

CHALKDUST

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ORSC Asks Retirement Systems to Examine Range of Benefit Changes These are Discussion Items – Any Change Would Require Change in State Law

The Ohio Retirement Study Council (ORSC) has asked each of Ohio's retirement systems to examine a wide range of potential changes to pension benefits and the impact each would have on system funding. The list of changes includes 20 different scenarios ranging from increased contributions, changes in age and service requirements, benefit formula, calculation of final average salary, elimination of the lump sum death benefit, reductions or deferrals of cost-of-living allowances and service credit changes. Further, the systems were asked to examine each change with a five year grandfathering provision or by applying them to only new employees.

On Monday, May 18, 2009, the ORSC staff met with staff of each of the retirement systems to review the request. OPERS and SERS have yet to have significant discussions at the board level about consideration of specific changes in pension benefits. However, at the OPERS Board meeting held on May 19-20, Board Chair Ken Thomas stated that he believed OPERS could not "invest their way out" of funding issues that confront the system. At the SERS Board meeting on May 21, several board members expressed surprise at the number of changes to be investigated and concern of the high cost of having an actuary cost out that number of scenarios.

During the STRS Board meeting on Thursday, May 14, 2009, the STRS Board continued its long-term contingency planning discussions and examined changes in pension benefits and contributions and the impact on system funding status. The scenario presented included the following changes:

a 2% increase in contributions phased in over four years; a minimum retirement age of 60 with 30 years of service; five-year calculation of final average salary; 2.2% formula for the first 30 years and 2.5% for each year thereafter; decreasing the annual cost-of-living adjustment to 1.5% for those retiring after 2011 and for all retirees after 2015.

Under the scenario, age, service and formula changes would take effect in 2015. This scenario produced a funding period of 51.6 years.

It is important to note that scenarios presented to the STRS Board have been for illustrative purposes only, and the Board has not made any policy decisions. Further, none of the potential changes presented can be made through Board action—each would require a change in state law.

As discussions continue to evolve in OPERS, SERS and STRS, OEA governance and staff will be following this issue very closely and will continue to keep members informed of developments.