



***Communicating changes to
cost-of-living adjustment***

NCTR Webinar

May 2019

System background

- **500,000 members**
 - 170,000 active
 - 157,000 retired
- **\$78 billion fiduciary net position**
- **1,140 employers**
- **535 employees**

- **Email is a huge advantage**
 - Fast
 - Low cost
 - Frequency
- **Good relationship with members**
 - Strong reputation for customer service helped us

2012 pension reform in Ohio

- **Various elements – including COLA, increase in member contribution rates, increase in years of service for retirement eligibility**
- **Effort began in 2009, legislation didn't happen until 2012**
- **Communicated frequently about the need for these changes**
 - Impact of great recession, longer lifespans, lower birth rates in Ohio
 - Used newsletters, website, email, counseling sessions, meetings, talking points
- **Legislation also gave retirement board the authority to change COLA, age/service requirement, member contribution rate**

Need for additional changes

- **By 2016-2017, slow recovery from great recession and STRS Ohio's five-year experience review showed the pension fund still wasn't as well funded as we wanted it to be**
- **Results of the experience review and an asset-liability study lowered investment return assumption; accounted for continuing mortality improvement; accounted for lower inflation (payroll and salary growth)**
- **Communicated through Board News emails, website, social media, meetings, newsletters, etc.**
- **Timing and content of communications became a challenge – providing detail without getting ahead of board action**

Input from members

- **Messages getting through – we were invited to speak at four meetings around the state by one of the teachers union groups**
 - Weighed the pros/cons of additional meetings – other than COLA reduction, board didn't have options to have the necessary actuarial impact
 - Meetings were well attended – 150-450 attendees at each
 - Good give and take at three of the four meetings ... the fourth meeting was more of a challenge
 - Anticipate questions, prepare speakers, arm them with facts

New actuarial assumptions adopted in March 2017

- **Communicated these changes – and their impact on the system’s funding health – through email news service, website, social media**
 - Lowered investment return assumption to 7.45%; adopted generational mortality tables; lowered inflation assumption by 0.25% (impacting investment return, salary growth, payroll growth)
 - Funded ratio dropped to 62.4%
 - Funding period increased to about 58 years – far above state of Ohio’s 30-year funding target
 - Models indicate COLA “is most effective means possible to preserve the fiscal integrity ...”

Board reduced COLA to 0% at April 2017 meeting

- **Agreed to revisit within five years**
- **News shared via email, web, social, etc.**
- **Developed mailer to reach all members of the system**
 - Active, inactive, retired members since all could eventually be impacted
 - Weighed benefit of doing so versus actual costs to print and mail

Multipage mailer told the story – explained the nuts and bolts

- **With so many elements as part of the story, we wanted to educate**
- **Mailer allowed us to describe the action the board took and to provide more depth on:**
 - Findings of the experience study
 - Asset-liability study results
 - Actuarial terminology – breaking it down into easier to understand language
- **Q & A addresses commonly heard questions**

Following up with members

- **Received a few hundred calls/letters/emails in April/May**
- **Subsided substantially by June**
- **Semi-organized opposition continues**
- **We continue to interact and address**

What you can expect

- **Questions, pushback, misinformation**
 - Our members' persistence is still present two years later
- **Be as open and honest as you can**
- **Survey questions to members – get representative sample – you have resources that others don't**
- **Continue to build case with data**
- **Continue dialogue with members**

- **STRS Ohio offers an estate planning seminar as part of our group education to retirees**
- **Led by an attorney we contract with, not STRS Ohio associates**
 - Expert in this area better prepared to present the information and to respond to questions; cannot solicit business from the audience
 - Offers information pertaining to:
 - Wills and trusts
 - The probate process
 - Benefits and dangers of financial powers of attorney
 - The need for health care directives
 - Impact of estate taxes