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OEA Retirement Systems Update

Report to the OEA Board of Directors: February 2022

Please distribute to other OEA members

OEA Endorses McFee, Rhodes and Walters for STRS Board

The OEA Board of Directors has endorsed three candidates for the STRS Board. **Robert McFee** and **Jeffrey Rhodes** are seeking re-election to the STRS Board as representatives of active members. **Rita Walters** is seeking re-election to the Board as a retiree representative.

As Board members, these candidates and OEA members have been dedicated to improving the funding status of the pension plan to make pension benefits more secure for all members. Over the past four years, the funding ratio of the pension plan has improved significantly. The STRS Board is now able act on resumption of the cost-of-living adjustment (COLA) for retirees coupled with improvements for active teachers.

Robert McFee and Jeffrey Rhodes (active seats)

Robert McFee is a math teacher in the Willoughby Eastlake City Schools. **Jeffrey Rhodes** is an Industrial Education teacher in North Royalton City Schools. Both have served on the Board since 2018.

Rita Walters (retiree seat)

Rita Walters retired with 35 years of experience as a classroom teacher with Switzerland of Ohio Schools. As an active teacher, she served as president of her local association and on the OEA Board of Directors for 12 years. Walters was elected to the STRS Board in 2017.

Improving Funding

After the Great Recession, STRS was projected to run out of money. Since McFee, Rhodes, and Walters have been on the Board, STRS funding has greatly improved making our future pensions benefits more secure and reliable.

Restoring Benefits

Improved funding means that STRS is now able to begin restoring benefits. McFee, Rhodes, and Walters believe this must benefit all STRS members—active and retired. In addition to bringing back a COLA for retirees, active teachers should benefit from an earlier retirement age (removing the age 60 requirement).

Securing Health Care

Once projected to run out of money, the STRS Health Care program is now fully funded, and retirees have received premium rebates for the past two years.

Protecting Our Pension

Recently, two STRS Board members proposed investing up to $65 billion (2/3 of STRS assets) in a firm with no clients and no track record of success. Our endorsed candidates will fight against unproven investment schemes targeting our pension dollars.

In early April, ballots will be sent to all STRS members. Active employees, those currently paying into STRS are eligible to vote in the election for the active member seat. STRS retirees, are eligible to vote in the election for the retiree seats.

OEA's endorsed candidates for the STRS Board are proven leaders who are looking out for the best interests of their fellow educators. These three candidates are dedicated to improving benefits for active and retired teachers while ensuring that the pension plan is sustainable into the future.

We need to do everything we can to re-elect **Robert McFee**, **Jeffrey Rhodes**, and **Rita Walters** to the STRS Board.

OEA Urges COLA Payment, Removal of Age 60 Requirement at STRS

At the February meeting of the STRS Board, OEA Secretary-Treasurer Mark Hill addressed the Board to advocate for restoration of cost-of-living adjustment (COLA) payments for retirees coupled with changes benefiting active teachers. Specifically, he voiced OEA's support for options that would pay a 2% COLA for eligible retirees coupled with removal of the age 60 requirement for retirement eligibility. This would allow unreduced benefits with 35 years of service at any age from August 2023 and beyond. A second supported option would include those two items and a 1% decrease in the employee contribution rate from 14% to 13%. A copy of the statement is attached.

The improved funding level of the pension plan make these recommended benefit improvements possible. In 2017, the STRS pension plan did not meet the requirement in Ohio law that period needed to pay off the unfunded liabilities of the system cannot exceed 30 years. The STRS Board voted to suspend COLA payments to shore up the long-term funding of the pension plan. The Board stated that they would review the change within five years and subsequently adopted a funding policy to consider changes that do not impair the fiscal integrity of the pension plan once the plan was 85% funded.

Given the strong investment returns of last fiscal year (over 28%) and due to the shared sacrifice of both active and retired members, STRS is now over 85% funded on a market basis. OEA believes that both active and retired teachers should benefit from this improved funding status. The proposed changes can be afforded without putting the long-term solvency of the system in jeopardy.

The STRS is expected to vote on possible changes at its March meeting. The Board will examine the proposals outlined above as well as the possibility of a multi-year COLA or a COLA of 3%.

OEA
OHIO EDUCATION ASSOCIATION

175 YEARS

AS THE VOICE FOR PUBLIC SCHOOL EDUCATORS AND STUDENTS

The OEA will lead the way for continuous improvement of public education while advocating for members and the learners they serve.

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An Affiliate of the National Education Association

February 17, 2022

Dear Members of the STRS Ohio Retirement Board

When the STRS Board suspended the Cost-of-Living Adjustment (COLA) in 2017, it committed to revisiting its decision in five years. Now, five years later, the funding of the pension has improved to the point where the STRS Board is able to consider adjusting plan design to benefit the members of STRS. The Ohio Education Association welcomes the Board's examination of pension changes to benefit members. We urge the Board to consider the following principles when determining whether and how to change benefits:

- The Board should provide mitigation against erosion of the purchasing power of retirees' pension benefits due to inflation. Thus, any plan design change the Board adopts must include an appropriate cost-of-living adjustment to current retiree benefits for those who are eligible.
- We believe that any pension plan design change must be equitable and balance the interests of both active and retired members of the system.
- It is imperative that the system retains its sustainability. Any changes the Board adopts must not impair the long-term fiscal integrity of the pension.

Given those principles, OEA urges the Board to consider adopting either Lever 2 (2% COLA for one year and an unreduced benefit at 35 years of service) or Lever 3 (2% COLA for one year, reduction in the employee contribution rate from 14% to 13%, and an unreduced benefit at 35 years of service.) We believe that either of those options provides a small but necessary measure of inflation protection for retirees whose benefits have been frozen. Also, Lever 2 and Lever 3 both bring the amount active members are contributing towards their pension in line with the value of pension benefits they have earned.

While this moment provides the Board an opportunity to provide a partial measure of relief for both active and retired members of the system, we believe the Board must continue to move the pension toward providing a permanent cost of living adjustment for retirees while maintaining long term pension sustainability.

Sincerely

Mark Hill

Mark Hill
Secretary-Treasurer
Ohio Education Association