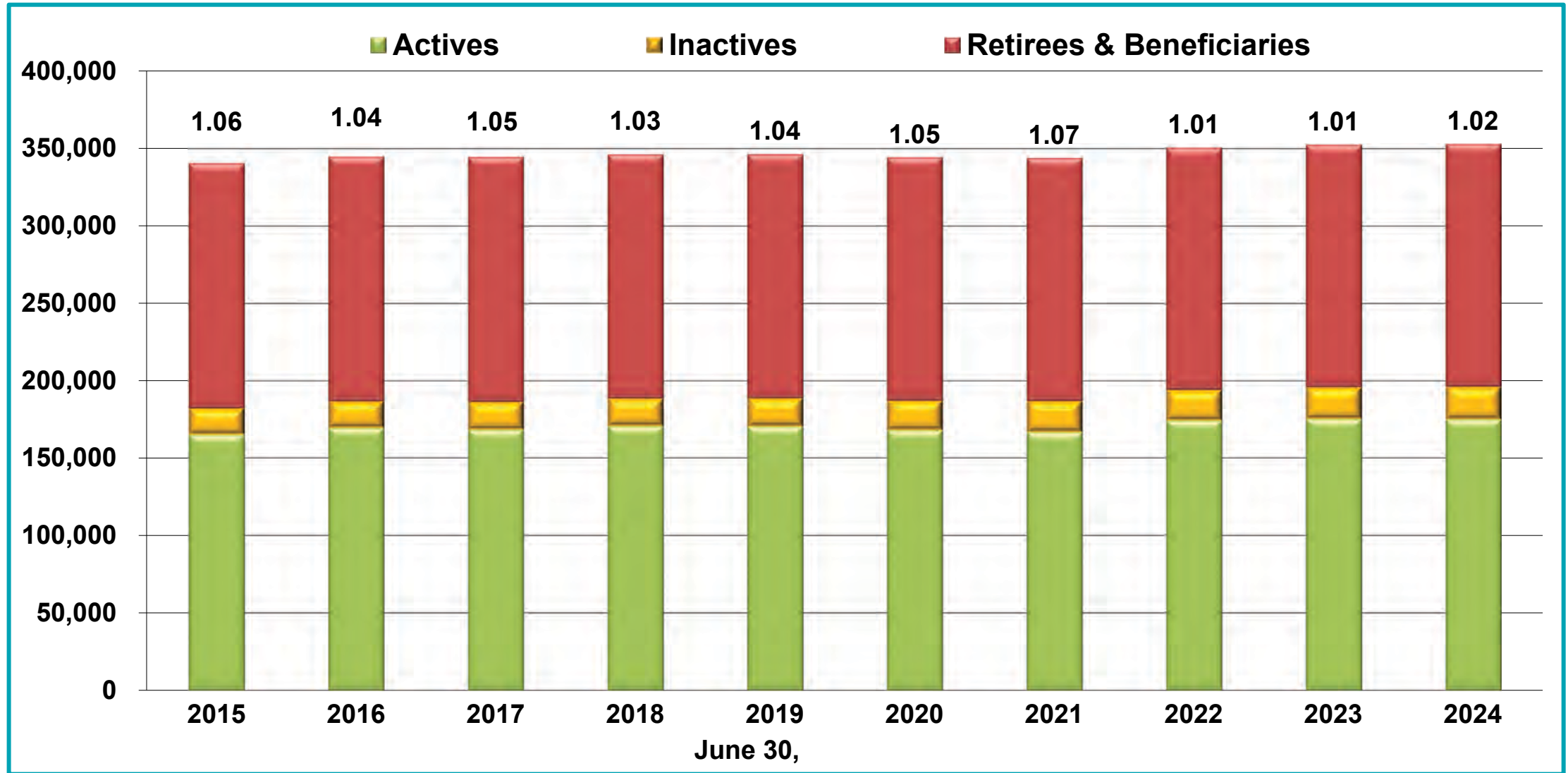


Historical Trends

Improving funded ratio over the past decade

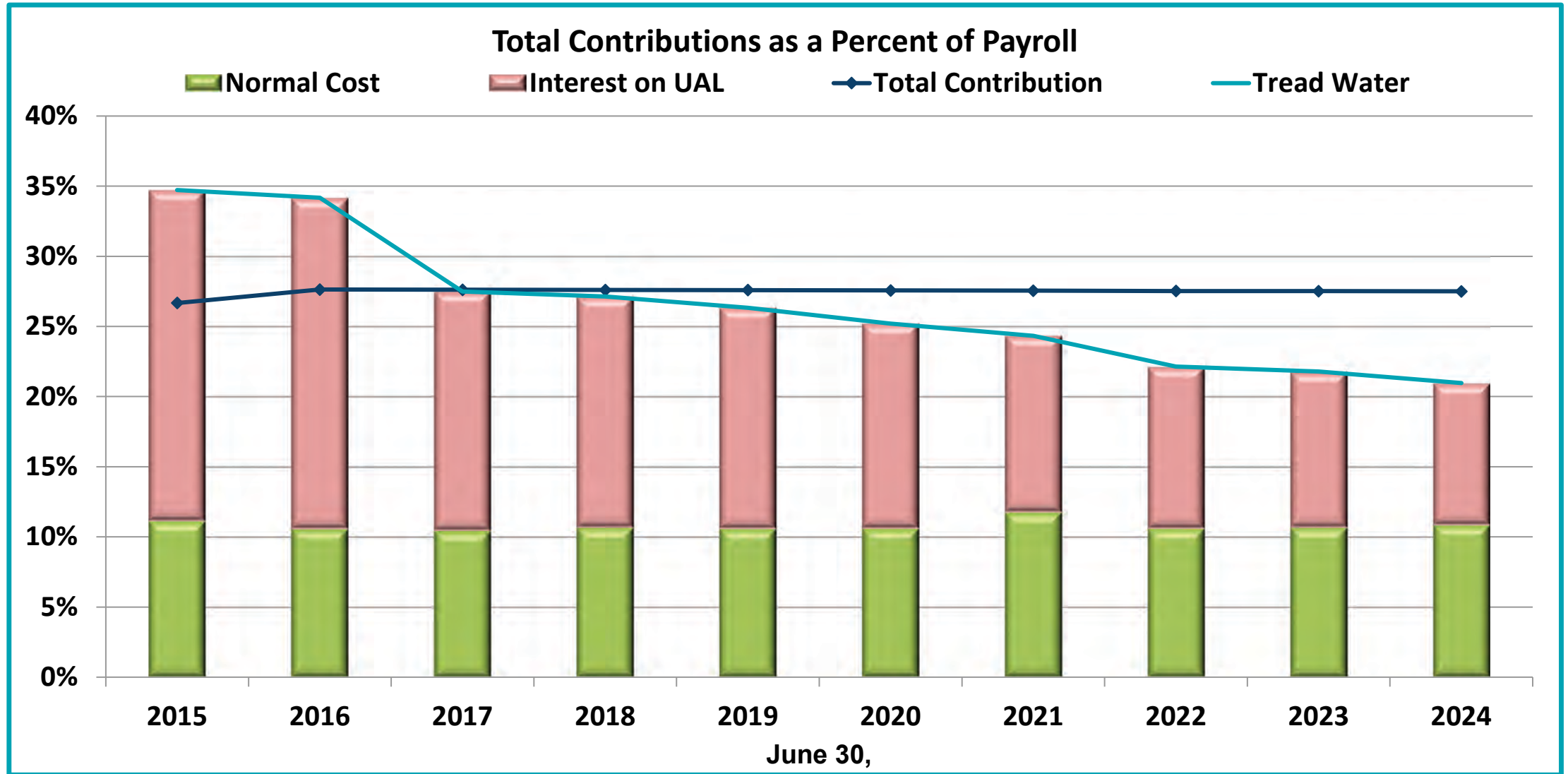


The population has been stable



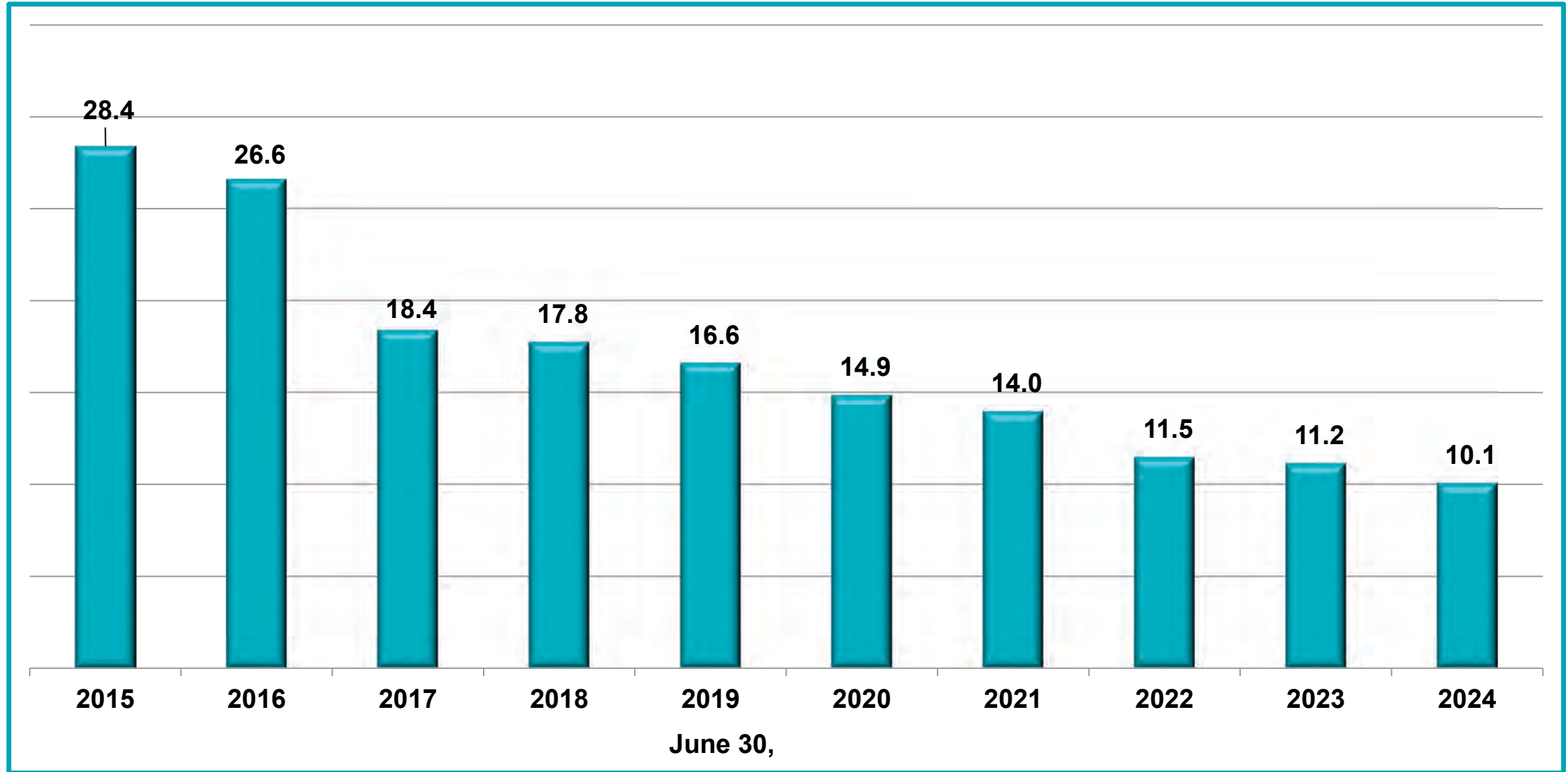
*The support ratio above the chart is (Retirees & Beneficiaries + Inactives) / Actives

Contributions exceeding “tread water*”

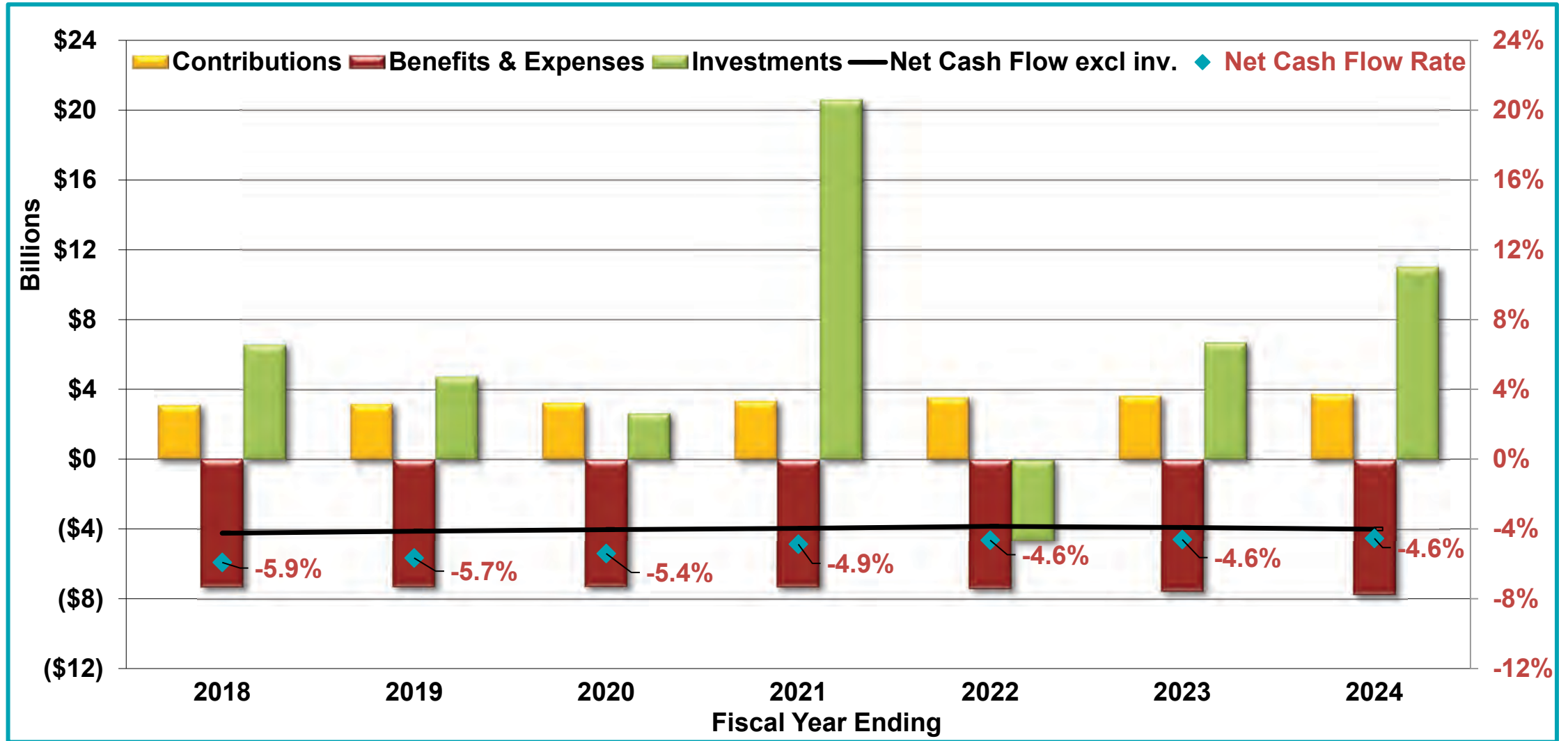


**Tread Water equals Normal Cost + interest on the Unfunded Actuarial Liability*

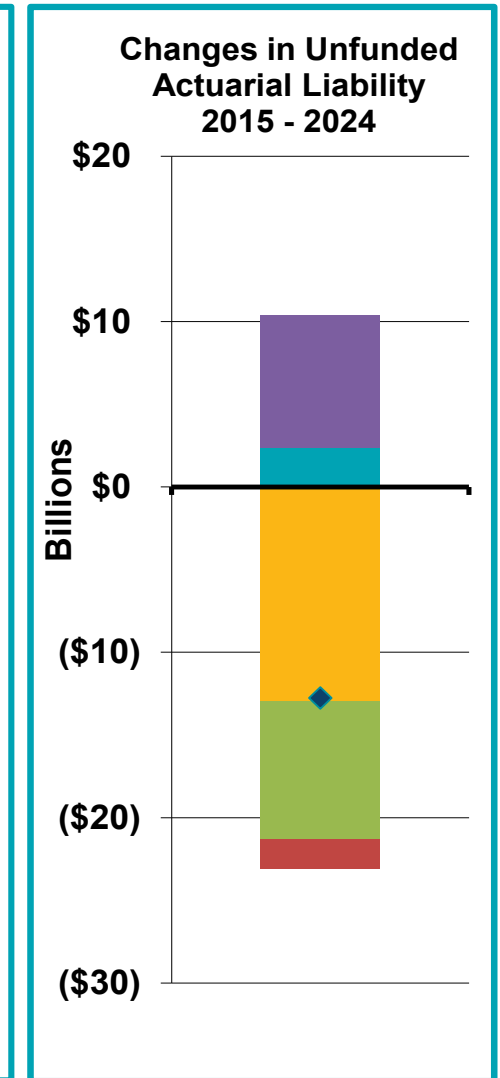
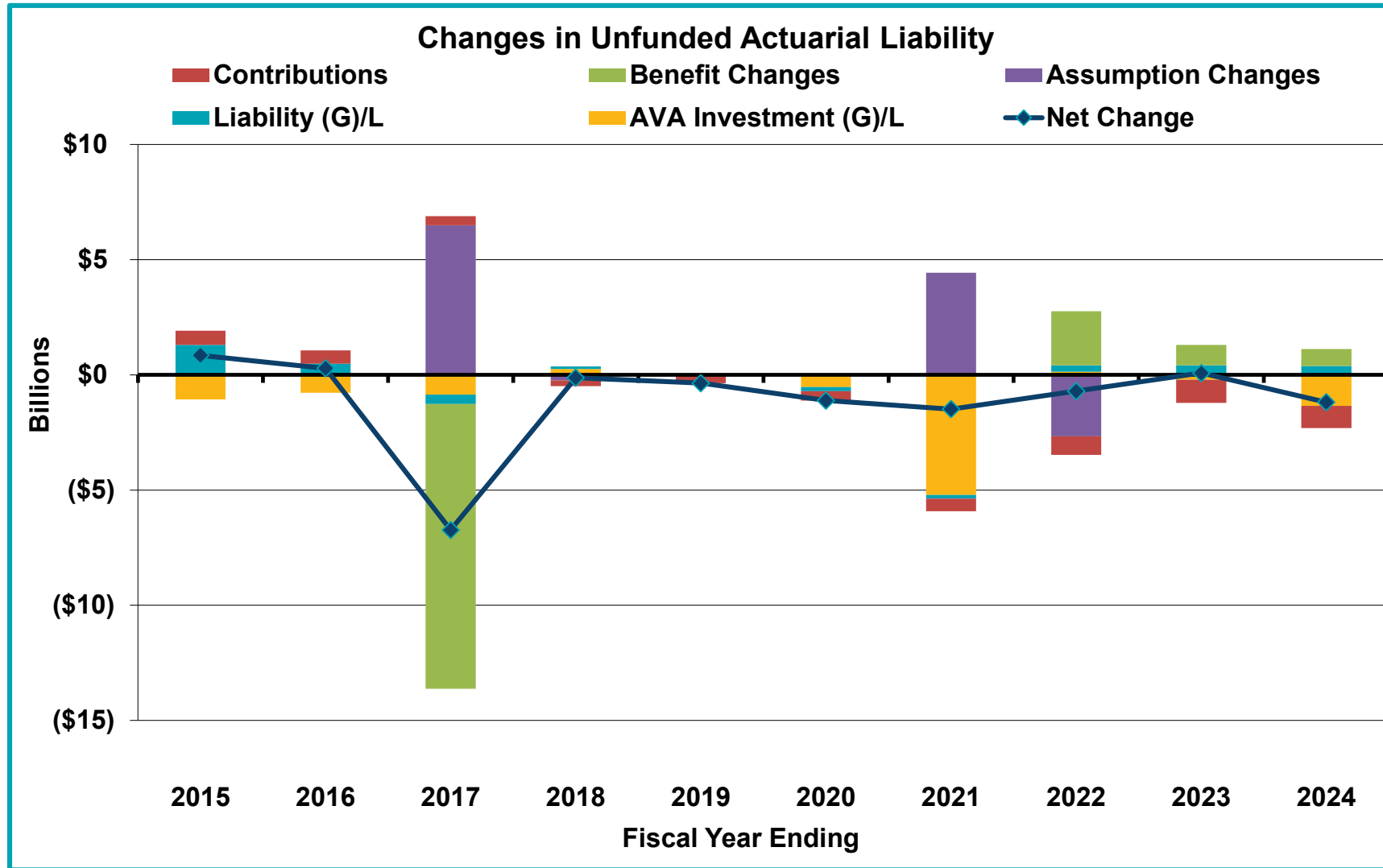
Equivalent amortization period continuing to improve

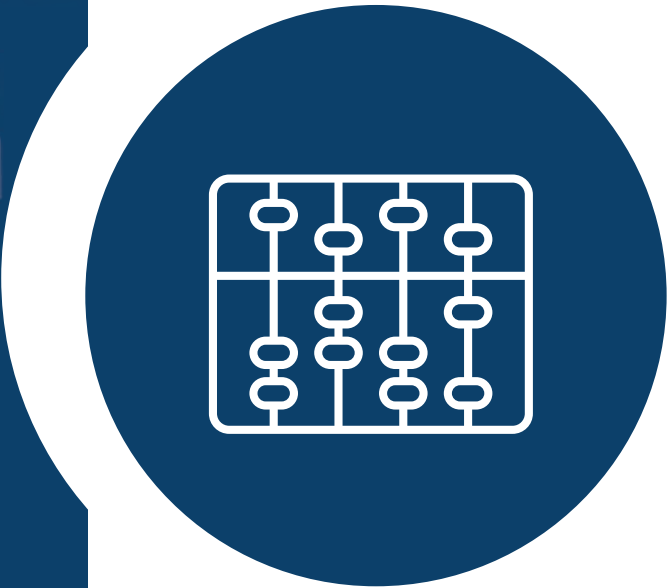


System has significant negative net cash flow



Plan and assumption changes are significant to UAL

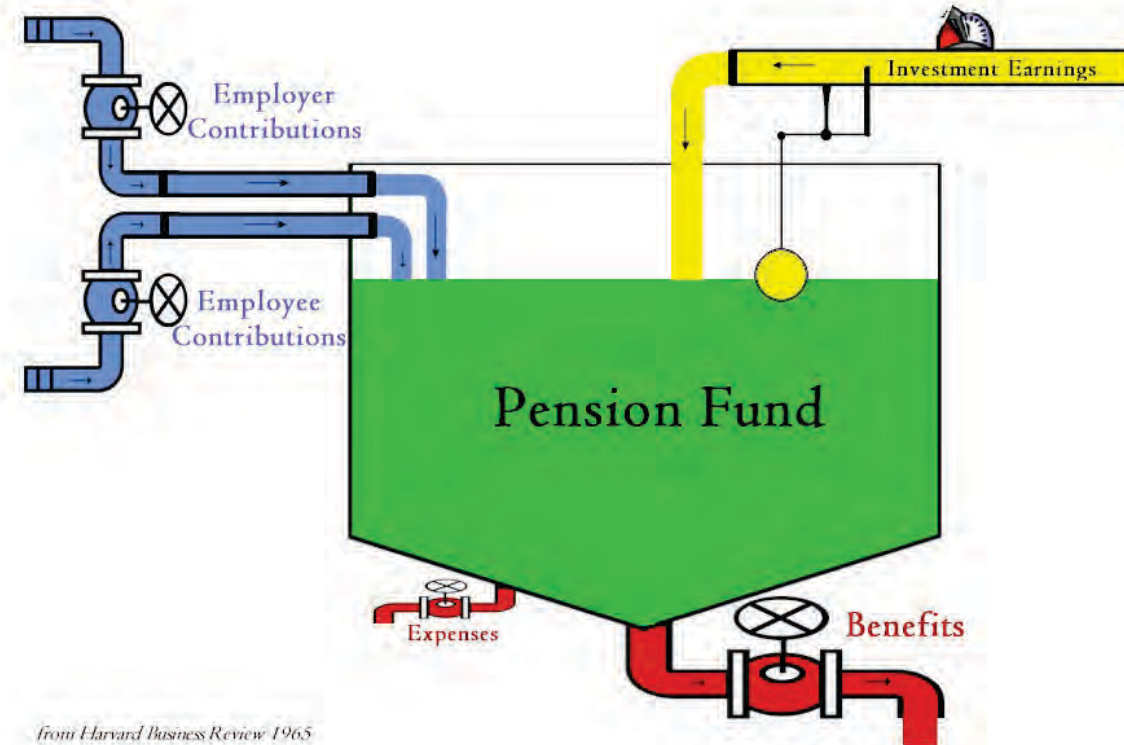




June 30, 2024 Actuarial Valuation Results

The Actuarial Valuation Process

1. Collect information
 - Member data
 - Plan provisions
 - Asset information
2. Apply assumptions
 - Demographic
 - Economic
3. Project all future benefit payments
4. Determine a present value of the benefits
5. Compare to assets
6. Calculate employer and employee contributions

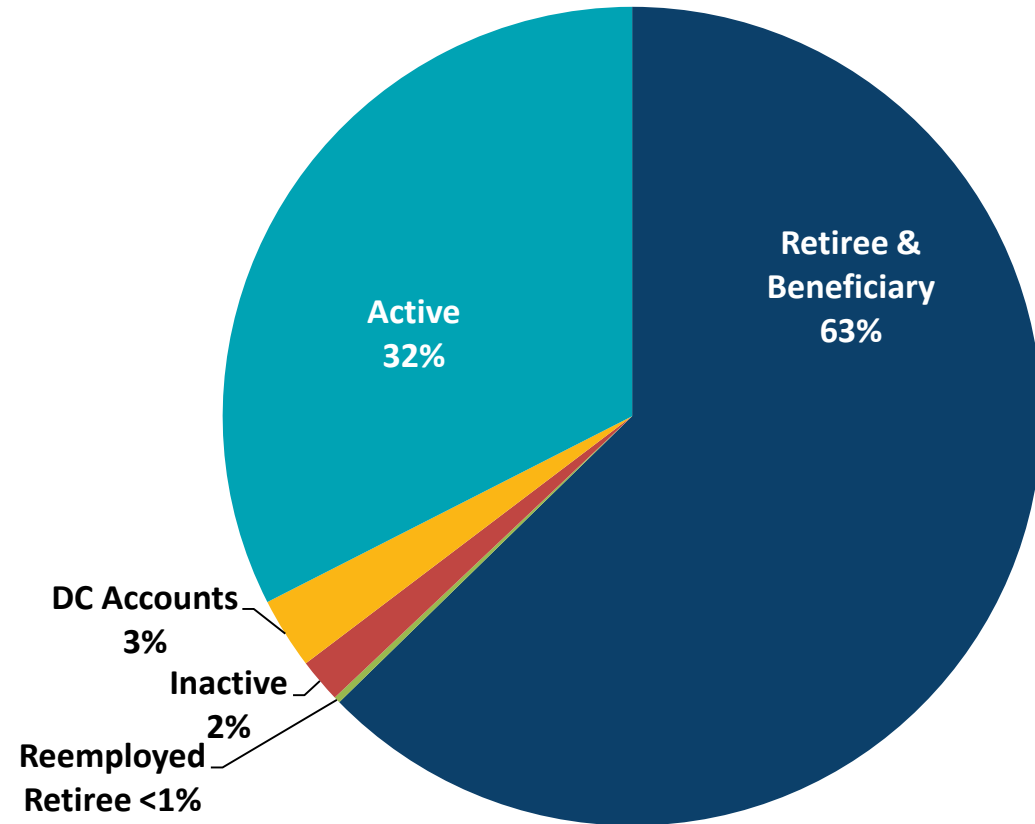


from Harvard Business Review 1965

Key Valuation Results

- The benefit changes increased liabilities \$741 million
- Asset experience vs. expected return
 - Assets returned \$2.46 billion more than expected on a market value basis
 - Assets returned \$1.34 billion more than expected on an actuarial value basis
- Liability experience – \$383 million loss
- Funded Status (Assets/Liabilities)
 - AVA – improved from 81.3% to 82.8%
 - MVA – improved from 80.0% to 82.5%
- Equivalent amortization period improved from 11.2 years to 10.1 years

Actuarial Liability = \$110.2B



Valuation Results

	June 30, 2024	June 30, 2023	% Change
Assets and Liabilities (\$millions)			
Actuarial Liability	110,249	107,783	2.29%
Actuarial Value of Assets (AVA)	<u>91,313</u>	<u>87,580</u>	4.26%
Unfunded Actuarial Liability (UAL)	18,936	20,203	(6.27%)
AVA Funded Ratio	82.8%	81.3%	
Market Value of Assets (MVA)	91,008	86,248	5.52%
MVA Funded Ratio	82.5%	80.0%	
Funding Period	10.1 years	11.2 years	-1.1 years
Contribution Rates			
Employer Rate	14.00%	14.00%	
Composite Member Rate*	13.48%	13.50%	
Total Contribution Rate	27.48%	27.50%	
Allocation of Total Contribution Rate			
Normal Cost	10.84%	10.66%	
Unfunded Liability	16.64%	16.84%	

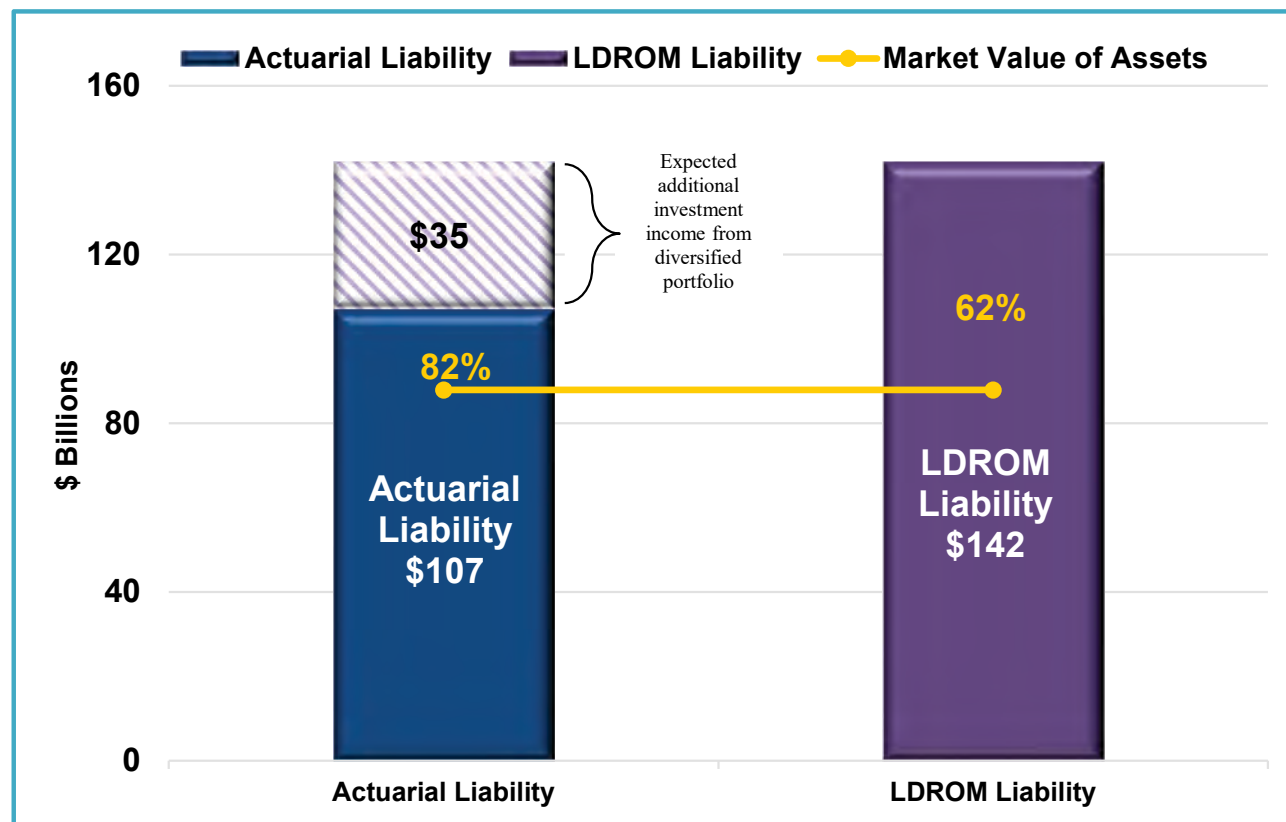
*The Composite Member Rate is a blend of the DB member rate of 14% and the CO member rate of 2%.

Valuation Results

Summary of Plan Demographics	June 30, 2024	June 30, 2023	% Change
Membership (Defined Benefit + Combined + DC)			
Active Members	186,247	186,243	0.00%
Reemployed Retirees	17,139	16,915	1.32%
Inactive Members	183,960	177,082	3.88%
Retirees and Beneficiaries	<u>156,594</u>	<u>156,511</u>	0.05%
Total	543,940	536,751	1.34%
Payroll (\$ millions)			
Defined Benefit and Combined	\$ 13,119	\$ 12,733	3.03%
Defined Contribution and ARP	<u>\$ 1,556</u>	<u>\$ 1,479</u>	5.24%
Total	\$ 14,675	\$ 14,212	3.26%
Total Annual Benefits (\$ millions)	\$ 7,319	\$ 7,270	0.68%
Average Annual Benefit	\$ 46,740	\$ 46,448	0.63%

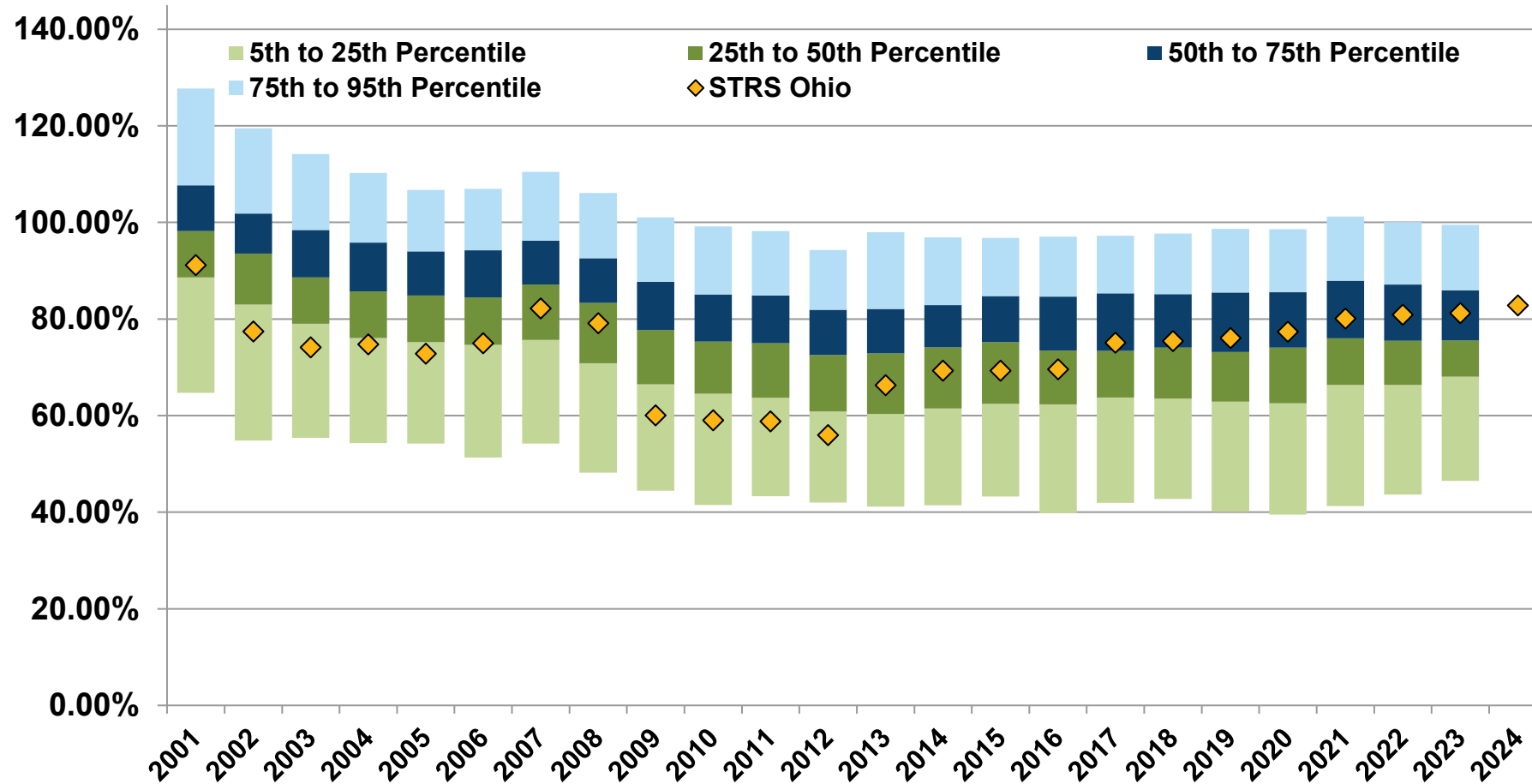
Low-Default-Risk Obligation Measure (LDRROM)

- Requirement to show the System's obligation if evaluated with low-risk investment
 - Shows the value of investing in a diversified portfolio
 - Investing in US Treasuries on valuation date of 6/30/2024 would be equivalent to a 4.44% discount rate



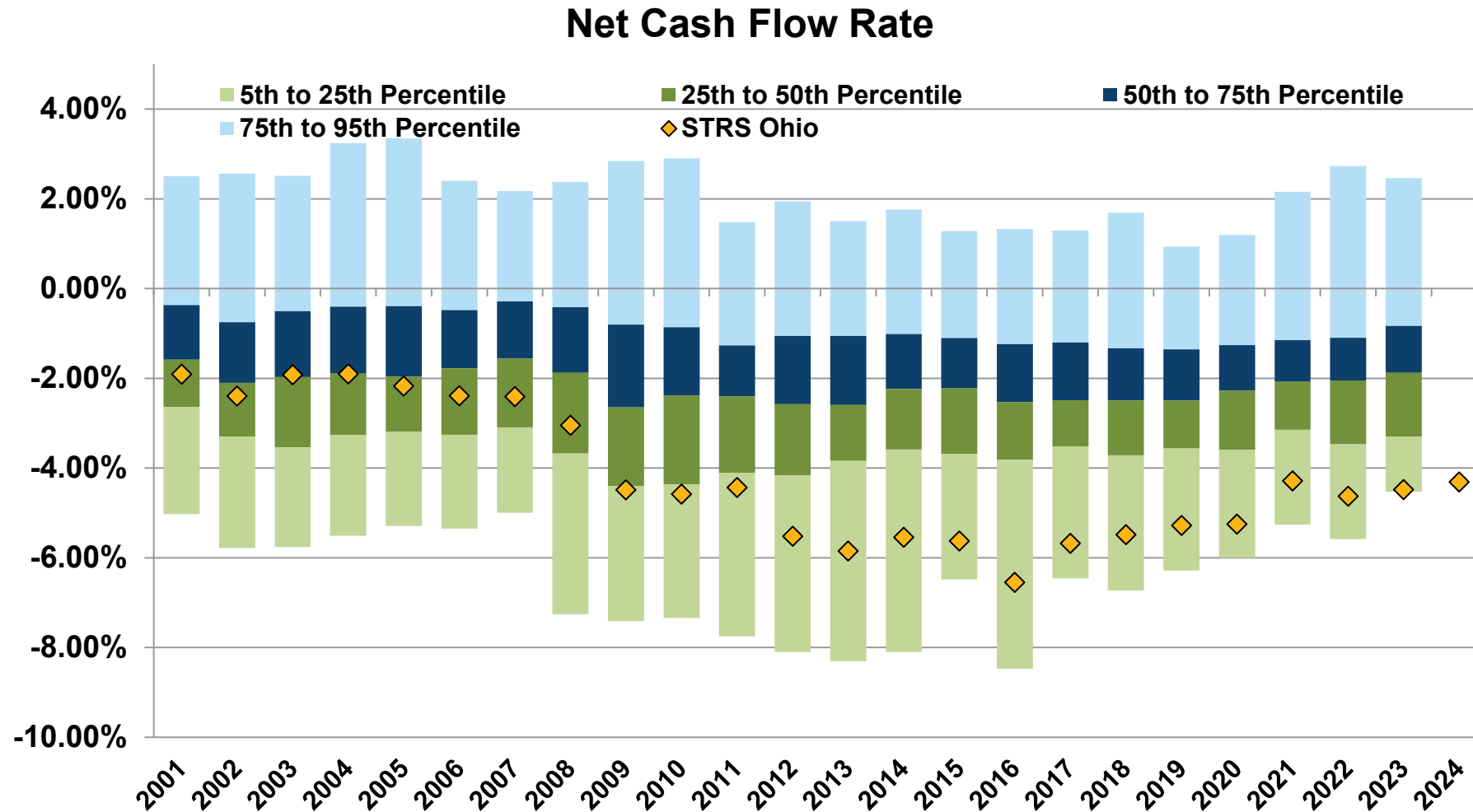
Funded ratio comparison shows STRS improving

AVA Funded Ratio



Survey Data from Public Plans Data as of 6/6/2024

Net cash flow (% of MVA) shows STRS in bottom quartile

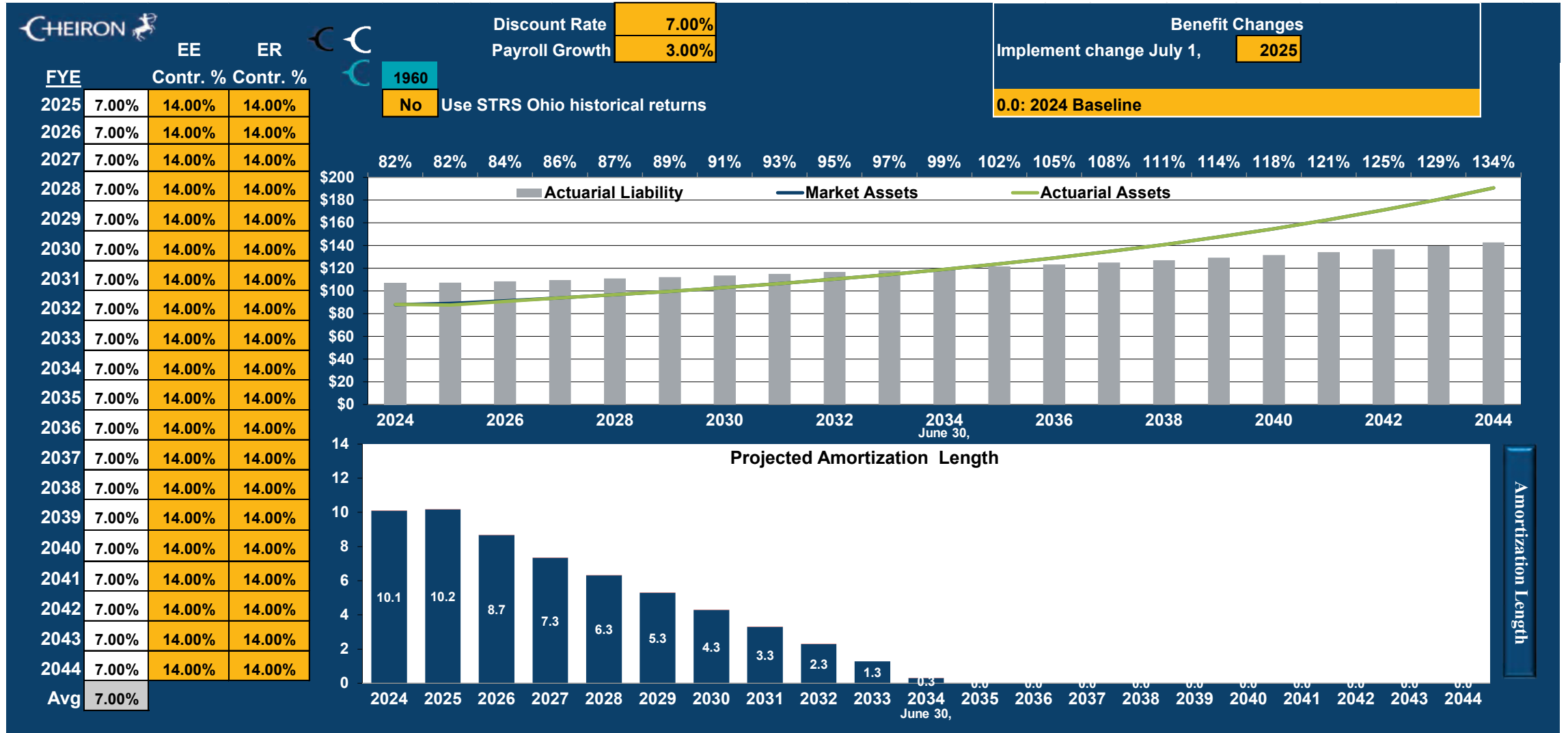


Survey Data from Public Plans Data as of 6/6/2024

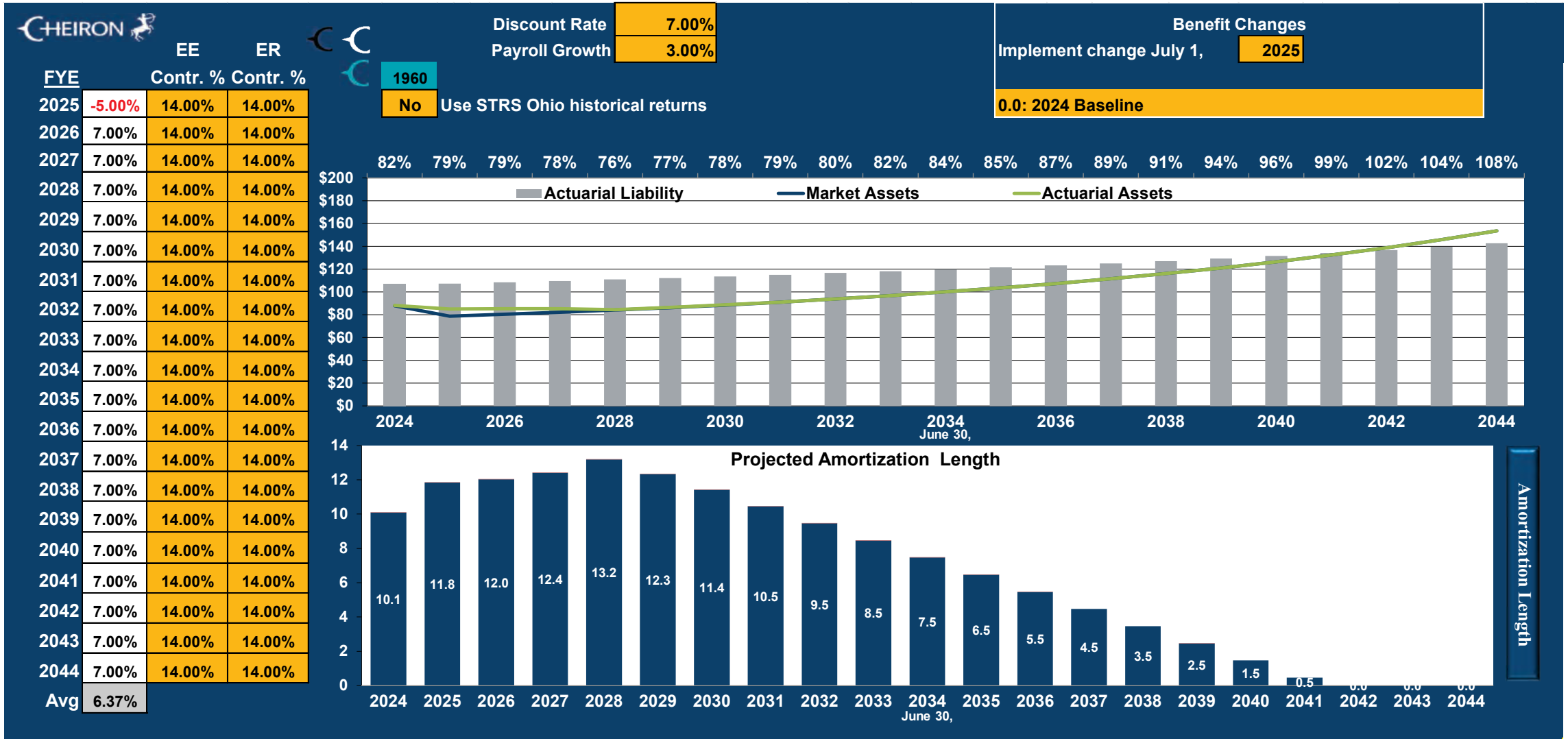


Projections

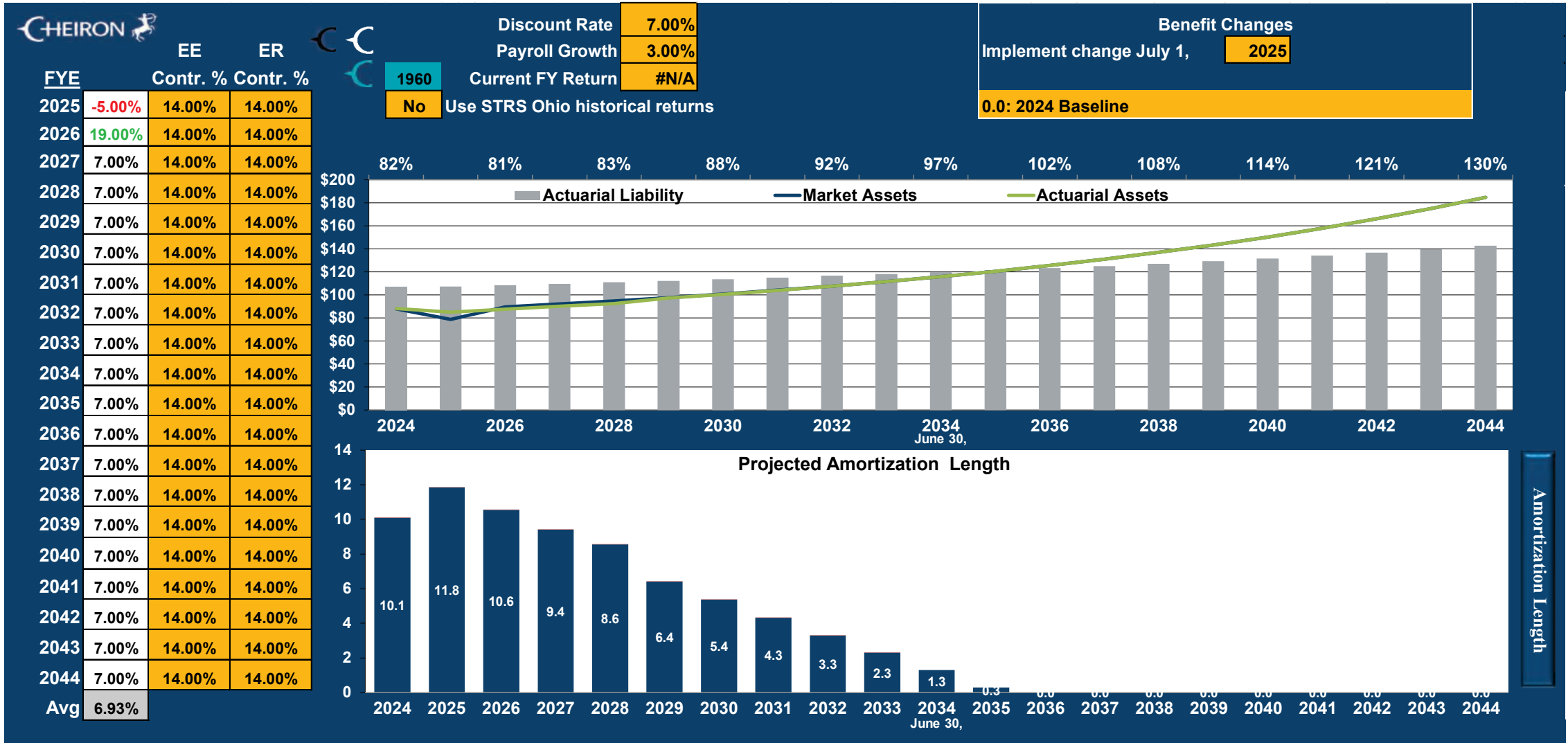
Projections – Baseline



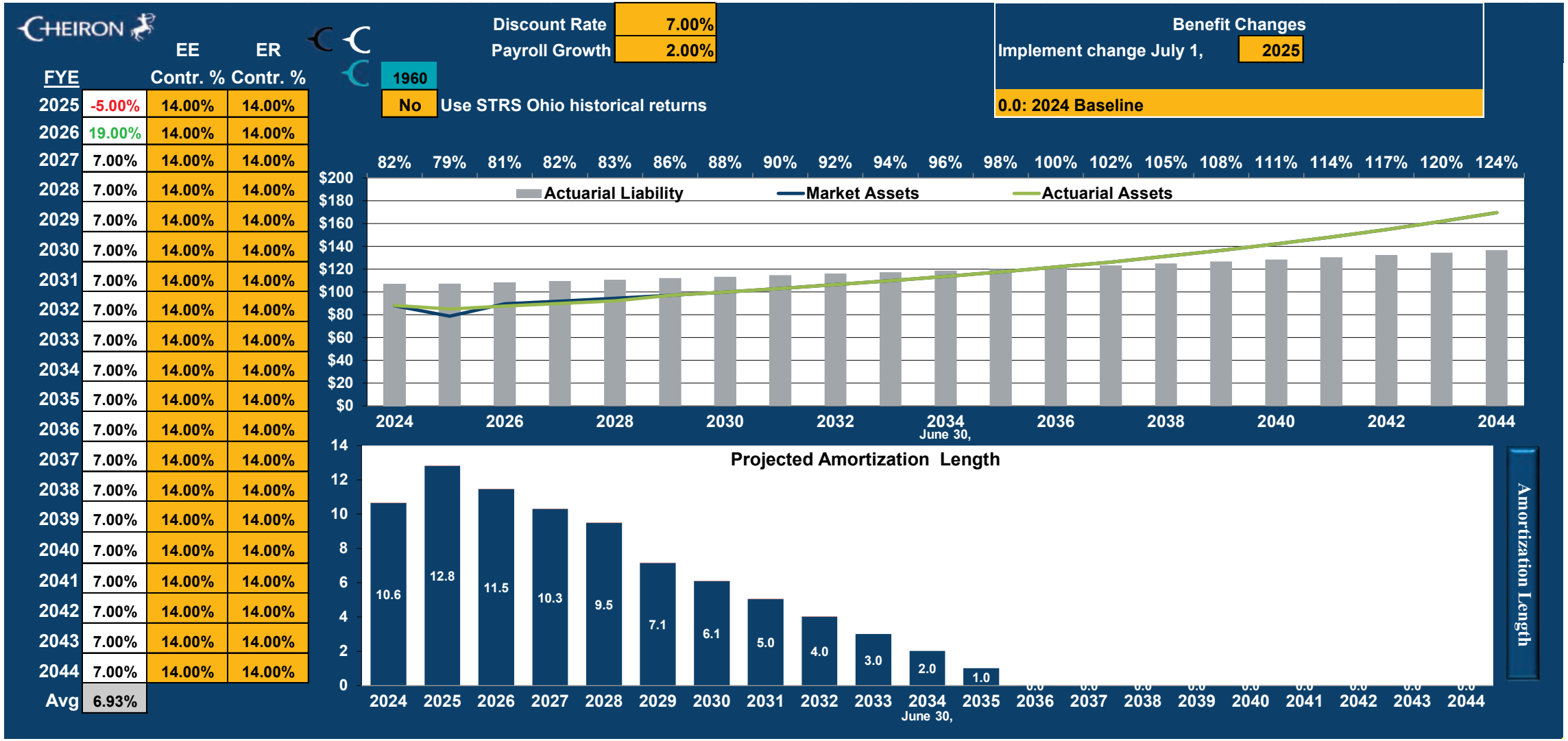
Projections – 1-Year shock



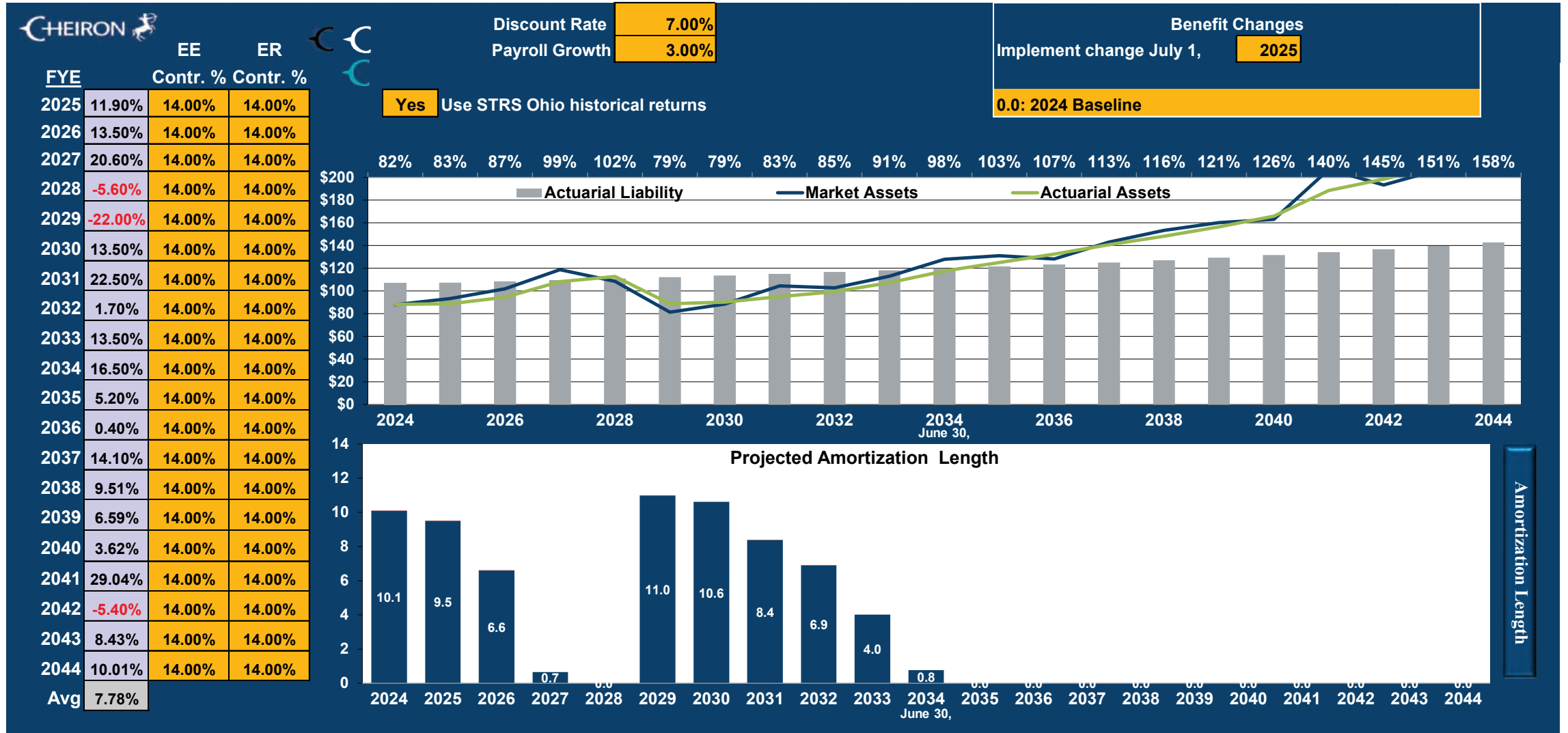
Projections – 1-Year shock followed by recovery



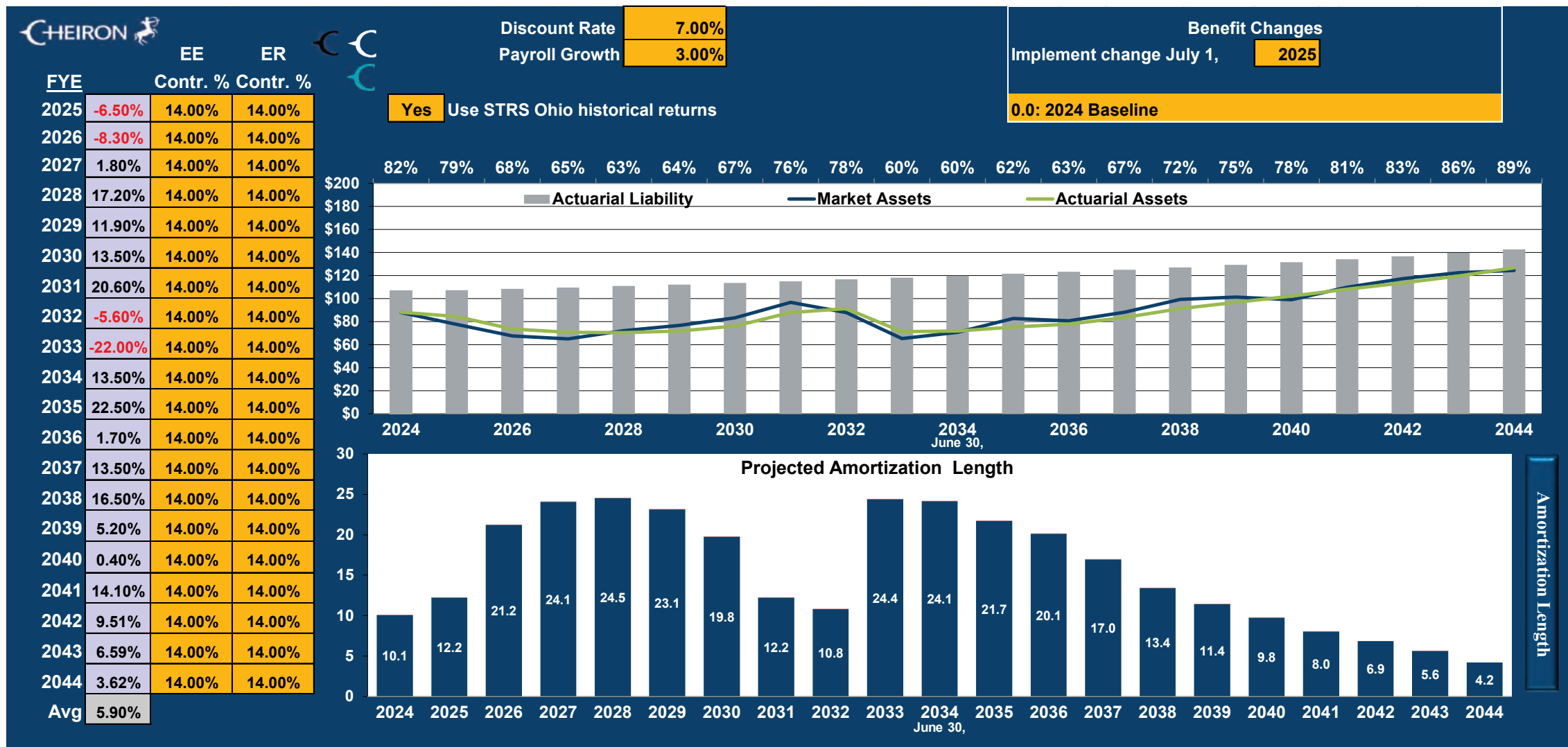
Projections – 1-year shock, recovery, slower payroll growth



Projections – Actual returns over the past 20 years



Projections – Volatile returns of approximately 6.00%



Next Steps

- November
 - Board Education and Planning Session
 - Preliminary Lever Report presented to the Board
 - Will be incorporated into the final Actuarial Valuation Report
 - Will provide estimated impact of some potential plan changes
- February/March
 - Economic Assumptions Review
- March/April
 - Sustainable Benefit Plan discussion and decisions

Required Disclosures

The purpose of this presentation is to present the actuarial valuation results for the State Teachers Retirement System of Ohio. This presentation is for the use of the Board and System staff.

In preparing our presentation, we relied on information, some oral and some written, supplied by the State Teachers Retirement System of Ohio. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions, data, and methods are those used in the preparation of the Actuarial Valuation Report as of June 30, 2024.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes and relies upon ProVal, an actuarial valuation software leased from Winklevoss Technologies for the intended purpose of calculating liabilities and projected benefit payments. Projected results of future valuations in this presentation were developed using P-scan, our proprietary tool for the intended purpose of developing projections. As part of the review process for this presentation, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this presentation.

We hereby certify that this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the State Teachers Retirement System of Ohio for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Michael Noble, FSA, EA, MAAA, FCA
Principal Consulting Actuary

Bonnie Rightnour, FSA, EA, MAAA
Principal Consulting Actuary



Classic Values, Innovative Advice

STRS Ohio

OPEB Actuarial Valuation as of June 30, 2024

Daniel J. Rhodes, FSA, MAAA, FCA
Alison Chafin, FSA, EA, MAAA

October 17, 2024





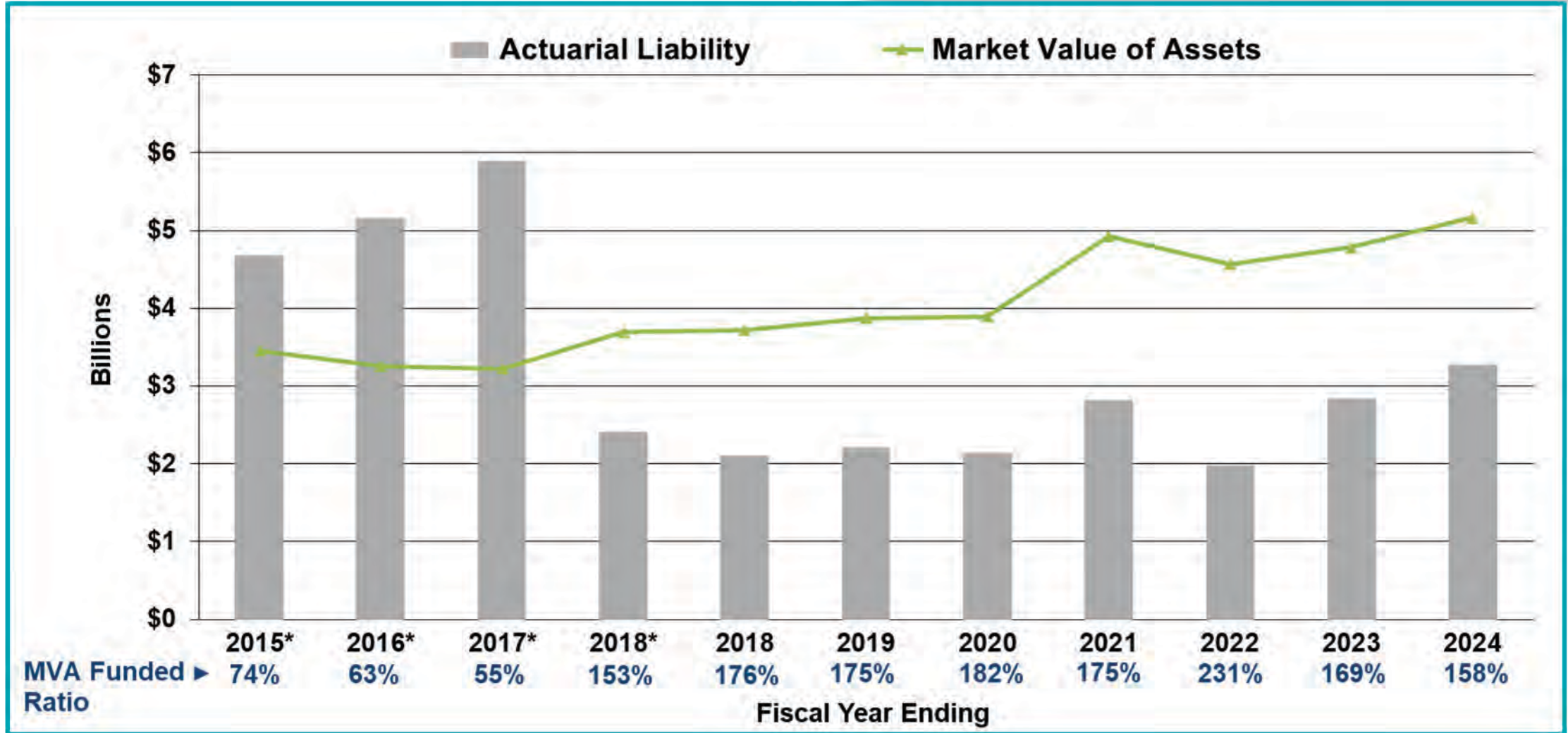
- Historical Trends
- June 30, 2024 Valuation Results
- STRS Ohio Plan Benefit Changes and Regulation Updates
- Stress Testing
- Healthcare Scorecard



Historical Trends

Assets and Liabilities

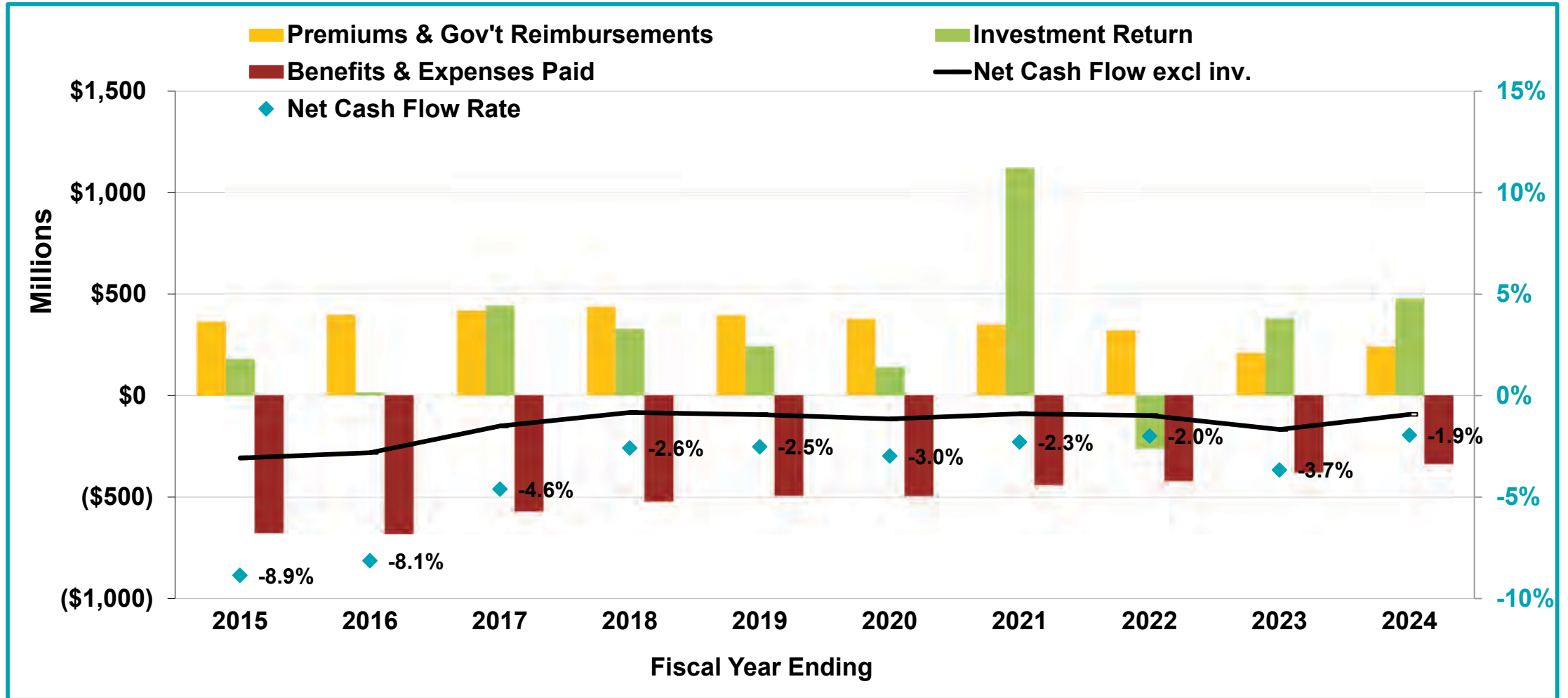
There are no projected employer contributions to fund the Plan on an ongoing basis.

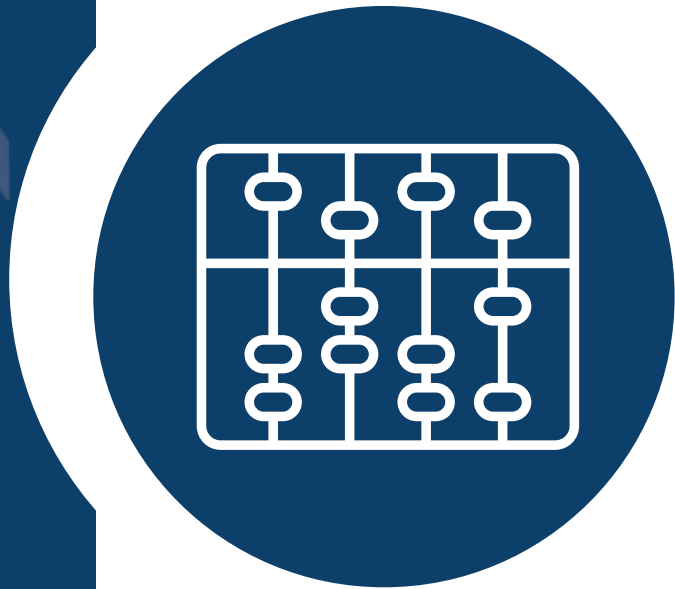


*January 1 valuation date



Cash Flows



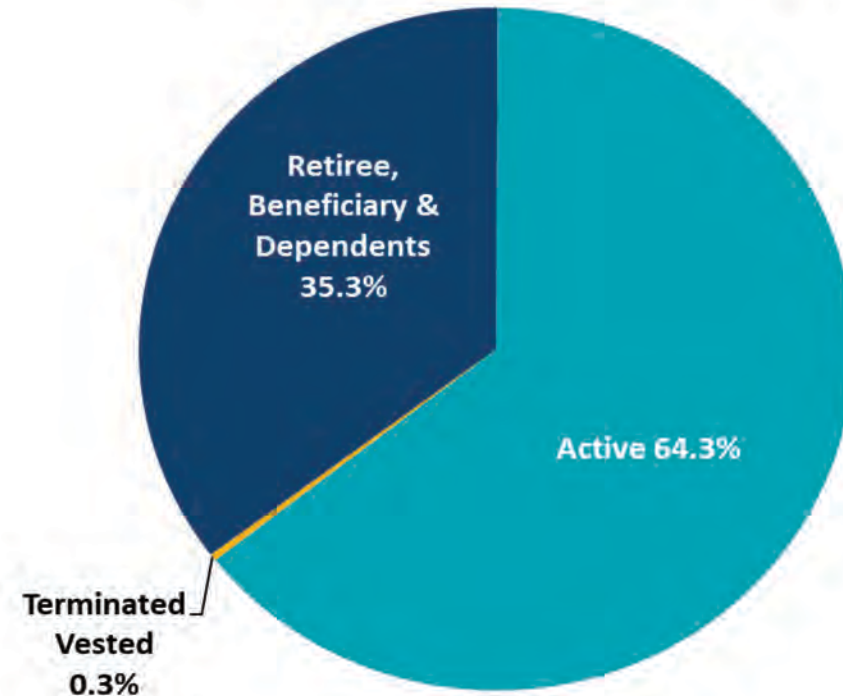


June 30, 2024 Actuarial Valuation Results

Key Valuation Results

- The benefit changes increased liabilities by \$0.25 billion
 - New subsidy reimbursement levels adopted March & May 2024
 - Extension of retirement eligibility (Unreduced to 34 years, Reduced to 29 years)
- Assets returned \$0.14 billion more than expected on a market-value basis
- Liability experience & assumption changes had an offsetting impact (\$8 million loss)
- Funded Status (Assets/Liabilities) decreased from 168.5% to 158.0%

Actuarial Liability = \$3.27B



There are no projected employer contributions to fund the Plan on an ongoing basis.

Valuation Results

Discount Rate	7.00%	7.00%	
Assets and Liabilities	June 30, 2024	June 30, 2023	% Change
Actuarial Liability	\$ 3,269,878	\$ 2,838,543	15.2%
Market Value of Assets (MVA)	\$ 5,166,687	\$ 4,783,404	8.0%
Unfunded Actuarial Liability (UAL)	\$ (1,896,809)	\$ (1,944,862)	-2.5%
MVA Funded Ratio	158.01%	168.52%	
Participant Counts			
Actives	174,832	175,028	-0.1%
Terminated Vested	21,417	20,908	2.4%
Retirees & Beneficiaries	96,681	97,623	-1.0%
Actuarially Determined Contribution (ADC)	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Normal Cost	\$ 75,534	\$ 61,724	22.4%
Amortization of UAL	(104,103)	(106,741)	-2.5%
Interest Adjustment	<u>(2,000)</u>	<u>(3,151)</u>	-36.5%
Total ADC (not less than \$0)	\$ 0	\$ 0	
<i>Expected / Actual Net Benefit Payment</i>	\$ 166,772	\$ 90,928	83.4%



STRS Ohio Plan Benefit Changes and Regulation Updates

Future Changes to Medicare Rx Plans

January 1, 2025

- Cap member out of pocket expenses to \$2,000
- Increase in some recovery amounts (direct subsidy and rebates)
- Premium stabilization program



Impact reflected in this valuation through 2025 plan rates.

January 1, 2026 and Beyond

- Prescription drug price negotiations with CMS



Impact on STRS plan has not been measured and therefore not reflected in this valuation.

Inflation Reduction Act: 2026 and beyond

2026	2027	2028	2029
10 Part D Drugs	15 Part D Drugs	15 Part D and Part B Drugs	20 Part D and Part B Drugs
Eliquis	Names of Drugs to be announced by CMS later (2027 drugs to be announced by Feb. 2025)		
Jardiance			
Xarelto			
Januvia			
Farxiga			
Entresto			
Enbrel			
Imbruvica			
Stelara			
Fiasq, Fiasq FlexTouch, Fiasq PenFill, NovoLog, NovoLog FlexPen, NovoLog PenFill			



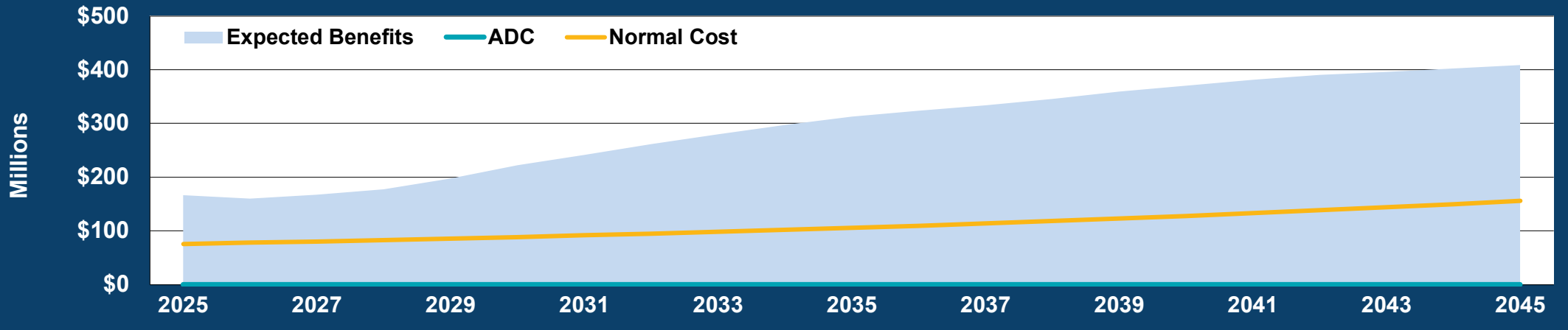
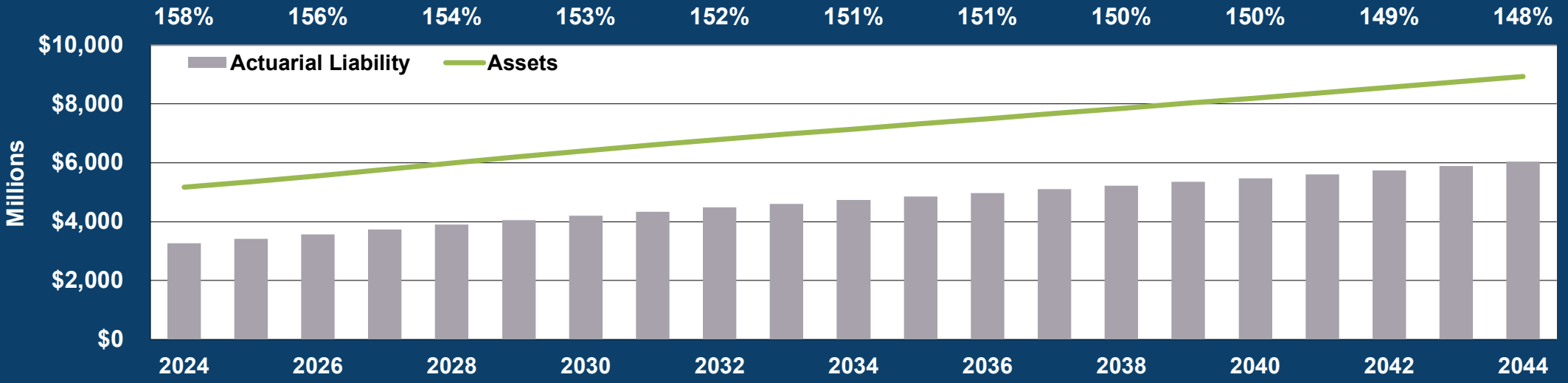
Stress Testing

Projections - Baseline



Discount Rate **7.00%**

FYE	7.00%
2025	7.00%
2026	7.00%
2027	7.00%
2028	7.00%
2029	7.00%
2030	7.00%
2031	7.00%
2032	7.00%
2033	7.00%
2034	7.00%
2035	7.00%
2036	7.00%
2037	7.00%
2038	7.00%
2039	7.00%
2040	7.00%
2041	7.00%
2042	7.00%
2043	7.00%
2044	7.00%
Avg	7.00%



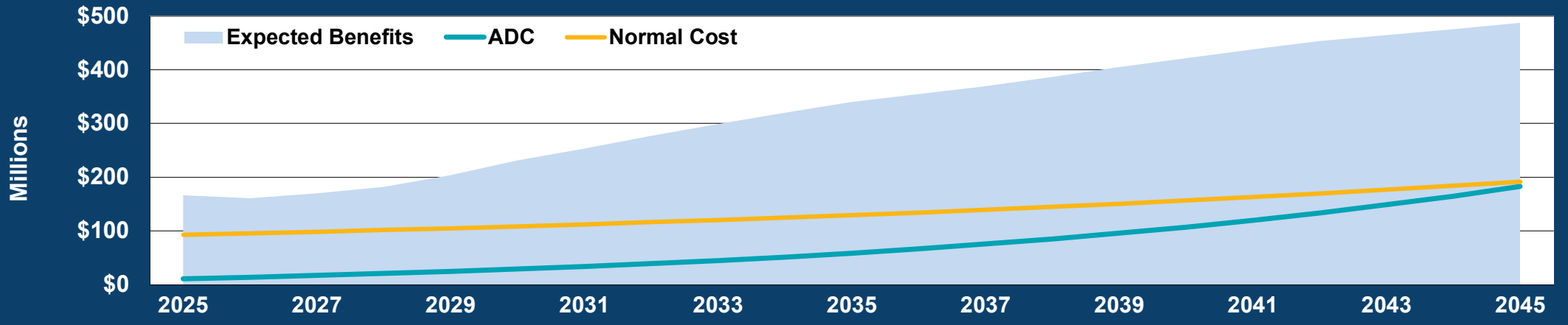
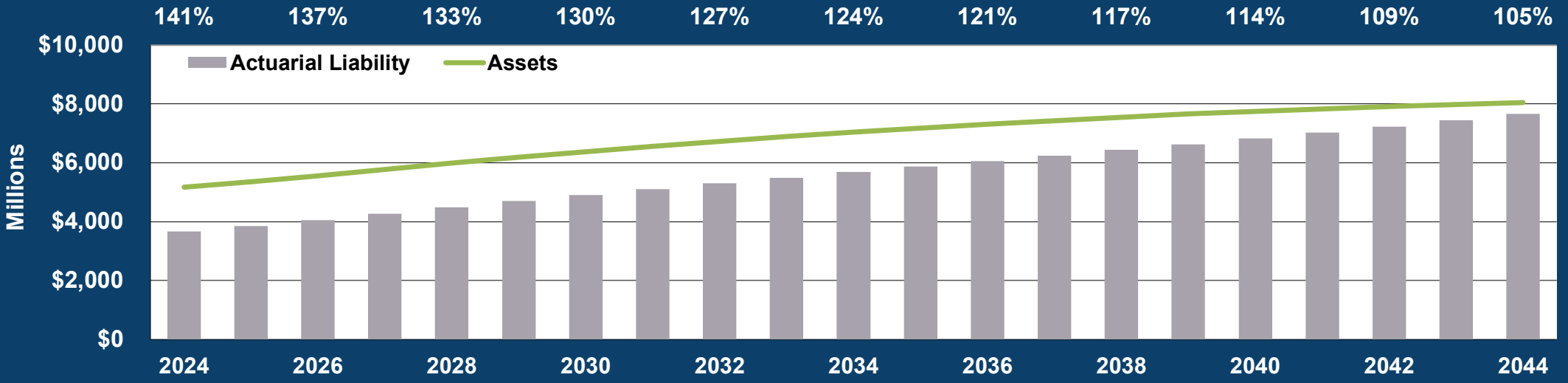
Assumes no employer or employee contributions in any future year.

Projections – 1% Increase in Healthcare Trend for All Years



Discount Rate **7.00%**

FYE	7.00%
2025	7.00%
2026	7.00%
2027	7.00%
2028	7.00%
2029	7.00%
2030	7.00%
2031	7.00%
2032	7.00%
2033	7.00%
2034	7.00%
2035	7.00%
2036	7.00%
2037	7.00%
2038	7.00%
2039	7.00%
2040	7.00%
2041	7.00%
2042	7.00%
2043	7.00%
2044	7.00%
Avg	7.00%



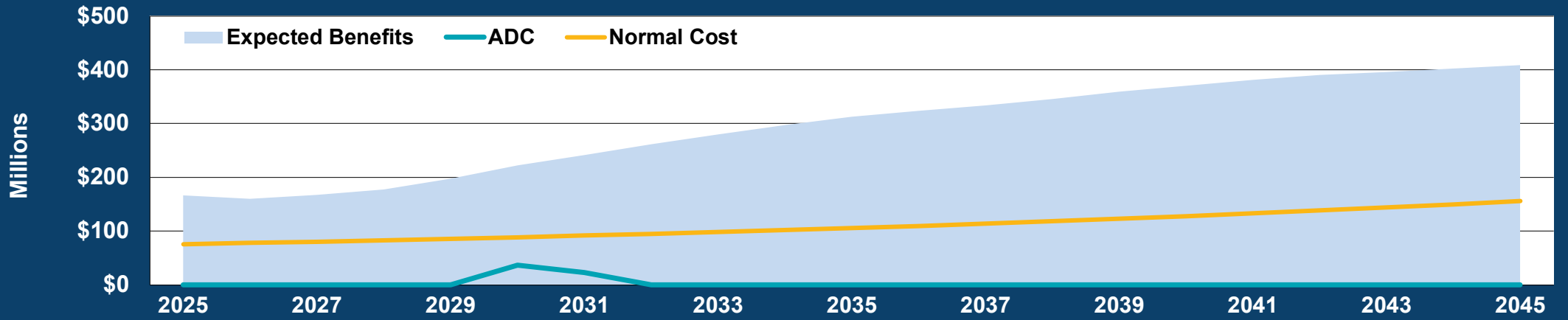
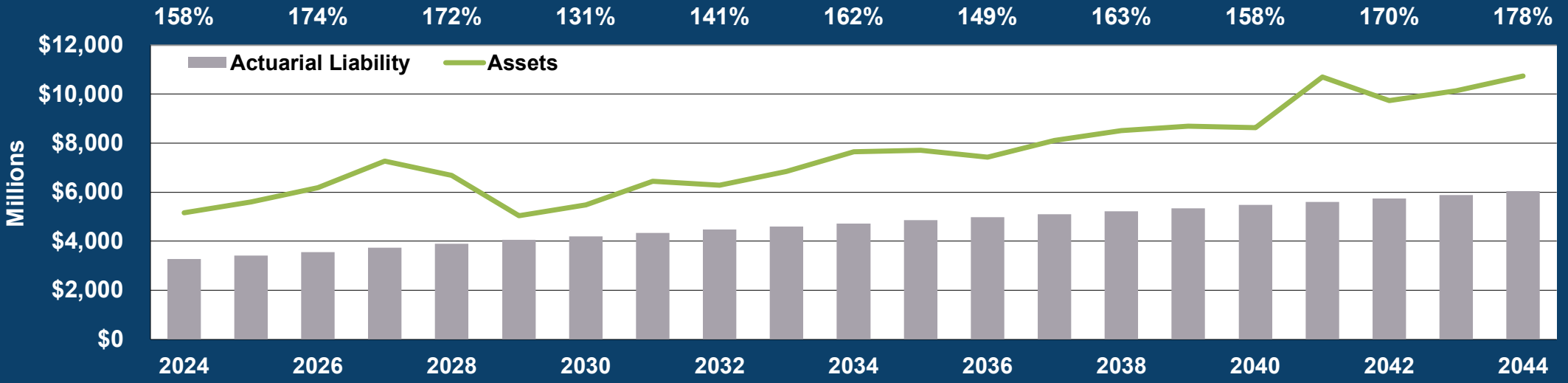
Assumes no employer or employee contributions in any future year.

Projections – Actual Returns Past 20 years (pension plan)



Discount Rate **7.00%**

FYE	Return
2025	11.90%
2026	13.50%
2027	20.60%
2028	-5.60%
2029	-22.00%
2030	13.50%
2031	22.50%
2032	1.70%
2033	13.50%
2034	16.50%
2035	5.20%
2036	0.40%
2037	14.10%
2038	9.51%
2039	6.59%
2040	3.62%
2041	29.04%
2042	-5.40%
2043	8.43%
2044	10.01%
Avg	7.78%



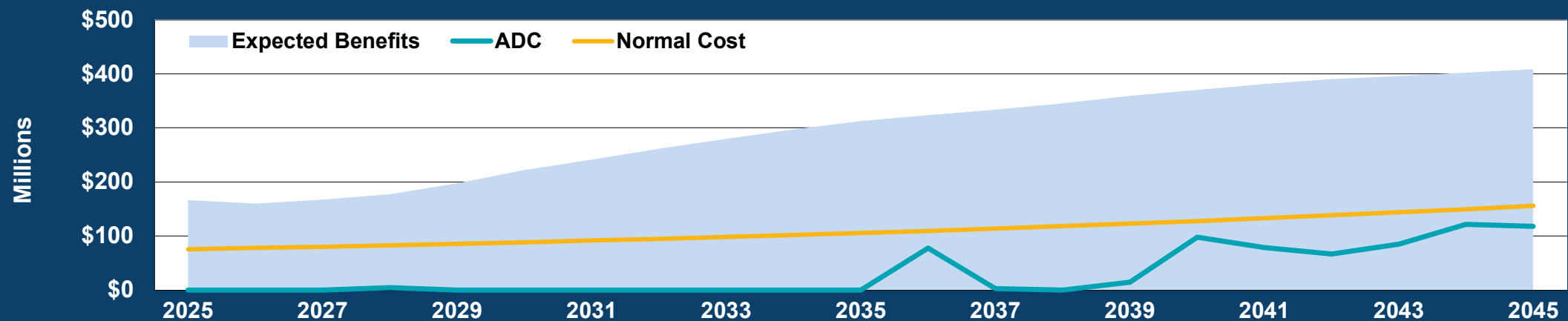
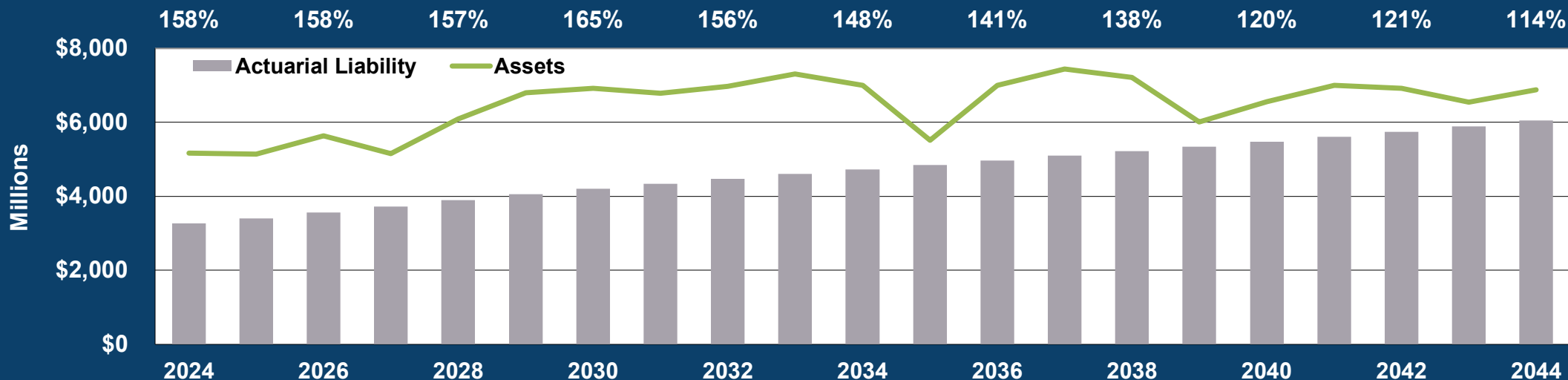
Assumes no employer or employee contributions in any future year.

Projections – Volatile Returns approximately 6.00%



Discount Rate **7.00%**

FYE	
2025	2.78%
2026	13.13%
2027	-5.72%
2028	22.11%
2029	15.02%
2030	5.29%
2031	1.56%
2032	6.81%
2033	9.01%
2034	-0.03%
2035	-17.15%
2036	33.77%
2037	11.31%
2038	1.74%
2039	-11.95%
2040	15.70%
2041	12.94%
2042	4.70%
2043	0.41%
2044	11.60%
Avg	6.06%



Assumes no employer or employee contributions in any future year.



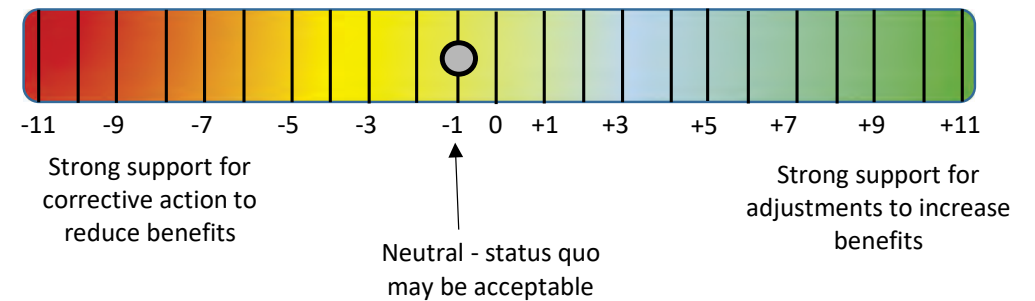
Healthcare Scorecard



Health Care Plan Management Policy Scorecard - 2024

Category	Metric	Current Value	Score Range	2024 Score	2023 Score
Risk measure	Probability of 60+ years of solvency ¹	47%	-3 to +3	0	0
Current status	Funded ratio	158%	-2 to +2	+2	+2
Stress tests	Gov't subsidies & investment returns ²	69%	-2 to +2	-2	-1
	Pre-Med. enrollees & investment return ³	59%	-1 to +1	-1	-1
Funding potential	Pension funding period	10.1	-1 to +1	+1	+1
Economic context	10-year returns	7.1%	-1 to +1	0	0
	Spread between 10Y & 3M Treasuries	-1.12%	-1 to +1	-1	-1

Current Summary Score	-1
Prior Year Summary Score	0



1 Based on 20-year average return of 6.68% and standard deviation of 10.90%

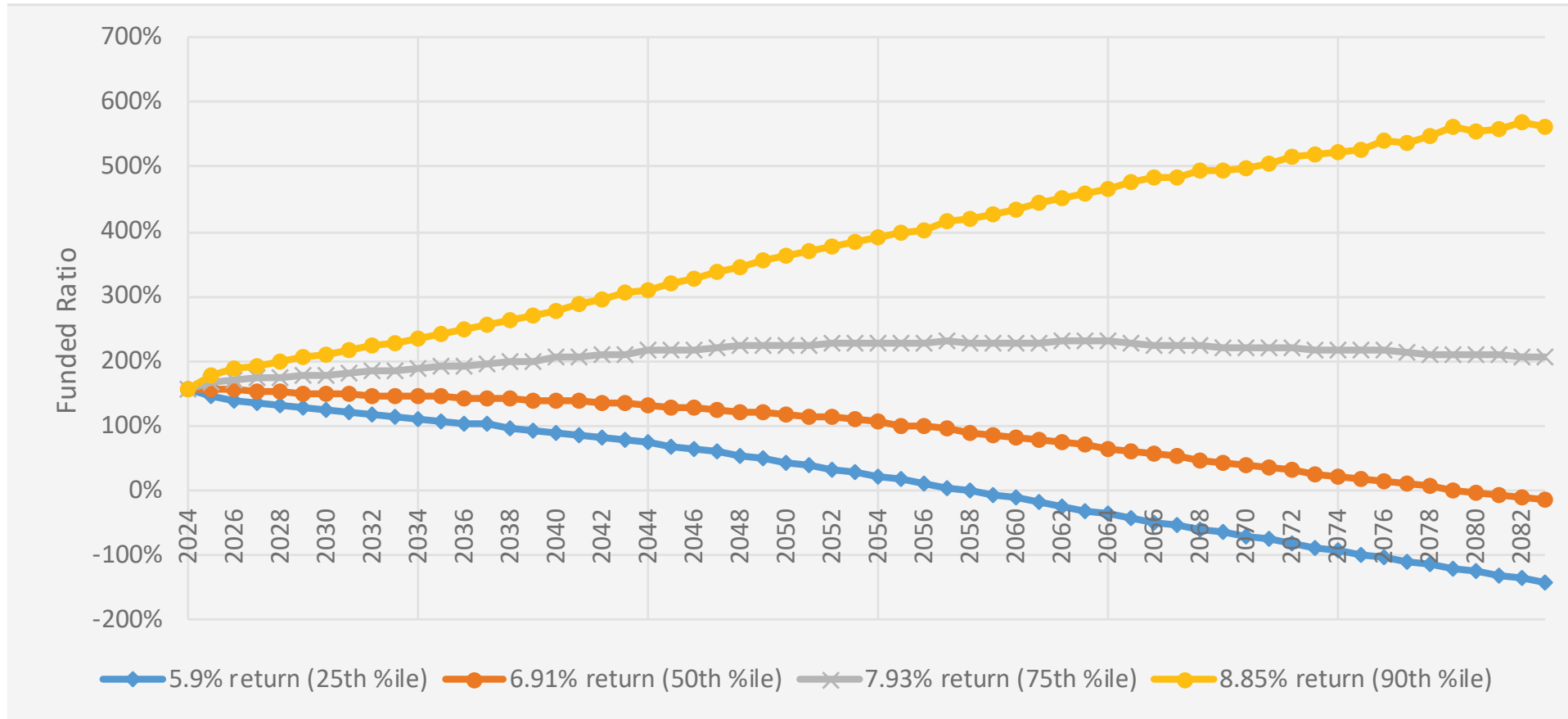
2 Discount Rate and Investment Returns based on the 40th percentile of 20-year average return of 6.32% Assumes Medicare subsidies decreases by 25% relative to baseline over next five years.

3 Discount Rate and Investment Returns based on the 40th percentile of 20-year average return of 6.32% Assumes pre-Medicare enrollment increases by 25% relative to baseline over next five years

*A summary score below -5 suggests corrective action to reduce benefits may be necessary.
A summary score above +5 suggests adjustments to increase benefits may be supportable.*

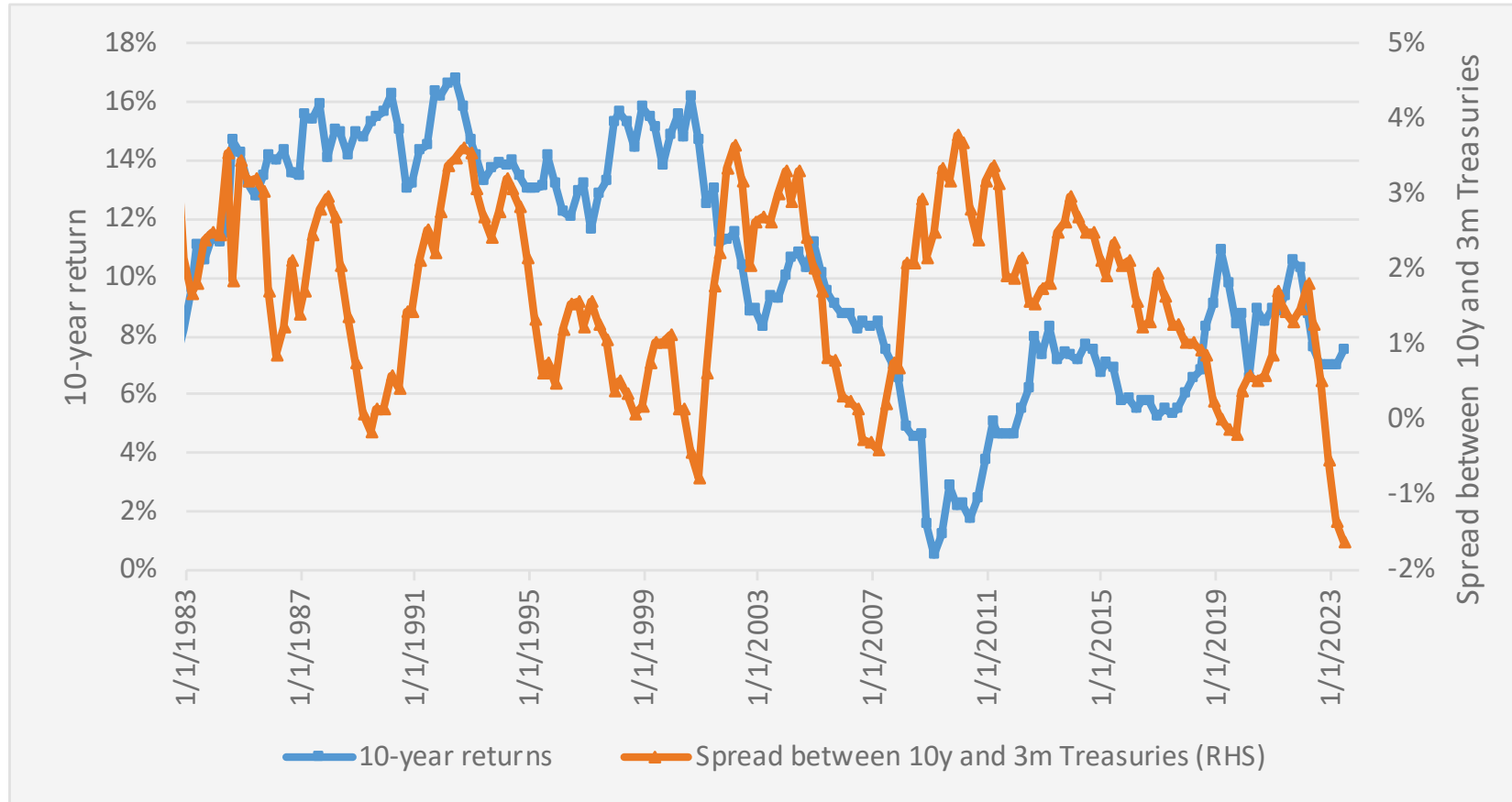
Healthcare Scorecard

Sixty-year projection of Health Care Fund Funded Ratio



Healthcare Scorecard

Economic context



Required Disclosures

The purpose of this presentation is to present the actuarial valuation results for the State Teachers Retirement System of Ohio. This presentation is for the use of the Board and System staff.

In preparing our presentation, we relied on information, some oral and some written, supplied by the State Teachers Retirement System of Ohio. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions, data, and methods are those used in the preparation of the Actuarial Valuation Report as of June 30, 2024.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes and relies upon ProVal, an actuarial valuation software leased from Winklevoss Technologies for the intended purpose of calculating liabilities and projected benefit payments. Projected results of future valuations in this presentation were developed using H-scan, our proprietary tool for the intended purpose of developing projections. As part of the review process for this presentation, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this presentation.

We hereby certify that this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the State Teachers Retirement System of Ohio for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Daniel J. Rhodes, FSA, MAAA
Principal Consulting Actuary

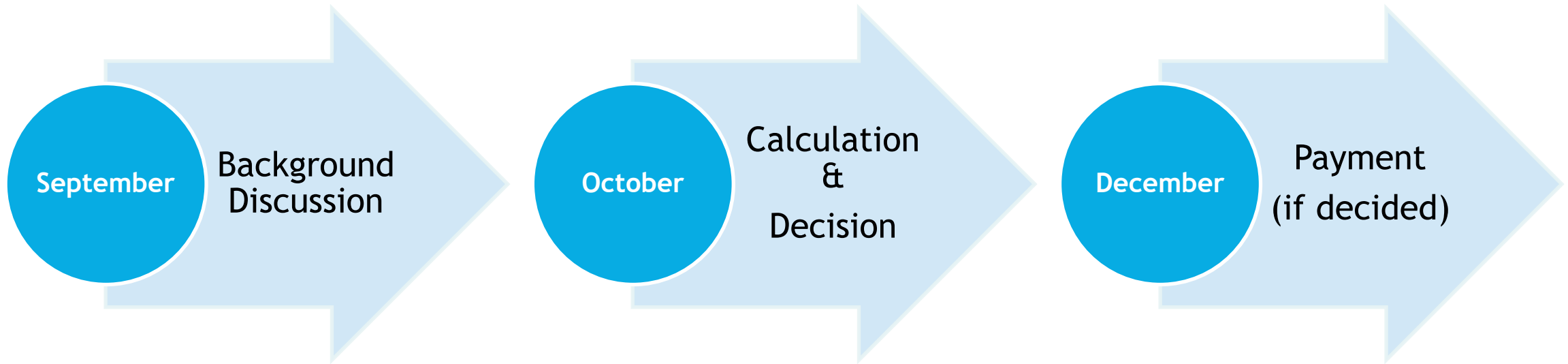
Alison Chafin, FSA, EA, MAAA
Consulting Actuary



Supplemental Benefit Overview

Oct. 17, 2024

- The Supplemental Benefit Payment has not been utilized since 2000
- The decision process as follows:



The Supplemental Benefit Payment is defined in statute 3307.671

- The board may determine the amount to be paid
- The amount cannot exceed 25% of the investment income from the prior fiscal year after allocations to other funds are made
- The board's actuary does not need to determine if the amount paid impairs fiscal integrity; however, Cheiron will incorporate any amount into the Sustainable Benefit Plan budget

Updated decision framework to determine if a payment should be made

Critical factors

(if any one is no, then stop)

1. Is at least de-minimis spending available?
2. Does the market return exceed the assumed rate of return?
3. Does the five-year average market return exceed the assumed rate of return by at least 50 bps?

2024

1. Yes, \$882 de-minimis is available
2. Yes, 10.5% compared to 7.0% assumed
3. Yes, 8.8% compared to 7.2%

Additional factors

(if two or more are no, then stop)

4. No new programs that need funding?
5. No existing programs or funds that require additional allocation?
6. Was the investment return for the first quarter of the current fiscal year at least positive?

2024

4. Yes, there are no new programs that require funding
5. Yes, there are no additional allocations required to be made to a fund or program
6. Yes, the first quarter return of fiscal 2025 is 4.1% net

Step 1: Decide the benefit amount

- Start with calculation set in statute
- Reduce to be less than de-minimis if necessary
- Board decides final value

Step 2: Calculate the unit value

1. Statutory limit = \$554M

- This is less than de-minimis so no further adjustment is necessary
- Illustration - a 1% payment on base benefits = ~61.2M

2. Unit value = $\$61.2M \div 6.9M$, rounded down to the nearest dollar = \$8

Steps 3 & 4: Determine each individual's number of units and eligible payment

- Roger —a member who retired with 34 years of service and has been retired for 21 years has 55 units and would receive a \$440 payment*
- Donna —a disability recipient with 25 years of service and 10 years as a benefit recipient has 35 units and would receive a \$280 payment*
- Jennifer —a joint and survivor annuitant of a member who retired 30 years ago with 30 years of service has 60 units and would receive a \$480 payment*

*Illustrative. Gross amount, Supplemental Benefit Payment is taxable.

Supplemental Benefit Payment:

- Defined in statute R.C. 3307.671
- Determined by the Board subject to the **investment performance** of the prior fiscal year
- Specific eligibility rules. For example, **no waiting period**
- **One-time payment.** It is not included in future benefit amounts, nor will a payment in one year determine if a payment can be made the following year
- Individual amount **varies based on length of service & time receiving benefits** which can help address purchasing power erosion
- Amount included in Sustainable Benefit Plan spending

COLA:

- Defined in statute R.C. 3307.67
- Reviewed annually by the Board subject to actuary's determination of **fiscal integrity**
- Specific eligibility rules. For example, **has a 5-year waiting period**
- Amount **is included in future benefit payments**
- Individual amount **based on a percentage of base benefit**
- Amount included in Sustainable Benefit Plan spending

Questions?

This material is intended for use by the board of the State Teachers Retirement System of Ohio (STRS Ohio) and not by any other party. STRS Ohio makes no representations, guarantees, or warranties as to the accuracy, completeness, currency, or suitability of the information provided in this material. Nothing included herein is either a legal reference or a complete statement of the laws or administrative rules of STRS Ohio. In any conflict between the information provided herein and any applicable laws or administrative rules, the laws and administrative rules shall prevail. This material is not intended to provide tax, legal or investment advice. STRS Ohio disclaims any liability for any claims or damages that may result from reliance on this material or the information it contains, including any information obtained from third parties.



COLA Comparison

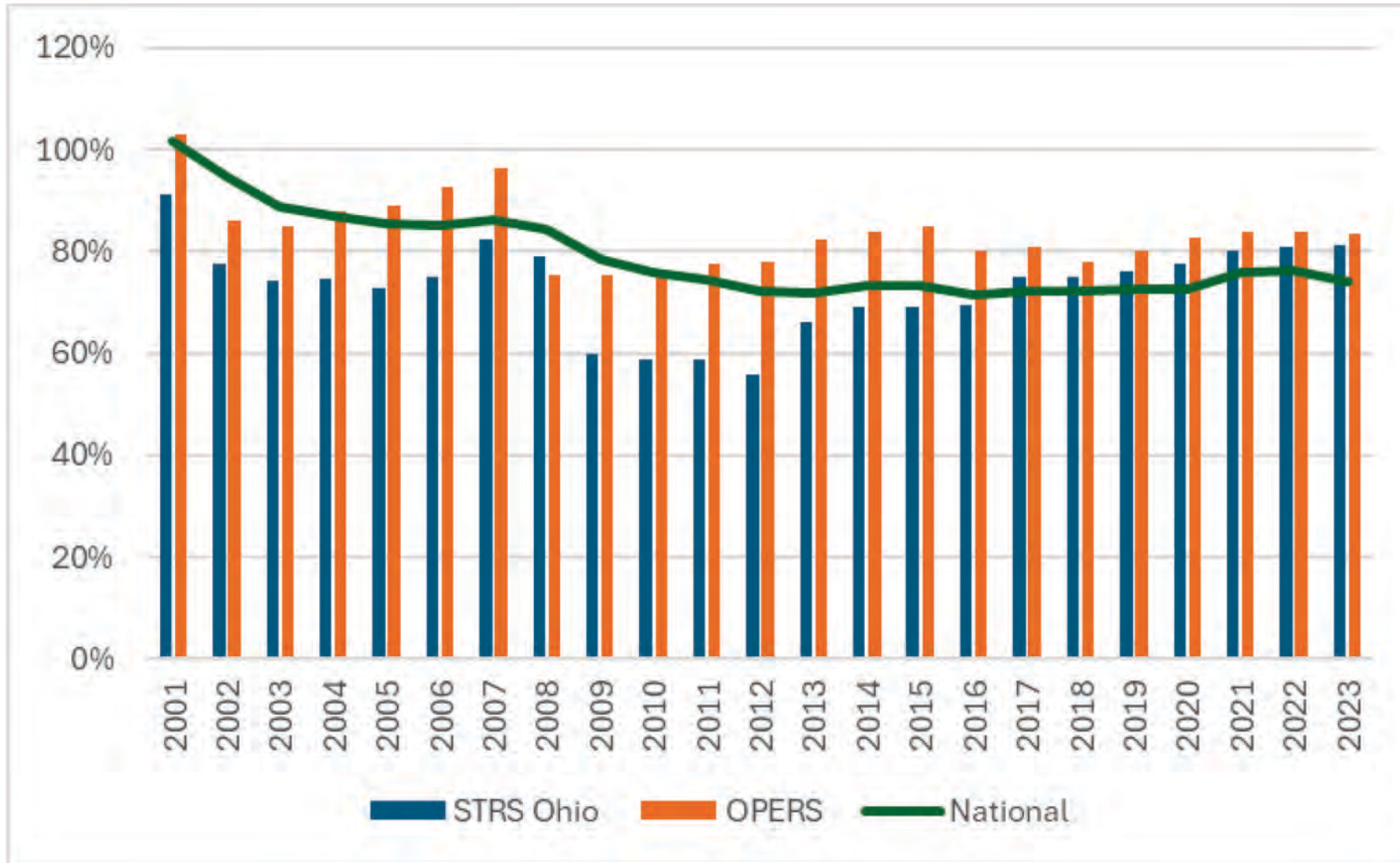
Oct. 17, 2024

September – discussed how OPERS is able to pay a COLA

- By statute, COLA is automatic for OPERS, where STRS Ohio must pass fiscal integrity before a benefit can be added
- No two pensions are exactly alike, and great care needs to be taken in comparing just one benefit; discussed several important differences between the systems
- OPERS has sought authority similar to STRS Ohio to adjust benefits

Today – review four key funding metrics

1 – Funded Ratio



Quick Stats:

2001 Funded Ratio (AVA)

- STRS Ohio – 91.2%
- OPERS – 103%
- National – 101.7%

2023 Funded Ratio (AVA)

- STRS Ohio – 81.3%
- OPERS – 83.4%
- National – 74.2%

Source: Public Plans Database

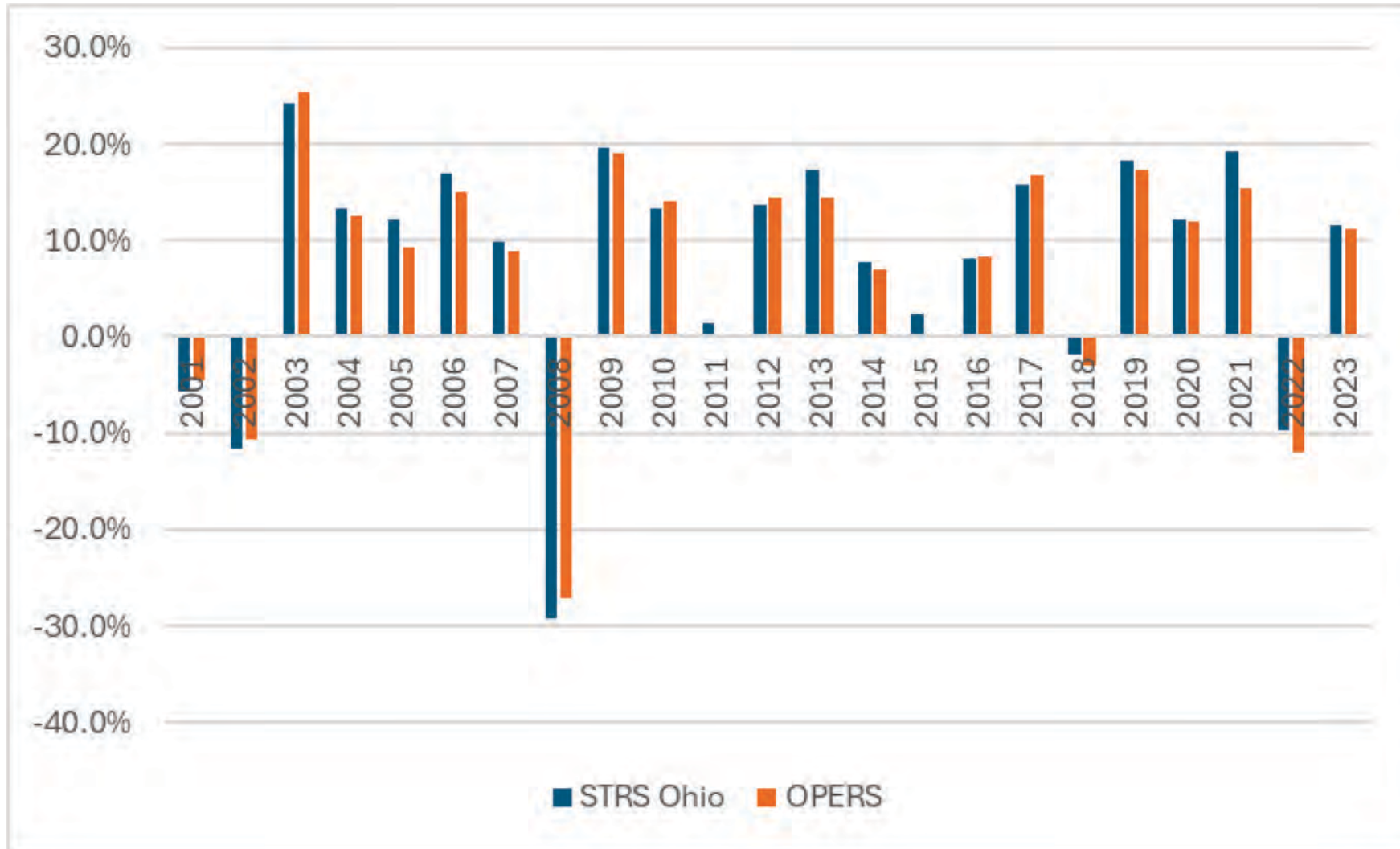
Closer Look: 2000-2010

- 2000-2010 experienced two major financial crises
- Both systems entered 2000 strong, which was needed to withstand the Tech Crisis that would come in 2000-2002
- 2003-2007 gave a chance to recover with strong investment returns, but progress was slower
- Following the Great Financial Crisis of 2008, in 2009 the funding period went infinite, and action was necessary

Funded Ratio (Actuarial Value)		
FY End	STRS Ohio	OPERS
2001	91%	103%
2002	77%	86%
2007	82%	96%
2009	60%	75%
2010	59%	76%

In less than 10 years, we went from approaching full funding to being at risk of severe impairment

2 – Investment Return



Quick Stats:

Trailing 5-Year Return

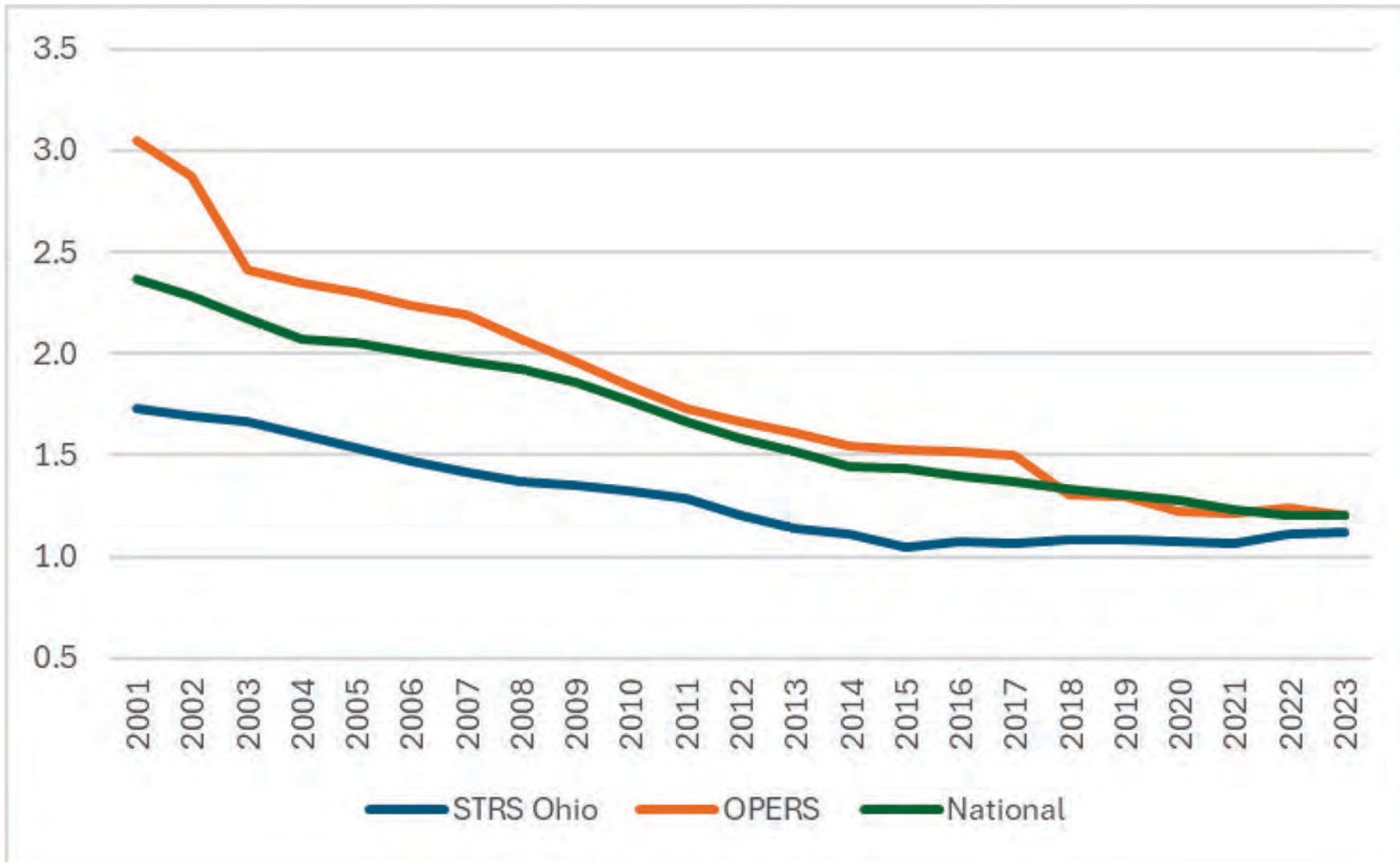
- STRS Ohio – 9.8%
- OPERS – 8.2%

Trailing 10-Year Return

- STRS Ohio – 8.0%
- OPERS – 6.9%

Source: ORSC History Report (2001-2022), 2023 ORSC Investment Performance Report (2023)
Returns are calendar year, gross of fees 2001 - 2013, net of fees 2014 - 2023

3 – Actives/Beneficiaries



Quick Stats:

2001 Actives/Beneficiaries

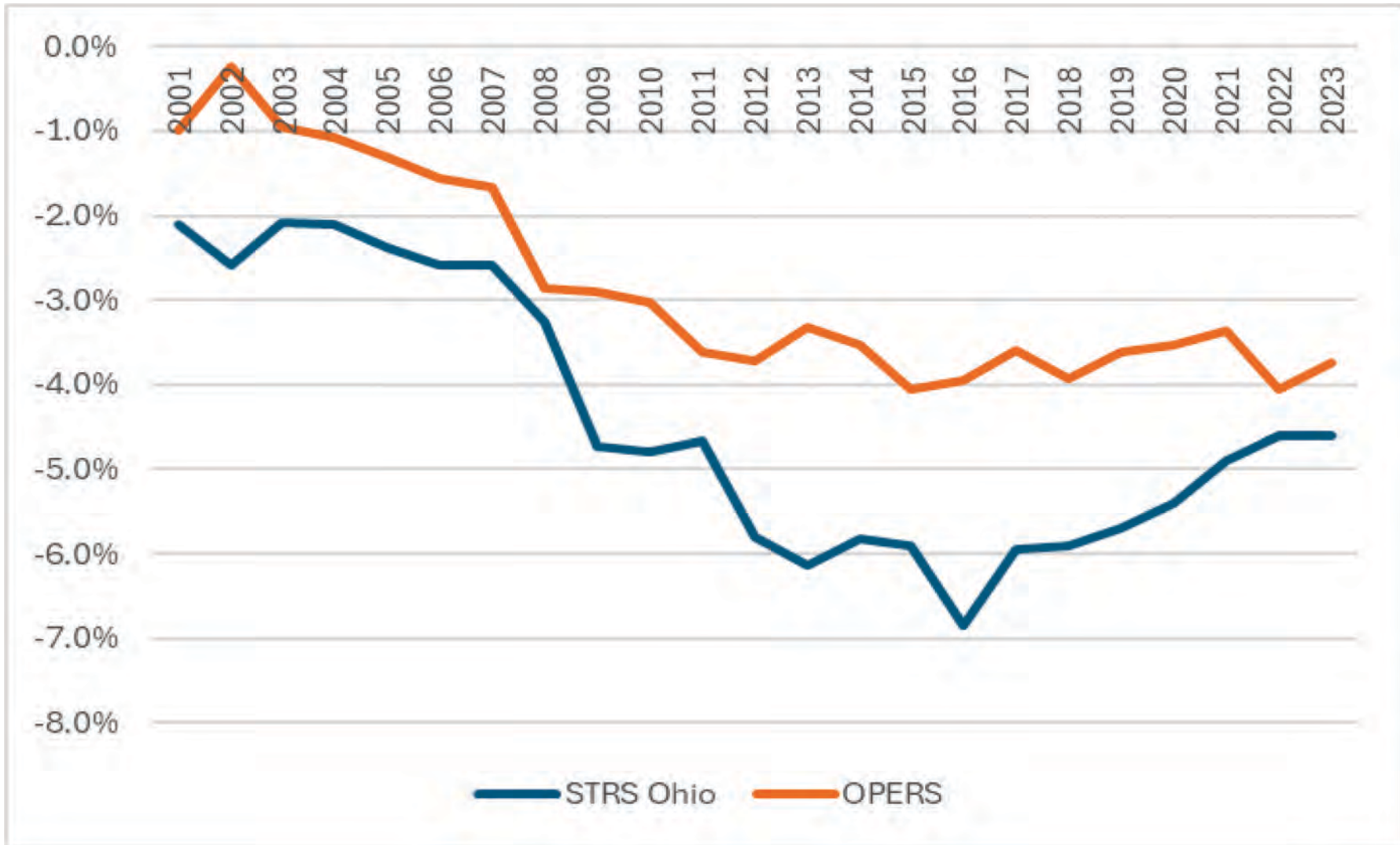
- STRS Ohio – 1.7 (1.7 actives for every 1 beneficiary)
- OPERS – 3.1
- National – 2.4

2023 Actives/Beneficiaries

- STRS Ohio – 1.1
- OPERS – 1.2
- National – 1.2

Source: Public Plans Database, 2023 OPERS ACFR

4 – Cash Flow/Assets



- Quick Stats:
- 2001 Cash Flow/Assets
 - STRS Ohio – (2.1)%
 - OPERS – (1.0)%
 - 2023 Cash Flow/Assets
 - STRS Ohio – (4.6)%
 - OPERS – (3.7)%

Source: Public Plans Database, 2023 OPERS ACFR

- **Pensions must be able to withstand market swings; full funding over the long term is critical**
- **In times of market reward, having a large unfunded liability means those assets aren't available to increase returns**
- **Cash flows/demographics matter, negative cash flows make the system heavily reliant on investment earnings**

Questions?

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