OEA Retirement Systems Update

Report to the OEA Board of Directors: June 2019

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STRS Board Adopts Funding Policy Amendments

During the May 16, 2019 meeting of the STRS Board, the Board voted to adopt changes to its funding policy. The purpose of the policy is to state objectives for the funding of the retirement system and lay out criteria for making changes to funding and benefits and when those changes should be considered by the Board.

The policy has a goal of achieving full funding. However, at OEA’s urging, the Board adopted a change to the funding policy stating that at a level of 85% funding or greater, the Board may consider changes to the plan that in the determination of the Board’s actuary do not materially impair the fiscal integrity of the system. OEA supports this change and supports restoration of COLA benefits as well as a reduction in employee contribution rates as financial conditions improve. The Board passed the amendment by a vote of 8-1 with retiree representative and Board Chair Bob Stein as the lone dissenting vote.

The May Board meeting also included the following information that provides context for the current financial condition of STRS:

- The ratio of active members to beneficiaries has dropped to about 1.1 to 1.
- STRS has a negative cash flow of about $4 billion annually (annual benefits are greater than contributions). The balance is expected to be made up with investment returns. STRS needs to earn around 6% on investments to make up the difference and assumes a rate of 7.45% to pay down unfunded liabilities.
- STRS estimates a 29% chance that a negative experience could drop the fund to less 50% of needed cash in the next 10 years.

Two Retired Teachers File Suit Over STRS COLA Freeze

Two retired teachers have filed a class action lawsuit in federal court arguing that STRS lacked the legal basis to freeze cost-of-living adjustments (COLA) to retirees. The STRS Board voted in April 2017 to freeze the payment of 2% COLA payments to retirees, citing a need to shore up long-term finances. Dean Dennis and Robert Buerkle, retired teachers from the Cincinnati Public Schools, are the lead plaintiffs in the lawsuit which was filed in the U.S. District Court for the Southern District of Ohio.

The School Employees Retirement System (SERS), is also facing a lawsuit over COLAs. A Franklin County Common Pleas Court judge granted SERS’ request to dismiss the lawsuit. That ruling was appealed to the 10th District Court of Appeals last month.
OPERS Approves 2020 Health Care Changes

During its May meeting, the OPERS Board approved changes to the 2020 plan for retiree health care. This action is separate from ongoing discussion about the future of the OPERS health care program and affects only coverage for next year.

The Board’s decisions related to out-of-pocket expenses and subsidies for pre-Medicare retirees and the base allowance for participants in the OPERS Medicare Connector. OPERS retirees are expected to see increases in plan deductibles subject to the annual maximum out-of-pocket limit as defined by the Affordable Care Act. The base allowance for Connector participants will remain unchanged at $450 a month.

SERS Board Discusses Health Care Plan Design Changes

At the May meeting of the SERS Board, a representative with Cavanaugh Macdonald, SERS’ actuarial firm, presented recommendations for changes to the 2020 health care plan. Proposed changes to the Medicare plan include a discontinuation of the Paramount Elite Medicare plan and a transference of its 354 enrollees to the Aetna Medicare Advantage plan. Other proposed changes include a reduced co-pay for insulin and slight increases in monthly premiums for dental benefits. The Board is expected to act on recommended changes to the plan at its next meeting later this month.