



# Legislative Committee

Sept. 20, 2024

- **This being the initial Legislative Committee of the fiscal year and given the updates to the Governmental Relations (GR) SharePoint site, we plan to do a walk through of the site with you**
- **The GR SharePoint site is accessible to the board via the board SharePoint site**
- **Perhaps most notable for the board on the GR SharePoint site are the links to the Employer Rate Increase Initiative, Legislative News and Bills to Watch**

# STRS Ohio Retirement Board SharePoint Site



SharePoint Search across sites

STRS Ohio Retirement Board Board Meeting Material Board Members DRP Technical Support



STRS Ohio Retirement Board

Home

Not following

## Current Board Meeting Material

Link to Governmental Relations SharePoint site

### Internal Links

- Board Meeting Material
- Board Recording
- Governmental Relations**
- Newsclips
- Board Education Opportunities
- Reference Items
- STRS Ohio Compliance Manual
- STRS Ohio Ethics Policy
- STRS Ohio Public Records Policy

### Items of Interest

#### Financial

SAFR	ACFR	Annual Health Car...
Annual Pension...	GIPS® Report	Actuarial Experience...

#### Investment

SIOP	Statement of Investmen...	Annual Investmen...
Asset-Liability...	Other Policies	

### External Links

- Ohio Administrative Code 3307
- Ohio Administrative Code 3307:1
- Ohio Administrative Code 3307:2
- Ohio Revised Code 3307
- Ohio Retirement Study Council
- The Ohio Ethics Commission
- Ohio Ethics Law Overview
- Ohio Ethics Law and Related Statutes
- Sunshine Laws - Ohio Attorney General Dave Yost
- STRS Ohio website

- In October 2022, the board voted to seek an increase in the employer (ER) contribution rate
- A former state representative who had introduced legislation providing for an increase of the ER rate indicated a willingness to carry the legislation in the next General Assembly which started in January 2023
- That legislation provided for an increase to 18% phased-in over eight years
- That legislator subsequently resigned
- STRS Ohio has been seeking Republican co-sponsors
- Since January 2024 staff have had 60+ meetings that include approximately 30 different legislators, all the members of the Ohio Retirement Study Council (ORSC) at least once, some multiple times, the governor's director of legislative affairs, the Senate President's chief of staff, the Speaker's chief of staff, policy staff from the four caucuses and ORSC staff
- The legislature is not scheduled to return until after the elections

- **ORSC**
  - Met Sept. 12
  - STRS Ohio-related agenda items were 2023 Internal Audit Report and 2024 Disability Report – both required by statute
- **House Resolution 82 discharge petition**
  - H.R. 82 proposes to repeal Government Pension Offset and Windfall Elimination Provision – two provisions of Social Security laws that can adversely impact STRS Ohio retirees
- **Purchasing power and employer contribution rate increase offset**
  - Update from Mr. Schley



# Questions?

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# Employer Contributions Rate Increase Offset Study

Sept. 20, 2024

**The Sustainable Benefits Plan is working and allowing progress toward benefit adjustments while preserving member security**

- The board has shared a clear desire to adjust retirement eligibility, and this was reinforced in the August discussion on Funding Policy Updates
- Increased employer funding could allow these changes to occur sooner

**The purpose of this study is to determine if there is an offset to the cost of increased employer contributions from earlier retirements if eligibility rules are changed**



**The current proposal is that employer contribution rates increase up to 4% graded over eight years**

- If the board uses the additional funding to reduce eligibility requirements sooner, resulting in earlier retirements, the premise is this can potentially save schools money initially

**To model this, we looked at the average teacher with less than five years of service and with 30+ years of service**

- **The largest difference comes from salary**

Teacher	< 5 YOS	30+ YOS
Average years of service	2.4	32.7
Average age	34	58
Average salary	\$53,167	\$102,015

- We modeled eight years to correspond to the proposed grading period, with salary increasing each year based on our merit assumption
- **We also included the difference in health care cost and in employer contributions, also increasing each year**

# Modeled Results

Year	Avg.	1	2	3	4	5	6	7	8
Graded increase	-2.3%	-0.5%	-1.0%	-1.5%	-2.0%	-2.5%	-3.0%	-3.5%	-4.0%
Offset (32 yos)	1.1%	0.4%	0.6%	0.9%	1.1%	1.3%	1.4%	1.5%	1.6%
<b>Net</b>	<b>-1.2%</b>	<b>-0.1%</b>	<b>-0.4%</b>	<b>-0.6%</b>	<b>-0.9%</b>	<b>-1.2%</b>	<b>-1.6%</b>	<b>-2.0%</b>	<b>-2.4%</b>
Offset (30 yos)	2.6%	0.8%	1.5%	2.1%	2.6%	3.0%	3.3%	3.5%	3.6%
<b>Net</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>-0.4%</b>

## Important:

- Results depend greatly on the assumptions made and consequently will be very different for each school depending on their own make up
- For example, instead of the average net impact of 0.3% above, a community school's impact will be -2.1%, given a much closer salary difference

- **There is some offset due to earlier retirements**
- **However, results will vary significantly for each individual school district depending on its makeup**
- **Offsets will also wear off over time, as the Board makes eligibility changes ultimately, and the increased employer rate continues**



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# Member Purchasing Power

Sept. 20, 2024

## Why is now a good time to study purchasing power?

- When a teacher retires has a big impact on their current purchasing power  
This is a result of several factors including:
  - Different benefit structures (e.g., enhanced benefits)
  - The way COLA benefits have been adjusted
  - How inflation has varied over time
- **The Sustainable Benefits Plan is working and allowing us to adjust benefits while preserving member security**
- Similar to OPERS (HB 413)

- **Group retirees into cohorts based on the year they retire**
- **Calculate a baseline purchasing power since retirement**
  - For example, consider for illustration a member who retired in 2013 and received 3% COLA over the period ending 6/30/23 and inflation was 30%, their purchasing power is currently:  
$$(1 + 3\%) \div (1 + 30\%) = 79\%$$
- **Determine the one-time adjustment required to bring everyone to at least some percentage of purchasing power (legislative change needed)**
  - If purchasing power is at or above the level, no adjustment is required





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