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

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NEA, Tim Ryan Working to Repeal GPO-WEP

The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) are federal laws that unfairly punish public employees by reducing their earned Social Security retirement and spousal benefits. Many OEA members in STRS, SERS, and OPERS are impacted. OEA members and the National Education Association (NEA) have been working for decades to repeal these punitive provisions. Congressman Tim Ryan (D- OH 13) has been a key ally in these efforts.

The GPO reduces the Social Security spousal or survivor benefits of people who get a public pension but did not pay Social Security taxes themselves. The WEP reduces the Social Security retirement, disability, spousal or survivor benefits of people who work in jobs which pay Social Security taxes and jobs in which they do not. Because Ohio public employees are exempt from Social Security, these provisions impact hundreds of thousands of Ohioans. The Congressional Research Service reports that WEP affects 1.9 million Americans, and the GPO affects nearly 700,000.

Critical legislation is pending in Congress. The bipartisan Social Security Fairness Act (S. 1302/H.R. 82) would fully repeal GPO and WEP. The Social Security 2100 Act (S. 3071/H.R. 5723) would fully repeal GPO and WEP, expand and strengthen benefits, and ensure that wealthy Americans pay their fair share. Click here to urge your legislators to support these important bills.

Congressman Tim Ryan, OEA's recommended candidate for the U.S. Senate, is a cosponsor of both bills. He has consistently supported full repeal of GPO and WEP. The retirement security of working Americans is a key priority for him. He has testified on behalf of Delphi employees who had their pensions terminated and has taken on the drug companies to lower drug prices for retirees. As a Senator, he would work with U.S. Senator Sherrod Brown (a lead sponsor of S. 1302) to ensure a fair deal for Ohio's educators.

STRS Makes Major Improvements to Retiree Health Care Plan

During the October Board meeting, the STRS Board unanimously approved several changes to make the STRS health care plan more affordable for retirees. The improvements were based on the robust funding position of the health care plan and cost savings achieved through contract bidding for a pharmacy benefits manager and health insurance administrator.

Changes adopted by the Board include:

- Premium reductions for both non-Medicare and Medicare enrollees
- Increased premium subsidy levels for non-Medicare retirees (2.5% per year of service to a maximum of 75%)
- A $600 premium rebate for enrollees with coverage in October 2022

- Equivalent to a $50 per moth reduction, capped at the actual premiums paid
- The rebate is non-taxable and will be in the December benefit payment

The actuarial valuation of the health care plan showed a funding level of 230% for the health care plan. The improved funding level was due to changes in demographics (lower enrollment), assumption changes, lower claims among Medicare enrollees, and reduced trend assumptions. This level of funding is a strong indicator that improvements to the plan can be made without jeopardizing the long-term funding of the health care plan and its availability for future retirees.

The bidding process for pharmacy benefits manager and health insurance administrator resulted in substantial savings. STRS will move to CVS as its pharmacy benefits manager, replacing Express Scripts. CVS provided a savings of roughly $214 million (18.6%) over projected costs. Aetna was selected as the sole medical administrator. Aetna offered significant savings for the Medicare population, was the only finalist that provided lower pricing for the non-Medicare population, and provided a $32 million cost reduction for the 2023 plan which will be passed along in direct premium reductions.

Medicare Announces Lower Part B Premiums

Medicare Part B premiums and deductibles will decline in 2023. Medicare Part B covers physician services, outpatient hospital services, certain home health services, durable medical and health services not covered by Medicare Part A.

The Centers for Medicare and Medicaid Services announced a premium of $164.90 per month, down over five dollars from the current year. The annual deductible will be $226, a decrease of about seven dollars.

Actuarial Valuation of STRS Pension Plan Shows Improvement and Warning Signs

The actuarial valuation of the STRS pension plan was presented to the STRS Board at its October meeting. Cheiron, the actuarial consulting firm for STRS, reported on the financial status of the plan as of June 30, 2022. The actuarial valuation of assets shows a funding level of 80.9%, up slightly from 80.1%. The funding period (the amount of time needed to pay off the unfunded liabilities) improved from 14 years to 11.5 years.

Again, these numbers are based on the actuarial value of assets where investment gains and losses are recognized over a four-year period through a process of smoothing. STRS investments had a large positive return in fiscal year 2021 and those results are still being phased in. In contrast, fiscal year 2022 had an investment loss that will be recognized over four years. Using market value, the funding status of the plan dropped from 87.8% to 78.9%.

The drop in the funding level is not solely due to investment losses. In fiscal year 2022, STRS paid out over $7.1 billion to retirees and beneficiaries. This far outpaces the amount contributed by employees and employers resulting in negative cash flow. Positive investment returns on the assets are needed to offset this.