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

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SERS Board Approves 2.5% COLA for 2024

At its September meeting, the SERS Board approved a 2.5% cost-of-living adjustment (COLA) increase for eligible retirees in 2024. SERS bases its COLA on the change in the Consumer Price Index (CPI-W) over a twelve-month period.

This year's CPI-W was 2.3%. However, the Board's actuary stated that a slightly higher COLA amount would not materially impair the funding status of the pension plan. With that in mind, the Board unanimously voted to approve a COLA of 2.5%, which is the highest amount permitted by statute.

Payment of the 2024 COLA takes effect on a retiree's anniversary date. Those who retired on or after April 1, 2018, are not eligible for a COLA increase until the beginning of their fourth year of SERS retirement.

OPERS and STRS to Pursue Increased Employer Contributions

On Tuesday, October 17, the OPERS Board voted 7-2 to pursue legislation that would increase the percentage of payroll that employers pay to support OPERS benefits for public employees. The current employer contribution amount is capped at 14%.

OPERS plans to seek legislation that would increase the statutory maximum employer contribution limit from 14% to 18%. The increase would be phased in over time. Further, OPERS recommends allowing an additional increase of up to 1% every 10 years if needed to fund benefits.

Likewise, the STRS Board voted in 2022 to seek legislation to allow for an increase in employer contributions to the pension fund. Although the Board did not put forth a specific proposal, legislation was introduced in the last session (HB 601) which would have increased the employer contribution cap from 14% to 18% over an eight-year period. A similar proposal may be introduced this session. The STRS Board has established a legislative committee which will begin discussing potential legislative recommendations in November.

Ohio pension plans are hamstrung by a fixed employer contribution rate that has been unchanged for decades. Ohio public employees do not pay into Social Security and therefore are more reliant on their pension benefits. Total contribution rates in Ohio are lower than in other non-Social Security states. Further, Ohio pension systems are mature plans that pay out far more in benefits to retirees than they receive in contributions. This puts tremendous pressure on investment returns to adequately fund future benefits. When investments take a downturn, this puts member benefits at risk as we saw in pension reform in the wake of the Great Recession.

OEA believes that an increase in employer contributions is warranted. It would help improve the long-term solvency of the plans and support needed benefits for current and future retirees. However, proposals to increase employer contributions face a difficult path in the legislature. During pension reform, Governor Kasich refused to consider such an increase. Employer groups will be opposed to such legislation. Increases in employer contribution rates may also have an impact on the ability of OEA local associations to negotiate higher salaries.

OEA will keep members updated when legislation is introduced and there is an opportunity for member advocacy on this issue.

Actuarial Valuation Shows Slight Improvement in STRS Funding Status

On Thursday, October 19, the STRS Board received a report on its annual actuarial valuation. This report shows the financial status of the pension plan as of the end of the fiscal year (June 30) and how it has changed in the past twelve months.

The valuation shows a slight increase in the funded status of the plan. The STRS pension plan is 81.3% funded, compared to 80.9% last year. The amount of time needed to pay off the unfunded liabilities of the pension plan decreased slightly to 11.2 years from 11.5 years.

The Board's actuary, Cheiron, also provided a valuation for the STRS Health Care plan. This plan continues to be fully funded with a funded ratio of 168%. The healthy financial status of the plan has allowed the Board to make benefit improvements to the plan and provide premium rebates to retirees in recent years.