**OEA Retirement Systems Update**

**Report to the OEA Board of Directors: March 2017**

**Please distribute to other OEA members**

**OEA Endorses Carol Correthers for STRS Board**

OEA has endorsed **Carol Correthers** for re-election to the STRS Board. Correthers is an intervention specialist in Lorain City Schools and a current member of the STRS Board. Ballots for the upcoming STRS Board election will be mailed in early April. There are two candidates running for one seat on the Board representing contributing (active) members of STRS. STRS members eligible to vote in this election will receive ballots and voting information in early April. Votes can be cast by mail, phone or online. The deadline for voting is May 1, 2017.

Correthers has the training and experience to deal with investments, pensions and health care issues. She has been a strong and effective advocate for her fellow educators in the important role of an STRS Board member. Further, she shares OEA’s views and values. The changes in pension benefits passed by the legislature in 2012 were necessary to improve the solvency of the system. However, teachers are working longer and contributing more than ever before. Therefore, she will oppose any further increase in employee contributions or reduction in pension benefits for active teachers.

In addition to the election of a member of the STRS Board representing active members, the two retiree seats on the Board also were slated for an election in 2017. However, OEA-endorsed candidates **Bob Stein** and **Rita Walters** were the only candidates to qualify for the ballot. Because this was not a contested race, no formal election will be held. Stein and Walters will begin their four-year terms in September.

**SERS Names New Executive Director**

On Friday, February 17, 2017, the SERS Board announced the appointment of Richard Stensrud as the next SERS Executive Director. Stensrud will become the seventh Executive Director since SERS was founded in 1937. The hiring is a result of national search. He replaces Lisa Morris who retired in October 2016.

Before joining SERS, Stensrud served as CEO of the Sacramento County Employees’ Retirement System, an $8 billion fund. Additionally, he has served in various staff roles in pension systems in Illinois and Missouri. Helen Ninos will continue to serve as Interim Executive Director until Stensrud begins his new duties in late May.

**STRS Board Adopts Actuarial Assumptions**

On Thursday, March 16, 2017, the STRS Board voted to adopt new actuarial assumptions. Of note, the Board adopted an investment return assumption of 7.45%. The Board’s actuarial firm (Segal) had recommended a 7.00% assumption but also stated that a range of 6.95% to 7.45% was reasonable. Even the top end of the range is a reduction from the previous assumption of 7.77%. By an 8 to 3 vote, the Board adopted 7.45%. All the elected members of the Board were joined by Sarah Wickham (ODE) in supporting the motion.

Taken as whole, the changes will add significantly to the unfunded liabilities of the system. The most significant drivers of this are improved life expectancy ($4.1 billion) and lowering the investment assumption ($3.8 billion). However, by choosing 7.45% rather than 7.00% as the investment return assumption, the STRS Board avoided adding an additional $5 billion in liabilities.

The estimated effect of the new assumptions on the actuarial valuation of the system is a funded ratio of 62.4% and a funding period (the amount of time needed to pay off the unfunded liabilities of the system) of 60 years. State law calls for a funding period of no greater than 30 years. The STRS Board is considering changes to benefits to reduce liabilities and improve the long-term financial outlook of the pension plan.

 A change in cost-of-living adjustments (COLA) appears likely. STRS staff also presented information on the impact of changes to the calculation of final average salary, age and service eligibility and the benefit formula. A change to the COLA has by far the biggest impact because it affects retirees who represent approximately 75% of the system’s liabilities.

**OEA’s View:** OEA is committed to our members’ economic security in retirement. A stable, reliable pension is the underpinning of that security. Any change to pension benefits would be extremely painful. This cannot just be a numbers exercise. These decisions have a real impact on the lives of hundreds of thousands of retirees, active teachers and their families, as well as future educators.

OEA will actively oppose any reduction to active teachers’ pension benefits. Active teachers contribute an unprecedented percentage of their pay (14%) and have already seen their benefits reduced and careers extended by 2012 pension legislation. Changes to cost-of-living allowances, if necessary, should be temporary or partial reductions rather than a permanent suspension. Cost-of-living allowances are vital to maintaining purchasing power in retirement. As the financial condition of the pension plan improves, the Board should aim to reinstate the COLA and to reduce employee contributions.

**HPA Reaches Consensus on STRS Health Care Pathways Discussion**

For several months, the STRS Board has been discussing various “pathways” to restructure health care benefits and extend the solvency of the STRS health care fund. The Healthcare and Pension Advocates for STRS (HPA) has reached a consensus position in support of a pathway that maintains subsidies for pre-65 health care while keeping Medicare premium increases to a minimum.

HPA is a coalition of stakeholder groups representing the active employees, retirees and employers of the STRS system. OEA Vice President Scott DiMauro serves as co-chair of the coalition and notified the STRS Board of the consensus position during public participation at the March STRS Board meeting.

HPA’s consensus position was in support of pathway “B2” as it has been referred to at STRS Board meetings. The major features of the pathway B2 are freezing pre-65 health care subsidies at the current level and continuing the current subsidy methodology for Medicare.

Under current projections, the existing health care plan is projected to be solvent until 2037. Pathway B2 would increase solvency by 14 years. Other options would extend projected solvency further but this is accomplished by deeper cuts or eliminating pre-65 premium subsidies for future retirees. These projections will be updated based on the new actuarial assumptions. The STRS Board is expected to adopt a health care pathway at its April STRS Board meeting