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**Report on the Annual Basic Benefits Valuation of the
School Employees Retirement System of Ohio**

Prepared as of June 30, 2016





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

November 4, 2016

Board of Trustees
School Employees Retirement System of Ohio
300 East Broad Street
Suite 100
Columbus, OH 43215-3746

Dear Members of the Board:

Presented in this report are the results of the annual actuarial valuation of the basic benefits provided under the School Employees Retirement System of Ohio (SERS). The purpose of the valuation was to measure the System's funding progress and to determine the actuarially determined employer contribution rates for the fiscal year beginning July 1, 2016.

The date of the valuation was June 30, 2016.

The valuation was based upon data, furnished by the Executive Director and the SERS staff, concerning active, inactive and retiree members along with pertinent financial information. The complete cooperation of the SERS staff in furnishing materials requested is hereby acknowledged with appreciation.

Your attention is directed particularly to the executive summary on page 1.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Todd B. Green' followed by a horizontal flourish.

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'John J. Garrett' followed by a horizontal flourish.

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

TBG/JJG:bvb

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**REPORT ON THE ANNUAL VALUATION OF THE
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

PREPARED AS OF JUNE 30, 2016

EXECUTIVE SUMMARY

The School Employees Retirement System of Ohio (SERS or System) is a defined benefit public pension fund that provides pensions and access to health care coverage for retired school employees who are covered in nonteaching positions. This includes bus drivers, custodians, treasurers, business officials, administrative assistants, food service providers, and educational aides. This report presents the results of the June 30, 2016 actuarial funding valuation of the System. The primary purposes of performing the actuarial funding valuation are to:

- determine the sufficiency of the Statutory Contribution Rate as set forth in the Ohio statutes;
- determine the experience of the System since the last valuation date;
- disclose asset and liability measures as of the valuation date; and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

Since the previous valuation, there were no changes to the plan provisions, however the actuarial methods and assumptions were updated to reflect an experience study performed over the five-year period ending June 30, 2015. The experience study reviewed the actuarial assumptions and methods used in the actuarial valuation process. The assumptions fall into two categories. The first are economic assumptions which include price inflation, wage inflation and investment return. The second category includes demographic assumptions such as assumed rates of mortality, service retirement, disability retirement, withdrawal, and salary increases for merits and promotions.

Summary of Assumptions Changes	
Economic Assumptions	
Salary	Composed of Inflation component, Real Rate of Salary Increase component and Merit/Promotion Scale
Inflation	Reduction to annual assumed rate of inflation assumption from 3.25% to 3.00%.
Wage Inflation	Reduction to annual assumed rate from real salary increase assumption from 0.75% to 0.50%
Investment Rate of Return	Composed of Inflation component (3.00% from above) and Real Rate of Return component. Reduction from 7.75% to 7.50% net investment return assumption.
Payroll Growth	Reduce from 4.00% to 3.50%.



Summary of Assumptions Changes	
Demographic Assumptions	
Withdrawal	Adjusted rates of withdrawal
Retirement	Adjusted rates of normal and early retirement
Disability	Adjusted rates of disability retirement
Base Mortality	Healthy Retirees – RP-2014 Blue Collar Mortality Tables, 120% of male rates, and 110% of female rates Disabled Retirees – RP-2000 Disabled Mortality Tables for disabled annuitants, 90% of male rates, and 100% of female rates set back five years for females. Actives – RP-2014 Blue Collar Mortality Tables, 120% of male rates, and 110% of female rates, with a five-year set-back for both males and females.
Mortality Projection	Healthy Retiree and Beneficiary – Mortality rates are projected using a fully generational projection with Scale BB. Disable Retirees – No projection Active Members – Mortality rates are projected using a fully generational projection with Scale BB.

The actuarial valuation results provide a “snapshot” view of the System’s financial condition on June 30, 2016. Actuarial gains and losses result when the actual experience of the plan (such as asset return, pay increases, turnover, deaths, etc.) is different from that expected by the actuarial assumptions. The System’s unfunded actuarial accrued liability (UAAL) was expected to be \$5,923.2 million as of June 30, 2016, taking into account contributions from the employers and members of \$750.7 million. The actual UAAL is \$6,591.1 million. The increase of \$667.9 million is due to the adoption of the experience study for the five-year period ending June 30, 2015, and an investment gain offset by a demographic loss. The remaining amortization period of the UAAL is 28 years as of June 30, 2016. Detailed analysis of the gain and loss is presented in Section V.

The valuation is based on a series of actuarial assumptions, including an interest rate of 7.50% per year and an annual payroll growth assumption of 3.50%. The actuarial assumptions were changed as a result of the experience study.



A summary of the key results from the June 30, 2016 actuarial valuation is shown below. Further detail on the valuation results can be found in the following sections of this Executive Summary.

	June 30, 2016 Valuation Results	June 30, 2015 Valuation Results
Actuarially Determined Contribution Rate	13.60%	13.02%
Statutory Contribution Rate	14.00%	14.00%
Sufficiency/(Deficiency)	0.40%	0.98%
Remaining Amortization Period	28	27
Unfunded Actuarial Accrued Liability (\$M)	\$6,591.1	\$5,901.6
Basic Benefit Funded Ratio (Actuarial Assets)	66.66%	68.11%

The funded ratio of the basic benefits is 66.66%. Since this is less than 70%, per the Board-adopted funding policy, the basic benefits shall receive the entire employer contribution of 14% of compensation for FY2017. The Health Care Fund will receive no portion of the employer contribution rate.

EXPERIENCE FOR THE LAST PLAN YEAR

Numerous factors contributed to the change in the System's assets, liabilities, and actuarial contribution rate between June 30, 2015 and June 30, 2016. The components are examined in the following discussion.

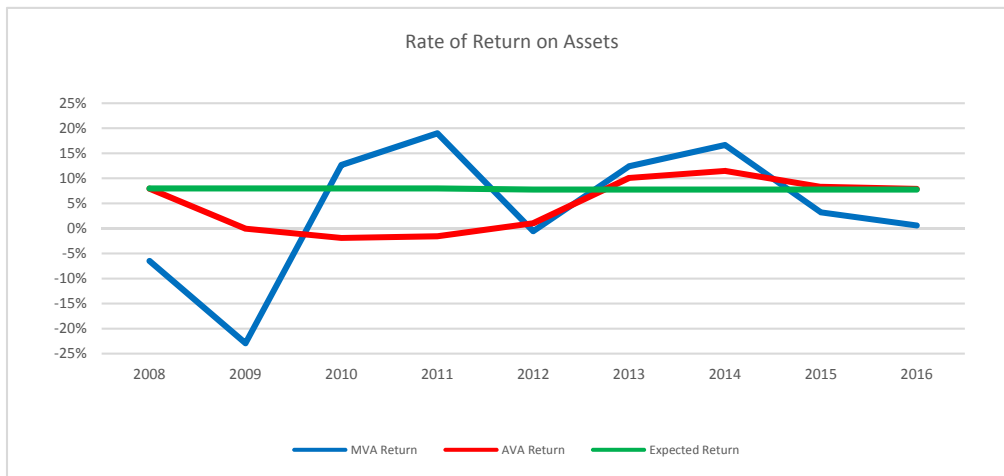
ASSETS

As of June 30, 2016, SERS' basic benefits had net assets of \$12,451,630,823, when measured on a market value basis. This was a decrease of \$345,553,207 from the previous year. The market value of assets is not used directly in the calculation of the unfunded actuarial accrued liability and the actuarially determined contribution. The asset valuation method, which recognizes the annual unexpected portion of market value investment returns over a four-year period, attempts to dampen the effect of market volatility. The resulting amount is called the "actuarial value of assets" and is utilized to determine the actuarial valuation results. In this year's valuation, the actuarial value of assets as of June 30, 2016 was \$13,179,618,602, an increase of \$577,938,828 from the value in the prior year. The components of change in the asset values are shown in the table on the following page.



	Actuarial Value	Market Value
Net Assets, June 30, 2015	\$ 12,601,679,774	\$ 12,797,184,030
- Employer and Member Contributions	+ 750,747,397	+ 750,747,397
- Benefit Payments	- 1,181,034,850	- 1,181,034,850
- Investment Income	+ 1,008,226,281	+ 84,734,246
Net Assets, June 30, 2016	13,179,618,602	12,451,630,823

On a market-value basis, the estimated rate of return was 0.6%, assuming all cash flows occur in the middle of the year. Due to the better-than-assumed prior returns on the market value of assets, the net rate of return measured on the actuarial value of assets was 7.9%. As this rate of return was greater than the assumed rate of 7.75%, there was an actuarial investment gain of \$50.6 million. Please see Section III, Schedule B, and Schedule F of this report for more detailed information on the market and actuarial value of assets.



Market value returns have been very volatile. An asset smoothing method is used to calculate the actuarial value of assets that recognizes investment gains and losses equally over a four-year period. As can be seen in this graph, the return on actuarial assets is much smoother than the return on market value.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits allocated to service performed up to the valuation date. The difference between this liability and the actuarial value of assets is called the unfunded actuarial accrued liability (UAAL). The dollar amount of unfunded actuarial accrued liability is reduced if the contributions to the System exceed the normal cost for the year, plus interest on the prior year's UAAL.



The unfunded actuarial accrued liability is shown as of June 30, 2016 in the following table:

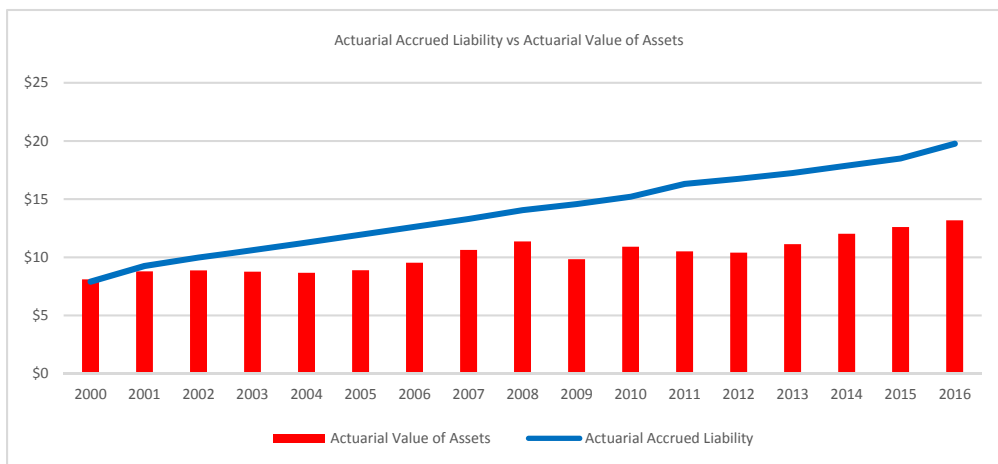
	Actuarial Value of Assets	Market Value of Assets
Actuarial Accrued Liability	\$ 19,770,708,121	\$ 19,770,708,121
Value of Assets	\$ 13,179,618,602	12,451,630,823
Unfunded Actuarial Accrued Liability*	\$ 6,591,089,519	\$7,319,077,298
Funded Ratio	66.66%	62.98%

* See Appendix B of the report for the detailed development of the unfunded actuarial accrued liability.

Changes in the UAAL occur for various reasons. The net increase in the UAAL from June 30, 2015 to June 30, 2016 was \$689,488,322. The components of this net change are shown in the table below:

Unfunded Actuarial Accrued Liability, June 30, 2015		\$5,901.6
(\$ Millions)		
Expected increase due to amortization method	\$21.6	
Investment experience	(\$50.6)	
Liability experience	\$50.3	
Assumption Changes	\$668.2	
Total		\$689.5
Unfunded Actuarial Accrued Liability, June 30, 2016		\$6,591.1

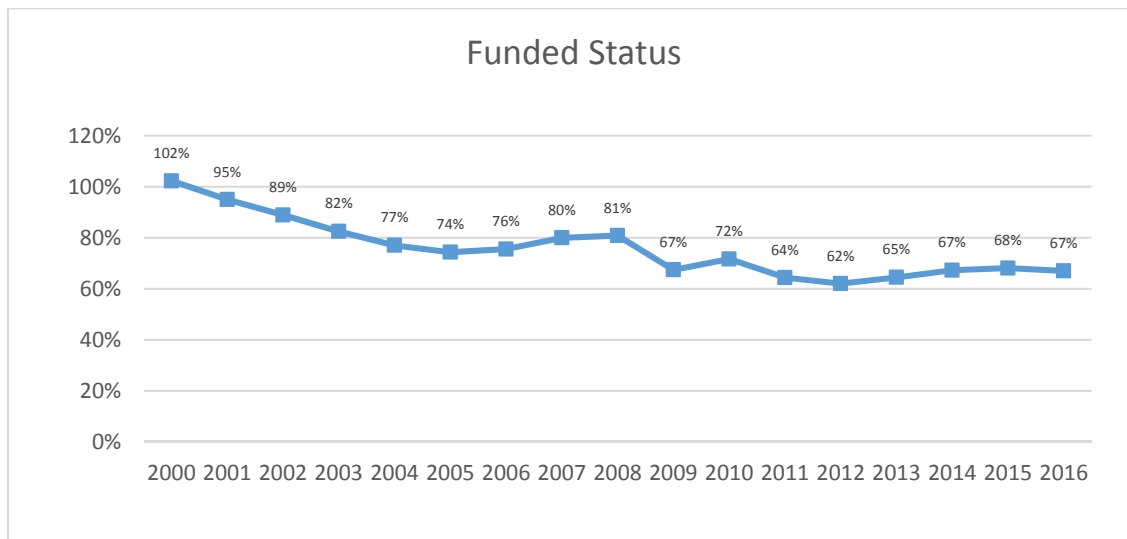
As shown on the previous page, various components impacted the UAAL. Actuarial gains (losses), which result from actual experience that is more (less) favorable than anticipated based on the actuarial assumptions, are reflected in the UAAL and are measured as the difference between the expected unfunded actuarial accrued liability and the actual unfunded actuarial accrued liability, taking into account any changes due to actuarial assumptions and methods or benefit provision changes. Overall, the System experienced a net increase to the UAAL of \$667.9 million. The net UAAL increase may be explained by considering the separate experience of assets and liabilities. As noted earlier, there was a \$50.6 million gain, measured on the actuarial value of assets. There was a net liability loss of \$50.3 million which arose from overall demographic experience in FY2016 being less favorable than anticipated by the actuarial assumptions. The liability experience was the result of various components of actuarial gains and losses; the largest was retirement experience losses offset by gains from salary increases that were lower than expected, and favorable mortality experience. Lastly, the changes due to new demographic and economic assumptions resulted in an increase of \$668.2 million.



The actuarial value of assets was slightly higher than the actuarial accrued liability as of June 30, 2000. Investment experience below the assumed rate of return increased the difference between the actuarial accrued liability and actuarial assets. SERS implemented pension reform to improve the System’s funding progress. In addition, the Board adopted a new funding policy that will allocate a higher portion of the employer contribution toward the basic benefits until the fund achieves a funded status of 90%.

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded ratio, the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information for the most recent five years is shown below (in millions).

	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16
Funded Ratio	62.1%	64.5%	67.3%	68.1%	66.7%
Unfunded Actuarial Accrued Liability (\$M)	\$ 6,357.7	\$ 6,121.2	\$ 5,851.3	\$ 5,901.6	\$6,591.1



The funded ratio has decreased over this period largely due to investment experience being less than the assumed rate of return. Pension reform passed by the legislature, the final recognition of the 2008 and 2009 losses, and the strong investment returns since FY2010 have resulted in the funded ratio beginning to rebound.

CONTRIBUTION RATE

Under the Entry Age Normal cost method, the actuarial contribution rate consists of two components:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date which is funded by both member and employer contributions, and
- an "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service-to-date over the actuarial value of assets.

See Section VI of the report for the detailed development of these contribution rates which are summarized in the following table:

Contribution Rates	June 30, 2016	June 30, 2015
1. Employer Portion of Normal Cost Rate	0.73%	1.26%
2. UAAL Contribution Rate	12.87%	11.76%
3. Total Actuarial Determined Contribution Rate (1) + (2)	13.60%	13.02%
4. Funded Ratio	66.66%	68.11%
5. Total Employer Contribution Rate	14.00%	14.00%
6. Amount Allocated to Basic Benefits	14.00%	14.00%



As discussed earlier, SERS' basic benefits includes retirement, disability and survivor benefits, along with Medicare Part B reimbursements and lump sum retiree death benefits. SERS also provides access to health care coverage for retiree members. The Health Care Fund is partially supported by employer contributions that are not required for actuarially funding basic benefits. The new funding policy is expected to accelerate the pace at which SERS' basic benefits will achieve a funded ratio equal to 90%.

PENSION REFORM

In order to improve the funded position of the Plan, the Board has proactively elected to pursue additional pension reform with a projected effective date of January 1, 2018. The reform will prospectively reduce the cost-of-living adjustment from the fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0%. Retirement allowances or benefits that commence on or after January 1, 2018 shall receive the first cost-of-living adjustment on the fourth anniversary date following commencement of the retirement allowance. In no case shall a person miss more than three cost-of living adjustments in total. No cost-of-living adjustment shall be applied for three consecutive years to a retirement allowance or benefit that commences before January 1, 2018, with such suspension beginning January 1, 2018, and payment of cost-of-living adjustments resuming on anniversary dates on and after January 1, 2021.

The valuation does not include the Board's proposed pension reform until enacted in law. If the reforms were enacted as of June 30, 2016, the UAAL decreases by \$1,207.2 million, and the funded ratio increases by 4.33%

SUMMARY

The investment return on the market value of assets for FY2016 was 0.6%. Due to the recognition of deferred investment gains and losses from prior years, the return on the actuarial value of assets was 7.9%. The experience study is the primary reason the funded ratio for basic benefits decreased from 68.11% in last year's valuation to 66.66% this year.

As mentioned earlier, the System utilizes an asset smoothing method in the valuation process. While this is a common procedure for public retirement systems, it is important to identify the potential impact of the deferred investment experience. The asset smoothing method impacts only the timing of when the actual market experience is recognized in the valuation process. The deferred investment experience loss of \$728.0 million will be absorbed in future years if investment experience is greater than the assumed rate of return.

The long-term financial health of SERS, like all retirement systems, is heavily dependent on two key items: (1) future investment returns, and (2) contributions to the System. The Board's recent action to prioritize funding of basic benefits over funding health care, along with recent pension reform, has strengthened the long-term position of the basic benefits.

We conclude this executive summary by presenting comparative statistics and actuarial information on both the June 30, 2016 and June 30, 2015 valuations.



**REPORT ON THE ANNUAL VALUATION OF THE
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

PREPARED AS OF JUNE 30, 2016

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of June 30, 2016, presents the results of the annual actuarial valuation of the basic benefits provided under the System, including pension, Medicare Part B reimbursement and post-retirement death benefits. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized in the following table.

SUMMARY OF PRINCIPAL RESULTS

	June 30, 2016	June 30, 2015
Active members included in valuation		
Number	124,540	122,855
Annual Compensation	\$2,932,236,551	\$2,845,443,802
Retirees		
Number	76,280	74,372
Annual allowances	\$1,083,621,579	\$1,020,368,894
Deferred Vesteds		
Number	6,819	6,863
Annual deferred allowances	\$30,389,808	\$29,032,821
Assets (net of Health Care Assets)		
Market related actuarial value	\$13,179,618,602	\$12,601,679,774
Market value	\$12,451,630,823	\$12,797,184,030
Unfunded Accrued Liability	\$6,591,089,519	\$5,901,601,187
Funded Ratio (MVA/AAL)		
Pension Benefits	67.33%	68.81%
Medicare Part B	35.43%	35.27%
Post-retirement Death Benefits	58.51%	60.75%
Actuarially Determined Contribution Rate		
Normal	0.73%	1.26%
Accrued liability	<u>12.87%</u>	<u>11.76%</u>
Total	13.60%	13.02%
Funding Policy Contribution Rate	14.00%	14.00%
Accrued liability amortization period (years)	28	27



2. The statute sets a contribution cap of 24% of payroll; 14% from employers and 10% from employees. Employer contributions in excess of those required to support the basic benefits may be allocated to retiree health care funding. If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.
3. The valuation balance sheet showing the results of the valuation is given in Schedule A.
4. Comments on the valuation results are given in Section IV, comments on the experience and the sources of actuarial gains and losses during the valuation year are given in Section V, and the rates of contribution payable by employers are given in Section VI.
5. Schedule B of this report presents the development of the actuarial value of assets. Schedule C details the actuarial assumptions and methods employed. Schedule D gives a summary of the benefit and contribution provisions of the plan.



SECTION II – MEMBERSHIP DATA

Data regarding the membership of the System for use as a basis for the valuation were furnished by the System’s staff. The following tables summarize the membership of the system as of June 30, 2016 upon which the valuation was based. Detailed tabulations of the data are given in Schedule E.

Active Members

Number	Payroll	Group Averages		
		Salary	Age	Service
124,540	\$2,932,236,551	\$23,545	48.4	9.5

The total number of active members includes 53,864 vested members and 70,676 non-vested members. Those who reach 25 years of service on or before August 1, 2017 will be eligible to retire under the previous age and service credit eligibility requirements.

The following table shows a six-year schedule of active member valuation data.

SCHEDULE OF SERS ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/2011	125,337	\$2,852,378,614	\$22,758	0.9%
6/30/2012	121,811	2,788,153,585	22,889	0.6
6/30/2013	121,642	2,746,827,535	22,581	(1.3)
6/30/2014	121,251	2,759,281,606	22,757	0.8
6/30/2015	122,855	2,845,443,802	23,161	1.8
6/30/2016	124,540	2,932,236,551	23,545	1.7



The following table shows the number and annual retirement allowances payable to retiree members and their beneficiaries on the roll of the Retirement System as of the valuation date as well as certain group averages.

Retiree Lives

Type of Benefit Payment	Number	Annual Benefits	Group Averages	
			Benefit	Age
Retirees and Beneficiaries	66,403	\$952,731,309	\$14,348	74.7
Disability	5,530	93,837,961	16,969	65.3
Survivors	4,347	37,052,309	8,524	72.0
Total in SERS	76,280	\$1,083,621,579	\$14,206	73.8

This valuation also includes 83,629 inactive members eligible for a contribution refund only (including 32,545 members reported separately who had completed one or more years of service before terminating). Their contributions totaled \$183,839,054 as of June 30, 2016. There were also 6,819 terminated vested members with annual deferred pension benefits of \$30,389,808. Included in the "Retiree" numbers in the above table are 12,316 re-employed retirees with account balances of \$83,723,344 (including employer contributions and interest), 542 re-retirees receiving only an annuity from their contributions and their employers' matching contributions, and 621 re-retirees receiving such annuities in addition to their regular pension benefits. The sum of the annuity payments attributable to these re-retirees is \$4,689,910.



SECTION III – ASSETS

- As of June 30, 2016 the total market value of assets amounted to \$12,821,835,338. All figures include the combined Pension Trust Fund, Medicare B Fund, Death Benefit Fund, and Health Care Fund, but exclude the QEBA Fund.

Asset Summary Based on Market Value			
(1)	Assets at June 30, 2015	\$	13,205,547,628
(2)	Contributions and Misc. Revenue		911,808,255
(3)	Investment Gain (Loss)		84,232,419
(4)	Benefit Payments		(1,379,752,964)
(5)	Assets at June 30, 2016 (1) + (2) + (3) + (4)	\$	12,821,835,338
(6)	Annualized Rate of Return*		0.6 %

- The four-year smoothed market related actuarial value of assets used for the current valuation was \$13,549,823,117. Schedule B shows the development of the actuarial value of assets as of June 30, 2016. Again all figures include the combined Pension Trust Fund, Medicare B Fund, Death Benefit Fund, and Health Care Fund, but exclude the QEBA Fund.

Asset Summary Based on Actuarial Value			
(1)	Assets at June 30, 2015	\$	13,010,043,372
(2)	Contributions and Misc. Revenue		911,808,255
(3)	Investment Gain (Loss)		1,007,724,454
(4)	Benefit Payments		(1,379,752,964)
(5)	Assets at June 30, 2016 Before Application of Corridor (1) + (2) + (3) + (4)	\$	13,549,823,117
(6)	Annualized Rate of Return*		7.9 %

*Based on the approximation formula: $I/[0.5 \times (A + B - I)]$, where

- I = Investment Gain (Loss)
- A = Beginning of year asset value
- B = End of year asset value



SECTION IV - COMMENTS ON VALUATION

Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of June 30, 2016.

1. The total retirement benefit valuation balance sheet shows that the System has total future retirement benefit liabilities of \$22,151,866,144, of which \$11,398,451,686 is for the future benefits payable for present retiree members and beneficiaries of deceased members; \$571,393,639 is for the future benefits payable for present inactive members; and \$10,182,020,819 is for the future benefits payable for present active members. Against these retirement benefit liabilities the System has a total present actuarial value of assets of \$13,179,618,602 as of June 30, 2016. The difference of \$8,972,247,542 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future for retirement benefits. Of this amount, \$2,294,130,697 is the present value of future contributions expected to be made by members, and the balance of \$6,678,116,845 represents the present value of future contributions payable by the employers.
2. The employers' contributions to the System on account of retirement benefits consist of normal contributions, accrued liability contributions and contributions for administrative expenses. The valuation indicates that employer normal contributions at the rate of 0.49% of payroll for basic pension benefits, 0.02% of payroll for post-retirement death benefits, and 0.22% of payroll for Medicare Part B benefits are required to provide the benefits of the System for the average member of SERS. Prospective employer normal contributions on account of retirement benefits at the above rates have a present value of \$87,027,326.
3. For pension benefits, it is recommended that the unfunded accrued liability contribution rate payable by the employers on account of retirement benefits be set at 12.33% of payroll. For post-retirement death benefits, it is recommended that the unfunded accrued liability contribution rate payable by the employers on account of retirement benefits be set at 0.03% of payroll. Finally, for Medicare Part B benefits, it is recommended that the unfunded accrued liability contribution rate payable by the employers on account of retirement benefits be set at 0.51% of payroll. These rates are sufficient to amortize the unfunded accrued liability of \$6,591,089,519 over 28 years based on the assumption that the aggregate payroll for SERS members will increase by 3.50% each year.
4. The present value of the total future contributions to be made by the employers for basic benefits is the sum of the future employer normal contributions and the unfunded accrued liability contributions and equals \$6,678,116,845.



SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES

Actual experience will never (except by coincidence) match exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) for the year ended June 30, 2016 is shown below.

Experience Gain/(Loss) (\$ Millions)

Total Basic June 30,		2016	2015	2014	2013	2012	2011
(1)	UAAL from last valuation	\$ 5,901.6	5,851.3	6,121.2	6,357.7	5,811.9	4,312.5
(2)	Normal cost from last valuation	319.3	313.6	308.9	311.9	334.3	392.0
(3)	Contributions	750.7	701.5	700.7	695.1	696.7	682.4
(4)	Interest accrual:	453.0	450.5	471.2	490.0	449.3	349.1
	[(1) + (2) - (3)*.5] x .0775						
(5)	Expected UAAL before changes:	\$ 5,923.2	5,913.9	6,200.6	6,464.5	5,898.8	4,371.2
	(1) + (2) - (3) + (4)						
(6)	Change due to plan amendments	0.0	0.0	0.0	27.8	194.7	0.0
(7)	Change due to new actuarial assumption or methods	(668.2)	0.0	0.0	0.0	0.0	(436.2)
(8)	Expected UAAL after changes:	\$ 6,591.4	5,913.9	6,200.6	6,436.7	5,704.1	4,807.4
	(5) - (6) - (7)						
(9)	Actual UAAL from this valuation	\$ 6,591.1	5,901.6	5,851.3	6,121.2	6,357.7	5,811.9
(10)	Total Gain/(loss): (8) - (9)	\$ 0.3	12.3	349.3	315.5	(653.6)	(1,004.5)
(11)	Investment Gain/(loss):	\$ 50.6	62.1	403.3	241.0	(692.2)	(1,082.9)
(12)	Non-Investment Gain/(loss)	\$ (50.3)	(49.8)	(54.0)	74.4	38.6	67.4

Pension June 30,		2016	2015	2014	2013	2012	2011
(1)	UAAL from last valuation	\$ 5,640.9	5,574.6	5,838.1	6,072.1	5,531.0	4,056.8
(2)	Normal cost from last valuation	313.3	307.7	303.0	305.9	327.9	383.9
(3)	Contributions	727.0	678.6	677.8	673.0	673.7	659.0
(4)	Interest accrual:	433.3	429.6	449.7	468.2	428.0	318.6
	[(1) + (2) - (3)*.5] x .0775						
(5)	Expected UAAL before changes:	\$ 5,660.5	5,633.3	5,913.0	6,173.2	5,613.2	4,100.3
	(1) + (2) - (3) + (4)						
(6)	Change due to plan amendments	0.0	0.0	0.0	27.1	189.0	0.0
(7)	Change due to new actuarial assumption or methods	(643.5)	0.0	0.0	0.0	0.0	(424.5)
(8)	Expected UAAL after changes:	\$ 6,304.0	5,633.3	5,913.0	6,146.1	5,424.2	4,524.8
	(5) - (6) - (7)						
(9)	Actual UAAL from this valuation	\$ 6,315.7	5,640.9	5,574.6	5,838.1	6,072.1	5,531.0
(10)	Total Gain/(loss): (8) - (9)	\$ (11.7)	(7.6)	338.4	308.0	(647.9)	(1,006.2)
(11)	Investment Gain/(loss):	\$ 49.6	60.6	398.0	237.9	(683.6)	(1,068.1)
(12)	Non-Investment Gain/(loss)	\$ (61.3)	(68.2)	(59.6)	70.1	35.7	61.9



SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES

**Experience Gain/(Loss)
(\$ Millions)**

Medicare Part B June 30,		2016	2015	2014	2013	2012	2011
(1)	UAAL from last valuation	\$ 246.9	262.7	268.3	270.0	266.5	244.5
(2)	Normal cost from last valuation	5.5	5.4	5.4	5.5	5.9	7.4
(3)	Contributions	22.2	21.5	21.5	20.7	21.5	22.2
(4)	Interest accrual: [(1) + (2) - (3)*.5] x .0775	18.7	19.9	20.4	20.5	20.3	18.7
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ 248.9	266.5	272.6	275.3	271.2	248.3
(6)	Change due to plan amendments	0.0	0.0	0.0	0.6	5.6	0.0
(7)	Change due to new actuarial assumption or methods	(22.4)	0.0	0.0	0.0	0.0	(10.5)
(8)	Expected UAAL after changes: (5) - (6) - (7)	\$ 271.3	266.5	272.6	274.7	265.6	258.8
(9)	Actual UAAL from this valuation	\$ 259.7	246.9	262.7	268.3	270.0	266.5
(10)	Total Gain/(loss): (8) - (9)	\$ 11.6	19.6	9.9	6.4	(4.4)	(7.7)
(11)	Investment Gain/(loss):	\$ 0.9	1.3	4.5	2.6	(7.3)	(12.8)
(12)	Non-Investment Gain/(loss)	\$ 10.7	18.3	5.4	3.8	2.9	5.1

Post-Retirement Death Benefits June 30,		2016	2015	2014	2013	2012	2011
(1)	UAAL from last valuation	\$ 13.8	14.0	14.8	15.6	14.4	11.2
(2)	Normal cost from last valuation	0.5	0.5	0.5	0.5	0.5	0.7
(3)	Contributions	1.5	1.5	1.4	1.4	1.5	1.2
(4)	Interest accrual: [(1) + (2) - (3)*.5] x .0775	1.0	1.1	1.1	1.2	1.1	0.9
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ 13.8	14.1	15.0	15.9	14.5	11.6
(6)	Change due to plan amendments	0.0	0.0	0.0	0.1	0.1	0.0
(7)	Change due to new actuarial assumption or methods	(2.3)	0.0	0.0	0.0	0.0	(1.2)
(8)	Expected UAAL after changes: (5) - (6) - (7)	\$ 16.1	14.1	15.0	15.8	14.4	12.8
(9)	Actual UAAL from this valuation	\$ 15.7	13.8	14.0	14.8	15.6	14.4
(10)	Total Gain/(loss): (8) - (9)	\$ 0.4	0.3	1.0	1.0	(1.2)	(1.6)
(11)	Investment Gain/(loss):	\$ 0.1	0.2	0.8	0.5	(1.3)	(2.0)
(12)	Non-Investment Gain/(loss)	\$ 0.3	0.1	0.2	0.5	0.1	0.4



ANALYSIS OF FINANCIAL EXPERIENCE

Gains & (Losses) in Accrued Liabilities Resulting from Difference Between Assumed Experience & Actual Experience (\$ Millions)

Type of Activity	Pension	Medicare Part B	Post Retirement Death Benefit	Total Basic Benefits
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (141.6)	\$ 0.7	\$ (0.1)	\$ (140.9)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	(49.9)	(0.6)	(0.1)	(50.6)
Death-in Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(27.9)	(0.6)	(0.0)	(28.5)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	29.2	1.1	0.1	30.4
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	70.0	0.0	0.0	70.0
New Members. Additional accrued liability attributable to members who entered the plan since the last valuation.	(42.3)	(1.6)	(0.1)	(44.0)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	49.6	0.9	0.1	50.6
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	104.4	10.6	(1.2)	113.9
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(3.3)	1.0	1.6	(0.6)
Gain (or Loss) During Year From Financial Experience	\$ (11.7)	\$ 11.6	\$ 0.4	\$ 0.3
Non-Recurring Items. Adjustments for plan amendments, assumption changes and method changes	(643.5)	(22.4)	(2.3)	(668.2)
Composite Gain (or Loss) During Year	\$ (655.2)	\$ (10.8)	\$ (1.9)	\$ (667.9)



SECTION VI – ACTUARIALLY DETERMINED CONTRIBUTION RATES

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Retirement System. The following tables show the rates of contribution payable by employers.

Actuarially Determined Contribution Rates

Contribution for	Post-Retirement		Medicare	Total
	Pension	Death Benefits	Part B	Basic Benefits
A. Normal Cost:				
(1) Service retirement benefits	6.78%			
(2) Disability benefits	0.74			
(3) Survivor benefits	0.23			
(4) Refunds	2.74			
(5) Total	10.49%	0.02%	0.22%	10.73%
B. Member Contributions	10.00%	0.00%	0.00%	10.00%
C. Employer Normal Cost: [A(5) - B]	0.49%	0.02%	0.22%	0.73%
D. Unfunded Actuarial Accrued Liability Contributions	12.33%	0.03%	0.51%	12.87%
E. Total Recommended Employer Contribution Rate:[C+D]	12.82%	0.05%	0.73%	13.60%

The statute sets a contribution cap of 24% of payroll; 14% from employers and 10% from employees. Employer contributions in excess of those required to support the basic benefits may be allocated to retiree health care funding. If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.



SECTION VII – SCHEDULE OF FUNDING PROGRESS
(\$ Millions)

Actuarial Valuation Date	Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
Pension Benefits						
6/30/2011	\$ 10,378	\$ 15,910	5,532	65.2%	\$ 2,852	194.0%
6/30/2012	10,266	16,338	6,072	62.8	2,788	217.8
6/30/2013	10,988	16,826	5,838	65.3	2,747	212.5
6/30/2014	11,882	17,457	5,575	68.1	2,759	202.1
6/30/2015	12,446	18,087	5,641	68.8	2,845	198.3
6/30/2016	13,015	19,331	6,316	67.3	2,932	215.4
Medicare Part B						
6/30/2011	\$ 116	\$ 382	\$ 266	30.3%	\$ 2,852	9.3%
6/30/2012	113	383	270	29.5	2,788	9.7
6/30/2013	119	387	268	30.6	2,747	9.8
6/30/2014	128	390	262	32.7	2,759	9.5
6/30/2015	134	381	247	35.3	2,845	8.7
6/30/2016	142	402	260	35.4	2,932	8.9
Post-Retirement Death Benefits						
6/30/2011	\$ 19	\$ 33	\$ 14	57.6%	\$ 2,852	0.5%
6/30/2012	18	34	16	52.9	2,788	0.6
6/30/2013	19	34	15	55.9	2,747	0.5
6/30/2014	21	35	14	60.0	2,759	0.5
6/30/2015	21	35	14	60.0	2,845	0.5
6/30/2016	22	38	16	57.9	2,932	0.5



SCHEDULE A

Valuation Balance Sheet and Solvency Test

The following valuation balance sheet shows the assets and liabilities of the retirement system as of the current valuation date of June 30, 2016 and, for comparison purposes, as of the immediately preceding valuation date of June 30, 2015. The items shown in the balance sheet are present values actuarially determined as of the relevant valuation date.

VALUATION BALANCE SHEETS SHOWING THE ASSETS AND LIABILITIES OF THE SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

	June 30, 2016	June 30, 2015
ASSETS		
Current actuarial value of assets	\$ 13,179,618,602	\$ 12,601,679,774
Prospective contributions		
Member contributions	\$ 2,294,130,697	\$ 2,448,632,107
Employer normal contributions	87,027,326	235,518,587
Unfunded accrued liability contributions	<u>6,591,089,519</u>	<u>5,901,601,187</u>
Total prospective contributions	<u>\$ 8,972,247,542</u>	<u>\$ 8,585,751,881</u>
Total assets	<u>\$ 22,151,866,144</u>	<u>\$ 21,187,431,655</u>
LIABILITIES		
Present value of benefits payable on account of present retired members and beneficiaries	\$ 11,398,451,686	\$ 10,760,780,183
Present value of benefits payable on account of active members	10,182,020,819	9,861,626,311
Present value of benefits payable on account of inactive and deferred vested members	<u>571,393,639</u>	<u>565,025,161</u>
Total liabilities	<u>\$ 22,151,866,144</u>	<u>\$ 21,187,431,655</u>



The following tables provide the solvency test for SERS members.

**Solvency Test
(\$ Millions)**

Valuation Date	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
Pension Benefits							
6/30/2011	\$ 2,749	\$ 8,525	\$ 4,636	\$ 10,378	100.0%	89.5%	0.0%
6/30/2012	2,826	9,190	4,322	10,266	100.0	81.0	0.0
6/30/2013	2,860	9,796	4,196	10,988	100.0	83.0	0.0
6/30/2014	2,892	10,437	4,128	11,882	100.0	86.1	0.0
6/30/2015	2,979	11,046	4,062	12,446	100.0	85.7	0.0
6/30/2016	2,914	11,689	4,728	13,015	100.0	86.4	0.0
Medicare Part B							
6/30/2011	\$ 0	\$ 245	\$ 138	\$ 116	100.0%	47.3%	0.0%
6/30/2012	0	251	132	113	100.0	45.1	0.0
6/30/2013	0	255	132	119	100.0	46.5	0.0
6/30/2014	0	259	131	128	100.0	49.3	0.0
6/30/2015	0	252	130	134	100.0	53.2	0.0
6/30/2016	0	251	151	142	100.0	56.6	0.0
Post-Retirement Death Benefits							
6/30/2011	\$ 0	\$ 26	\$ 7	\$ 19	100.0%	74.0%	0.0%
6/30/2012	0	26	8	18	100.0	69.7	0.0
6/30/2013	0	27	7	19	100.0	72.6	0.0
6/30/2014	0	27	8	21	100.0	75.9	0.0
6/30/2015	0	28	7	21	100.0	75.0	0.0
6/30/2016	0	30	8	22	100.0	73.3	0.0



SCHEDULE B
Development of Actuarial Value of Assets

Valuation date June 30:	2015	2016	2017	2018	2019
A. Actuarial Value Beginning of Year	\$ 12,444,336,677	\$ 13,010,043,372			
B. Market Value End of Year	13,205,547,628	12,821,835,338			
C. Market Value Beginning of Year	13,234,742,308	13,205,547,628			
D. Cash Flow					
D1. Contributions	\$ 770,450,045	\$ 795,602,838			
D2. Other Revenue	116,501,166	113,932,903			
D3. Benefit Payments	(1,308,745,783)	(1,379,752,964)			
D4. Net Transfers	(28,139,159)	2,272,514			
D5. Net	\$ (449,933,731)	\$ (467,944,709)			
E. Investment Income					
E1. Market Total: B.-C.-D5.	\$ 420,739,051	\$ 84,232,419			
E2. Assumed Rate (Net of Expenses)	7.75%	7.75%			
E3. Amount for Immediate Recognition	1,008,257,597	1,005,297,084			
E4. Amount for Phased-In Recognition	(587,518,546)	(921,064,665)			
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 * E4.	\$ (146,879,637)	\$ (230,266,166)	\$ 0	\$ 0	\$ 0
F2. First Prior Year	256,569,995	(146,879,637)	(230,266,166)	0	0
F3. Second Prior Year	123,003,178	256,569,995	(146,879,637)	(230,266,166)	0
F4. Third Prior Year	(225,310,707)	123,003,178	256,569,995	(146,879,637)	(230,266,167)
F5. Total Recognized Investment Gain/(Loss)	\$ 7,382,829	\$ 2,427,370	\$ (120,575,808)	\$ (377,145,803)	\$ (230,266,167)
G. Preliminary Actuarial Value End of Year:					
A.+D5.+E3.+F5.	\$ 13,010,043,372	\$ 13,549,823,117			
H. Corridor					
H1. 80% of Market Value	\$ 10,564,438,102	\$ 10,257,468,270			
H2. 120% of Market Value	\$ 15,846,657,154	\$ 15,386,202,406			
I. Actuarial Value End of Year:					
G. Not Less than H1. or Not Greater than H2	\$ 13,010,043,372	\$ 13,549,823,117			
J. Difference Between Market & Actuarial Values	\$ 195,504,256	\$ (727,987,779)	\$ (607,411,970)	\$ (230,266,167)	\$ 0
K. Health Care Valuation Assets	\$ 408,363,598	\$ 370,204,515			
L. Basic Benefits Valuation Assets (G - K)	\$ 12,601,679,774	\$ 13,179,618,602			

The Actuarial Valuation of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased in over a closed 4 year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, actuarial value will become equal to market value.



SCHEDULE C

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were based on the actuarial experience study for the five-year period ending June 30, 2015, adopted by the Board on April 21, 2016

INTEREST RATE: 7.50% per annum, compounded annually (net after all System expenses).

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed rates of separation from active service are as follows:

Service	Annual Rates of Withdrawal
0	45.00%
1	31.00
2	23.00
3	17.00
4	13.00
5	10.50
10	4.00
15	2.00
20	2.00
25	1.50

Age	Annual Rates of			
	Death *		Disability	
	Male	Female	Male	Female
20	.022%	.013%	.020%	.010%
25	.053	.018	.038	.010
30	.063	.019	.068	.026
35	.059	.024	.122	.055
40	.068	.032	.212	.102
45	.081	.044	.311	.170
50	.126	.074	.411	.300
55	.218	.124	.530	.450
60	.361	.188	.590	.450
65	.607	.274	.550	.300
70	1.071	.415	.300	.200
74	1.570	.629	.300	.200

* Pre-retirement mortality is based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.



Annual Rates of								
	Retirement Eligible prior to 8/1/17				Retirement Eligible after 8/1/17			
Age	Reduced	Reduced (55/25)	First Eligible Unreduced	Subsequent Unreduced	Reduced	Reduced (60/25)	First Eligible Unreduced	Subsequent Unreduced
50			27%	19%				
55		10%	27%	19%				
60	11%	14%	27%	19%		14%	30%	19%
65			25%	19%	11%	14%	30%	19%
70			20%	22%			30%	22%
75			100%	100%			100%	100%

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

Annual Rates of				
Service	Merit & Seniority (A)	Base (Economy) (B)	Increase Next Year (1+(A))*(1+(B))	
0	14.20%	3.50%	18.20%	
1	5.55	3.50	9.25	
2	3.14	3.50	6.75	
3	2.17	3.50	5.75	
4	1.45	3.50	5.00	
5	1.20	3.50	4.75	
6	0.97	3.50	4.50	
7	0.72	3.50	4.25	
8	0.48	3.50	4.00	
9	0.24	3.50	3.75	
10 & over	0.00	3.50	3.50	

PAYROLL GROWTH: 3.50% per annum, compounded annually.

PRICE INFLATION: 3.00% per annum, compounded annually.

DEATH AFTER RETIREMENT: The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement.



MARRIAGE ASSUMPTION: 80% married with the husband three years older than his wife.

VALUATION METHOD: Entry age normal cost method. Entry age is established on an individual basis.

ASSET VALUATION METHOD: Actuarial value, as developed in Schedule A. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation rate of return. The amount recognized each year is 25% of the difference between market value and expected market value. The actuarial value of assets cannot be less than 80% or more than 120% of market value.

FUNDING POLICY: If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.



SCHEDULE D

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO Summary of Benefit and Contribution Provisions

Contributions for Basic Benefits

Members contribute 10% of pay and employers contribute 14% of pay. Employer contributions not required to finance basic benefits are allocated to the health care program.

Final Average Salary

Average annual salary over the member's three highest years of service.

Normal Retirement

Condition for Retirement

*Retire before August 1, 2017
or have 25 years of service or
more on or before August 1,
2017*

Attainment of age 65 with at least five years of creditable service, or completion of 30 years of creditable service, regardless of age.

*Members attaining 25
years of service after
August 1, 2017*

Attainment of age 67 with at least ten years of creditable service, or attainment of age 57 with at least 30 years of creditable service. Buy-up option available.

Amount of Allowance

The annual retirement allowance payable shall not be greater than 100% of final average salary, and is the greater of:

1. Money Purchase - the greater of:
The sum of:
 - a. An annuity based on the value of the member's accumulated contributions at retirement
 - b. A pension equal to the annuity
 - c. For members who have 10 or more years of service credit prior to 10/1/1956, an annual benefit of \$180.
2. Defined Benefit - the greater of:
The sum of:
 - a. 2.2% of final average salary multiplied by the member's years of service up to 30,
 - b. 2.5% of final average salary multiplied by the member's years of service in excess of 30,or:
 - c. \$86 multiplied by the years of service.



Early Retirement

Condition for Early Retirement

Retire before August 1, 2017 or have 25 years of service or more on or before August 1, 2017

Not eligible for unreduced service retirement but has attained age 55 with at least 25 years of service, or age 60 with five years of service.

Members attaining 25 years of service after August 1, 2017

Attainment of age 62 with at least ten years of creditable service, or attainment of age 60 with at least 25 years of creditable service.

Amount of Allowance

Retire before August 1, 2017 or have 25 years of service or more on or before August 1, 2017

Normal retirement allowance accrued to the date of early retirement. The Defined Benefit amount determined above is adjusted by the following percentages based on attained age or years of service:

<u>Attained Age</u>	<u>Years of Ohio Service Credit</u>	<u>Percentage</u>
58	25	75%
59	26	80
60	27	85
61	28	88
	28	90
62		91
63		94
	29	95
64		97

Members attaining 25 years of service after August 1, 2017

Actuarial equivalent of the normal retirement allowance accrued to the date of early retirement. The Defined Benefit amount determined above is actuarially adjusted for the years before age 65 (age 67 if after August 1, 2017) or 30 years of service, whichever is shorter, but in no event is the adjusted benefit less than the following percentages of the Defined Benefit amount based on years of service:

<u>Years of Ohio Service Credit</u>	<u>Percentage</u>
25	75%
26	80
27	85
28	90
29	95

Disability Retirement

Condition for Retirement

An allowance is paid upon becoming permanently disabled after completion of at least 5 years of total service credit.



Amount of Allowance

1. For those who were active members prior to July 29, 1992 and did not elect the benefit structure outlined below, an allowance based on service to date of disablement, plus, if the age at disablement is less than 60, continuous service to age 60. The allowance is computed in the same manner as the defined benefit service retirement allowance, subject to a minimum of 30% of FAS and a maximum of 75% of FAS. It is payable for life, unless terminated.
2. For those who became active members after July 28, 1992, and for those who were active members prior to July 29, 1992 who so elected, an allowance equal to the greater of (i) 45% of FAS, or (ii) the lesser of 60% of FAS, or the allowance computed in the same manner as the defined benefit service retirement allowance. The allowance will continue until:
 - a. The date the member is granted a service retirement benefit, or
 - b. The date the allowance is terminated, or
 - c. The later of the date the member attains age 65 or the date the disability allowance has been paid for the minimum duration in accordance with the following schedule:

<u>Age at Disability</u>	<u>Minimum Duration In Months</u>
60 and earlier	60
61	60
62	48
63	48
64	36
65	36
66	24
67	24
68	24
69 and older	12

Death Benefits Prior to Retirement

Death While Eligible to Retire

If a member dies in service after becoming eligible to retire with a service allowance and leaves a surviving spouse or other sole dependent beneficiary, the survivor may elect to receive the same amount that would have been paid had the member retired the last day of the month of death and elected the 100% joint and survivor form of payment.

Survivor (Death-in-Service) Allowances

Condition for Benefit

Upon the death of a member with at least 1½ years of Ohio service credit and with at least ¼ year of Ohio contributing service credit within 2½ years prior to the date of death, the survivor allowances are payable as follows:



1. **Qualified Spouse:** A monthly allowance commencing at age 62, except that the benefit is payable immediately if: (1) the qualified deceased member had 10 or more years of Ohio service credit; or (2) is caring for a surviving child, or (3) is incompetent.
2. **Qualified Child:** For allowances that commenced before January 7, 2013, an allowance is payable to a deceased member's qualified child who is under age 18 and never been married, under age 22 and in school, or adjudged incompetent prior to the member's death and the child attaining age 18 or age 22 if attending school. For allowances that commence on or after January 7, 2013, an allowance is payable to a deceased member's qualified child who is under age 19 and never been married or adjudged incompetent prior to the member's death and the child attaining age 19.
3. **Qualified Parent's Allowance:** A monthly allowance is payable to a dependent parent age 65 or more.

Amount of Allowances

Except when survived by a qualified child(ren), upon the death of a member prior to retirement, the accumulated contributions of the member without interest is payable. Alternatively, the beneficiary may elect the following amounts, payable monthly while eligible:

<u>Number of Qualified Survivors</u>	<u>Annual Benefit as Percent of Member's FAS</u>	<u>Minimum Monthly Allowance</u>
1	25%	\$96
2	40	186
3	50	236
4	55	236
5 or more	60	236

If the deceased member had attained at least 20 years of service, the total benefits payable to all qualified survivors are not less than:

<u>Years of Service</u>	<u>Annual Benefit as Percent of Member's FAS</u>
20	29%
21	33
22	37
23	41
24	45
25	48
26	51
27	54
28	57
29 or more	60



Termination Benefits

Refund of Members'
Accumulated Contributions

In the event a member leaves service before any monthly benefits are payable on his behalf, his accumulated contributions, without interest, may be refunded.

Deferred Benefits

Members who retire prior to August 1, 2017 must have at least 5 years of service credit and those members who retire on and after August 1, 2017 must have at least 10 years of service credit and are eligible to draw the benefit the first of the month following their 62nd birthday.

Normal Form of Benefit

Single Life Annuity

Optional Forms of Benefit

A member upon retirement may elect to receive his allowance in one of the following forms that are computed to be actuarially equivalent to the applicable retirement allowance:

Upon the death of a retiree, 50%, 100%, or some other percentage of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary.

A reduced retirement allowance shall be continued throughout the life of the pensioner, but with the further guarantee of payment to the pensioner, his beneficiary or his estate for a specified number of years certain.

A member can select a partial lump-sum option at retirement. Under this option, the partial lump-sum shall not be less than 6 times and not more than 36 times the unreduced monthly benefit, and the monthly benefit will be actuarially reduced. In addition, the monthly benefit payable cannot be less than 50% of the unreduced amount.

Post-Retirement Death Benefit

Regardless of the form of benefit selected, a lump sum benefit of \$1,000 is paid at the death of the retiree.

Post-Retirement Increases

On each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit.

Medicare Part B

Each recipient of a service retirement benefit, a disability benefit, or a survivor benefit who was credited with at least 10 years of service and has paid Medicare Part B premiums and has chosen the health care option, is reimbursed \$45.50 per month for premiums. The reimbursement will continue to the spouse upon the death of the retiree in cases where the retiree elected a Joint and Survivor payment form.



Reemployed Retirants

Eligibility Effective	July 1, 1991, service retirees of SERS, or service or disability retirees of one of the other four Ohio retirement systems who are employed in a SERS-covered position are required to contribute to a money purchase annuity, a type of defined contribution plan.
Amount of Allowance	Upon termination of employment, a reemployed retirant who has attained age 65 is eligible to receive an annuity based on the amount of his/her accumulated contributions, and an equal amount of employer contributions, plus interest to the effective date of retirement. Effective July 1, 2006 the amount of employer contributions will be determined by the Board. Interest is granted on the reemployed retirant's prior fiscal year account balance, calculated using a rate determined by the SERS Board, compounded annually. The benefit is payable as a lump sum or as an annuity if the amount of such annuity is at least \$25. Upon termination of employment, a reemployed retirant who has not attained age 65 may request a lump sum refund of his/her own contributions; there is no payment of employer contributions or interest.
Benefits Payable Upon Death	<p>If a reemployed retirant dies while employed, a lump sum payment of the monthly annuity, discounted to the present value using the current actuarial assumption rate of interest, will be paid to his beneficiary.</p> <p>If a reemployed retirant dies while receiving a monthly annuity, a lump sum payment will be made to a beneficiary in an amount equal to the excess, if any, of the lump sum payment the reemployed retirant would have received at the effective date of retirement over the sum of the annuity payments received by the reemployed retirant to the date of death.</p>
Member Contributions	Each reemployed retirant is required to contribute 10% of his pay by payroll deductions.
Employer Contributions	Employer contributions are expressed as percents of member covered payroll. Employers are required to contribute 14% of payroll.
Other Benefits	Reemployed retirants of SERS are not eligible to receive any of the other benefits provided to SERS members.
Member Contributions	10% of salary.



SCHEDULE E

DETAILED TABULATIONS OF THE DATA

**Schedule of Retiree Members Added to and Removed From Rolls
Last Six Fiscal Years**

Year Ending June 30	2011	2012	2013	2014	2015	2016
<u>Number of Retiree Members</u>						
Beginning of Year	66,127	67,221	69,038	70,771	72,605	74,372
Added	3,472	4,137	4,197	4,144	4,909	4,388
Removed	2,378	2,320	2,464	2,310	3,142	2,480
End of Year	67,221	69,038	70,771	72,605	74,372	76,280
<u>Annual Retirement Allowances</u>						
Beginning of Year	\$ 729,859,717	\$ 777,910,918	\$ 838,076,567	\$ 898,267,601	\$ 958,537,700	\$ 1,020,368,894
Added	49,577,810	61,519,329	62,841,820	61,331,002	70,608,680	66,860,652
Removed	1,526,603	1,353,680	2,650,786	1,060,903	8,777,486	3,607,967
End of Year	\$ 777,910,918	\$ 838,076,567	\$ 898,267,601	\$ 958,537,700	\$ 1,020,368,894	\$ 1,083,621,579
% Increase in Allowances	6.58%	7.73%	7.18%	6.71%	6.45%	6.20%
Average Annual Allowance	\$ 11,572	\$ 12,139	\$ 12,693	\$ 13,202	\$ 13,720	\$ 14,206



**Schedule of Retiree Members Receiving a Medicare Part B Reimbursement
Added to and Removed From Rolls
Last Three Fiscal Years**

Year Ending June 30	2014	2015	2016
<u>Number of Retiree Members</u>			
Beginning of Year	47,376	47,298	46,619
Added	2,225	1,853	2,006
Removed	2,303	2,532	2,459
End of Year	47,298	46,619	46,166
<u>Annual Retirement Allowances</u>			
Beginning of Year	\$ 25,867,296	\$25,824,708	\$25,453,974
Added	1,214,850	1,011,738	1,095,276
Removed	1,257,438	1,382,472	1,342,614
End of Year	\$ 25,824,708	\$25,453,974	\$25,206,636
% Increase in Allowances	(0.16)%	(1.44)%	(0.97)%
Average Annual Allowance	\$ 546	\$ 546	\$ 546



**Annuity and Pension Reserve Fund
Retiree Information as of June 30, 2016
Tabulated by Type of Benefit**

Amount of Monthly Benefit		Total	Service	Disability	Survivor
\$ 1 - \$ 250		10,601	9,668	58	875
251 - 500		11,391	9,766	459	1,166
501 - 750		10,654	9,074	715	865
751 - 1,000		8,988	7,517	899	572
1,001 - 1,500		13,098	11,241	1,374	483
1,501 - 2,000		7,852	6,767	902	183
Over 2,000		<u>13,225</u>	<u>11,898</u>	<u>1,123</u>	<u>204</u>
		75,809	65,931	5,530	4,348

Average Monthly Benefit	\$ 1,202	\$ 1,414	\$ 710
Average Age	74.2	65.3	72.0

The 65,931 service retirees shown in the table above are comprised of 60,603 service retirees and 5,328 beneficiaries of deceased retirees. Excluded from the 60,603 service retirees are 542 re-retirees that are receiving a pension-only benefit resulting from the annuitization of the contributions accumulated during active membership. Multiple benefit recipients accounts for the higher total headcount than shown elsewhere in the report.



**Annuity and Pension Reserve Fund
Retiree Information as of June 30, 2016
Tabulated by Attained Ages**

Attained Age	Retirement		Disability Retirement		Total	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 45	-	\$ -	68	\$ 877,280	68	\$ 877,280
45-49	23	\$ 783,609	177	\$ 3,009,832	200	\$ 3,793,441
50-54	448	\$ 15,759,220	471	\$ 8,647,272	919	\$ 24,406,492
55-59	1,891	\$ 60,355,947	1028	\$ 19,831,250	2,919	\$ 80,187,197
60-64	7,308	\$ 132,045,984	1314	\$ 25,081,467	8,622	\$ 157,127,451
65-69	13,268	\$ 212,568,068	862	\$ 16,409,580	14,130	\$ 228,977,648
70-74	11,522	\$ 169,753,988	602	\$ 9,272,830	12,124	\$ 179,026,818
75-79	10,262	\$ 141,489,859	454	\$ 5,807,473	10,716	\$ 147,297,332
80-84	7,820	\$ 95,568,274	310	\$ 3,014,676	8,130	\$ 98,582,950
85-89	5,363	\$ 55,282,877	164	\$ 1,440,569	5,527	\$ 56,723,446
90 & Over	3,240	\$ 24,799,298	80	\$ 445,732	3,320	\$ 25,245,030
Totals	61,145	\$ 908,407,124	5,530	\$ 93,837,961	66,675	\$ 1,002,245,085

The 61,145 service retirees shown in the table above are comprised of 60,603 unique service retirees, and 542 unique re-retirees. The re-retirees included in the tabulation above are those that are receiving a pension-only benefit resulting from the annuitization of the contributions accumulated during active membership.



**Annuity and Pension Reserve Fund
Survivors of Annuitants Information as of June 30, 2016
Tabulated by Attained Ages**

Attained Age	Life Annuities		Periods Certain		Total	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 45	37	\$ 144,666	6	\$ 83,547	43	\$ 228,214
45-49	27	\$ 172,127	5	\$ 41,762	32	\$ 213,888
50-54	39	\$ 266,928	6	\$ 67,902	45	\$ 334,830
55-59	111	\$ 1,140,238	3	\$ 5,270	114	\$ 1,145,508
60-64	191	\$ 2,560,583	2	\$ 71,989	193	\$ 2,632,572
65-69	379	\$ 4,242,866	0	\$ -	379	\$ 4,242,866
70-74	622	\$ 6,238,380	0	\$ -	622	\$ 6,238,380
75-79	868	\$ 7,701,406	1	\$ 10,886	869	\$ 7,712,292
80-84	1,112	\$ 9,889,799	0	\$ -	1,112	\$ 9,889,799
85-89	1,059	\$ 8,060,274	0	\$ -	1,059	\$ 8,060,274
90 & Over	860	\$ 5,416,942	0	\$ -	860	\$ 5,416,942
Totals	5,305	\$ 45,834,209	23	\$ 281,356	5,328	\$ 46,115,565



**All Benefit Recipients
Male and Female Demographic Breakdown
June 30, 2016**

Attained Age	Number of		Total Number
	Males	Females	
Under 20	19	23	42
20-24	6	8	14
25-29	3	9	12
30-34	6	11	17
35-39	12	14	26
40-44	34	61	95
45-49	114	188	302
50-54	493	638	1,131
55-59	1,352	1,964	3,316
60-64	2,688	6,648	9,336
65-69	4,110	11,110	15,220
70-74	3,548	9,848	13,396
75-79	3,143	9,080	12,223
80-84	2,360	7,434	9,794
85-89	1,633	5,362	6,995
90-94	653	2,730	3,383
95-99	119	820	939
100	6	35	41
101	1	25	26
102	1	18	19
103	2	6	8
104	1	7	8
105 & Over	1	7	8
Total	20,305	56,046	76,351



Survivor Benefit Fund
Survivors of Deceased Active Member Information as of June 30, 2016
Tabulated by Attained Ages

Attained Age	No.	Annual Benefits
Under 45	95	\$ 1,103,039
45-49	70	\$ 816,903
50-54	167	\$ 2,038,385
55-59	283	\$ 3,146,490
60-64	521	\$ 5,206,591
65-69	711	\$ 6,651,535
70-74	650	\$ 5,277,544
75-79	638	\$ 5,294,890
80-84	552	\$ 3,820,125
85-89	409	\$ 2,426,663
90 & Over	252	\$ 1,275,668
Totals	4,348	\$ 37,057,834



**Total Active Members as of June 30, 2016
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	829							829
Avg Pay	\$6,319							\$5,238,679
20-24	6,091	57						6,148
Avg Pay	\$9,361	\$22,285						\$58,290,788
25-29	6,491	632	42					7,165
Avg Pay	\$14,593	\$27,892	\$36,636					\$113,888,015
30-34	5,839	1,335	454	51				7,679
Avg Pay	\$16,708	\$29,643	\$38,254	\$41,186				\$156,598,282
35-39	6,640	1,814	951	473	31	1		9,910
Avg Pay	\$16,278	\$27,979	\$36,573	\$41,631	\$51,815	\$37,394		\$214,952,712
40-44	7,053	2,699	1,559	1,021	294	29		12,655
Avg Pay	\$15,524	\$24,984	\$32,265	\$40,964	\$44,708	\$46,419		\$283,538,732
44-49	7,058	3,740	2,733	2,192	745	326	25	16,819
Avg Pay	\$15,647	\$22,941	\$29,194	\$34,456	\$45,118	\$50,671	\$52,930	\$403,008,072
50-54	5,449	3,604	3,880	4,145	1,653	897	336	19,964
Avg Pay	\$16,254	\$23,669	\$27,200	\$31,577	\$37,410	\$45,126	\$50,726	\$529,652,440
55-59	4,316	2,917	3,526	4,875	3,195	1,600	697	21,126
Avg Pay	\$16,345	\$23,984	\$27,946	\$30,047	\$33,057	\$39,091	\$47,042	\$586,473,076
60-64	2,644	1,767	1,825	2,732	2,327	1,881	848	14,024
Avg Pay	\$15,094	\$23,190	\$28,582	\$30,584	\$32,513	\$34,601	\$40,551	\$391,730,782
65-69	1,361	793	760	765	630	743	670	5,722
Avg Pay	\$11,265	\$19,978	\$26,127	\$29,506	\$33,172	\$32,766	\$34,363	\$141,869,556
70 & over	713	439	326	234	163	185	439	2,499
Avg Pay	\$8,720	\$14,723	\$19,214	\$23,562	\$26,464	\$28,468	\$29,514	\$46,995,416
Totals	54,484	19,797	16,056	16,488	9,038	5,662	3,015	124,540
Avg Pay	\$14,740	\$24,297	\$29,032	\$32,032	\$35,040	\$38,082	\$40,306	\$23,545

Averages:
Age: 48.4
Service: 9.5
Annual Pay: \$23,545



**Male Active Members as of June 30, 2016
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	473							473
Avg Pay	\$6,529							\$3,088,064
20-24	2,990	28						3,018
Avg Pay	\$9,591	\$24,919						\$29,374,526
25-29	2,760	315	29					3,104
Avg Pay	\$14,473	\$31,694	\$37,049					\$51,003,795
30-34	2,214	590	254	32				3,090
Avg Pay	\$18,294	\$34,007	\$44,496	\$46,723				\$73,363,795
35-39	2,031	620	367	222	18	1		3,259
Avg Pay	\$18,754	\$35,328	\$46,531	\$50,859	\$55,121	\$37,394		\$89,389,665
40-44	2,091	683	398	352	139	15		3,678
Avg Pay	\$16,536	\$32,777	\$45,382	\$51,952	\$52,084	\$48,483		\$101,279,522
44-49	2,291	766	486	450	279	155	5	4,432
Avg Pay	\$16,169	\$30,072	\$44,532	\$50,324	\$57,824	\$54,716	\$70,039	\$129,329,407
50-54	1,912	878	688	595	332	335	162	4,902
Avg Pay	\$17,500	\$30,879	\$39,041	\$48,752	\$54,084	\$53,821	\$54,468	\$161,250,142
55-59	1,635	919	712	684	424	358	307	5,039
Avg Pay	\$18,550	\$28,866	\$39,499	\$44,198	\$50,102	\$51,659	\$54,398	\$171,648,689
60-64	1,223	760	595	514	347	275	246	3,960
Avg Pay	\$16,296	\$26,984	\$37,100	\$42,712	\$47,361	\$49,435	\$50,563	\$126,933,146
65-69	685	418	309	187	117	110	94	1,920
Avg Pay	\$12,678	\$22,213	\$30,695	\$38,952	\$42,836	\$46,162	\$47,459	\$49,288,859
70 & over	361	232	166	103	45	30	40	977
Avg Pay	\$10,543	\$18,079	\$22,926	\$28,153	\$31,687	\$35,648	\$40,103	\$18,805,262
Totals	20,666	6,209	4,004	3,139	1,701	1,279	854	37,852
Avg Pay	\$15,394	\$29,908	\$39,837	\$46,224	\$50,815	\$51,221	\$51,965	\$26,544

Averages:
 Age: 46.2
 Service: 7.5
 Annual Pay: \$26,544



**Female Active Members as of June 30, 2016
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	356							356
Avg Pay	\$6,041							\$2,150,616
20-24	3,101	29						3,130
Avg Pay	\$9,140	\$19,741						\$28,916,262
25-29	3,731	317	13					4,061
Avg Pay	\$14,681	\$24,114	\$35,715					\$62,884,220
30-34	3,625	745	200	19				4,589
Avg Pay	\$15,739	\$26,188	\$30,328	\$31,862				\$83,234,488
35-39	4,609	1,194	584	251	13			6,651
Avg Pay	\$15,186	\$24,163	\$30,315	\$33,469	\$47,238			\$125,563,047
40-44	4,962	2,016	1,161	669	155	14		8,977
Avg Pay	\$15,097	\$22,344	\$27,768	\$35,183	\$38,095	\$44,208		\$182,259,210
44-49	4,767	2,974	2,247	1,742	466	171	20	12,387
Avg Pay	\$15,397	\$21,104	\$25,877	\$30,357	\$37,512	\$47,004	\$48,653	\$273,678,666
50-54	3,537	2,726	3,192	3,550	1,321	562	174	15,062
Avg Pay	\$15,580	\$21,346	\$24,648	\$28,699	\$33,219	\$39,944	\$47,243	\$368,402,297
55-59	2,681	1,998	2,814	4,191	2,771	1,242	390	16,087
Avg Pay	\$15,001	\$21,739	\$25,023	\$27,737	\$30,449	\$35,468	\$41,252	\$414,824,388
60-64	1,421	1,007	1,230	2,218	1,980	1,606	602	10,064
Avg Pay	\$14,060	\$20,326	\$24,462	\$27,773	\$29,911	\$32,061	\$36,460	\$264,797,636
65-69	676	375	451	578	513	633	576	3,802
Avg Pay	\$9,834	\$17,488	\$22,997	\$26,449	\$30,968	\$30,438	\$32,226	\$92,580,697
70 & over	352	207	160	131	118	155	399	1,522
Avg Pay	\$6,851	\$10,963	\$15,364	\$19,951	\$24,472	\$27,078	\$28,453	\$28,190,153
Totals	33,818	13,588	12,052	13,349	7,337	4,383	2,161	86,688
Avg Pay	\$14,341	\$21,733	\$25,442	\$28,695	\$31,382	\$34,248	\$35,699	\$22,235

Averages:
Age: 49.3
Service: 10.3
Annual Pay: \$22,235



**Active Members as of June 30, 2016
Tabulated by Annual Pay**

Annual Pay	Number of Active Members			Portion of Total Number	
	Men	Women	Totals	Group	Cumulative
Less than \$1,000	203	210	413	0.3%	0.3%
\$1,000 - 1,999	1,134	1,069	2,203	1.8%	2.1%
2,000 - 2,999	2,296	1,671	3,967	3.2%	5.3%
3,000 - 3,999	2,335	2,140	4,475	3.6%	8.9%
4,000 - 4,999	1,773	2,101	3,874	3.1%	12.0%
5,000 - 5,999	1,421	2,219	3,640	2.9%	14.9%
6,000 - 6,999	1,050	2,228	3,278	2.6%	17.5%
7,000 - 7,999	864	2,154	3,018	2.4%	20.0%
8,000 - 8,999	720	2,297	3,017	2.4%	22.4%
9,000 - 9,999	621	2,215	2,836	2.3%	24.7%
10,000 - 11,999	1,254	4,780	6,034	4.8%	29.5%
12,000 - 13,999	1,135	4,693	5,828	4.7%	34.2%
14,000 - 15,999	1,139	5,244	6,383	5.1%	39.3%
16,000 - 17,999	1,258	6,248	7,506	6.0%	45.3%
18,000 - 19,999	1,182	6,119	7,301	5.9%	51.2%
20,000 - 24,999	2,645	12,749	15,394	12.4%	63.6%
25,000 - 29,999	2,137	8,259	10,396	8.3%	71.9%
30,000 - 35,999	2,933	6,902	9,835	7.9%	79.8%
36,000 and over	11,752	13,390	25,142	20.2%	100.0%
Totals	37,852	86,688	124,540		



SCHEDULE F

GAIN/LOSS ANALYSIS DETAILS

COMMENTS

Regular actuarial valuations measure the Retirement System's present financial position and contributions adequacy by calculating and financing the liabilities created by the present benefit program. This process involves discounting to present values the future benefit payments on behalf of present active and Retiree members and their survivors. However, valuations do not produce information regarding the amount of increases or decreases in unfunded actuarial accrued liabilities (UAAL) -- gain/loss analyses do.

The overall gain/loss to the Retirement System is the difference between the actual UAAL and the expected UAAL. A gain/loss analysis shows the breakdown of the overall system gain/loss by economic and non-economic risk areas. The economic risk areas are investment return and pay increases. The non-economic risk areas are service retirement, disability retirement, death in active service, termination (vested and non-vested), retiree mortality, and new members. Gains and losses resulting from data adjustments, timing of financial transactions, etc. are included separately as a miscellaneous item.

It is expected that actual experience will not coincide with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year-to-year fluctuations are common. Changes in actuarial assumptions should be made for risk areas when the differences between actual and expected experience are consistently sizable over a period of years. Differences over a relatively short period of time may or may not be indicative of long-term trends, which are the basis of actuarial assumptions.

The actuarial assumptions used in this analysis were adopted by the Board in April 21, 2016.

Any historical information and data shown in the report with a valuation date prior to June 30, 2008 were obtained from the previous actuary's report.



School Employees Retirement System of Ohio
Experience Gains & Losses By Risk Area
Comparative Schedule
(\$ Millions)

Year Ending June 30	Gain (Loss) by Risk Area									\$	% of AAL
	Economic		Non-Economic								
	Pay Increases	Investment	Age & Service Retirement	Disability	Death In Service	Withdrawal	New Members	Retiree Mortality	Other ⁺		
2007*	121.0	504.3	13.4	0.9	(0.3)	(73.2)	(37.2)	(10.2)	(1.1)	517.6	4.1
2008	95.8	(6.6)	(96.1)	(3.5)	(0.6)	8.1	(51.3)	72.4	81.2	99.4	6.1
2009	107.5	(2,265.2)	(50.8)	(28.7)	(0.6)	(11.9)	(50.4)	51.8	200.1	(2,048.2)	(14.0)
2010	182.5	390.5	(40.6)	(23.4)	(0.5)	11.0	(38.1)	46.5	(29.6)	498.3	3.4
2011	198.4	(1,082.9)	(59.2)	(28.1)	(0.7)	15.4	(36.4)	(1.0)	(10.0)	(1,004.5)	(6.2)
2012	178.7	(692.0)	(154.8)	(47.7)	(0.2)	46.5	(29.8)	51.9	(6.2)	(653.6)	(3.9)
2013	219.2	241.0	(121.9)	(53.6)	0.0	61.1	(35.1)	2.9	1.9	315.5	1.8
2014	103.4	403.3	(122.6)	(56.0)	0.1	48.3	(28.2)	3.1	(2.1)	349.3	2.0
2015	53.3	62.1	(123.0)	(53.1)	0.0	65.1	(47.7)	55.8	(0.2)	12.3	0.1
2016	70.0	50.6	(140.9)	(50.6)	(28.5)	30.4	(44.0)	113.9	(0.6)	0.3	0.0

* Reported by a prior actuary

+ Includes effect of changes in data, timing of financial transactions, etc.



The market related actuarial value of assets is based on a four-year average of adjusted market value returns. The difference between the actual returns at market value for the year and expected returns is determined. Twenty-five percent (25%) of that difference is added to the expected value along with corresponding amounts from each of the prior three years.

The actuarial value of assets for the basic benefits as of June 30, 2016 was \$13,179,618,602. The value for the previous year was \$12,601,679,774.

**School Employees Retirement System of Ohio
Development of Gain (Loss) for Basic Benefits
From Investment Return
For the Year Ended June 30, 2016
(\$ Millions)**

	<u>\$ Millions</u>
1. Actuarial value of assets as of June 30, 2015	\$ 12,601.7
2. Actuarial value of assets as of June 30, 2016	
a. Actual	13,179.6
b. If 7.75% assumed investment return were achieved for all phased-in years recognized in the asset method	13,129.0
3. Gain (Loss): 2a minus 2b	<u>\$ 50.6</u>



**Pay Increases During the FY2016 Valuation Year
To Members Active at Beginning and End of Year**

Central Age Group Beginning of Year	Number	Pay Increases	
		Actual	Expected
Under 25	2,442	6.16%	14.83%
25	4,326	11.30	11.17
30	5,193	9.32	8.72
35	7,165	8.71	7.39
40	9,480	7.93	6.53
45	14,215	6.41	5.58
50	17,748	4.9	4.76
55	19,654	3.94	4.39
60	14,117	3.28	4.23
65 & Over	8,498	2.76	4.32
Total	102,838	5.35	5.42



**Members Who Became Age & Service Retirees During the FY2016 Valuation Year
(Retirement With Allowance Beginning Immediately)**

Attained Age	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 plus	
Under 50							19	19
50							8	8
51							21	21
52							22	22
53							36	36
54							38	38
55						39	37	76
56						17	39	56
57						20	44	64
58						37	40	77
59						43	49	92
60		40	66	103	116	46	45	416
61		24	32	37	52	62	55	262
62		30	57	64	65	56	61	333
63		23	41	36	35	45	50	230
64		23	23	44	43	64	54	251
65		35	54	66	98	114	85	452
66		33	46	35	51	45	42	252
67		25	28	22	22	46	46	189
68		16	20	28	26	42	38	170
69		15	16	9	9	13	21	83
70 & Over		45	75	49	52	52	122	395
Totals	0	309	458	493	569	741	972	3,542

	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 plus	
Avg. Monthly Benefit	\$ 0	\$ 258	\$ 536	\$ 776	\$ 1,121	\$ 1,464	\$ 2,416	\$ 1,349
Avg. FAS	\$ 0	\$ 20,601	\$ 25,091	\$ 27,201	\$ 30,540	\$ 33,270	\$ 42,259	\$ 32,291
Number of Retirees	0	309	458	493	569	741	972	3,542

Average Age: 63.8
Average Service: 22.2



**Members Who Died in the FY2016 Valuation Year
With a Death-in-Service Allowance Payable**

Central Age Group Beginning of Year	Number
Under 25	
25	
30	
35	2
40	1
45	1
50	3
55	22
60	17
65	16
70 & Over	13
Total	75

Average Age: 58.9
Average Service: 17.2



**Members Who Died in the FY2016 Valuation Year
and Received a Refund of Contributions**

Central Age Group Beginning of Year	Number
Under 25	
25	
30	
35	
40	1
45	
50	
55	1
60	
65	
70 & Over	
Total	2

Average Age: 50.0
Average Service: 3.4



**Members Who Became Disability Retirees
During the FY2016 Valuation Year**

Central Age Group Beginning of Year	Number
Under 25	
25	
30	1
35	
40	2
45	14
50	44
55	89
60	108
65	18
70 & Over	2
Total	278

Average Age: 56.4
Average Service: 16.6
Average FAS: \$27,592



**Members Receiving a Refund of Contributions
or Becoming Inactive Without a Refund in
the FY2016 Valuation Year
(Non-vested Terminations)**

Central Age Group Beginning of Year	Number
Under 25	1,395
25	2,378
30	1,510
35	1,216
40	1,302
45	1,404
50	1,191
55	1,013
60	573
65	273
70 & Over	174
Total	12,429

Average Age: 37.8
Average Service: 2.4



**Members Who Became Inactive
in the FY2016 Valuation Year
with a Deferred Allowance
(Vested Terminations)**

Central Age Group Beginning of Year	Number
Under 25	0
25	0
30	4
35	18
40	22
45	66
50	92
55	127
60	99
65	21
70 & Over	13
Total	462

Average Age: 52.9
Average Service: 13.5



SCHEDULE G

GLOSSARY

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability".

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Equivalent. A series of payments is called an actuarial equivalent of another series of payments if the two series have the same actuarial present value.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost". Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a "going concern" basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability".

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on book value plus a portion of unrealized appreciation or depreciation.



APPENDIX A

**ACTUARIAL ACCRUED LIABILITIES
AS OF JUNE 30, 2016**

Present Value of:	Pension Benefits	Medicare Part B	Post-Retirement Death Benefit	Total Basic Benefits
Future benefits to present retirees and survivors	\$ 11,132,795,258	\$ 237,129,792	\$ 28,526,636	\$ 11,398,451,686
Benefits and refunds to present inactive members	555,939,750	14,165,005	1,288,884	571,393,639
Allowances to present active members				
Service	7,319,319,419	136,159,467	7,527,816	7,463,006,702
Disability	236,370,313	3,823,847	431,449	240,625,609
Survivor benefits	127,886,025	2,166,260	0	130,052,285
Withdrawal	(41,722,296)	8,700,081	200,415	(32,821,800)
Total Active AAL	7,641,853,461	150,849,655	8,159,680	7,800,862,796
Total AAL	<u>\$ 19,330,588,469</u>	<u>\$ 402,144,452</u>	<u>\$ 37,975,200</u>	<u>\$ 19,770,708,121</u>



APPENDIX B

**BREAKDOWN OF TOTAL AND ACCRUED LIABILITIES
AS OF JUNE 30, 2016**

	Total Liability	Accrued Liability
Active Members		
Retirement	\$8,816,895,373	\$7,319,319,419
Death	177,004,918	127,886,025
Disability	404,822,887	236,370,313
Termination	578,104,672	(41,722,296)
Medicare Part B	194,156,482	150,849,655
Death after Retirement	<u>11,036,487</u>	<u>8,159,680</u>
Total	\$10,182,020,819	\$7,800,862,796
Retirees		
Retirement/Survivor/Disability	\$11,132,795,258	\$11,132,795,258
Medicare Part B	237,129,792	237,129,792
Death after Retirement	<u>28,526,636</u>	<u>28,526,636</u>
Total	\$11,398,451,686	\$11,398,451,686
Deferred Vested Members	303,830,719	303,830,719
Inactive Members	<u>267,562,920</u>	<u>267,562,920</u>
Total Actuarial Values	\$22,151,866,144	\$19,770,708,121
Actuarial Value of Assets		<u>13,179,618,602</u>
Unfunded Actuarial Accrued Liability		\$6,591,089,519



APPENDIX C
COMPARATIVE SCHEDULE
AS OF JUNE 30, 2016

Valuation Date June 30	Active Members				Retired Lives				Accrued Liability	Valuation Assets	UAAL
					Number		Annual Benefits				
	Number	Payroll \$ Millions	Average Salary \$	% Increase	Retired	Active / Retired	\$ Millions	% of Payroll	\$ Millions		
2007	123,013	2,603	21,163	2.2	63,529	1.9	607.4	23.3	13,303	10,640	2,734 *
2008	124,370	2,652	21,322	0.8	64,818	1.9	652.4	24.6	14,062	11,372	2,689
2009	125,465	2,787	22,216	4.2	65,757	1.9	693.8	24.9	14,582	9,836	4,746
2010	126,015	2,843	22,558	1.5	66,127	1.9	729.9	25.7	15,222	10,909	4,312
2011	125,337	2,852	22,758	0.9	67,221	1.9	777.9	27.3	16,325	10,513	5,812
2012	121,811	2,788	22,889	0.6	69,038	1.8	838.1	30.1	16,755	10,397	6,358
2013	121,642	2,747	22,581	(1.3)	70,771	1.7	898.3	32.7	17,247	11,126	6,121
2014	121,251	2,759	22,757	0.8	72,605	1.7	958.5	34.7	17,882	12,030	5,851
2015	122,855	2,845	23,161	1.8	74,372	1.7	1,020.4	35.9	18,503	12,602	5,902
2016	124,540	2,932	23,545	1.7	76,280	1.6	1,083.6	37.0	19,771	13,180	6,591

* after the adjustment to reflect health care asset restatement