Plan Overview

- STRS Ohio retirement plans
  - Defined Benefit Plan (DB)
  - Defined Contribution Plan (DC)
  - Combined Plan
Defined Benefit Plan

- **Member contribution — 13%**
  - Effective July 1, 2016: 14%
- **Employer contribution — 14%**
Defined Benefit Plan

- STRS Ohio manages all contributions
- **Monthly retirement benefit**
  - Based on years of service credit, age and final average salary (FAS) — 2.2% of FAS per year of service
- **Survivor and disability benefits***
- **Health care coverage in retirement***
- **Death benefit**
- **Cost-of-living adjustments**
  - 2% beginning fifth anniversary of retirement

*Upon reaching eligibility requirements.
Combined Plan

- **Member contribution — 13% (11.5% to DC portion)**
  - Effective July 1, 2016: 14% (12% to DC portion)
  - Increase used to help fund the DB portion of retirement

- **Employer contribution — 14% to DB portion**
Combined Plan

- **Features of Defined Benefit and Defined Contribution Plans**
- **Retirement income based on two benefits**
  - DC portion: performance of investments you select, amount contributed to the account and annuity rates at retirement
  - DB portion: 1% of FAS per year of service
- **Survivor and disability benefits***
- **Health care coverage in retirement***

*Upon reaching eligibility requirements.
Defined Contribution Plan

- **Member contribution — 13%**
  - Effective July 1, 2016: 14%
- **Employer contribution to account — 9.5%**
- **Total managed by member — 22.5%**
  - 4.5% pays for existing unfunded liability of the retirement system
Defined Contribution Plan

- **Retirement income based on**
  - Performance of investments you select
  - Amount contributed to the account
  - Annuity rates at retirement

- **Survivor and disability benefits limited to account value**

- **No access to STRS Ohio health care coverage in retirement**
Retirement Plan Selection

• New members — 180 days* to select STRS Ohio Defined Benefit, Defined Contribution or Combined Plan

• Plan reselection option during fifth year
  o Defined Contribution and Combined Plan participants
  o Can stay in current plan or switch to one of the other two STRS Ohio retirement plans
  o No selection — will remain in current plan

*STRS Ohio must receive plan selection form within 180 days of first day of paid service; otherwise, member will be placed in the Defined Benefit Plan.
Defined Benefit Plan

- **Eligibility requirements for unreduced benefit**
  - Age 65 with five years, or
  - Any age and:
    - Beginning Aug. 1, 2026: Age 60 with 35 years
    - | Age | Years |
      |-----|------|
      | 31  | 31   |
      | 32  | 32   |
      | 33  | 33   |
      | 34  | 34   |
      | 35  | 35   |

    - 31 years on Aug. 1, 2015
    - 32 years on Aug. 1, 2017
    - 33 years on Aug. 1, 2019
    - 34 years on Aug. 1, 2021
    - 35 years Aug. 1, 2023, through July 1, 2026
Defined Benefit Plan

- **Eligibility requirements for actuarially reduced benefit**
  - Any age with 30 years, or
  - Age 60 with five years, or
  - Age 55 and:
    - 26 years on Aug. 1, 2015
    - 27 years on Aug. 1, 2017
    - 28 years on Aug. 1, 2019
    - 29 years on Aug. 1, 2021, through July 1, 2023
  - Beginning Aug. 1, 2023: Any age with 30 years or age 60 with five years
Service Retirement
Defined Benefit Plan

- **Retiring on or before July 1, 2015:**
  - 2.2% X service credit X FAS
  - 2.5% for 31st year; additional one-tenth percent every year after 31st

- **Retiring Aug. 1, 2015, and later:**
  - 2.2% X service credit X FAS
  - 2.2% for all years of service
Service Retirement
Defined Benefit Plan

**Transition benefit**

- Those eligible to retire July 1, 2015, maintain retirement eligibility and benefit will be the greater of:
  - The benefit calculated upon retirement under the new benefit formula, or
  - The benefit as of July 1, 2015, under the old formula
Service Retirement
Combined Plan

- **Defined benefit portion**
  - At age 60 with five years of service credit
  - 1% X service credit X FAS

- **Defined contribution portion**
  - At age 50 or termination of service
  - Lifetime annuity or lump-sum payment
    - Based on investment performance, amount deposited to DC account and annuity rates at retirement
Service Retirement
Defined Contribution Plan

- **Age 50 or termination of service**
- **Lifetime annuity or lump-sum payment**
  - Based on investment performance, amount deposited to account and annuity rates at retirement
Survivor Benefits
Defined Benefit and Combined Plan

- **Existing member as of June 30, 2013**
  - One and a half years of qualifying service

- **New member on or after July 1, 2013**
  - Five years of qualifying service

- **Benefits to survivors**
  - 25%–60% of FAS

- **Three types of benefits**
  - Dependent based
  - Service based
  - Retirement based
# Survivor Benefits

Defined Benefit and Combined Plan

<table>
<thead>
<tr>
<th>Active Teacher* With 5 Years of Service Credit</th>
<th>Active Teacher* With 20 Years of Service Credit and Less Than Age 60</th>
<th>Active Teacher* Meeting Retirement Eligibility Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdraw</td>
<td>Withdraw</td>
<td>Withdraw</td>
</tr>
<tr>
<td>Dependent-based benefit</td>
<td>Dependent-based benefit</td>
<td>Dependent-based benefit</td>
</tr>
<tr>
<td></td>
<td>Service-based benefit</td>
<td>Service-based benefit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retirement-based benefit</td>
</tr>
</tbody>
</table>

*Active teacher (assumes you earned at least .25 of a year of service credit in the 30 months before death).
Disability Benefits
Defined Benefit and Combined Plan

- **Defined Benefit Plan**
  - Disability retirement
  - Disability allowance
    - New members after July 29, 1992

- **Combined Plan**
  - Disability benefits
Disability Benefits
Defined Benefit and Combined Plan

- **Existing member as of June 30, 2013**
  - Five years of qualifying service
  - Must file application within **two years** of last date of earned service

- **New member on or after July 1, 2013**
  - 10 years of qualifying service
  - Must file application within **one year** of last date of earned service
Disability Benefits
Defined Benefit Plan

- **Similarities Between Disability Allowance and Disability Retirement**
  - Eligible with five years of credit
  - Illness of 12 months or longer
  - Cannot be receiving a service retirement benefit
  - Must pay federal tax; possibly state tax
  - Credit for time on disability after returning to work for two years
  - Survivor benefits
  - Subject to reexamination
  - Leave of absence for first five years
### Differences Between Disability Allowance and Disability Retirement

<table>
<thead>
<tr>
<th>Disability Allowance</th>
<th>Disability Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>May apply for benefits at any age</td>
<td>May only apply before age 60</td>
</tr>
<tr>
<td>45%–60% of FAS</td>
<td>30%–75% of FAS</td>
</tr>
<tr>
<td>Benefits cease at predetermined age</td>
<td>Disability benefits continue as long as you are disabled</td>
</tr>
<tr>
<td>Apply for service retirement when benefits end</td>
<td></td>
</tr>
</tbody>
</table>
Account Withdrawal
Defined Benefit Plan

- **Member contributions plus interest**
  - Five or more years*
    - Up to 6% interest plus 50% matching funds
  - At least three years,* less than five
    - Up to 6% interest
  - Less than three years*
    - Up to 4% interest

- **Cancels STRS Ohio membership and any present or future STRS Ohio benefits**

*Qualifying service credit.
Account Withdrawal
Combined Plan

- **Defined benefit portion**
  - Eligible for the greater of:
    - Present value of future benefits, or
    - The member’s total contribution to the defined benefit portion of the account

- **Defined contribution portion**
  - Member contributions plus gains or losses on those contributions

- **If both portions of account are withdrawn, cancels STRS Ohio membership and any present or future STRS Ohio benefits**
Account Withdrawal
Defined Contribution Plan

- **Member contributions***
- **Employer contributions**
  - New member *before* July 1, 2013 — 100% of employer contributions* after one year of membership
  - New member *on or after* July 1, 2013 — Vested 20% per year in employer contributions*
- **Cancels STRS Ohio membership and any present or future STRS Ohio benefits**

*Plus gains or losses.
Three elements of your benefit amount
- Service credit
- Final average salary (FAS)
- Plans of payment

Other retirement benefits
Service Credit
Defined Benefit Plan and Combined Plan

- **K–12**
  - 180 days = 1.00
  - 120 full days with one employer = 1.00
  - 90 days, 120-day relationship and state minimum salary = 1.00
  - 1,000 hours = 1.00
Service Credit
Defined Benefit Plan and Combined Plan

• **Part-time K–12**
  - Less than 120 full-time days
    - Days/180 = partial year of credit
    - Example: 80 days/180 days = .44 of a year
  - 90 days, 120-day relationship and less than state minimum
    - Earnings/state minimum salary
    - Example: $11,800/$20,000 = .59 of a year
Service Credit
Defined Benefit Plan and Combined Plan

- **College or university**
  - Two academic semesters at 67% or more = 1.00
  - Two academic quarters at 100% = 1.00
  - Three academic quarters at 67% or more = 1.00
Service Credit
Defined Benefit Plan and Combined Plan

- **Part-time college or university**
  - Less than 67% for two semesters
    - $50\% \times 2 \text{ sem.}/2 \text{ sem.} = \text{partial year of credit}$
    - Example: $50\% \times 2 = 100/2 \text{ sem.} = .50 \text{ of a year}$
  - Less than 67% for three quarters
    - $50\% \times 3 \text{ qtrs.}/3 \text{ qtrs.} = \text{partial year of credit}$
    - Example: $50\% \times 3 = 150/3 \text{ qtrs.} = .50 \text{ of a year}$
Statements

- **Annual Statement of Account**
  - Defined Benefit and Combined Plan
  - Earnings, contributions, years of service credit, retirement projections, service eligible for purchase
  - Available via Online Personal Account — www.strsoh.org

- **Quarterly Account Statement**
  - Defined Contribution and Combined Plan
  - Balance, deposits, market gains or losses, investment allocation and activity for the period
Service Credit

Joint Credit

- Ohio Public Employees Retirement System (OPERS)
- School Employees Retirement System (SERS)
- State Teachers Retirement System of Ohio (STRS Ohio)
- Concurrent credit — overlapping

- Nonconcurrent credit — no overlap in years

OPERS 30 years of service credit

STRS Ohio 30 years of service credit (teacher)

= 30 years of service credit

OPERS 1 year of service credit + SERS 2 years of service credit + STRS Ohio 30 years of service credit

= 33 years of service credit
Purchasing Service Credit

- **Defined Benefit Plan**
  - May purchase service credit*

- **Defined Contribution Plan**
  - Not eligible to purchase service credit
  - May make contributions on salary not earned if teaching career is interrupted by military service

- **Combined Plan**
  - May make contributions on salary not earned if teaching career is interrupted by military service or leaves of absence*

*Provided eligibility requirements are met.
Purchasing Service Credit

- Not all types of purchasable service credit are equal
- Can impact your STRS Ohio benefits in any of the following ways:
  - Used when calculating benefit amount
  - Used to qualify for health care coverage
  - Determines rate of interest or eligibility for matching funds when account is withdrawn
Purchasing Service Credit
Purchasable Service at Full Liability

- **Members pay the full projected liability of the purchase for the following types of credit:**
  - Out-of-state teaching and public service
  - Private teaching service
  - Federal civilian service
  - Waived service
  - Prior military service
  - Other Ohio public service for which contributions were not made
  - Pregnancy leaves or resignations before July 1982
  - School board service

- **Calculator to estimate cost available at** [www.strsoh.org](http://www.strsoh.org)
Purchasing Service Credit
Factors Impacting Full Liability Cost

- **Purchased credit can impact member’s benefit in one of three ways:**
  - Increase the retirement benefit
  - Eliminate or lower the early retirement reduction
  - Create retirement eligibility

- **The amount a member pays reflects the additional liability to STRS Ohio resulting from the purchase**
Purchasing Service Credit
Other Types of Purchasable Service

- Interrupted teaching due to military service
- Restoration of withdrawn Ohio service credit
- Current and past leaves of absence
- College or university — nonpaid professional leave of absence
- Restoration or transfer of service credit between STRS Ohio and other Ohio retirement systems
- Ohio noncontributing public teaching service
Purchasing Service Credit
Determining Whether or Not to Purchase

• How much is your cost relative to the benefit you will get from purchasing?
• What other investment options do you have for the money you would be using to purchase the credit?
Purchasing Service Credit
When to Purchase

• **Before retirement**
  o Survivor considerations

• **At retirement**
  o Cost and certification done before retirement date
  o Paid for within three months after retirement date

• **It is not always best to buy credit early**
  o Plans could change, making a purchase an unwise investment
Purchasing Service Credit
Certification Process

- Review your work history
- Obtain appropriate certification form (www.strsoh.org or by phone)
  - Have the form completed by an official record-keeper where the service was performed
  - Return completed form to STRS Ohio
- Schedule an individual counseling session with an STRS Ohio benefits counselor (strongly recommended)
Purchasing Service Credit
Methods for Purchasing

• **Lump sum**

• **Payroll deduction**
  o Cannot be used to purchase leave of absence credit
  o After-tax
  o Pretax

• **Rollovers**

• **Partial Lump-Sum Option Plan (PLOP)**
  o To replenish funds that were used to purchase credit
## Final Average Salary

- **Final Average Salary (FAS)**
  - Highest five years of earnings (regardless of when they occur)

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015–2016</td>
<td>$49,000</td>
</tr>
<tr>
<td>2014–2015</td>
<td>+ $48,000</td>
</tr>
<tr>
<td>2013–2014</td>
<td>+ $47,000</td>
</tr>
<tr>
<td>2012–2013</td>
<td>+ $46,000</td>
</tr>
<tr>
<td>2011–2012</td>
<td>+ $45,000</td>
</tr>
<tr>
<td></td>
<td>= $235,000</td>
</tr>
<tr>
<td></td>
<td>÷ 5</td>
</tr>
<tr>
<td></td>
<td>= $47,000 FAS</td>
</tr>
</tbody>
</table>
Final Average Salary
Calculating Your Benefit

- **Salary-related benefit is based on member’s:**
  - Age at retirement
  - Total years of service credit
  - FAS

- **Example:**
  - 31 years of service credit × 2.2% × $47,000 (FAS) = $32,054

- **FAS may be raised by:**
  - Supplemental contract for at least a three-year period
  - Additional hours of schooling
  - Across-the-board increases
Final Average Salary

Limitations

- There is a limitation to the amount of earnings that can be applied to FAS calculation (for retirement purposes)
  - Examples:
    - Supplemental contracts and assuming extra duties and days of work
  - Exception:
    - Across-the-board increases
    - Additional hours of schooling
## Final Average Salary

### Limitations

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings (actual)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009–2010</td>
<td>$55,461</td>
<td></td>
</tr>
<tr>
<td>2010–2011</td>
<td>$56,848</td>
<td>2.5% over 2009–2010</td>
</tr>
<tr>
<td>2011–2012</td>
<td>$57,985</td>
<td>2.0% over 2010–2011</td>
</tr>
<tr>
<td>2012–2013</td>
<td>$59,145</td>
<td>2.0% over 2011–2012</td>
</tr>
<tr>
<td>2013–2014</td>
<td>$61,806</td>
<td>4.5% over 2012–2013</td>
</tr>
<tr>
<td>2014–2015</td>
<td>$64,587</td>
<td>4.5% over 2013–2014</td>
</tr>
<tr>
<td>FAS</td>
<td>$60,074</td>
<td></td>
</tr>
</tbody>
</table>
### Final Average Salary

#### Limitations

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings (credit toward FAS)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010–2011</td>
<td>$56,848</td>
<td>2.5% over 2009–2010</td>
</tr>
<tr>
<td>2011–2012</td>
<td>$57,985</td>
<td>2.0% over 2010–2011</td>
</tr>
<tr>
<td>2012–2013</td>
<td>$59,145</td>
<td>2.0% over 2011–2012</td>
</tr>
<tr>
<td><strong>2013–2014</strong></td>
<td><strong>$60,624</strong></td>
<td><strong>2.5% over 2012–2013</strong></td>
</tr>
<tr>
<td>2014–2015</td>
<td>$62,140</td>
<td>2.5% over limited 2013–2014 amount</td>
</tr>
<tr>
<td>FAS</td>
<td>$59,348</td>
<td></td>
</tr>
</tbody>
</table>
Plans of Payment

- Single Life Annuity
- Joint and Survivor Annuity
  - With reversion
  - Without reversion, with guarantee period
  - Multiple beneficiaries
- Annuity Certain
- Partial Lump-Sum Option Plan (Defined Benefit and Combined Plan)
Plans of Payment

Elements

- Lifetime benefits
- Reversion feature
- Continuation of benefits to beneficiaries
- Payout of account balance
- Spousal consent
- Reselection
Plans of Payment
Partial Lump-Sum Option Plan

- Can take lump sum from retirement account at retirement
- Can take six–36 times Single Life Annuity amount
- Lowers amount selected under the other plans of payment
- Special tax provisions may apply
• **Member age:** 60
• **Single Life Annuity (SLA):** $3,000
• **Options:**
  - SLA X 6: $18,000
  - SLA X 36: $108,000
• **Member selection:** $50,000 PLOP amount
• **PLOP factor:** $7.09 (based on age)
• **Cost per month:** $7.09 X 50 = $354.50
• **New SLA amount:** $3,000 SLA – $354.50 = $2,645.50
PLOP Payment
Payment Options

- Rolled over into an individual retirement account (IRA) or other qualified plan
- Directly deposited to a financial institution named at retirement
- Combination of the two options above
PLOP Payment
Considerations

- **Special tax provisions may apply**
  - Federal tax: 20%
  - Early withdrawal penalty: 10%

- **No penalties if:**
  - Lump-sum after age 59½
  - Separated from service and payment year turning 55 or after

- **May be subject to required minimum distribution rules at age 70½ or older**

- **Subject to Ohio income tax (Ohio residents)**
  - Residents of other states, tax liability governed by that state
• Monthly benefit reduction is permanent
• Get a benefit estimate
• Future benefit enhancements (i.e., 2% COLA) calculated on the reduced benefit
• Reduced benefit will need to cover: premiums for health care, dental and vision, and retiree-funded death benefit coverage, if elected.
• Monthly benefit is reduced by federal and state taxes
Retirement Benefits
Other Factors

- Cost-of-living adjustment
- Variable supplemental benefit payment*
- Death benefit
- Taxes

*The Retirement Board has the authority to grant a December supplemental benefit payment when investment returns during a year exceed funding requirements for existing benefits.
Reemployment Guidelines
One Employer at Retirement

- A retired STRS Ohio member cannot work during the first two months of retirement in a position covered by:
  - STRS Ohio
  - Ohio Public Employees Retirement System
  - School Employees Retirement System
  - Ohio Police & Fire Pension Fund
  - Highway Patrol Retirement System
  - City of Cincinnati Retirement System
Reemployment Guidelines
Multiple Employers at Retirement

- Defined Benefit Plan members
- May retire with highest-paying employer and continue work with lower-paying employer(s)
  - No waiting period
  - Must have held lower-paying position at least 12 consecutive months prior to retirement
Reemployment Guidelines
Health Care as an Employed Enrollee

- Only secondary health care coverage if in a public or private position and:
  - Eligible for employer coverage
  - Employer coverage provided to comparable positions
  - Employer plan provides medical and prescription drug coverage
Health Care in Retirement
STRS Ohio Health Care Program

• Defined Benefit and Combined Plan
• Health care, dental and vision coverage*
  o Benefit recipients with 15 or more years of service credit**
  o Coverage also available to dependents, beneficiaries, and survivors
• Member subsidy
• Eligible dependents pay 100%

* The STRS Ohio Health Care Program is not guaranteed. STRS Ohio hopes to continue the program, but reserves the right to change or discontinue all or part of the program for all or a class of eligible benefit recipients and dependents at any time.

**20 years of service credit if retiring on or after Aug. 1, 2023.
Health Care in Retirement

Medicare

• **Part A — Hospital**
  - STRS Ohio requires you to enroll (if free)
  - Free if eligible for Social Security or worked long enough in federal, state or local government

• **Part B — Medical**
  - STRS Ohio requires you to enroll
  - Partial premium reimbursement from STRS Ohio; based on years of credit
    • Service retirement and disability benefit recipients enrolled in an STRS Ohio health care plan.
Health Care in Retirement

Medicare

- **Part C — Medicare Advantage plans**
  - Includes Parts A & B and usually other coverage, like prescription drug coverage
  - Do not need to enroll; enrollment in Parts A & B or Part B-only qualifies you for STRS Ohio’s group Medicare Advantage plans

- **Part D — Prescription drugs**
  - STRS Ohio health care plans include Part D
  - Do not enroll in any other Part D plan
Health Care in Retirement
STRS Ohio Health Care Funding

• **Income sources**
  o Employer contributions
  o Member premiums
  o Government reimbursements
  o Investment gains (when applicable)

• **Disbursements**
  o Health care expenditures
  o Investment losses (when applicable)
Health Care in Retirement

Health Care Premiums

• Premiums based on plan selection, years of service credit and Medicare status

• 2016 monthly health care costs
  - For non-Medicare, Medical Mutual Basic Plan
  - Benefit recipient (30 years of service*) and spouse
    - Member pays: $309
    - Spouse pays: $834
    - Member and spouse total pay: $1,143

*Benefit recipient with less service pays more.
Cost-of-Living Adjustment

- Defined Benefit Plan participants
- 2% COLA beginning on fifth anniversary of retirement
- COLA is not compounded
- Based on effective retirement date
  - Example:
    - July 1, 2015, effective date; July 1, 2020, — first COLA
Further Information

www.strsoh.org
Email: ContactUs@strsoh.org

1-888-227-7877 (toll-free)
Monday–Friday, 8 a.m.–5 p.m.
Further Information

- **eUPDATE email news service**
  - News and information about issues affecting STRS Ohio membership

- **Online Personal Account features**
  - Service retirement calculator
  - Service Retirement Application
  - Annual Statement of Account
  - Purchasable service credit
  - And more!

- Register for **eUPDATE** or Online Personal Account at www.strsoh.org