

OEA Retirement Systems Update **Report to the OEA Board of Directors: September 2022**

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SERS Approves 2.5% COLA

At its Board meeting on Thursday, September 15, 2022, the SERS Board unanimously approved a 2.5% cost-of-living allowance (COLA) for calendar year 2023. State statute provides for an annual COLA based on the federal cost of living index capped at 2.5%. However, the SERS Board has discretion to go above that level based on determination of the Board's actuary about the impact on the funding of the pension plan.

In discussion among the Board members, several expressed reservations about going above the 2.5% level. This was based on the funding of the pension plan being under 80%, poor investment returns during fiscal year 2022 and in the first few months of fiscal year 2023. While acknowledging the high level of inflation that retirees are dealing with, several expressed that it would be better to have incremental increases each year rather than a higher increase followed by another freeze in the COLA.

STRS Board Reviews Fiduciary Audit

At its Board meeting on Thursday, September 15, 2022, the STRS Board received an update on the fiduciary performance audit. The Ohio Retirement Study Council engaged Funston Advisory Services to perform a thorough review of STRS policies, procedures, reporting and operations. The report was completed in June of this year.

Major findings of the fiduciary audit showed that STRS has been effectively fulfilling its fiduciary duties; that STRS investment performance is in the top quartile of retirement systems in the country and that member services are a top performer with low costs relative to peer systems. While there were no "red flags" revealed in the audit, there were over 170 recommendations for improvements. At the STRS Board meeting in November, the Board will receive a progress report on implementation of the recommendations with further discussion or action on issues of board policy and governance.

Also, during the September meeting, the Board passed a motion to post meeting materials to the public two days in advance of future board meetings. Motions to have live video streaming of board meetings and consideration of Saturday board meetings were postponed for consideration at the November meeting.

OPERS Health Care Fund Increases Solvency Period

During the August meeting of the OPERS Board, the system's actuarial firm, Gabriel Roeder, Smith & Co., presented the expected solvency of the OPERS Health Care Fund. The solvency period increased to 29 years in 2021. This was an increase of four years compared to the previous valuation.

Further projections from the actuary show that approximately 2% of pay in employer contributions would be needed to fund the projected retiree health care benefits indefinitely. Currently, all of the available employer contributions are allocated to the pension plan. Absent any future contributions, the projections show the fund running out of money in 2051.