



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

March 19, 2013

Ms. Bethany Rhodes, Executive Director
Ohio Retirement Study Council
88 East Broad St., Suite 1175
Columbus, OH 43215-3506

275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

Dear Bethany:

In compliance with Section 3307.512, Revised Code, the following is STRS Ohio's report that is required when the amortization period for the unfunded pension liability exceeds 30 years.

PENSION REFORM SIGNIFICANTLY IMPROVES STRS OHIO'S FUNDING

Pension reform legislation passed in September 2012 had a substantial impact on STRS Ohio's funding status. Sub. S.B. 342 passed with broad support from STRS Ohio constituents and saved the pension fund about \$11.6 billion in accrued liabilities. These reforms increase age and service requirements for retirement; calculate pensions on a lower, fixed formula; increase the period for determining final average salary; increase member contributions to the system; reduce the cost-of-living adjustment (COLA); defer the COLA for future retirees and call for no COLA to be added in fiscal year 2014.

STRS OHIO'S DEFINED BENEFIT PLAN IS ON TRACK TO REACH A 30-YEAR FUNDING PERIOD

In July 2012, the Ohio Retirement Study Council received the results of an independent study on pension reform from Pension Trustee Advisors. STRS Ohio was pleased to see that the study supported the continuation of Ohio's defined benefit plans and found that the systems' reform plans would put them in a "much more solid financial position than under current law." Regarding STRS Ohio's reforms, the report stated, "Although the proposed 30-year plan does not quite satisfy the objectives of fully funding the unfunded actuarial liability over no longer than 30 years initially, health care benefits are expected to remain solvent indefinitely and the retirement system is projected to meet the 30-year requirement by 2016 and be 100% funded by 2041."

Before the pension reform changes were enacted, STRS Ohio had an infinite funding period and a funded ratio of 58.8%. However, under the current benefit plan, STRS Ohio's funding period as of July 1, 2012, is 36.4 years and the funded ratio is 64%. In October, STRS Ohio's actuarial consultant, PricewaterhouseCoopers, told the State Teachers Retirement Board that if actuarial assumptions are met in each of the next two years, the pension fund should be back on a 30-year amortization schedule.

It is also important to note that pension reform legislation included language that gives the Retirement Board authority to make future adjustments to the member contribution rate, retirement age and service requirements and the COLA, depending on the funding progress.

STRS OHIO'S HEALTH CARE FUNDING STATUS CONTINUES TO IMPROVE

In addition to the improvements in the status of STRS Ohio's pension fund, the financial picture for STRS Ohio's Health Care Fund continues to strengthen. During the pension reform process, several ORSC members expressed their desire to see the retirement systems continue to offer health care coverage to their retirees. The Jan. 1, 2013, valuation of STRS Ohio's Health Care Fund showed a balance of \$3.12 billion. The life of the fund now extends to 2060 — an increase of 21 years from last year's valuation. STRS Ohio maintains a 1% employer contribution to the Health Care Fund and the Retirement Board is continuing its work on a long-term strategic health care plan.

RETIREMENT BOARD CHAIR
MARK HILL

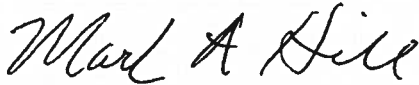
RETIREMENT BOARD VICE CHAIR
DALE PRICE

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

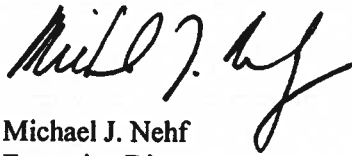
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STRS OHIO WILL CONTINUE TO CLOSELY MONITOR FINANCIAL PROGRESS
STRS Ohio, established in 1920, serves more than 470,000 active, inactive and retired Ohio educators. Retirement Board members, as fiduciaries of the system, must do what is necessary to help ensure the long-term solvency of the pension fund. Sub. S.B. 342 gives the Retirement Board some additional tools to make adjustments in the future, if necessary to ensure the health of the fund. STRS Ohio will continue to review and monitor our financial progress and will do our best to protect the long-term solvency of the funds for the benefit of the members we serve and future generations of Ohio's public educators.

Sincerely,



Mark Hill
Retirement Board Chair



Michael J. Nehf
Executive Director

www.pwc.com

State Teachers Retirement System of Ohio

July 1, 2012 Final Valuation Results

October 18, 2012

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New Plan Projection Results

Impact on Funding Period

- The table below shows the projection of the total funding period

