

Callan Associates Updates Retirement Board on Asset-Liability Study

At the January meeting of the State Teachers Retirement Board, the board's investment consultant, Callan Associates, provided additional research that the board requested in December as part of its asset-liability study. The study will help the board determine the optimal portfolio allocation for the system's assets. Last month, Callan presented five potential asset mixes for the board to review, along with the projected short-to medium-term rates of return for those mixes. At that time, the Retirement Board asked Callan to provide information on two additional asset mixes. The board will discuss these results further at its February meeting.

The preliminary results of the asset-liability study showed that STRS Ohio's current investment policy target would be challenged to achieve an 8% return during the next five to 10 years; however, based on historical data, Callan believes STRS Ohio could expect to generate an 8% to 8.5% return over a 30-year horizon. The study also confirmed that without benefit changes that STRS Ohio is currently seeking through S.B. 3 and H.B. 69, the system will eventually be unable to pay benefits. Unless the proposed changes are fully implemented soon, Callan recommends reducing the risk in the investment portfolio to meet the liquidity needs to pay benefits.

2011 Member Survey Results Presented

Results of membership surveys conducted in December 2011 show that most STRS Ohio members — active and retired — continue to have positive overall impressions of the system and the Retirement Board, and most still consider their pension an excellent or good value.

These were just a few of the findings from the annual membership surveys presented at the board's January 2012 meeting by Dr. Marty Saperstein. His Columbus-based research firm, Saperstein Associates, conducted the survey for the ninth consecutive year. The phone surveys involved 602 randomly selected participants (300 active members and 302 retirees) with surveys averaging about 20 minutes in length.

This year's survey results also showed the following:

- About two out of five active members plan to teach longer than they originally thought, and the most common reason cited for this is proposed pension benefit changes.
- About 73% of retirees consider the amount they pay for health insurance through STRS Ohio an excellent or good value.
- Most members are satisfied with system communications, including email updates. There is interest in web-based communication and services and a continued need for communication about proposed pension legislation.
- Nine out of 10 retiree households have at least one source of income in addition to STRS Ohio. On average, STRS Ohio provides 63% of retirees' income.
-

Retirements Approved

The Retirement Board approved 197 active members and 174 inactive members for retirement.

Other STRS Ohio News

STRS Ohio Working with Pension Trustee Advisors on Pension Reform

In December, Pension Trustee Advisors (PTA), an independent actuarial firm hired by the Ohio Retirement Study Council (ORSC) to study pension reform, sent a lengthy request for background data to all five Ohio public retirement systems. PTA requested the information as part of its work to review the pension reform plans that the retirement systems proposed — currently in Senate Bill 3 and House Bill 69. By the mid-January deadline, STRS Ohio had responded with nearly all of the data requested. Any outstanding items are being addressed. The information provided included board reports and policies, copies of our current and past *Comprehensive Annual Financial Reports*, 30-year funding plans, health care plan information and additional studies and research.

Call Center Service Levels Increase for Calendar Year 2011

Service levels increased significantly in the Member Services Center (MSC) during 2011. The average wait time for a representative dropped to 29 seconds compared to 85 seconds in 2010, and the abandon rate dropped to 1.9% compared to 6.5% in 2010.

Helping to increase the service level was the drop in call volume from 322,000 in 2010 to 319,000 in 2011. Call activity increased regarding counseling services, service retirement and account withdrawal, while the call volume relating to health care dropped due to an off year for dental and vision open enrollment.

The MSC has eliminated the call menu for incoming calls. Members no longer need to select from a menu of three choices when calling STRS Ohio; instead, they will hear a live person answer their call. In the past, a menu system was used to help direct calls to the appropriate staff; however, member service representatives are now trained on all STRS Ohio benefits and can take any incoming call. This change will eliminate confusion for members, as well as reduce repeat calls when members hang up and try a different option during peak calling periods in hopes of getting a faster response.

Health Care Plans' Total Enrollment Unchanged by Annual Open Enrollment

Following a successful open-enrollment period in November, the STRS Ohio Health Care Program is beginning 2012 with about the same number of enrollees as December 2011. There were 807 new enrollees and 1,080 terminations for a net decrease of 273 (0.2% decrease in total enrollment). More than 12,000 plan changes were recorded between November 2011 and January 2012. More than two-thirds of these changes (8,174) were Medical Mutual Plus Plan Medicare B only members who STRS Ohio proactively moved (i.e., the enrollee did not need to do anything additional) to the Aetna Medicare Plan (PPO). Total enrollment in the STRS Ohio Health Care Program as of Jan. 1, 2012, stands at 122,540.

Tax Reporting Season Includes New Feature for Benefit Recipients

The year-end tax reporting process for 2011 is under way — generating 161,634 Form 1099R tax statements that show slightly more than \$5.7 billion in distributions and \$810 million in federal and Ohio taxes withheld. Tax statements began mailing to benefit recipients on Jan. 17. Tax statements for QEBA excess benefit recipients (35) and non-resident aliens (approximately 175) are also part of this mailing.

Beginning Feb. 1, a new feature on the STRS Ohio member website will allow benefit recipients online access to reprint their 1099R forms for 2011. Copies of 2010 and earlier tax statements will continue to be available by request from our Member Services Center.