Classic Values, Innovative Advice

STRS Ohio

Sustainable Benefit Plan Priorities

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CHEIRON

Agenda

- Board SBP Budget Priorities for 2025
- Balancing different interests
- Next Steps

SBP Priorities 2025

Setting priorities will streamline budget process

- March 2024 SBP Details

Enhancement	First Year COLA	Future Years COLA	ER Contrib	EE Contrib	Eligibility Unreduced Retirement	Eligibility Reduced Retirement	SBP Budget Impact ($M)
Baseline - Actual	-	-	14%	14%	34 yrs to 2028	30 yrs or 60&5	
Contributions							
1.1 - Increase 1%*	-	-	15%	14%	34 yrs to 2028	30 yrs or 60&5	$ (1,364)
1.2 - Decrease 1%	-	-	14%	13%	34 yrs to 2028	30 yrs or 60&5	$ 1,313
COLA							
2.1 - 3% ongoing annual repeating simple COLA, FYE 2025+	3%	3%	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 21,276
2.2 - 2% ongoing annual repeating simple COLA, FYE 2025+	2%	2%	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 14,184
2.3 - 1% ongoing annual repeating simple COLA, FYE 2025+	1%	1%	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 7,092
2.4 - Permanent 3% COLA, FYE 2025 only	3%	No	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 1,358
2.5 - Permanent 2% COLA, FYE 2025 only	2%	No	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 906
2.6 - Permanent 1% COLA, FYE 2025 only	1%	No	14%	14%	34 yrs to 2028	30 yrs or 60&5	$ 453
Eligibility							
3.1 - Unreduced retirement at 34 yrs	No	No	14%	14%	34 yrs	30 yrs or 60&5	$ 849
3.1A - Unreduced retirement at 34 yrs to July 31, 2036	No	No	14%	14%	34 yrs to 2036	30 yrs or 60&5	$ 390
3.1B - Unreduced retirement at 34 yrs, Reduced at 29 yrs	No	No	14%	14%	34 yrs	29 yrs or 60&5	$ 838
3.2 - Unreduced retirement at 33 yrs	No	No	14%	14%	33 yrs	30 yrs or 60&5	$ 1,986
3.3 - Unreduced retirement at 32 yrs	No	No	14%	14%	32 yrs	30 yrs or 60&5	$ 2,971
3.4 - Unreduced retirement at 31 yrs	No	No	14%	14%	31 yrs	30 yrs or 60&5	$ 3,727
3.5 - Unreduced retirement at 30 yrs	No	No	14%	14%	30 yrs	30 yrs or 60&5	$ 4,222

** Additional legislative, legal, and actuarial analysis may be required for these enhancement*

The challenge is to balance different member interests

What member group is impacted by the various modeled changes?

1. Contribution changes – Actives only
2. COLA
   a) Ongoing annual repeating – BOTH Active and Retired members
   b) Permanent COLA beginning in the next fiscal year – Retired members
3. Eligibility changes – Actives only

Intergenerational equity is balancing all interests

- Who pays the cost and when?

- Benefit is generally funded over a person's working lifetime

- Pure intergenerational equity is impossible to achieve
  - Assumptions are changed or not realized
  - All Defined Benefit Plans have some intergenerational inequity

The basic equation of balance that all pensions are built upon

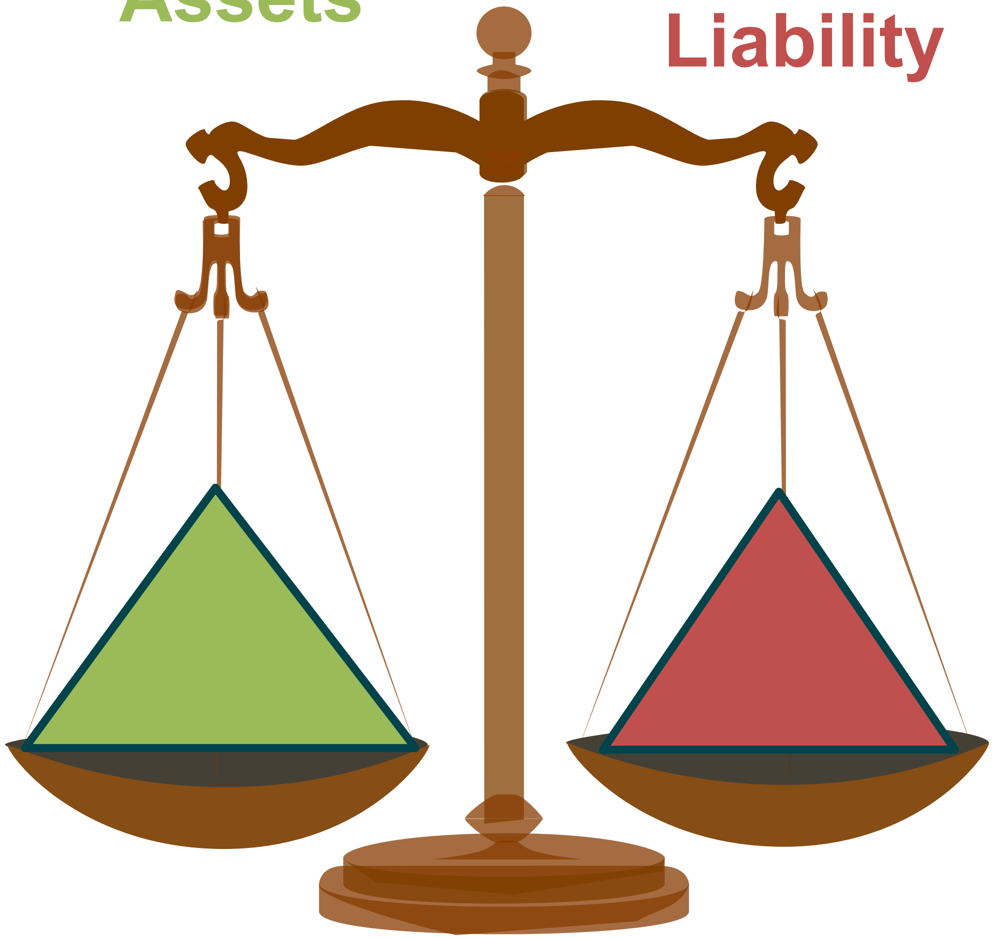
Contributions **Investment Earning**

$$(C + I) = B + E$$

Benefit Payments **Expenses**

Ideally Assets equal Liabilities

C+(I - E)= B



Balanced

Next Steps

- September
  - Supplemental Benefit discussion
  - Pension Funding Policy discussion continued as needed
- October
  - Presentation of valuation results to Board
  - Supplemental Benefit decision, if applicable
  - Pension Funding Policy discussion continued as needed
- November
  - Board Education and Planning Session
  - Preliminary Lever Report presented to the Board
  - Pension Funding Policy discussion continued as needed
- February/March
  - Economic assumption setting pending capital market projections on proposed asset mix
- March/April
  - Sustainable Benefits Plan – discussion and decisions

Required Disclosures

The purpose of this presentation is to discuss the SBP priorities.

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.

Unless otherwise specified, the actuarial assumptions, data, and methods are those used in the preparation of the Actuarial Valuation Report as of June 30, 2023.

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.

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.

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