

RETIREMENT

2010 Resolutions

ATTENDEES:

Berea Federation of Teachers #1699	Christine Smearman Steve Holecko
Botkins Federation of Teachers #4484	Harold Poppe
Cincinnati Federation of Teachers #1520	Bob Buerkle Robert Sturdevant
Cincinnati Federation of Teachers Retired #1520-R	Derry Hooks
Cleveland Heights Teachers Union #795	Tamar Gray
Cleveland Teachers Union #279	Kurt Richards
Cleveland Teachers Union Retired #279-R	Raymond D. Kikta
Cuyahoga Valley Fed. of Teachers #2371	Jerry Koenig
Georgetown Fed. of Teachers #4903	Holly Woodruff Melissa Cropper, Chair
Greenon Fed. of Teachers #4370	Barb Jenkins
New Lexington Education Association #4186	Bev Lucas Toni Harper
Ontario Fed. of Teachers #1703	Rod Miller
Oregon City Fed. of Teachers #1080	Dave Shafer Jeff Straka
Owens Support Staff Union #6325	Gail Swartz
Toledo Federation of Teachers #250	C.J. Washington John Conrad
Van Wert Fed. of Teachers #4088	Gail McKinnon
(Observer) Cleveland Teachers Union Retired #279-R	Glenn Altschuld

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RESOLUTION ON DEFINED BENEFIT PLANS

1
2
3 WHEREAS Ohio's public pension (defined benefit) plans are part of a total
4 compensation package used to attract and retain highly qualified employees by offering
5 a secure retirement, and

6
7 WHEREAS these same employees often accept considerably lower salaries than
8 private sector employees with the same level of education in exchange for this secure
9 retirement, and

10
11 WHEREAS defined benefit plans help sustain state and local economies by providing
12 adequate retirement benefits to a significant portion of the workforce, and

13
14 WHEREAS according to a National Institute on Retirement Security (NIRS) research
15 study, retirees provide a steady economic stimulus to Ohio with every dollar paid to a
16 retiree returning \$1.33 to Ohio communities, and

17
18 WHEREAS according to the NIRS study, Ohio public pension systems create 79,410
19 jobs in Ohio from the spending by these retirees, and

20
21 WHEREAS switching to defined contribution plans will cost state and local governments
22 more in the short-term with no guarantee of savings in the long-term, and

23
24 WHEREAS taxpayers will foot the bill for the high cost to transition from a proven
25 defined benefits system to a defined contribution system composed of thousands of
26 private accounts, and

27
28 WHEREAS according to the National Institute on Retirement Security (NIRS), defined
29 benefit plans cost employers nearly 50% less than defined contribution or 401(k) plans,
30 and

31
32 WHEREAS defined contribution plans shift the investment risk to each worker, which
33 means each person must become an investment expert to manage individual accounts
34 or pay a high fee for such service, and

35
36 WHEREAS defined contribution plans also shift longevity risk to each worker by
37 providing a lump sum account at the end of the employment relationship instead of
38 lifetime guaranteed benefits, and

39
40 WHEREAS switching to a defined contribution plan may slow state and local economies
41 since a large number of retirees would receive lower retirement benefits, or even risk
42 outliving their investments, and

43
44 WHEREAS if individuals with defined contribution plans outlive their investments, they
45 will require public assistance at a further cost to the taxpayer, and

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47 WHEREAS Ohio's public employees are not covered by Social Security putting them at
48 a further risk of outliving their investments and needing public assistance, and
49

50 WHEREAS since defined contribution plans are not indexed to inflation, while defined
51 benefit plans are, switching to a defined contribution plan is likely to result in pressure
52 on the government to increase plan benefits for retirees who are a growing portion of
53 the electorate, and
54

55 WHEREAS in a defined contribution plan there is no pool of current workers to pay for
56 said increases, they will be paid from current government revenue at an additional cost
57 to the taxpayer, and
58

59 WHEREAS since defined contribution plans do not provide disability and survivor
60 benefits these benefits would have to be purchased through commercial services
61 resulting in additional costs to both the employer and taxpayer, and
62

63 WHEREAS defined contribution 401(k) type plans which are vulnerable in the stock
64 market were always intended to merely supplement a pension, not replace it, and
65

66 WHEREAS many Americans who have only defined contribution 401 (k) type plans are
67 already not financially able to retire due to the fluctuating economy, and
68

69 WHEREAS defined benefit plans help women (of whom 70% of the K-12 workforce is
70 comprised) have dignity in retirement, therefore
71

72 BE IT RESOLVED that the Ohio Federation of Teachers continue to advocate for and
73 work toward the preservation of Ohio's five public pension systems, and
74

75 BE IT FINALLY RESOLVED that the Ohio Federation of Teachers work to educate
76 colleagues, the media, the general public, and state and national legislators about the
77 value of defined benefit plans and its effect on local, state, and national economies.
78
79

80 **RESOLUTION ON OTHER OPTIONS FOR STRS CONTINGENCY** 81 **PLANNING**

82
83 WHEREAS STRS has promised certain benefits to retirees, current active members
84 and those earned and vested by inactive members to the greatest extent possible, and
85

86 WHEREAS the Ohio Retirement Study Council (ORSC) has required all public pension
87 systems to submit plans for bringing their systems within a thirty-year funding period,
88 and
89

90 WHEREAS in response to the ORSC requirement, STRS has developed numerous
91 contingency-plan levers that can be legislatively implemented to strengthen the system,
92 if it becomes necessary, in order to meet the thirty- year funding solvency requirement

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93 mandated by the legislature in the 1996-1997 session but was not a requirement from
94 1973 through 1996, and

95
96 WHEREAS during that time period the STRS would have been out of the thirty-year
97 compliance requirement for 19 out of the 23 years, yet recovered when there was no
98 legislative mandate, and

99
100 WHEREAS during this same 23 year period STRS also had at least five costly benefit
101 and formula enhancements and was still able to recover, and

102
103
104 WHEREAS STRS investments have been recovering substantially for the past three
105 quarters and are up nearly 30%, or approximately 14 billion dollars since March 9, 2009,
106 and

107
108 WHEREAS even during the worst recession in the last 100 years, STRS investment
109 returns have averaged over 9.3% for the last 27 years through the July 1, 2009 actuarial
110 report, exceeding their own 8% actuarial funding requirement over the long term, and

111
112 WHEREAS STRS investments have gained 11% since the June 30, 2009 through
113 January 31, 2010, and

114
115 WHEREAS Ohio Federation of Teachers, as members of the Healthcare Pension
116 Advocates (HPA), commissioned a report, referred to as the Bolton report to analyze
117 the funding status of the STRS, and

118
119 WHEREAS Bolton report verifies that STRS needs to make some changes in order to
120 preserve the pension fund but recommends a slower phase-in of the contingency levers
121 in order to allow for improvements in the economy and in health care funding,

122
123 WHEREAS cuts made in the pension benefits and COLAS, and increased deductions
124 from paychecks historically have not been restored to previous levels (i.e. health care
125 subsidies, the 13th check, the original money purchase divisor and interest rates, 50%
126 of the re-employed retirees match), therefore

127
128 BE IT RESOLVED that, in order to give investments a reasonable amount of time to
129 recover, the Ohio Federation of Teachers will continue to work with Healthcare Pension
130 Advocates (HPA) in lobbying the ORSC to make the following changes to the STRS
131 Contingency Plan:

132
133 Phase in change of retirement eligibility from 30 years of service to 35 years of service
134 according to the following schedule:

135 30 YOS until 8/1/15
136 31 YOS 8/15 through 7/31/17
137 32 YOS 8/17 through 7/31/19
138 33 YOS 8/19 through 7/31/21
139 34 YOS 8/21 through 7/31/23

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140 35 YOS 8/23 and beyond
141 Early retirement at 30 years of service, subject to an actuarially reduced
142 benefit, and

143
144 Beginning in 2011, current retirees receive a 2% annual COLA. Write
145 legislation to place the Board in charge of any changes to the cost of living
146 adjustment, COLA, with a review of the COLA in 3, 4, or 5 years based on the
147 status of the fund. Give new retirees the same 2% COLA but defer payment
148 for 36 months with retiree being at least 60 years old, and

149
150 Write legislation to grant the STRS Board the authority to determine basis for
151 final average salary based on the funding status of the system, and

152
153 That the STRS Board set the rate of contribution to health care at no less
154 than 1% of or at a greater percent when necessary to have a ten-year
155 solvency period for health care, and

156
157 BE IT ALSO RESOLVED that when STRS Investment Returns exceed the actuarially
158 recommended average of 8%, the excess shall be used, over a reasonable timeframe
159 to meet or exceed the 30 year funding mandate as has been done in the past; and no
160 further pension take-backs shall occur unless and until they become absolutely
161 necessary, and

162
163 BE IT FINALLY RESOLVED that when STRS funding levels are compliant with
164 legislative mandates and stable to the extent that it is sustainable, as determined by
165 appropriate evaluation, for a period of 20 years, any reductions in benefits from January
166 1, 2008 levels shall be revisited.