

## **OEA Retirement Systems Update** **Report to the OEA Board of Directors: May 2014**

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

#### **STRS Board Allocates Additional Funding Towards Pensions**

At its March meeting, the STRS Board voted unanimously to dedicate an additional 1% of the 14% employer contribution to pensions beginning July 1, 2014. This 1% contribution is currently going toward the STRS health care fund. This decision follows months of discussion by the Board. STRS projects that this change, coupled with smoothed gains from strong investment returns, will result in an amortization period of about 32 years. This puts STRS on track to reach a 30-year amortization period by 2016 — the time frame that was projected when pension reform legislation was passed in 2012. Ohio retirement systems are required by law to amortize unfunded liabilities over a period of not more than 30 years or to submit a board-approved plan to the Ohio Legislature to reduce the funding period to 30 years. The last actuarial valuation showed an amortization period of 40.2 years.

The Board's action shortens the projected life of the health care fund to about 20 years. However, the Board has authority to direct all or part of the 1% back to the Health Care Fund in the future, and to make "catch-up" payments once the financial condition of the pension fund improves.

#### **SERS Executive Director Provides Information on Membership Determinations**

In January, SERS and STRS sent a joint communication to employers clarifying which retirement system employees in certain job classifications belong to. The letter stated that if an employee were contributing to the wrong retirement system, they are to be switched to the appropriate system beginning July 1, 2014.

At the April 10 meeting of the Ohio Retirement Study Council (ORSC), SERS Executive Director Lisa Morris reported that the systems expect fewer than 2,500 people to be affected by this change. The retirement systems reached out to employers to ascertain the number of employees who will be switching systems. As of that date, 47% of employers had responded to outreach efforts, including 7 of the 8 largest employers. The number of members affected totaled 1,429, with 837 moving to SERS from STRS Ohio and 592 moving to STRS Ohio from SERS.

Following Director Morris' update, ORSC Chair Representative Lynn Wachtmann (R-Napoleon) and other Council members discussed whether those currently classified in the incorrect system should be grandfathered into their current system. Representative Kirk Schuring (R-Canton) said any effort to make that happen would need to begin quickly because it would likely require legislative approval.

## **OPERS Expects Retirements to Increase Based on Health Care Eligibility Changes**

Changes to the eligibility for OPERS health care coverage go into effect on January 1, 2015. After that date, new retirees will have to have 30 years of service, or be 60 or older with at least 20 years of service in order to be eligible for health care coverage through OPERS. Those who retire by December 1 are grandfathered and will not be affected by this change.

OPERS staff forecasts a substantial increase in retirements before the end of the year based on this change. Currently, over 45,000 employees are eligible to retire. Of this number, approximately half would need additional service to qualify for health care under the new eligibility requirements. Based on a survey sent to a sample of members eligible to retire, OPERS staff is estimating that as many as 19,000 members could retire prior to December 1. This would represent a 95% increase in retirement applications from the previous year.

Planning for retirement is an important, multi-faceted decision. Members considering retirement within the next five years are encouraged to visit the OPERS retirement planner at [www.opers.org](http://www.opers.org) or speak to OPERS staff about their options by calling 1-800-222-7377.