

OEA Retirement Systems Update **Report to the OEA Board of Directors: December 2011**

Please distribute to other OEA members

ORSC Selects Actuarial Firm to Review Pension Systems

On Wednesday, November 16, 2011, the Ohio Retirement Study Council (ORSC) unanimously selected Pension Trustee Advisors (PTA) as the actuarial firm to conduct an independent review of the state retirement systems and their legislative proposals related to benefit changes and pension reform. Six actuarial firms responded to ORSC's request for proposals and three firms, PTA, Hay Group and the Segal Company, attended the meeting to make presentations and answer questions from the Council members.

During the course of its work, the firm will examine the plans' economic assumptions, health care benefits and the proposed changes in pension reform legislation. PTA will "review each system's actuarial work, not recreate it." Proposed reforms will be reviewed for benefit adequacy, consistency and fairness, future sustainability, similarities and differences among plans, and adherence to identified best practices. PTA is expected to complete this work by July 2012.

At the meeting, it was also announced that ORSC's executive director Aristotle Hutras is retiring at the end of the year. Hutras has served as executive director for the past 22 years. ORSC Chair, Senator Keith Faber (R-Celina), announced he would appoint a search committee for a new executive director and a separate panel to review ORSC's internal operations.

STRS Notes:

- At its October and November meetings, the STRS Board reviewed results of the actuarial valuation of the pension plan for the 2011 fiscal year (ending June 30, 2011). Despite strong investment returns, the funded ratio is 58.8%, and the funding period for the pension plan remains infinite. This means that, based on the current plan assumptions, the pension plan will eventually run out of money without changes. This report underscores the need for pension reform legislation that reduces liabilities as well as increases contributions to pay off those liabilities at a quicker pace.

- At the November Board meeting, the STRS Board and staff began discussions of a long-term strategic plan for health care and specific initiatives for 2012-2015. With little prospect of additional funding for health care, the current plan is projected to be solvent until 2024. Staff has proposed a focus on Medicare eligible retirees. Currently, 31% of benefit recipients are

under the age of 65. However, this group accounts for 62% of STRS premium subsidies. The plan is likely to include higher out-of-pocket costs and a merger of the Plus and Basic plans by 2016.

SERS Notes:

- SERS is reminding members and retirees to be vigilant in guarding against identity theft. Recently, a SERS disability recipient received a phone call from an individual pretending to be from SERS. The caller asked for the member's Social Security number and date of birth in order to set up a hearing. SERS does not place phone calls to members or retirees to ask for personal information. If you receive a similar call, do not give out any personal information and call SERS (1-800-878-5853) to report the incident.

OPERS Notes:

- OPERS staff has urged the Governmental Accounting Standards Board (GASB) to change some of its proposal to alter pension reporting standards. GASB is the independent organization that establishes financial accounting standards for state and local governments. Of particular concern are proposed changes to allocate costs and liabilities of large public pension plans back to local governments. OPERS argues that such a change could be costly, difficult to implement and provide potentially misleading information. GASB is expected to review comments and make the final decision on reporting requirements by the end of June 2012.