**OEA Retirement Systems Update**
**Report to the OEA Board of Directors: June 2023**

**Please distribute to other OEA members**

**STRS to Continue Retirement Eligibility at 34 Years, Provide 1% COLA in FY '24**

At its May meeting, the STRS Board approved two benefit changes—one impacting active teachers, and one for current retirees. The change for active teachers deals with retirement eligibility. The Board's action extends the ability to retire after 34 years of service at any age and receive unreduced benefits. The years of service needed was scheduled to increase to 35 in August of this year. Eligibility at 34 years of service was extended for five years and will now be in effect until July 31, 2028.

On the retiree side, the Board approved a 1% cost-of-living adjustment (COLA) for fiscal year 2024. Eligible retirees will receive an increase of 1% to their base retirement benefit on the anniversary of their retirement date. Retirees are eligible for COLA if they have been retired for five years or more.

By state law, the Board is constrained in making benefit adjustments to the extent they do not materially impair the fiscal integrity of the pension plan. The actuarial consultant for STRS, Cheiron, determined that, based on the funding status of the plan, only smaller scale changes could be considered at this time. This was determined to be changes that have a *de minimus* funding impact—not to exceed 1% of the actuarial assets of the plan ($830 million). The total cost of the changes approved is estimated to be $825 million.

**OPERS Funding Status Holding Steady**

At its May meeting, the OPERS Board received a presentation on the 2022 actuarial valuation of the pension plan. Actuarial firm Gabriel, Roeder, Smith & Co. reported that the funding ratio of the defined benefit pension plan was 84%. The time needed to pay off the unfunded liabilities of the plan based on current assumptions (amortization period) was 16 years. State law requires this period to be no greater than 30 years.

Both the funding ratio and the amortization period were largely unchanged from the 2021 valuation despite heavy investment losses during calendar year 2022. This is because investment gains and losses are recognized over a four-year period to reduce volatility. OPERS recognized $5 billion of the 2022 loss, which was offset by unrecognized gains from previous years. In total, the unrealized loss is $9.7 billion. Over the next several years, the funding period will tend to decrease, and the amortization period will increase absent future investment gains greater than the assumed rate of return.

Based on modeling by the actuary, OPERS could exceed an amortization period of 30 years with an investment loss of greater than 4.5% in 2023. Conversely, an investment return of 19.1% or greater would offset the unrealized losses.