

## **OEA Retirement Systems Update**

### **Report to the OEA Board of Directors: December 2013**

### **Please distribute to other OEA members**

#### **STRS Funding Picture Improving**

At its October meeting, the STRS Board received a report of the annual actuarial valuation of the pension fund. The report provides a “snapshot” of the funding status of the fund as of July 1, 2013. This is the first valuation that was done using the new benefit structure that resulted from the passage of pension reform legislation last fall. The report shows progress in STRS’ ability to meet its obligations. Prior to the passage of pension reform legislation, STRS was not going to be able to pay off its obligations in the future. Now it’s estimated that it can do so in 36.1 years.

State law requires that funds be able to pay off their liabilities in less than 30 years. It’s expected that STRS will make further progress since \$2.8 billion of investment gains that were not included in this valuation will be phased in over the next four years. That means STRS will be in a stronger position to fulfill its obligations if it meets its actuarial assumptions.

Changes in the design of the plan along with strong investment returns were the primary reasons for the funding improvement. Accrued liabilities decreased to \$94.4 billion from \$106.3 billion. However, funding improvements were offset in part by a decrease in contributions from payroll and a higher number of retirements than had been projected.

#### **Poll Shows Public Support for Pensions**

In recent months, a number of news stories and reports have shed light on efforts by the Pew Center on the States to advocate for changes to public employee retirement benefits across the country. The Pew Center has been partnering with the Laura and John Arnold Foundation, founded by a former Enron executive, in an effort to convince lawmakers to do away with defined benefit pension plans. At a two-day conference in October, the Pew Center released results of a survey of voters nationwide. The results show there is fairly broad support for public pensions. Key findings include:

- Voters have generally favorable views of public employees, especially teachers. Poll respondents gave teachers, police officers and state public employees net favorability ratings of 88, 86 and 60 percent, respectively.
- The majority of those surveyed thought that public pensions were about the right amount or too little. Only 26% felt that public employees receive too much in retirement benefits.
- Defined benefit plans were viewed much more favorably than defined contribution plans (net favorability is 29% higher for traditional pensions).

These poll results as well as the overwhelming rejection by voters in Cincinnati this fall of a proposal that would have slashed pension benefits are encouraging signs in our continued efforts to maintain retirement security.