

STRS Adopts Revisions to Pension Reform Plan

The State Teachers Retirement Board approved changes to the pension reform plan that was originally adopted by the Board September 2009. These changes were approved at the October 2010 meeting and came about as a result of modifications suggested by the Healthcare and Pension Advocates (HPA) for STRS. HPA is a coalition of member, employer, and retiree groups. The board approved the modifications in three (3) areas at the October meeting. The modifications are as follows:

-Retirement Eligibility

The transition period for qualifying for a retirement benefit at 35 years of service from 30 years of service will be phased in based on the following timeline:

30 years of service until 8/1/2015;

31 years of service 8/1/2015 through 7/31/2017;

32 years of services 8/1/2017 through 7/31/2019;

33 years of services 8/1/2019 through 7/31/2021;

34 years of service 8/1/2021 through 7/31/2023;

35 years of service from 8/1/2023 and after.

Unreduced Benefits as of:		Years of Service
Any age	7/31/2015	30 yrs
	8/1/2015	31 yrs
	8/1/2017	32 yrs
	8/1/2019	33 yrs
	8/1/2021	34 yrs
	8/1/2023	35 yrs
Age 60	8/1/2015	30 yrs
Age 65	8/1/2015	5 yrs

Actuarially Reduced Benefit With:	Age
30 Yrs of Service	Under age 60
5 Yrs of Service	Age 60

As in the original proposal, members are still eligible to retire at age 60 with 30 years of service or at age 65 with five (5) years of service beginning August 1, 2015. Under the revised plan, members may also retire with 30 years of service under age 60 or at age 60 with five years; however, the pension benefit will be actuarially reduced beginning August 2015.

-COLA)Cost-of-Living Adjustment

Under the revised plan, STRS Ohio members who are retired as of July 1, 2011 will receive an annual 2% COLA. Members retiring after 7/1/2011 will also receive a 2% COLA, but will not begin for 36 months after the date of retirement. Currently, the COLA is 3%.

-FAS (Final Average Salary)

Pension benefits are determined by a member's age, years of service, and FAS; The current FAS period is three years. Rather than request a change to a five-year FAS calculation from the current three-year calculation, the Board will now seek statutory

authority to set a three-, four-, or five-year FAS. This gives the Board some discretion in making this change on the proposed implementation date of August 1, 2015 based on the actuarial condition of the pension fund at the time.

These revisions were approved with a vote of 7 to 3.

-Member Contributions

There are no changes to the original proposal (September 2009) for member contributions and the benefit formula. Currently, STRS Ohio members pay 10% of their salary to STRS and employers pay 14% of total teacher payroll in lieu of paying into Social Security. Member and employer contributions would increase by a total of 5% by July 1, 2020. The member increase would be phased in at 0.5% per year, beginning July 1, 2011 until 2.5% is reached by July 1, 2015. The employer increase would be delayed for five years when it would be phased in at 0.5% per year beginning July 1, 2016 until 2.5% is reached on July 1, 2020.

-Benefit Formula

The Board's plan regarding the benefit formula would remain the same as originally proposed September 2009. The benefit formula would be 2.2% per year for the first 30 years of service; 2.5% per year thereafter, beginning August 1, 2015. With this formula change, the 35-year enhanced benefit is eliminated. Those who have 30 years of service; who are age 55 with 25 years of service; or who are age 60 with 5 years of service as of July 1, 2015, receive the greater of;

- (a) The benefit as of July 1, 2015, under the current formula; or
- (b) The benefit upon retirement under the new formula.

These changes require legislative action and have to be introduced, passed, and signed by the Governor. The introduction of any pension legislation is not expected until December 2010 or early 2011.

Also, at its October meeting, the STRS Ohio Board continued reviewing the STRS Ohio Health Care Program as part of its initial step toward developing a strategic plan for retiree health care adoption next spring. It was expected that funding for the health care program will be depleted by the year 2021. The Board will begin deliberations to develop a long-term strategic plan in November.