

OEA Retirement Systems Update

Report to the OEA Board of Directors: October 2011

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ORSC Scores Actuarial Firm Responses

The Ohio Retirement Study Council (ORSC) inched closer to naming an actuarial firm to review Ohio's five public retirement systems and their pension reform plans by scoring the six firms that responded to a request for proposals. On Thursday, October 13, 2011, the members of the ORSC unanimously adopted the scores put forth by a subcommittee earlier in the week.

The proposals of the six actuarial firms were scored on a scale of one to five points in ten categories. The categories were: management summary; vendor capabilities; references; staff qualifications; resources; proposed methodology; timeline; additional information and services; glossary; and cost information.

The Hay Group received the highest score with 46 of a possible 50 points. Pension Trustee Advisors/KMS Actuaries received 43 points, followed by Segal (37), Milliman (37), Bolton Group (30) and Deloitte (26).

The next step in the process is to have each of the firms make presentations and answer questions from the Council at their next meeting on November 16, 2011.

STRS Sets Record Straight on Buckeye Institute Report

In September, the Buckeye Institute, an Ohio-based right-wing think tank, released a misleading report entitled, "Taxpayers on the Hook: Taxpayer Contribution Rates for Ohio Government Pensions Outpace National Averages." The report claimed that the 14% employer contribution to STRS was the ninth highest out of 34 states with similar teacher retirement programs. However, the report failed to take into account that Ohio's public employers do not contribute to Social Security. In reality, the employer contribution rate is below the national average when you factor in the Social Security contribution rate of 6.2% that 22 states make on behalf of their public educators. With this factored in, STRS ranked 20th out of the 34 states in the report and seventh among the twelve non-Social Security states.

The Buckeye Institute report also suggested that 401(k)-style defined contribution plans are a better alternative for Ohio's public employees. However, study after study has shown that these plans do not offer sufficient economic security and leave their enrollees ill-prepared for retirement. Simply put, defined benefit plans offer greater retirement benefits at a lower cost than defined contribution plans.