

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

Please distribute to other OEA members

Actuarial Firm Reports Error in STRS Valuation

On January 9, 2014, The Segal Company, the actuarial firm for STRS, notified the retirement system of an error it had made in the November 2013 actuarial valuation of the pension plan. Segal had mistakenly reported the funding period, the amount of time needed to pay off the unfunded liabilities of the pension plan, at 36.1 years. Segal reports that, once corrected the valuation will show an increase in the funding period of approximately four years.

As reported in last month's retirement update, prior to the passage of pension reform legislation, STRS had an infinite funding period, meaning it was not going to be able to pay off its obligations in the future. Sacrifices made by active and retired teachers have helped to stabilize the system. STRS also has \$2.8 billion of investment gains that are not recognized in this valuation due to the smoothing of investment returns. It is expected that the funding period will continue to decrease if STRS meets its actuarial assumptions.

SERS-STRS Reach Agreement on Membership Determinations

In early January, SERS and STRS sent a joint communication to employers regarding a mutual determination about retirement systems membership for certain positions. Based on this action, some individuals will be switching the retirement system to which they are contributing effective July 1, 2014. The positions that may be impacted include coaches, athletic directors, nurses, social workers, occupational therapists, speech-language pathologists and audiologists.

This is likely not a widespread issue. Just because a position is listed does not mean that a member is switching retirement systems. Members in these job classifications have likely been contributing to the correct system all along. However, different school districts have had different practices and may have received a different answer in the past depending on which system they contacted. The retirement systems do not know how many individuals will be facing this issue. Identifying those individuals and contacting them will be initiated by the local employer. Below is the proper retirement system for some common positions based on the joint determination:

- **Coaches and athletic directors:** If the individual holds a valid teaching license they are to contribute to STRS, if not they are to contribute to SERS.
- **Nurses:** If the position requires an ODE school nurse license they are to contribute to STRS, if not they are to contribute to SERS.
- **Speech-language pathologists and audiologists:** They are to contribute to STRS unless the school received a special exemption from ODE.
- **Pupil services:** Occupational therapists, physical therapists and assistants, interpreters for the hearing impaired and social workers all are to contribute to STRS.

Changes brought on by this action will not be retroactive. A member's contributions and service credit to SERS or STRS will remain with that system. If a member switches systems, the contributions and service credit to the new system begins July 1, 2014. The member will retire with the system in which they have the most service credit under the formula/eligibility of that system. For example, a long-time employee who has been contributing to SERS for 25 years would retire under SERS even if they are switched to STRS going forward.

The full joint communication from SERS-STRS to employers can be viewed using the following link: <https://www.ohea.org/Document/Get/29141>

OEA Endorses Hill and Price for STRS Board

The OEA Board of Directors voted to endorse **Mark Hill and Dale Price** for reelection to the STRS Board. Mark Hill is a middle school math teacher, President of the Worthington Education Association and member of the OEA Board of Directors. Dale Price is a math teacher at the Toledo Technology Academy and also serves as the Treasurer of the Toledo Federation of Teachers. Both candidates are seeking their second terms on the STRS Board.

Both of the OEA's endorsed candidates have valuable experience and are committed to making sure that STRS is able to meet its long-term obligations to offer economic security through a defined benefit plan and access to meaningful health care.

Candidates for the STRS Board must collect signatures of 500 active employees who contribute to STRS on nomination petitions with at least 20 signatures from 10 different counties. If you are able to assist in gathering signatures for OEA's endorsed candidates, please contact Robert Davis in OEA Government Relations at 614-227-3069 or davisr@ohea.org.

Some OPERS Health Care Changes for 2014

In September 2012, the OPERS Board of Trustees adopted a set of changes to the OPERS health care plan. In March 2013, the Board voted to delay the effective date of some of the changes to allow OPERS members and retirees additional time to prepare for major alterations to their health care coverage. However, a number of significant changes were not delayed and have been implemented at the beginning of this year. Below is a summary of those changes:

- **Qualifying service credit:** Only the following types of service credit will apply to health care eligibility on or after January 1, 2014: contributing service, Ohio Retirement System transfers, interrupted military service, unreported time and restored (refunded) service.
- **Disability 5-year rule:** Members receiving a disability benefit prior to 2014 will have continued access to the OPERS health care coverage plan based on the annual review and approval of their disabled status. Members first receiving a disability benefit that is effective on or after January 1, 2014 will have coverage during the first five years of receiving disability benefits. After five years, a recipient must meet minimum age and service health care requirements or be enrolled in Medicare to remain enrolled in the OPERS health care plan.

- **Delayed enrollment:** Retirees may elect not to enroll in the OPERS health care plan at retirement. Members retain eligibility and may enroll in the plan at a later date. The health care allowance will be determined based on the years of qualifying service credit at retirement and the age the member enrolls in the OPERS health care plan.
- **Minimum earnings:** Contributing service credit will count toward health care eligibility only if members earn at least \$1,000 per month. Contributing service credit earned prior 2014 is not subject to the \$1,000 minimum.