



# Pension Fund Sustainability: Topics for Exploration

July 17, 2019

Michael Perri and Michele Berry, consultants with Lincoln Crow Strategies, facilitated pension sustainability discussions with the Board, with the purpose of initiating the first goal set out in SERS' FY2020-2024 Strategic Plan: Pension Fund Sustainability: SERS' pension fund is designed to be sustainable and adaptive to meet the needs of its members, employers, and retirees.

To maintain sustainability and adaptability, the Board was interested in beginning regular discussions on plan design to make sure the System is in position to withstand changes in member demographics, investment experience, and financial pressures. Working from the position of a healthy pension fund, the Board wants to take the time to be prepared to strengthen the system without any financial or legal imperatives to act on.

At the retreat, Board members reviewed each other's expectations and visions of the sustainability initiative, prioritized plan elements that require further investigation, and began the iterative process established a common definition of "sustainability" that will aid in planning efforts.

Perri and Berry conducted several exercises to help Board members foster creative thinking, and strengthen their ability to work together and analyze complex issues.

The Board members began the retreat by reflecting on what they have learned about this process. Several Board members stated that the sustainability discussions are difficult because changes directly affect people's lives, and that each member of the Board has a vested interest in the pension fund. They committed to thinking outside the box, being open to new and different ideas, to respecting differences of opinion, and working together to tackle tough questions.

Next, the Board members discussed in small groups, as well as in a larger group setting, what they believe "sustainability" means. Board members' definitions of sustainability included being able to provide pensions earned through years of contributing service, and exploring long-term funding beyond the state-mandated 30-year funding window. They said the sustainability initiative has to look beyond the 30-year actuarial assumptions to make sure there is some retirement security for those who earn it.

Finally, Perri and Berry assisted the Board members in prioritizing topics for investigation during the next phase of the initiative, which will take place in the fall. Potential topics for exploration included:

- What is the current state of SERS, and what does it mean for a sustainable future?
- How do the many forms of risk involved in providing retirement benefits impact sustainability?
- How do current actuarial assumptions impact our vision of the future?
- What will be the impact of changes in Ohio demographics on our educational system?
- How does pension system cash flow impact the ability to provide sustainable benefits?
- What type of plan changes have other systems made or are proposing to make themselves more sustainable?
- What possible new pension plan designs have other systems made or are exploring to make themselves more sustainable?
- What is SERS' primary purpose?

Board members agreed that actuarial assumptions, SERS' purpose, and changing demographics are the most important topics to explore during the next phase, and that a discussion surrounding the purpose of SERS as a pension system needs to take place before addressing the other elements.

Perri and Berry will devise a proposal containing the Board's next actions, and present it at the September Board meeting.