

OEA Retirement Systems Update

Report to the OEA Board of Directors: January 2011

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General Assembly has Pension Reform on the Agenda, STRS Instructed to Change its Plan

It is clear that the new General Assembly and Governor John Kasich have pension reform on the legislative agenda for this year. The Ohio House of Representatives has named a subcommittee to address the issue of pension reform. Additionally, the STRS Board has been sent a message from legislative leaders that Governor Kasich will not sign a bill that includes any increase in employer contributions or fails to bring the funding period under 30 years (the length of time projected to pay off the plan's unfunded liabilities). As a result, STRS has been directed to redo its approved plan of benefit changes in order to meet those parameters.

In 2009, each of the state's five public retirement systems passed plans for changes in pension design aimed at improving the long-term funding of the pension plans. All of these changes would require legislation to be enacted. The plan adopted by the STRS Board called for increased contributions from employees and employers, working longer in order to retire, benefit reductions and a reduced cost-of-living allowance (COLA).

In October, the STRS Board made key amendments to its proposal, adding a phase-in for the change in retirement eligibility and making adjustments to the COLA for future retirees. OEA supported these changes as they address the need for improving system funding in a way that shares responsibility among stakeholders equitably and allows some flexibility for educators at the latter stages of their careers. However, removing the increase in employer contributions from the plan would result in a funding period of 46.1 years. Meeting the 30-year funding period without employer contributions would require deeper cuts in benefits.

The plans adopted by the OPERS and SERS Boards did not include an increase in employer contributions and each plan has a current funding period of under 30 years. At this point, it does not appear that either OPERS or SERS have been asked to revise those plans.

Revising the plan dominated discussion at the STRS Board's meeting on Thursday, January 13, 2011. The Board indicated that staff would run a number of scenarios and another meeting was held Friday, January 21, 2011 to discuss those options. It was pointed out that calculations were being run on data from the last actuarial valuation which is now six months old. Over that time, STRS assets have grown substantially due to positive investment returns (16% fiscal year to date). The following chart compares current law, the plan approved by the STRS Board in October, and scenarios being studied by the Board in order to comply with its new directive from the Statehouse.

Plan	Contributions	Retirement Eligibility	Final Average Salary	COLA	Retirement Formula	Funding Period
Current law	Employee: 10% Employer: 14%	Normal retirement: 5 years of service at age 65 or 30 years of service at any age	Average of 3 highest years	3% annual COLA	2.2% for first 30 years. Enhanced benefit for 35 years	Infinite
Current Board plan (passed Oct. 2010)	Increase employee contribution increase by 2.5% to 12.5% (phased in 2011-2016). Increase employer contribution increase by 2.5% to 16.5% (phased in 2016-2021)	30 years of service at age 60 (effective 2015) 35 years of service at any age (phased in 2015-2023). Retains 5 years of service at age 65. Early retirements subject to actuarial reduction.	Board to set FAS of 3-5 years (effective 2015)	2% annual COLA. New retirees defer COLA for 36 months (effective 2011)	2.2% for first 30 years, 2.5% each year over 30. (effective 2015)—ends 35 year enhancement	35.5 years 46.1 years (without employer contribution increase)
Scenario 1 (Jan. 2011)	Increase employee contribution increase by 2.5% to 12.5% (phased in 2012-2017).	Minimum retirement age of 60 with 35 years of service. (Phased in 2013-2023).	Average of 5 highest years (effective 2015)	1.5% annual COLA. New retirees defer for 48 months. (effective 2012)	2.2% for all years of service (effective 2015)	27.9 years
Scenario 2	Same as Scenario 1	Same	Same	2.0% annual COLA. New retirees defer for 60 months. (effective 2012)	Same	32.1 years
Scenario 3	Increase employee contribution increase by 3.0% to 13% (phased in 2012-2015).	Minimum retirement age of 60 with 35 years of service. (Phased in 2013-2023).	Same	Same as Scenario 2	Same	30 years

The STRS Board is expected to take action on adopting a revised plan on Thursday, January 27, 2010. Staff was asked to run a number of other scenarios including a different phase-in of retirement eligibility changes; moving the 1% allocation from health care to pensions; higher employee contributions; eliminating the phase-in for retirement eligibility; and a 1.75% COLA deferred for 48 months.

OEA Endorses Tai Hayden for STRS Board

At its December meeting, the OEA Board of Directors voted to endorse **Tai Hayden** for reelection to an active seat on the STRS Board. Tai Hayden is a teacher in the Columbus Public Schools and a current member of the STRS Board. The STRS Board election will be conducted throughout the month of April.

This is a critical time for public pensions in Ohio. Through work on board elections, OEA seeks to ensure that all members are represented by board members who are knowledgeable and dedicated representatives. As a current member of the STRS Board, Tai has valuable experience. She is committed to making sure that STRS is able to meet its long-term obligations to Ohio's teachers and that the pension plan continues to offer economic security through a defined benefit plan and access to affordable health care.

In order for candidates to qualify for the ballot, they must collect signatures of at least 500 members with 20 or more signatures from at least 10 counties. Active teachers and faculty contributing to STRS are eligible to sign nomination petitions. Nomination petitions for Tai Hayden have been sent out to each local president and each OEA field office. These petitions cannot be copied or reproduced. You can request that petitions be sent to you directly by contacting Robert Davis in OEA governmental services at davisr@ohea.org.

OEA Endorses Faragher for SERS Board

In early 2011, SERS will be conducting an election for a member of the SERS Board representing active employees. Madonna "Dee" Faragher, a current member of the SERS Board, has been endorsed by OEA in her bid for reelection. She is a bus driver and educational aide with the Westlake City School District. Faragher's opponent is Tim Dettwiller, Treasurer of the Madison Plains Local School District. Both candidates were interviewed by the OEA's SERS Board Screening Committee. The Committee recommended the endorsement of Dee Faragher. The OEA Board of Directors voted to endorse Faragher at its January meeting.

Faragher has served as a bus driver for 14 years and is active in the Ohio Association of Public School Employees (OAPSE). Prior to that, she served eight years as a Cleveland Police Officer. Her candidacy has been endorsed by OAPSE and AFSCME Council 8. As a current member of the SERS Board, she has extensive training and experience on pensions, investments, health care and board governance issues.

Ballots for the SERS Board election will be sent to contributing members of SERS and arrive in early February. Ballots must be cast by March 7, 2011.