



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

February 2, 2017

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

The Honorable John Carey  
Office of the Chancellor  
Ohio Department of Higher Education  
25 S. Front Street  
Columbus, OH 43215

RETIREMENT BOARD CHAIR  
ROBERT STEIN

RETIREMENT BOARD VICE CHAIR  
MARK HILL

EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

Dear Chancellor Carey:

In accordance with the recent passage of Amended Substitute House Bill 520, the State Teachers Retirement Board contracted with Segal Consulting to complete an actuarial study to determine the mitigating rate pursuant to R.C. 3307.514 (C). Segal's actuarial study is submitted herein for your records. Please note that the new mitigating rate calculation of 4.47% will be instituted with the commencement of STRS Ohio's new fiscal year, July 1, 2017.

Chancellor Carey, please do not hesitate to contact me should you have any questions with regard to the study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael J. Nehf', written over a horizontal line.

Michael J. Nehf  
Executive Director

Cc: The Honorable Kirk Schuring  
Ms. Bethany Rhodes, Executive Director and General Counsel,  
Ohio Retirement Study Council



101 North Wacker Drive Suite 500 Chicago, IL 60606-1724  
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January 19, 2017

Mr. Brian C. Grinnell  
Chief Actuary  
State Teachers Retirement System of Ohio  
275 East Broad Street  
Columbus, Ohio 43215

**Re: Mitigating Rate Updated for the July 1, 2016 Valuation**

Dear Brian:


As requested, we have reviewed the calculation of the mitigating rate for an Alternative Retirement Plan (ARP) as described in House Bill No. 520. Based on our understanding and interpretation of the statute, we are able to verify the calculation updated by STRS Ohio for the most recent actuarial valuation as of July 1, 2016. This calculation indicates a change in the current mitigating rate from 4.50% to 4.47%. For your reference, we have prepared a table that shows Segal's calculation of the mitigating rate of 4.47% (Attachment 1).


The change in the mitigating rate would not have a significant actuarial cost impact on STRS Ohio. As of July 1, 2016, the effective amortization period to fully amortize the Unfunded Actuarial Accrued Liability (UAAL) would remain the same and is 26.6 years.

The quinquennial experience study is in process. Based upon our recommendations, which the Board has not yet adopted, we expect that the mitigating rate will increase.

Please do not hesitate to contact us with any questions or comments.

Sincerely,

  
Kim Nicholl, FSA, MAAA, EA  
Senior Vice President and Actuary

  
Matthew A. Strom, FSA, MAAA, EA  
Vice President and Actuary

cc. Mr. Paul M. Snyder

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State Teachers Retirement System of Ohio  
 Alternate Retirement Plan Mitigating Rate  
 Updated for July 1, 2016 Valuation

Item	
1. Estimated DB UAAL as of June 30, 2016	\$30,641,785,551
2. Cumulative ARP contributions provided by STRS Ohio	440,610,286
3. Cumulative UAAL contributions provided by STRS Ohio	972,340,858
4. Historical liability: [(3) – (2)]	531,730,572
5. Remaining UAAL as of June 30 ,2016: [(1) – (4)]	30,110,054,979
6. 2016 ARP payroll	671,993,720
7. 2016 DB payroll	10,069,267,897
8. Total 2016 ARP plus DB payrolls: [(6) + (7)]	10,741,261,617
9. Compensation ratio: [(6) / (8)]	6.2562%
10. ARP % of Item 5: [(5) x (9)]	\$1,883,742,206
11. Estimated 2017 ARP payroll: [1.035 x (6)]	695,513,500
12. Perpetual amortization factor	27.4059
13. 30-year amortization factor	17.9562
14. Perpetual amortization of item 4: [(4) / (12) / 11]]	2.79%
15. 30-year amortization of item 10: [(10) / (13) / (11)]	15.08%
16. Computed mitigating rate: [(14) + (15)]	17.87%
17. Basic mitigating rate: [(16) x 0.25]	4.47%
18. Maximum mitigating rate	4.50%
<b>19. Final mitigating rate: [min(17), (18)]</b>	<b>4.47%</b>