

NEWS RELEASE — STATE TEACHERS RETIRMENT SYSTEM OF OHIO
(STRS Ohio)

June 7, 2007

STRS OHIO RESPONDS TO FORDHAM INSTITUTE REPORT

Today, the Thomas B. Fordham Institute released the results of a study they conducted without any input from STRS Ohio. Unfortunately, today was the first time staff members from STRS Ohio were provided a copy of the report that appears to be a very incomplete analysis of the system. Consequently, we have not had time to thoroughly analyze it. However, at this point we do think that it is appropriate to address some of the glaring mistakes and misstatements.

- **STRS Ohio is far from obsolete in its pension plan design. In fact, STRS Ohio is one of only a few teacher pension plans in the country that offers three retirement plan options for its members — including a Defined Contribution Plan that has been available to K-12 teachers and higher education faculty since 2001.** This plan is competitive to private vendor plans, such as a 401(k), in its investment options, fees and features (no health care). In addition, we offer a “reselection option,” which enables a teacher to enroll in the Defined Contribution Plan upon entering the profession, but then change plans if he or she wants before their fifth anniversary of teaching to a Combined or Defined Benefit Plan. Consequently, if that new teacher does decide to leave the profession during that first five years, he or she is able to take both their contributions and their employers’ contributions (10.5%) plus any investment earnings, if they have been an STRS Ohio member for at least one year.
- **The report suggests that the pension system undermines school efforts to recruit and retain high quality teachers. However, we did not see any statistical data in the report that supports this statement.** As noted above, our Defined Contribution Plan addresses the needs of the mobile teacher. At STRS Ohio, about 75% of each year’s retirees have 30 or more years of service. Since 2000, the number of educators who retire after completing their 30th year of service has declined by nearly 30%. During the same period, 35-year retirements have increased by more than 330%. In fiscal year 2006, more than 1,800 educators (32% of the 5,722 retirements) retired with 35 or more years of service. Further, STRS Ohio’s own research of its active members indicates that one out of two teachers plans on teaching longer — often because of anticipated health care costs in retirement. (Those planning to teach longer are particularly clustered around the 54 or older age group.)
- **STRS Ohio is NOT seeking any contribution increase for the funding of its pension plan.** In fact, STRS Ohio has not increased employer contributions from the current level of 14% of teacher payroll since 1984. Member contributions were raised to 10% from 9.3% on July 1, 2003. The majority of STRS Ohio’s income — 75% — comes from investment earnings. While STRS Ohio’s current fiscal year won’t end until June 30, 2007, we anticipate that our funding period will be close to 30 years. The funded ratio should also improve.

(more)



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- If STRS Ohio was not able to meet its pension obligations, the State of Ohio is not constitutionally bound to bail the system out. **Taxpayers bear no liability.** Legislators or STRS Ohio could address the issue by changing benefits for current or future members. (Once an STRS Ohio member begins receiving pension benefits, those cannot be changed.)
- **STRS Ohio IS seeking a contribution increase to create a dedicated revenue stream for its health care program — which is not a guaranteed benefit.** For more than two years, STRS Ohio has been talking with its members, employers, legislators and the media about this issue. Our proposed legislation is meant to foster dialogue among all affected parties to determine if this plan is workable.
- **STRS Ohio members are not covered by Social Security and, thus, receive no retirement, disability or survivor benefits from Social Security.** Should a teacher also qualify for Social Security benefits due to other work or through a spouse, these benefits are offset through the Government Pension Offset and Windfall Elimination Provision. The Fordham report does not address how survivor and disability protection would be provided under a cash balance or defined contribution plan.
- **STRS Ohio — the structure of its pension plans, and its governance and operations — are very transparent.** In fact, members can go to the STRS Ohio Web site or receive information from the system that shows them how to easily calculate what their retirement benefit will be at any and every point of their career. Further, every Defined Benefit Plan and Combined Plan participant receives an Annual Statement that shows retirement, survivor and disability benefits accrued to date and into the future. **Teachers are very clear on how their pension plan works and what to expect at each stage of their career.** Further, STRS Ohio itself, has undergone a number of third-party reviews during the past few years, and has gone to great lengths to inform its members, legislators and the media about all financial aspects of the system — including pension fund solvency, health care challenges and operating expenditures.
- Permitting persons to draw a pension and return to public employment is permitted by law in Ohio. **About 13% — not 19% — return to an STRS Ohio-covered position after retirement.** However, **about 70% of these individuals are returning to positions as substitutes or other part-time work** (based on salary data showing 70% of reemployed retirees have annual incomes of \$20,000 or less).

STRS Ohio has taken a leadership role in working with members and the Legislature in adopting plan options to meet the needs of mobile teachers, to ensure transparency in its operations and to explore solutions for funding its optional health care program. We will continue do so using accurate data and objective analysis.