OEA Retirement Systems Update
Report to the OEA Board of Directors: December 2022

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SERS Reports Results of Actuarial Valuation

At the November meeting of the SERS Board, the system's actuary presented the results of the annual actuarial valuation of the pension and health care plans. In fiscal year 2022, the funded status of the pension plan increased from 74.46% to 75.48% the prior year. The funding period, the amount of time needed to pay off the unfunded liabilities of the plan, decreased from 23 to 22 years.

Investment returns for FY 2022 were lower than the assumed rate of 7.0%. However, the actuarial valuation uses asset smoothing where gains and losses are realized over a four-year period. Because the unrecognized gains of the previous three years were greater than one-fourth of the loss in the most recent year, SERS' actuarial value increased.

The valuation also reported the SERS health care plan to be just over 45% funded. This was a slight decrease from the prior year due to negative investment experience. The heath care plan is projected to remain solvent for 38 years, until 2060. At the present level of funding for the pension plan, the Board's policy would allow for up to a 0.5% allocation of the 14% employer contribution to health care. However, at the September meeting, the SERS Board voted to allocate nothing towards the health care plan in order to put those assets towards pension benefits.

Reports Examine Pension System Recovery, Impact on Rural Communities

Two recent reports from the National Institute on Retirement Security examine public pension plans around the country. One examines the status of plans across the country and how they navigated recovery from the 2007 to 2009 Global Financial Crisis. Another illustrates the impact of public pension benefits on local economies.

Examining the Experiences of Public Pension Plans Since the Great Recession is a report that examines how plans have adapted in the years since the recession by taking actions to improve long-term resiliency. The report shows similarities between the Ohio public retirement systems and those across the country. Some key findings include:

- The majority of public pension plans recovered their pre- recession asset levels within six years, while continuing to pay over a trillion dollars in benefits.
- Based on lower projected returns, assumed rates of return on investments have decreased from eight to seven percent for the median public pension plan.

- Generational mortality tables have been broadly adopted by nearly all large public plans and future longevity improvements are now incorporated into projections.

- Many public plans have shortened amortization periods, or the period of time required to pay off an unfunded actuarial accrued liability. Tightening amortization periods, akin to paying off a mortgage more quickly, has had the effect of increasing short-term costs. In the long run, plans and stakeholders will benefit.

Fortifying Main Street: The Economic Benefit of Public Pension Dollars in Small Towns and Rural America underlines the importance of secure public pensions; not just for individual retirees but for their economic impact on communities. Some key findings include:

- Public pension benefit dollars represent between one and three percent of GDP on average in the 2,922 counties studied.

- Rural counties have the highest percentages of their populations receiving public pension benefits.

- Small town counties experience a greater relative impact in terms of both GDP and total personal income from pension benefit dollars than rural or metropolitan counties.

- Rural counties see more of an impact in terms of personal income than metropolitan counties, while metropolitan counties and rural counties see an equivalent impact in terms of GDP.