

Mr. John Morrow, STRS Ohio Chief Investment Officer, reported that the fiscal year-to-date investment return is 15.89%. Total fund assets ended January at \$86.6 billion, higher by \$9.5 billion in fiscal year 2021. Callan updated the Benchmark review and recommendations. Their recommendations were adopted for the various asset classes. Also Mr. Morrow reported that Matt Worley will be replacing him when he retires at the end of April. Mr. Worley has 27 years of investment experience with STRS Ohio. They have been working closely together to make sure that the transition will be smooth. Matt will be providing the investment report to the Board in March and April.

In Mr. Neville's Executive Director's report he noted that more than 100 large U.S. public sector defined benefit plans that have at least \$4 billion in liabilities have reduced their assumed discount rate. The median discount rate is 7.15%. STRS Ohio is the only public plan with more than \$70 billion in liabilities to have a discount rate assumption higher than 7.25%. The average for this group of 18 plans is about 7.0%. Currently STRS Ohio's discount rate is 7.45%.

Also in the Executive Director's report Mr. Neville announced that STRS Ohio is adding Express Scripts' SaveOnSP program on March 1, 2021 to help non-Medicare enrollees save money on a limited number of specialty medications and reduce the overall pressure specialty medications put on premiums.

SaveOnSP identifies enrollees who are taking a specialty medication that has a coupon that is on the SaveOnSP Drug List. The participant is then enrolled in the program through a simple phone call. Once enrolled, the participant's co-pay for the covered drug is reduced to a \$0 copayment instead of the lesser of \$450 or 15% of the drug cost. The balance of the coupon, after the enrollee's copay is reduced to \$0, is used to offset plan costs. Non-Medicare enrollees taking medications on the program's drug list were mailed letters from Express Scripts alerting them to the savings opportunity. Initially about 240 qualifying members are expected to enroll in SaveOnSP, and Express Scripts estimates STRS Ohio should save an estimated \$2.2 million annually.

STRS Ohio continues to add services to the Online Personal Account section of our website and usage continues to increase. There are now about 129,000 members and nearly 93,000 benefit recipients who have established an online account. This is an 11% increase from last year. STRS Ohio has email addresses for more than 331,000 members and recipients, an increase of 9.5% from last year.

The STRS Ohio Board heard an in-depth report on the STRS Ohio Real Estate Portfolio at the February meeting. The market value of this portfolio is \$7.4 billion. Real Estate is a long term asset producing excellent long-term returns.

Lynn Hoover, STRS Ohio's Chief Financial Officer, and Brian Grinell, STRS Ohio Actuary, presented a report concerning the risks that face STRS Ohio as a system. A total of 32 risks were identified and documented across the organization. Twelve "board level" risks were identified in 2021; there were 14 risks last year.

Gary Russell, Director of Member Benefits, presented the Annual Pension Benefit Comparison. The purpose of this report is to compare attributes of statewide plans that cover educators. There are specific comparisons to non-Social Security states which are: Alaska, California, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio and Texas.

Statewide plans have been modified in 32 states since 2010 following the Great Recession, and typically:

- *Increase years of service and/or age retirement eligibility
- *Increase the number of years used in the final average salary calculation
- *Modify COLA

STRS Ohio compares well among the 13 non-Social Security systems

*Total contribution rates remain the fourth lowest of 14 rates and in the lowest quartile of all systems

*Purchasing power retention is approximately 95% for sample retirements 10, 15, and 20 years ago

*Retirement benefit as a percent of Final Average Salary, is at the 50th percentile for a member retiring in 2021 with 33 years of service

*STRS Ohio is one of seven systems providing subsidized health care

- \$6.3 billion contributed to health care, representing \$39.4 billion pension asset value

- Funded ratio is the third highest at 77.4% behind Missouri (84.6% and no health care), Maine (81.8% and no health care)

STRS Ohio total contribution rate is 12th lowest of 71 rates

*Average contribution rate for non-Social Security states is 31.96%, up from 31.78% last year

*Of non-Social Security states, Texas is the lowest with 19.45% and Illinois is the highest with 57.36%

Nick Treneff from the Communications Department and Marty Sapperstein reviewed the results of the member survey, which was done in November of both actives and retirees. Overall, results of the 2020 survey are quite positive:

*A vast majority of members have positive overall impressions of STRS Ohio

*Most retirees see the amount of their contributions relative to the benefits they receive as an excellent or good value

*About 3 out of 5 enrolled retirees consider their health care coverage a good or excellent value, continuing a downward trend that began in 2017

*More than 9 out of 10 retirees have at least one source of income in addition to STRS Ohio; more than two thirds have at least two additional sources

*More than eight out of 10 retirees feel more financially secure or about the same as a year ago

*Continue timely, accurate communications about pension funding and the need to strengthen the fund. Continue use of digital, print and social media to share these messages.

*Share information about STRS Ohio's upcoming asset-liability study and actuarial experience review

*Continue to monitor press and digital channels regarding what others are sharing about STRS Ohio

*Continue to educate all stakeholders about STRS Ohio's funding status, service levels and position as an innovator in the industry.

The deadline for submitting signed petitions to qualify for the STRS Election is Friday, February 26, 2021.