



**STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO**

275 East Broad Street  
Columbus, OH 43215-3771  
888-227-7877  
www.strsoh.org

July 21, 2017

The Honorable Dave Yost  
Auditor of State  
88 East Broad Street  
Columbus, Ohio 43215

RETIREMENT BOARD CHAIR  
ROBERT STEIN

RETIREMENT BOARD VICE CHAIR  
MARK HILL

EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

Dear Auditor Yost:

Thank you for your letter of July 11, 2017, regarding your interest in the recent position taken by Fitch Ratings on rate of return assumptions of pension systems and your request for our response. In response, it may be helpful to describe the authority of the State Teachers Retirement Board relative to establishing actuarial assumptions and actions taken in this regard.

On an annual basis, an actuarial valuation of the STRS Ohio pension assets, projected liabilities and projected funding needs meeting the requirements of Section 3307.51(A) of the Ohio Revised Code (ORC) are prepared by an actuary. Actuaries are governed by generally accepted actuarial principles as prescribed by the Actuarial Standards Board and the qualification standards of the Actuarial Academy of Actuaries.

Additionally, at least once in every quinquennial period, an actuarial review performed in compliance with the requirements set forth in Section 3307.51(B) of the ORC is prepared by or under the supervision of an actuary, with input from investment experts, in order to update the actuarial assumptions used in the annual valuations.

Several years ago, the State Teachers Retirement Board undertook this process and on March 2, 2012, the board voted to reduce the investment rate of return assumption to 7.75% from 8.00% in accordance with the recommendations contained in the review conducted by the board's actuary at that time, PriceWaterhouseCoopers. More recently, the State Teachers Retirement Board followed a similar process and on March 16, 2017, the board voted to lower the investment return assumption to 7.45% effective with actuarial valuations dated July 1, 2017, and after, within the range recommended in the review conducted by the board's current actuary, Segal Consulting.

STRS Ohio will continue to follow these aforementioned processes and monitor its actual investment performance versus its investment return assumption and make further modifications as needed.

Thank you for your letter and interest in STRS Ohio.

Sincerely,

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

Michael J. Nehf  
Executive Director