Communicating changes to cost-of-living adjustment

NCTR Webinar

May 2019
State Teachers Retirement System of Ohio

System background

- 500,000 members
  - 170,000 active
  - 157,000 retired
- $78 billion fiduciary net position
- 1,140 employers
- 535 employees
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- Email is a huge advantage
  - Fast
  - Low cost
  - Frequency

- Good relationship with members
  - Strong reputation for customer service helped us
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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
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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
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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 …”
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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
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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
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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
Estate planning seminars

- 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