

OEA Retirement Systems Update
Report to the OEA Board of Directors: October 2020

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STRS Receives Actuarial Report on Pension and Health Care Plans

On Thursday, October 15, 2020, the STRS Board received annual reports on the funding status of the pension and health care plans. The reports were presented by the Cheiron, the STRS Board's contracted actuarial firm.

Results of the actuarial valuation of the pension plan are as of June 30, 2020, the end of the fiscal year. According to the report, the actuarial value of STRS pension plan assets were \$76.4 billion. This differs from the actual market value of assets because gains and losses are smoothed over a four-year period in the actuarial valuation to reduce volatility. The actuarial liabilities were \$98.7 billion. The pension plan's funding ratio is 77.4%, up from 76.1% last year. The funding period (the amount of time needed to pay off the unfunded liability) is calculated at 14.9 years, an improvement from 16.6 years in the last valuation.

The valuation of the STRS retiree health care plan continues to show that health care is fully funded. Health care fund assets as of June 30, 2020 were approximately \$3.9 billion and actuarial liabilities were around \$2.1 billion for a funded ratio of 182%.

STRS Board Approves Health Care Premium Rebate

The STRS Board unanimously passed a motion to issue a \$250 rebate for each enrollee in the STRS health care plan as of October 2020 (retirees, spouses, and dependents). The rebate payments will be made in the December 2020 pension payments and are non-taxable. The total cost of the refund will be approximately \$29.1 million. The funded ratio of the health care plan is expected to remain over 180%.

SERS Board Sets 0.5% COLA for 2021

At its September meeting, the SERS Board unanimously approved a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees in 2021. SERS has not granted a COLA for the past three years to improve the long-term finances of the pension plan.

Under state law, SERS will base its COLA upon the yearly change in the Consumer Price Index for Urban Wage Earners (CPI-W), with a range of 0% to 2.5%. However, the Board may deviate from the change in CPI-W if its actuary determines the change would not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. The change in CPI-W for the fiscal year ending June 30, 2020 was 0.5%.

The COLA increase will be effective for those whose benefit effective date is prior to April 1, 2018. Those who retired on or after that date must wait until their fourth anniversary date before receiving a COLA.