## **STRS News**

## Pension Plans Discussed in House and Senate Committees and Now Included in Proposed State Budget

Legislation based on plans forwarded to the General Assembly from the five statewide public pension plans has been the focus of hearings in a subcommittee in the Ohio House of Representatives. House Bill 69, sponsored by Rep. Lynn Wachtmann, was assigned to the Health and Aging Subcommittee on Retirement and Pensions after its first hearing. Wachtmann, who is chair of the House Health and Aging Committee, sent the legislation to the subcommittee that is pursuing an aggressive hearing schedule under the direction of Chair Kirk Schuring.

To date, all five systems have presented testimony on the board-approved changes to their respective plans. In the case of STRS Ohio, the language in the current bill actually refers to the plan adopted by the Retirement Board in fall 2009. However, language is expected to be amended with the more recently adopted board recommendations from January 2011. Since the bill's introduction on Feb. 1, nine hearings have been held and an additional five are scheduled.

The pace in the Senate on pension legislation has been slower. Sen. Keith Faber delivered sponsor testimony on Senate Bill 3 on Feb. 24 to the Senate Government Oversight and Reform Committee. The following week, the directors of the five systems provided overviews of their systems for the committee, but did not delve into detail on their respective board plans for long-term sustainability, leaving that for a subsequent committee hearing.

In his testimony, STRS Ohio Executive Director Michael Nehf indicated the system's typical new retiree is age 59 with 30 or more years of service. He said the large majority of members contribute to or receive pensions from STRS Ohio's Defined Benefit Plan. He also said the system isn't in "immediate crisis," but noted that without changes, STRS Ohio would eventually be unable to pay pensions. He explained to the committee that a shift to a defined contribution plan isn't a viable solution, in part, because diverting contributions from new teachers to a different plan would actually cost existing members and employers more to make up for the lost contributions. Regardless of the plan design for the future, the existing unfunded liabilities must be funded. In a follow-up comment, Sen. Bill Seitz, who chairs the committee, said that moving to a defined contribution plan for STRS Ohio or the other exeteme would be like "trying to nut the

to a defined contribution plan isn't a viable solution, in part, because diverting contributions from new teachers to a different plan would actually cost existing members and employers more to make up for the lost contributions. Regardless of the plan design for the future, the existing unfunded liabilities must be funded. In a follow-up comment, Sen. Bill Seitz, who chairs the committee, said that moving to a defined contribution plan for STRS Ohio or the other systems would be like "trying to put the toothpaste back in the tube."

The committee currently does not have plans to hear S.B. 3 again until later in March as the Legislative Service Commission is in the process of drafting a substitute version of the bill.

Further complicating the current pension reform discussion is a proposal contained in Gov. John Kasich's state budget that would shift employer/employee contributions for the five pension systems. Employers would pay two percent less based on payroll and employees would pay two percent more. Requiring employers to pay less is being recommended as a way to help offset the proposed cutbacks in state funding to state and local governments.

For STRS Ohio, this could mean an increase in member contributions to 12% from the current 10%, and a decrease in employer contributions to 12% from 14%. However, no details have been received as yet regarding this change, including how it would relate to the already proposed 3% increase in member contributions that STRS Ohio included in its January pension reform plan.

It is anticipated that this proposed contribution change and its potential impact on the five systems' respective plans, plus the feasibility of moving public employees into defined contribution plans, will be discussed in the committees and by the Ohio Retirement Study Council (ORSC). This month, Sen. Keith Faber was elected chair of the ORSC, which is the legislative oversight committee for the five pension systems. Wachtmann was elected vice chair.

STRS Ohio members are encouraged to visit the STRS Ohio Web site frequently for updates on pension legislation (<a href="https://www.strsoh.org">https://www.strsoh.org</a>). Hearing schedules and contact information for legislators can also be found there.

# **OEA-R NEWSLINE**

## **SERS News**

## **Investment Report**

London based Highclere International Investors, represented by Ed Makin and Susan Steele made their presentation to the Board. This is a specialist investment management firm committed to investing in international smaller cap companies. The Board accepted the recommendation to make an initial investment of up to \$50 million to the Highclere's SMID Fund. Simon Hallett, Robert Cresci, and John Parsons of Harding Loevner brought their product, The International Small Companies, to the attention of the Board. This strategy was recommended with an investment of up to \$50 million.

In order to boost the Real Estate portion of the portfolio, Dean Adler of Adler Real Estate Fund VI-B.I.P. Reviewed what his product could add to this fund currently lagging behind in the market. The theme for this company is to acquire assets at discounted prices in the rental market, primarily multifamily, retail, office, industrial, parking and business hotels. The recommendation of \$70 million be invested was accepted.

A motion to approve the investment of a maximum of \$25 million in SP5 Wood Partners Co-Investment Venture 2 was accepted.

Bob Cowan distributed and discussed the Monthly Report to the Board. SERS' total fund complied with the Board's Objectives and Policies at month end, with the exception of Global Equities which were outside the range by 8%.

#### **Health Care**

In May, staff presents the Board with design information for the health plan for the coming year. The staff is not recommending any change for 2012 at the present time. Staff plans to meet with the SERS advocacy group to share information. Additional information will be presented in April and May and in June; a resolution will be brought forward with the plan design for 2012. At present, STRS and OPERS expect minimal changes in 2012.

It was found in the research that the percent of health premiums paid by employers (for actives) has declined steadily. In 2001 the employer share was 80.1% declining to 76.7% in 2008. The employee share however, has increased for 19.9% in 2001 to 23.3% in 2008.

As to the Public Sector, what do retirees pay? The Center for State and Local Government Excellence found that 68% of city and county officials surveyed said they were pushing to have retirees assume more of their health costs while 39 % said they have eliminated or planned to eliminate health benefits for new hires.

At present, SERS has 49,130 individuals enrolled in health care with 21, 029 waiving the benefit.

SERS' prescription drug cost was down by 39% in January 2011 compared to December 2010. The cost per participant was down by 29% and SERS' cost per Rx was down by 21%. Generic fill rate rose from 75/9^ to 79.7%.

Points for further consideration are: is the current SERS plan the right balance of benefits and cost for the population served, should a second plan be offered (STRS offers 2 plan levels – OPERS, 3 levels.). Should there be smoker's premiums, age rating, and differentiated risks by gender and by standard versus preferred risks.

The health care funding picture shows that current standards should be sustained until 2018.

## **Social Security**

Because of the huge emphasis in the Congress on cutting the budget and trying to reduce the deficit, both the GPO and WEP legislation face huge odds in even being heard, let alone being passed in this session. That being said, Sen. Kay Bailey Hutchison, (R-TX) presented S 113 which repeals the windfall and replaces it with a formula based on an individual's actual earnings during his/her years of work. It has 0 co-sponsors and was referred to Senate Committee on Finance

# District Retired Organizations Now Have Their Own Websites

Want to know what is going on in your district? Through a grant from NEA-R, each retired district now has its own website and webmaster. To access your district, go to <a href="http://oea-r.ohea.org">http://oea-r.ohea.org</a> and click on the map. Each district website is different and has a variety of information available.

# **OEA-R NEWSLINE**

# **Contacting Legislators**

To contact your State Senator, type "Ohio Senate" into your search engine and choose the first option. You will find an address, phone number, and the Senator's email To Ohio address. contact your Representative, type "Ohio House Representatives" into your search address, choose "Representatives" tab at the top of the page, and you will find the address, phone number, and email address of your Representative. With each of these searches, you will also find other information which may be of interest to you.

You can also sign up to be an OEA ACE and receive messages on important legislative issues. You may sign up by going to the OEA website (www.ohea.org).

# **OEA Lobby Days**

OEA Lobby Days have been scheduled for the following Tuesdays in April, May, and June: April 5, 12; May 10, 24; and June 7, 14, and 21.

## **OEA Contacts**

There are many ways to keep track of everchanging issues affecting both students and education employees. OEA has developed various electronic sources of information. Whatever your electronic choice, OEA is there.

www.facebook.com/OhioEducationAssociation
www.twitter.com/OhioEA
www.youtube.com/user/OhioEdAssoc
www.flickr.com/photos/oea
http://blog.ohea.org
www.ohea.org

# **District News**

*Capital:* The Winter/Spring 2011 Brochures have been mailed to our membership. CEA-R members are participating with CEA on the Reach Out and Read program. Our members have collected 380 books for the program.

*Central*: Members of Central OEA/NEA-R have been participating in the many of the area rallies concerning Senate Bill 5.

*Eastern:* EOEA-R is planning a luncheon at the Valley Inn. The membership now stands at 68.

East Central: The ÉCOEA-R Organizing Committee will be having a meeting to make our draft Guidelines more definitive. The Committee is also planning its 2<sup>nd</sup> Annual "Not Back to School Lunch" at Mulligans for Wednesday, August 24. Also, Kathleen Purdy has been elected to the OEA-R Advisory Council effective September 1.

Northeast: NEOEA-R will hold its second Spring Conference at the NEOEA Conference Center on April 13, 2011. All NEOEA-R members are invited and a special invitation will be sent to ORTA (Ohio Retired Teachers Association) members in northeastern Ohio. The planning committee has been in contact with ORTA leaders and hopes that this will be an opportunity for members of the two organizations to get to know each other and to work more closely together in the future. Go to the NEOEA-R website for more information.

Northwest and North Central: We have been working on the OEA=R Regional Conference to be held May 18 in Tiffin. Register using the enclosed form.

**Southeast:** Christine McVicar will be holding meetings at public libraries in each of the SEOEA counties in her district April 5-May 26. Click on the SEOEA-R website for more information

Southwest: SWOEA-R has a "field trip" on April 12 to historic Spring Grove Cemetery. There is a cost of \$5.00 for the one hour tour. Participants are also welcome to take a walking tour of the site. SWOEA-R will hold its Annual Meeting on May 11.

**Western:** WOEA-R will have its Spring Meeting on April 20 at the Olive Garden near the Dayton Mall. The guest speaker is OEA Director Bill Sears.

## **OEA-R NEWSLINE**

### **NEA Click & Save**

Our most popular discount program for NEA members and their families. This exclusive shopping service offers savings on brand name merchandise from hundreds of top retailers, online stores, and local merchants. Save on clothing, electronics, restaurants, jewelry, movie tickets and more!



To access "Click and Save" go to the NEA website <a href="www.nea.org">www.nea.org</a> and choose "NEA Member Benefits."

## **Our Mission Statement**

OEA-Retired is dedicated to meeting the needs of its members, providing member involvement within OEA, and supporting public education.

#### 2010-2011 Officers

David BowenJohn HoyesPresidentVice-President

Marti HussHomer AdamsSecretaryPast President

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Bill Sears, Editor

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